Chapter 1

1. The category “quasi-compulsory” or the related “partially constrained” consumption, some of whose forms I just listed, is an oxymoron in contemporary economic theory, but the phenomena in question have to be subjected to analysis and theoretical codification if we are to formulate a microeconomics apposite to a modern not a Victorian economy.

2. The argument in economics that unique prices are codetermined rests on the mathematics of solvable equation sets whose solution conditions must generally be fixed; generally a variant of static equilibrium. But fixed solution conditions coexist uneasily with an economy designed, so to speak, to yield perpetual qualitative change in productive conditions, products, and of course the productive qualities of the working population. I agree with Frank Hahn that general equilibrium theory, based on mainstream microeconomic analysis, is well-nigh unassailable on its own terms but that those very terms explicitly exclude the characteristics most visible, most important, and, indeed, most desired in a modern economy, namely, change and growth. See Hahn 1981, especially p. 132.

3. Following Schumpeter, it is useful to distinguish the narratives we give in clarification of fundamental propositions in economics from their analytical content, that is, from their formal properties and thus their role within the inferential apparatus. See Schumpeter 1954, 1053ff. (“Appendix to Chapter 7: on the Theory of Utility”), where he is interested in distinguishing the inferential/analytic dimension of utility theory from this or that (psychological) narrative. See especially footnote 2, page 1057, and page 1058, where he argues that “the utility theory of value has much better claim to be called a logic than a psychology of values.”

Yet even while one distinguishes the narrative from the analytical dimensions of a theory they cannot be entirely separated. A theory must be “interpreted,” meaning technically that the meaning and the initial and boundary conditions of at least some of its terms and propositions must be specified in terms of some body of material purported to provide their “meaning” and
“evidence.” Persuasive narratives can be presented in place of an articulated interpretative procedure, but, as I will argue, they may not be quite consistent with the theory being offered. For this argument, see the following sections.

4. Proposition set 1–8, hereafter \( \text{Inst} \{1 + 8\} \), is obviously not a complete representation of the axioms of neoclassical microeconomics; significantly, I have omitted the stipulation that buyers and sellers always act to maximize utility. We’ll return to this issue later.

5. The import of this distinction will become clearer as we proceed.

6. In a general equilibrium model one both incorporates and discards time through the device of assuming that markets for the future delivery of future goods and services both exist and are cleared in the present through time-discounted prices. This point does not gainsay but in fact emphasizes the instantaneous nature of exchange per se.

Analytically speaking, if one allows that the exchange of certain goods or services extends over real time intervals one thereby opens up the logical possibility that two or more prices for the same goods might obtain within the interval, that is, those prices would not be mutually conditioned and hence some supply/demand functions characterizing those exchanges would be discontinuous in some interval within the interval, hence also nondifferentiable in that interval. Alternately, one can overcome these barriers to general equilibrium analysis by assuming futures markets, conditional contracts, and other logical and narrative devices that make future uncertainty calculable. Uncertainty about the future or another’s price behavior under different circumstances can be accommodated by means of this gambit—but only as long as the uncertainty has what one might call an underwriter’s or actuarial character, that is, is at least notionally calculable. Even random futures could in principle be so accommodated but clearly not all possible future behaviors. For this point, see also Arrow and Hahn 1971: 33ff., 122ff.

It should be observed that in introducing analytical constructs such as futures markets, time discounted prices, the reduction of complex exchanges to simple, one-to-one affairs, and such the fabled elegance and simplicity of the basic microeconomic theory is being compromised. The point is that no theory that purports to deal with complex, many-faceted realities can be simple and unidimensional. One must incorporate the complexity somewhere, though it need not be in the axiom set. It can be incorporated instead in the theory’s transformation rules, that is, the rules governing the logical development of the theory from the axioms or, alternately, in the rules that “interpret” the theory in relation to its purported meaning and evidence. It is in this last, the rules of interpretation, that the elegance of the neoclassical microeconomics is, as it were, “paid for,” often in the form of ad hoc interpolations such as futures markets, assumptions that market information comes without cost, or omnipresent insurance and even reinsurance schemes, or is painted out by means of the expression “ceteris paribus.” In any event, choices about which level of analysis to incorporate this or that complexity are generally
governed by considerations of methodological convenience, not of the innate superiority of one choice over the other.

7. This is not sufficient condition, obviously, but necessary one. In the strict sense, as used here, to say that $Q$ is the necessary condition for $P$ is to say that $Q$ being false implies that $P$ is false as well.

8. This observation brings out the fact that the initial definition of exchange in the previous section was not analytically innocent. The very definition assumed that all of the PC’s services, including unforecastable future potential services, were alienable en bloc at the initiation of the sale/purchase, closing off the possibility of serial transfer. Hence it appears that proposition 4 (fully transfer en bloc), proposed as an additional assumption, also contains a repeat of the initial definition, albeit in disguised form.

9. Note that this is not the familiar “unequal exchange,” that is, an exchange of unequal values. We point instead to an inequality of the seller and the purchaser within the sale/purchase interval. Again duration of time is critical. If a sale/purchase is conceived to occur instantaneously, then the free and equal relationship of the neoclassical view at the inception of the sale/purchase is the same relationship at its conclusion; a trivial inference. But if there is a positive interval of sale/purchase one may not assume that the relations between seller and purchaser cannot change within that interval. Thus, even if, along with the neoclassicals, we accept that the purchaser initially bought the car or PC or microwave or health plan in a free and equal relationship with the seller, it does not follow that this free and equal relationship will necessarily extend throughout the entire interval of the sale/purchase, that is, that interval in which all of the purchased (potential) services of the good in question are transferred to the purchaser. In fact, and as we can readily observe, the symmetry of the sale/purchase relationship may change to the detriment of the purchaser once the initial purchase occurs and because of it.

10. The microeconomics in positive time that was just outlined does not require a utility-maximizing assumption; it purports to be a formal scheme adaptable to the ways different sellers and purchasers actually behave; to what degree a utility calculus is involved depends on further empirical investigation of different sets of such sale/purchase relationships. This observation serves to bring out a feature of the implicit logical structure of $\text{Inst}_{1 + 8}$. By characterizing exchange relationships as instantaneous, one precludes the possibility of examining the relationships themselves to discover possible further characteristics. Instead one must exogenously impute that exchange is symmetrically utility maximizing.

From the standpoint of theory construction, one is here assuming that the set of economically admissible exchanges is entirely comprised within the set of elementary utility-maximizing exchanges, that is to say, one is interpreting the proposition set $\text{Inst}_{1 + 8}$ as valid for that field of logical objects and further claiming that all economically significant exchanges are in principle
reducible to elements of the field. One need not make these additional assumptions for the microeconomics-in-positive-time just described.

11. In Dur \{1 + 10\}, length of time is not specified, presumably varying with the different cases from a moment or so into several years—as for a health plan. Analogously, for instance, to say that the seller and purchaser are formally unequal or partially constrained in the modal transaction is merely to indicate that different degrees of inequality and constraint are possible in the modal relationship, occasionally nil, more often varying from slight and substantially inconsequential, on up to serious levels of one-sided compunction. Similarly and consonant with social science and mathematical usage, the incidence of advances and liens may be considered as parameters varying within the sale/purchase relationship from zero to one, nil to compulsory. Technically, the sale/purchase relationship—between producer/sellers and purchaser/final consumers—is given here as a complex dyadic relationship, \(x S/P y\) in which the left-hand member ranges over one or more sets of varying size while the right-hand member is a unit set. The relation \(x S/P y\) includes, indeed emphasizes, the possibility of its nonsymmetry. In contrast, in exchange, \(x E y\), the relationship is necessarily symmetrical and both members are unit sets.

12. Theories dealing specifically with the pricing/selling behavior of firms are comprehensively reviewed and analyzed in Lee 1998. This interesting study also contains an extensive bibliography of both pricing theories and empirical pricing practices.

13. Note that if the elemental exchange relationship is necessarily symmetrical, as is requisite in Inst \{1 + 8\}, then every sum of several such relations will yield only a symmetrical relation. To introduce the necessary nonsymmetry some additional stipulation would be required, which would necessarily nullify stipulations 2 and 3 of Inst \{1 + 8\}. On the other hand, Dur \{1 + 10\} incorporates the subcase in which \(x S/P y\) is symmetrical and \(x\) ranges over unit sets.

14. Imagine that for some arbitrary time, \(t\), one arranges the possible set of sales/purchases-in-time in the whole economy in sequential order by the length of their time intervals. If we examine that sequence as the intervals diminish, we can hypothesize that they will diminish toward a limit of zero time, the familiar instantaneous time of neoclassical exchange. But can the limit of this time-interval sequence fairly represent the key properties of the elements of the sequence of which it is the limit? Or, equivalently, can one formally and without distortion reduce sale/purchase-in-time to exchange-in-instantaneous time?

Unfortunately for the hypothesis, the formal properties of sale/purchase relations don’t hold at the limit but only up to the limit. Sale/purchase-in-time relations are normally asymmetrical, though they include symmetrical relations as a subcase, that is, they are \(n\)-to-one relations where \(n\) ranges over the positive integers. Neoclassical exchange relations are necessarily symmet-
rical, one-to-one. Thus, the extrapolation of the positively timed relations to the limit of zero time introduces a formal change in the nature of the micro-economic relationship between seller and purchaser. The neoclassical “exchange” does not represent but instead distorts the logical properties that seem to be required for sale/purchase-in-time. The different logics entailed in “exchange” and in “sale/purchase-in-time” will in turn entail different and noncompatible inferences as one further develops the respective micro theories.

Note that if this analysis holds, we have gone beyond the familiar argument of heterodox economists. Their argument says, in effect, that neoclassical economics constructs an ideal world, and the real world isn’t really like that and doesn’t really work that way. To use our earlier distinction, this sort of objection lies in the narrative realm. But if the arguments just discussed are valid, they say something stronger, namely that there is a formal theoretical gap between microeconomics-in-instantaneous-time and the microeconomics-in-positive-time that has been sketched here. That in turn implies that the neoclassical “micro” cannot be adjusted—not even “in principle”—to comprehend the sort of commodity practices now so typical of a modern economy.

Technically, the objection is not to the body of neoclassical theory itself. Having so thoroughly explored the hitherto unknown logics of exchange, equilibrium, and utility, it marks an advance in economic understanding and is a remarkable scientific achievement combining the most rigorous analysis and creative human imagination. It calls to my own mind the similarly remarkable effort stretching from Peano through Bertrand Russell and Alfred North Whitehead to explore the limits of system in mathematical knowledge.

But for the neoclassical enterprise, its own rules of interpretation require that it both allow and forbid economic transactions that fill non–zero time intervals, or, equivalently, that the very effort to find narrative analogues to its formal, logical features must introduce inconsistency into the theory itself.

15. For an elementary discussion of this point, see Copi 1967: 187ff. The following is a trivial illustration of the point. Assume in each case the false proposition, All geometrical figures have four sides. Then (a) assume truly that, All triangles are geometric figures. This implies the false proposition, All triangles have four sides. The inference is perfectly valid, but the falsity of the initial assumption carries over into the falseness of the inferred proposition. If we instead (b) assume truly that, Squares are geometrical figures, then a valid inference implies the true conclusion, Squares have four sides. On the other hand, from a premise (c), All n-sided figures are geometrical figures, one is left with the valid conclusion, All n-sided figures have four sides. Its truth or falsity is indeterminate until one specifies the range of values that n may assume.

More simply, in formal logic, where ⊨ designates material implication, p ranges unrestrictedly over propositions, and F designates any false proposition, the expression, (p)[F ⊨ p] is a tautology.
16. The reference here is to the quality “expressive completeness,” namely, the capacity of a group of defined concepts and propositions to fully characterize a circumscribed body of empirical material. Expressive completeness is one of the conditions for a group of defined terms to yield, in the context of a group of axioms, inferential completeness, that is, to yield as theorems all the “true” propositions about the circumscribed body of material. There is no question of trying for an inferentially complete microeconomics in this present study, but we ought to try to reach expressive completeness. My point is that the Jevonian/Walrasian microeconomics exhibits weak expressive completeness in the form of open-ended, ultimately indefinable expressions such as “all things holding equal.” Thus, it has a kind of delphic quality that belies its heralded theoretical parsimony to a degree that appears to be unacceptable in scientific work.

17. “Americanism, in is most developed form, requires a preliminary condition which has not attracted the attention of American writers who have treated the problems arising from it, since in America it exists quite ‘naturally.’ This condition could be called ‘a rational demographic composition’ and consists in the fact that there do not exist numerous classes with no essential function in the world of production” (Gramsci [1925–34] 1971: 281). (The prison writings of Gramsci date from the period 1926–35 and were for the most part only published after his death in 1935. I do not know that any part of them can be dated more precisely.)

18. Marx, too, appears to have believed that, at least in the very long run, “society” was self-correcting. In the Marxist view, there is a contradiction—a fundamental, unresolvable social opposition—between the claims of property and those of society that in the long run will inevitably result in the victory of society over property. As he phrases it in the Manifesto, “Society can not live under this bourgeoisie, in other words, its existence is no longer compatible with society” ([1847] 1968: 45).

19. It is puzzling that the practical importance of this point less seldom engages the interest of contemporary left-leaning critics of modern society who remain, one must admit, partial to “viewing with alarm” the social influence of capitalism. For example, the foremost historian of modern European socialism sees not a secular trajectory to refabricate the contours of society to capitalist institutional advantage in the way I claim but instead merely a more diffuse “fin-de-siecle turmoil reshaping the planet at enormous speed” (Sassoon 1996: 776; see also my review and critique of this otherwise excellent study in McDermott 2001).

This rather passive, nonprescriptive reaction to the totalizing effect of business enterprise on modern society is itself extremely noteworthy. There was an enormous literature in the last half of the nineteenth century and the first, say, third of the twentieth that tried to understand and cope with that very phenomenon. It was a subject that preoccupied such (American) luminaries as John Dewey, Herbert Croly, Thorstein Veblen, the Lynds, Charles Beard, Carl
Becker, John R. Commons, Selig Perlman, and later Gardiner Means, William Appleman Williams, and a whole host of equally distinguished researchers. All worried about the prospect of business domination, and all more or less confidently proposed various new doctrines, institutional innovations, social and political actions, and so on to stem and reverse the business tide. Sassoon’s position is, I think, not at odds with other contemporary critics, who seem to accept implicitly that the broad programs of control over big business proposed by their predecessors have failed and that society must accommodate itself to business imperatives rather than vice versa. For an introduction to that older literature (and history) one could hardly do better than to consult Kolko [1963] 1967; and Wiebe 1967.

Chapter 2

1. But, like the neoclassical “micro,” the Marxist version, too, is not free of conundrums, particularly around its value theory. We will address that issue in chapter 7.

2. I say “virtually” because, while “labor power” is bought and sold like any other commodity, is utilized just like any other producer commodity, and in fact is the most important producer commodity, it is not produced as one. It is produced outside the capitalist economy per se and even somewhat independent of it.

For Marx, the quantity and value of goods and services that are devoted to the production and subsequent maintenance of the labor force are strictly determined by powerful economic processes, but the actual consumption of the goods and services that enter into its production is theorized to go on outside the economy per se in a realm of essentially private consumption—thus the anomaly. Labor-power is the supremely productive force for the Marxist economy, but its actual productive characteristics—its relative size within the population, the level and distribution of its skills, its technological and other, related culture—fall within and are determined in the last analysis by the private world of “final consumption.” As he writes,

The maintenance and reproduction of the working class is, and ever must be, a necessary condition to the reproduction of capital. But the capitalist may safely leave its fulfillment to the laborer’s instincts for self-preservation and of propagation. All the capitalist cares for, is to reduce the laborer’s individual consumption as far as possible to what is strictly necessary and he is far away from imitating those brutal South Americans, who force their laborers to take the more substantial, rather than the less substantial, kind of food. (Marx [1867] 1967: 537)

Obviously, a central constructive point of the present study is to revise Marx’s commodity theory to make good this omission and more concretely to
link the changing consumption of the labor force with its changing productive characteristics.

3. See the afterword to the second German edition of volume 1 of *Capital*, dated 1873. Marx writes that, irked by the tendency of some of his contemporaries to derogate the work of Hegel, “I therefore openly avowed myself the pupil of that mighty thinker, and even here and there, in the chapter on the theory of value, coquetted with the modes of expression peculiar to him” (ibid.: 29). The word *coquetted* is apt; his introduction to commodities and their characteristics in the chapter in question is overelaborate, often indirect, and somewhat stilted, with sometimes obscure signals as to his meaning. The style is very different and more difficult to decipher than his often crystal clear, always vigorous prose in the later parts of the volume and in his histories and other short works.

4. If we were to employ Hegelian terminology we would talk of the four dimensions as “reflexes” of one another.

5. This, of course, is analytically akin to the nonmonetary economy theorized in modern general equilibrium analysis, although there a numeraire takes the place of cattle or tobacco.

6. The conundrums cited in chapter 1 are philosophically related to the argument of the foregoing paragraph. In both cases one creates what I believe are insoluble theoretical problems by introducing a full, formal separation between a putative structural realm and the empirical/historical manifold.

7. The process of “abstracting,” say, from a particular dog, Fido, to the point that Fido is a vertebrate involves a process of ignoring or eliding Fido’s particular characteristics, of going from the (observed) particular to more and more abstract (or “dumb”) general terms, as represented in the progression Fido, spaniel, dog, canine, mammal, vertebrate. In the first step, all of the animal’s unique characteristics—size, color, personality, habits—are put aside to focus mentally on those few that define its breed. Continuing on, the differences between dogs, wolves, foxes, and such are put aside so as to locate Fido in the canine family. Then all the characteristics of canines are put aside save those that are shared with all mammals, and so on. Aristotle, who appears first to have identified the processes of abstraction per se, clearly seized upon the fact that Greek and presumably all modern European languages are classificatory in their structure, that is, via the grammatical relationship between nouns and adjectives. In a sense, Fido can be seen as an ensemble of many descriptive adjectives; “abstracting” makes the implicit claim that the adjectives (or characteristics) are clustered within one another in a definite, naturally given order so that the investigator can remove them like Sweezy’s “one at a time” as if nature itself directs it.

Imagine, for example, a set of concentric rings, with each ring representing a group of characteristics of Fido, the inner one representing his unique characteristics, then surrounding it one for his spaniel characteristics, then another for the canine ones, then for mammalian, and so on. Here abstracting
means to start at the center and empty progressively all of the rings save the outer one. It will be relatively empty compared to the initial situation or, in Marx’s words, “dumb.” From the nature of the case, to abstract means to shed meanings, nuances, and characteristics and shed “species” characteristics to gain the “genus,” the emptiest ring of them all, the “dumb” generality.

It is a classic complaint against the logic of this position, and of Aristotle’s own views on formal logic, that they raise mere classificatory grammar into a metaphysics, that is, impose the structure of language onto reality itself. Moreover, classification equals location fixing in a static logical space, hence in principle it is inadequate to cope with issues of change and time. In my view, Sweezy traps himself into Aristotelian Marxism, basically by employing a theory of language that is too primitive. For a more elaborate critique of abstraction, see the excellent Cassirer [1910] 1953, especially the opening chapters.

8. “All the linen in the market counts as but one article of commerce, of which each piece is only an aliquot part” (Marx [1867] 1967; 109).

9. “Every useful thing, as iron, paper, etc. . . . is an assemblage of many properties and may therefore be used in various ways. To discover the various use of things is the work of history” (Ibid.: 43).

Rudolf Hilferding, one of the most celebrated Marxist theoreticians, underlined this point about the social-material character of commodities in a very striking way. He writes, “In order to be exchangeable a commodity must conform to certain fixed and definite standards; a specific weight for a given volume, a particular color, aroma, etc. Only then does it constitute the ‘type’ or brand suitable for delivery. The ‘type’ used in coffee futures trade in Hamburg was of inferior quality. Accordingly, all superior brands of coffee were adulterated by adding black beans, kernels, etc.” ([1910] 1981: 167).

10. “The total labor-power of society, which is embodied in the sum total of the values of all commodities produced by that society, counts here as one homogeneous mass of human labor-power, composed though it be of innumerable individual units. Each of these units is the same as any other, so far as it has the character of the average labor-power of society, . . . that is, so far as it requires for producing a commodity, no more time than is needed on an average, no more than is socially necessary. The labor time socially necessary is that required to produce an article under the normal conditions of production, and with the average degree of skill and intensity prevalent at the time. . . . In general, the greater the productiveness of labor, the less is the labor-time required for the production of an article, the less is the amount of labor crystallized in that article, and the less is its value” (Marx [1867] 1967: 46–48).

He continues, “A commodity may be the product of the most skilled labor, but its value, by equating it to the product of simple unskilled labor, represents a definite quantity of the latter labor alone. The different proportions in which different sorts of labor are reduced to unskilled labor as their standard, are established by a social process that goes on behind the backs of the pro-
ducers, and, consequently, appears to be fixed by custom. For simplicity’s sake we shall henceforth account every kind of labor to be unskilled, simple labor; by this we do no more than save ourselves the trouble of making the reduction” (51–52).

11. “Whoever directly satisfies his own wants with the produce of his own labor, creates, indeed, use-values, but not commodities. In order to produce the latter, he must not only produce use-values, but use-values for others, social use-values” (ibid.: 48).

12. This formulation would obviously have to be modified slightly in order to cover service commodities such as haircutting, auto repairs, investment advice, and so forth.

13. For the history of local vegetable production within and for New York City in the latter part of the nineteenth century, see Linder and Zacharias 1999.

Chapter 3

1. In many cases, of course, Victorian markets were so local and special in nature that they cannot really be included under the General or Money form of exchange. This would have been the case even when goods were exchanged for a price rather than by barter. I presume that there was a true national market for cloth and perhaps stove fuel (coal) but not so for clothing, food, and housing, all of which were provided subject to local peculiarities and together presumably making up a considerable proportion of consumers’ expenditures. It is this phenomenon, I think, that seems to have reinforced the idea that how and to what end consumers consumed commodities was a more or less private affair, that is, a set of discrete private processes with only limited and unsystematic feedback into the larger economy. Obviously, that standpoint hardly fits what we can readily observe in a modern economy.

2. As we saw with respect to the services of, say, the PC or the auto, consumption of those services by the purchaser occurs within the sale/purchase state as conditioned by various relationships to other parties, to wit, the producer, often the credit agency, the producer of ancillary equipment, various dealers, the repairmen, and so forth. There is an analogous institutional conditioning to the consumption of welfare state services, a subject to which we shall shortly turn.

3. I will use the expression “constrained consumption” to signify a range of constraint pressing on consumer behavior. Agreeable to social science usage, we can conceive of such constraint as a parameter ranging from zero to one, from absolute freedom to absolute compulsion. On the face of it, most consumption of welfare state services lies somewhere between those two extremes.

4. The strategy behind GM’s innovations in making and marketing cars is
lucidly described in the memoirs of its dominant figure in the 1920s and 1930s, Alfred P. Sloan (Sloan 1964).

5. In the more compact U.S. cities of the 1920s, public transport was readily available and not yet challenged by the commuting auto user. Accordingly, the earliest phases of auto marketing emphasized the pleasures of the road. I recognize that this concept might astound the present-day driver, whose daily commute is a nightmare of crowded roads, half-crazed speeders and weavers, and oversized sport utility vehicles. But during the 1920s–1930s special roads were designed and built so as to encourage auto owners to use their cars strictly for pleasure. Called “parkways,” the word lingers in our usage, but it originally referred to roads that were designed to give the motorist the experience that he or she was within a park with an always pleasant, restful, bucolic vista. An early example of this sort of road construction is provided by the Bronx River Parkway in Westchester County, New York, whose deliberately winding course was conducted through a corridor whose trees and shrubs were laid out to hide from view the urban landscape behind them. Trucks and vans were excluded so as not to spoil the motorists’ Sunday outing “in the country.” Of course, a combination of sharp curves with tree trunks right at the shoulder of the road made for a notoriously dangerous roadway. Although several times reconstructed for safety reasons since the 1930s, the Bronx River Parkway still retains much of its early shape and charm. The Hutchinson River–Merritt Parkway system, which connects New York City with New Haven, Connecticut, has much the same character, again in spite of considerable modern reconstruction aimed at making the system a bit safer. A modern, parallel route, the Connecticut Turnpike, also connecting New York and New Haven, shows the difference in post–World War II highway construction. Very wide, straight, and utilitarian, paralleled by commercial signs and highway sprawl and filled with trucks and tractor-trailers, the turnpike was engineered simply to move traffic, mostly commercial, at relatively high speeds.

6. In classical and neoclassical exchange, market theory postulates an absolute equality, the product of free choice, between buyer and seller, hence the old warning, Caveat emptor! “Let the buyer beware” (of what he or she is buying), as in the general case the seller retained no legal or other obligation to the buyer subsequent to the point of sale. The gradual evolution of consumer protection laws and kindred court decisions is further testimony that the old formal equality between buyer and seller has been socially altered by the exigencies of modern products and modern buyer/seller relationships. Of course, the law lingers behind the reality and only slowly catches up. Formally speaking, however, it is conventionally accepted that the seller does retain significant obligations to the buyer after the initial sale is consummated, at least to the point where it is evident that the seller’s representations about the product were responsible and relatively realistic.

7. The reader may satisfy himself or herself on this point by noting that one will spend just about as much money to operate a car over its lifetime as
one spent at its initial purchase. In that sense, the “purchase price of the car” has a somewhat fetishlike character, severely obscuring the cost of the services provided by the car. This social bifurcation between the commodity per se and its services, especially with respect to time, is a prime characteristic of modern commodity form, a point often advantageously obscured by marketers.

8. Technically speaking, a car or air conditioner or CD player or PC is only one element in a system that delivers the services we want to enjoy. Modern marketing strategies focus our attention on the thing itself, but there is no call for economic analysis to accede to this fetishism.

9. It is often the case in modern marketing that the commodity comprises both the item and the service. For example, in recent years auto leasing has become increasingly popular. The manufacturer both builds the car and leases it to the consumer, the terms of the lease including leaving the maintenance and repair of the vehicle in the hands of the auto manufacturer. Here the “package” is the commodity, not the auto or the leasing services.

10. Michael Meeropol has pointed out that there is a striking parallel here to the sale of capital goods in, say, mid-nineteenth-century Britain. A locomotive or coke oven would yield its full services to its purchaser only over time, and in that period the purchaser might well have to seek the manufacturer’s assistance for spare or replacement parts, and of course complementary producer goods such as coal or rails would have to be acquired. But such sale/purchase states were then by and large limited to capital goods and were not, as now, ubiquitously present in retail sale/purchase. What the parallel suggests is that goods for final consumption have been taking on more and more of the economic characteristics of capital goods, that is, goods that are in the normal case productively consumed. In both cases the original sale, whether of a capital good or a consumer item, constitutes only the sale of some quasi services for the item in question, and thus also incorporates an advance—an “investment”—on behalf of eventually obtaining an integral service.

11. In the sale/purchase relationship between a modern corporate seller and a person or family, there is a multidimensional one-sidedness analogous to what we found in the administrative relationship. For example, if one has warranty problems that is precisely the sort of complex encounter one engages in with the company representative. It is perhaps simpler for our purposes just to point out that your unreliable new car or crotchety PC may constitute a multiheaded disaster for you but it is only an infinitesimally small blip on the producer/seller’s screen.

12. A theory that purports to have scientific value must also prove fruitful beyond its initial ambit; it should lead the investigator to discoveries not understood and anticipated prior to its formulation. A microeconomics based on sale/purchase within commodity form will prove to do just that (see the following section).

13. Sloan 1964 is indispensable for this narrative.
14. The classic account of these changes in general business practice is Chandler 1962. See also Chandler and Daems 1980 for the historical spread of these practices beyond the United States.

15. See, for example, Stern and El-Ansary 1982. In a personal conversation a researcher on the apparel industry, and friend, Prof. Ellen Rosen, pointed out that nature's (and Vivaldi’s) traditional four seasons have grown to six, perhaps seven, under the pressure to give the selling of clothing more of a flow character. My own inquiries at a few upscale women’s and men’s shops in the Boston area confirmed it. To winter, spring, summer, and fall have been added “cruise” for that winter holiday in warmer climes and two transitional seasons, as yet unnamed, between spring and summer and, especially, between summer and fall.

The home furnishings and apparel industries appear to reach a degree of tacit agreement on what colors will be featured in a given year or even a given season. This makes sense, for it would entail great waste and significant losses if, say, the shoe and dress firms prioritized lines with directly clashing colors or designs or the rug manufacturers featured Victorian next year while the furniture makers went modern. By and large, I think post-Keynesian price theory is right to shift the focus from the behavior of the (single) firm. The work of industry associations and long-standing corporate cooperative relations seems to be of increasing importance, as in the complementary relationship between GM and Dupont, which, among other things, pioneered antiknock gasoline and durable auto paint colors (Sloan 1964).

16. See, for example, the interesting essay on Herbert Hoover’s work as Secretary of Commerce in the Harding and Coolidge administrations on behalf of “associationism,” that is, encouraging cooperative relationships between businesses in the same industry. To encourage exports, Hoover presided over standardization efforts for industrial products and specifications and, as if belying his later reputation as the “Great Individualist,” won exemptions from antitrust regulations so that U.S. firms could collude in the their overseas operations (Rothbard 1972).

17. Manufacturers normally consult with their distributors and advertising firms as to what to produce, in what volume, and with what design and packaging. Even in the book business is this true, so that we now find major publishers consulting with bookstore chains such as Barnes and Noble and Borders as to in what numbers to publish a given title, what its dust jacket should look like, how its advertising campaign should be pitched, whether Oprah or some other media multiplier might take it up, and so forth.

18. This observation is sometimes less trivial than it appears. It is chronically the case that low-wage workers face transportation difficulties that help to maintain their low place in the productive system and, of course, their low wages. Outside of a few major cities and other favored areas, the “private” automobile is the centerpiece of our social transportation system, that is, a system not only terribly expensive in comparison with mass transit but one in
which the especially heavy capital costs of transportation fall directly and individually upon the traveler. It is also chronically the case that poor children who feel shabbily dressed often avoid school and, more striking, when given a proper breakfast they do better than their less well fed companions. In each case, the role of consumer goods in improving, or lowering, the productive qualities of workers and future workers is socially manifest.

19. There are also numbers of “hobbies,” do-it-yourself materials and tools, especially for home repair and maintenance; and other consumer items whose normal consumption enters as a matter of course into the coproduction of further services.

Chapter 4

1. For example, the metatheory behind the Jevons/Walras microeconomics is drawn from English philosophy of the eighteenth and nineteenth centuries, drawing prescriptive and psychological tenets from both natural rights theorists such as Locke and the utilitarian tradition associated with the Mills and Bentham. Both traditions posit a conception of human nature as transcendent, that is, not fundamentally conditioned by historical time, place, and circumstance. Thus, in spite of the vast sophistication with which the theory has been developed in the past century, the customary formulation of the initial conditions for calling the theory into play and the boundary conditions that limit its claimed scope are often left, as we have seen, to the unsatisfactory “all else holding equal.”

2. It is a theoretical lapse on Marx’s part that he sometimes can be read to say that use-values are predicated of the thing and not on the social relationships within which the thing is set. “The utility of a thing makes it a use-value. But this utility is not a thing of air. Being limited by the physical properties of the commodity, it has no existence apart from that commodity. A commodity . . . is therefore, so far as it is a material thing, a use-value, something useful” (Marx [1867] 1967: 44). This formulation is relatively innocent because he seems to have in mind solely the case in which all of a commodity’s use-values or services are transferred, and at once, to the purchaser: “To become a commodity a product must be transferred to another, whom it will serve as a use-value, by means of an exchange” (44).

3. “In the laborer’s circulation, L-M-C, which includes his consumption, only the first member falls within the circuit of capital as a result of [the previous exchange of labor-power for money {JM}]. The second act, M-C [the exchange of money for the laborer’s consumption goods {JM}] does not fall within the circulation of individual capital, although it springs from it” (Marx [1885] 1967: 77).

4. See ibid.: chap. 20; and Marx [1894] 1966: chaps. 8–9. For further dis-
cussion, see, for example, Sweezy’s treatment, following Bortkiewicz, in Sweezy 1942: chap. 7. As Schumpeter points out, Marx’s arrangement of three distinct Departments provides one of the earliest attempts at theorizing a general equilibrium model for the economy as a whole (Schumpeter 1954: 391, 965–66).

5. “The greater the social wealth, the functioning capital, the extent and energy of its growth, and, therefore, also the absolute mass of the proletariat and the productiveness of its labor, the greater is the industrial reserve army. . . . But the greater this reserve army in proportion to the active labor-army, the greater is the mass of the consolidated surplus-population, whose misery is in inverse proportion to its torment of labor. The more extensive, finally, the lazarus-layers of the working class, and the industrial reserve army, the greater is official pauperism. This is the absolute general law of capitalist accumulation” (Marx [1867] 1967: 603).

6. For a remarkable observation on this point, see ibid: 229, n. 2.

7. If one retains Marx’s demand theory as is and yet tries to give an account of consumers’ consumption, one must erect a whole new theoretical apparatus that from the nature of the case will be logically independent of the theory itself. Baran and Sweezy’s (1966) analysis of “monopoly capitalism” as having radical tendencies toward overproduction, and consequently of the necessity for wasteful production and thus wasteful consumption of consumer goods, including those for the working class, provides a case in point. Marx’s theoretical apparatus calls for capitalist production to oscillate continually and wildly from under- to overproduction while alwayssubjecting the workers to the General Law. There is really no room in Marx’s theory for excessive consumption goods to be regularly steered to the workers. What Baran and Sweezy argue is not particularly erroneous; in fact there is a core of truth in it. But it is an add-on, a paste-up, not an extension of the logic of Marx’s commodity theory and one often in contradiction to its findings. If one wants a “Marxism” adequate to the modern economy, one must—for better or worse—try to repair that system at its foundations not engage in paste-ups.

8. A more critical (and commonsense) theory of advertising would much deemphasize the purely symbolic realm in favor of analyzing the wider behaviors of the producer/advertiser in altering and improving the market channels for the product. Advertising per se—the manipulation and broadcast of symbolic appeals—is typically aimed at a target audience that previous market research has ascertained is particularly susceptible to it; as in tobacco and beer advertising to the young. Then, (1) the example of the targeted audience will act as a small multiplier, that is, will cause others to buy the product as well; and (2) it will influence distributors and retailers not only to stock the product but to feature it in their ads, in their premier display spaces, and—this is often tied to the ad campaign—in temporary price reductions directed toward getting others to buy it and hopefully initiating a habit of buying it. This provides still another, often very significant multiplier of sales. Then, (3) based
upon the larger economic returns to the mass producer, the advertised product will be better financed to continue in these ways to multiply its sales at the expense of its rivals—unless, of course, the rival producer/advertisers are doing the same thing. In truth, much advertising is purely defensive in orientation, especially for commodities that are relatively uniform such as patent medicines, beer, tobacco, gasoline, and so forth.

Note that in this thumbnail analysis the much heralded symbolic character and power of advertising does not assume an independent role but is submerged within social-material strategies and behaviors on the part of producers, distributors, advertisers, dealers, and potential purchasers who can be identified as particularly vulnerable.

9. Marx himself did not give an extensive treatment of services commodities and yet, in writing about them, he comes close to the element, "quasi service": “A service is nothing more than the useful effect of a use-value, be it of a commodity, or be it of labor” ([1867] 1967: 187). For his wider treatment of services commodities, see also “The Costs of Circulation,” chapter 6 of the second volume of Capital ([1885] 1967).


11. Even in a great modern city such as New York, until the 1830s the production and distribution of fruit and vegetables was quite haphazard. Only from the 1880s on were these items supplied other than locally (see Linder and Zacharias 1999). My mother, growing up in the decade prior to World War I in a working class district of Brooklyn immediately across the East River from Midtown Manhattan (Greenpoint), recalls that dairy goods, poultry and eggs, and fruit and vegetables were normally bought directly from farmers coming in from nearby Queens, which was also located within New York City. Much of this produce was sold from the farmer’s wagon, not in shops. Throughout Western Europe, as we know from numerous World War II memoirs, locally produced meat, poultry, eggs, dairy products, fruits and vegetables, wine and beer, though not grain and bread, were the norm until after 1945.

12. Ford did not design his Models T and A to supersede what a horse could do. It was not a demand for improved transportation to which he responded; whoever makes that claim authors one more false “progress narrative.” Urban dwellers were at the time sufficiently clustered that walking to work or using mass transit would do; but farmers were locked in isolation by distances, muddy or snowy conditions, and poor roads. Ford seems to have built the Model T, for example, in order to create a brand new utility, namely, to end the traditional isolation of the farmer (Jardim 1970: 118ff.).

13. The reader will have noted that this discussion refers almost exclusively to the producer/user relations in industry, and not to the final consumer/retail level. In this it fits with my interpretation of utility or use-value as representing indifferently a band of services and not a unitary phenome-
non. On the other hand, this interpretation is also consistent with our discussion of Marx’s theory of worker demand discussed earlier.


15. On all questions regarding “property,” I’ve found Schlatter [1951] 1973 both very helpful and very stimulating.

16. In a recent essay, I offered the following, admittedly very crude calculation, which complements this very point, namely, the degree to which investment in a modern economy is a social not a private phenomenon: “In 1997, US Net Private Investment less Inventory Adjustment was $818.3 billion. But, so-called ‘corporate welfare,’ in which government directly underwrote private investment, came to $75 billion (1996; the conservative Cato Institute), or $167 Billion (the liberal Nader group), or $150 billion (THE BOSTON GLOBE; July 7–9, 1996). If we add their average, about $130 billion, to total public sector outlays for education ($564.2 billion), federal outlays just for Research, Natural Resources Development and Training and Employment ($32.2 billion), and state and local outlays just for Highways, Natural Resources, and Waste Disposal ($55.6) billion it would appear that for every dollar advanced in private investment ($818.3 – $130 =) 688.3 billion, government advanced about ($130 + 564.2 + 32.2 + 55.6 =) $782, that is, about a dollar and change. (See STATISTICAL ABSTRACT OF THE US. 1998, tables 715, 251, 543, and 500 respectively.)” (McDermott 2001: 114, n. 8).

Even these unsatisfactory figures (and this short list of functional outlays) demonstrate that private investment outlays are roughly equaled by public sector outlays, which necessarily complement them. One cannot argue that all of these public sector outlays redound to the exclusive or preponderant benefit of private firms, nor that they are intended to, nor that private interests determine their levels and trajectories. Such claims are woefully beside the point in any case. Without these public sector investments, private investments wouldn’t yield the productivity, the scale, the technological level, and hence the “earnings” of a modern economy. If, for example, government doesn’t constantly modify the productive characteristics of the labor force, one doesn’t even have a modern economy; one has an “underdeveloped economy.” Modern “capitalist” investment has an ineradicable bilateral character. In short, as a self-contained economic entity the concept of a purely “private sector” entitled by “hard economic logic” to its own self-generated “earnings” points only to an analytical fragment. Whatever their purely ideological functions, concepts of an autonomous “private sector” or of “private enterprise” are only fragments of an integral economic system.

It is not at all beside the point to observe here that the public has an obvious “property”-based right to an appropriate share in the strategic direction of corporate activity. The public provision of investment give that public extremely powerful levers with which to win acceptance of its property rights should it care to exert them.

17. Again one must be struck by the dramatic way in which the analytic
introduction of real time plays havoc with our familiar and “natural” economic categories. Actually, as we know from modern physics, there is no reason to believe that reality corresponds to our Euclidean three-dimensional or other “natural” frameworks.

18. Thus, the microwave, for example, also plays the same role of constant capital for the complementary producer/sellers: the semiprepared food manufacturers, the microwavable dishes makers, and even the popcorn producers. As one can see, analysis of contemporary property relationships fits no older template.

19. “A commodity is therefore a mysterious thing, simply because in it the social character of men’s labor appears to them as an objective character stamped upon the product of that labor; because the relation of the producers to the sum total of their own labor is presented to them as a social relation, existing not between themselves, but between the products of their labor. . . . There it is a definite social relation between men that assumes, in their eyes, the fantastic form of a relation between things. In order, therefore, to find an analogy, we must have recourse to the mist-enveloped regions of the religious world. In that world the productions of the human brain appear as so many independent beings endowed with life, and entering into relation both with one another and with the human race. So it is in the world of commodities with the products of men’s hands. This I call the Fetishism that attaches itself to the products of labor, so soon as they are produced as commodities, and that is therefore inseparable from the production of commodities. . . . The Fetishism of commodities has its origin . . . in the peculiar social character of the labor which produces them” (Marx [1867] 1967: 77).

20. One unfortunate—indeed, anticivic—effect of so many popular and academic views of advertising is that we come to accept that people are in general rather gullible, greedy, and not at all admirable. Such is the cultural and intellectual influence of business that modern political Elites routinely assume something like this and as a result can find even more reasons to excuse their opportunism, their failure to take the “longer view,” and their reluctance to take up “unpopular” or “controversial” causes.

Chapter 5

1. As before, I here assume an “economic” paradigm in social analysis. It is best to clarify just what is entailed in that assumption. Most important of all, I am not assuming a two-level model in which economic factors provide the “base” and other things merely the “superstructure.” In fact, as already indicated in the discussion on abstraction (chapter 2), such a distinction is methodologically illicit and the source of endless muddle. Instead, I am merely projecting one step further Gramsci’s observations about “Americanism.” In modern U.S. society, and in those societies that copy it, economic
organizations, economic developments, and one's role in the economy are of unique importance—because the society just is that way. One of the meanings of a "modern" society is that in it a special deference is given to the economy and its institutions. They are permitted more leeway than others for even their most antisocial behavior. They are given first call on resources, and less control on how they will be deployed, while institutions such as "family," "education," "science," "government," the "media," and "culture" accept as a major part of their own roles deference and service to the "economy." Only the military and, mainly for ceremonial purposes, the churches are more or less free of this obligation to defer. In fact, as opposed to sentiment, the churches spend much of their time trying to cope with hostile social, economic, cultural, and moral influences coming from the economy.

This one-sided deference is not an instance of an absolute law of social organization. Granted, how one makes one's living must influence every society but ours is an extreme case—and growing ever more extreme in my view—of a virtually idolatrous deference to the economy, that is, to the needs, desires, power, and contributions of a world made up of very large, diversified, often international corporations. To assume, as I do in the text, that the economic has far greater causal influence on society and culture than they have on it is merely to reflect one of the characterizing features of our historical time and place.

2. The poorness of the "labor force" as a measure of those who might successfully hold a job is illustrated by the U.S. "manpower" experience during World War II. It turned out that for every five workers considered to be in the labor force just before the war there was a sixth whom the count skipped over. In 1939, just prior to the war-induced expansion of the U.S. economy, the labor force was measured at 55.6 million, breaking down into 45.7 million employed, 9.5 million unemployed (17.2 percent), and .4 million serving in the armed forces. However, at the peak of the wartime expansion 66 million persons were counted in the labor force (54 million employed, .7 million unemployed (1.06 percent), and 11.4 million in the armed forces). Obviously, that difference of (66.0 − 55.6, or) 10.4 million persons, isn't to be accounted for by population growth. Most of those 10.4 million potential workers were around in 1939 but weren't being counted for no better reason than that the economy wasn't interested in them and/or wasn't acting in a way that attracted them to seek work. Basically, for every worker taken into the armed forces another person, previously statistically invisible, stepped forward to replace him or her. Thus, the 1939 statistics measured only about 84 percent of the labor force that was then available for work. But even that 84 percent is suspect. At the peak of the wartime expansion only about 40 percent of adult women had entered the labor force; the current percentage is about half again as high. Thus, even the 1944 figure of 66 million is 5 to 6 million shy of the number of persons who either came forward to work in the paid economy or—with a weakening of sexist practices in the employment market and social

3. Statistics on worker productivity abound, but those on Manager productivity can be hard to come by. Part of the difficulty comes from the fact that many managerial posts are filled based on criteria other than productivity. It may be that a particular job occupies a bottleneck in the production process and thus must be kept out of the union’s hands. Firms are also loathe to fire managers because it has adverse effects on the esprit de corps of the managerial echelon itself. Thus, failed or underperforming managers may not be fired but can be slipped sideways into a sinecure where they can be maintained until early retirement. Moreover, insofar as upper-level managers measure their success in terms of the number of their subordinates, the managerial echelon is in perennial danger of overstaffing. Some productive work requires workers with degrees, but there is a tendency in U.S. industry, now changing, to include all degreed workers along with their college fellows in the managerial echelon. Estimates of managerial productivity would have to be analytically teased out of these complexities. To add an even further complexity, there also appear to be great differences in the size of the managerial echelon in different industries and different advanced countries.

Of course, none of this precludes research into managerial productivity. The paucity of managerial productivity studies is, if not a deliberate oversight, an eminently convenient one on the part of business researchers, who do, one must note, hold worker performance to a harsh standard of pure and unadulterated efficiency. For a review of these issues, see Gordon 1996; and Reich 1998.

4. The spirit, if not the text, of this industrial division is found in Frederick Winslow Taylor’s The Principles of Scientific Management ([1911] 1967) in his account of his dealings with the workman Schmidt (43ff.). By citing Taylor I don’t wish to imply that modern management was invented, like the light bulb, by a single creator. It is just that Taylor appears to have been the most important proselytizer for the wider change in manager-worker relations that was sweeping U.S. industry in the period just before and following 1900. Taylorism, as it’s come to be called, was clearly only one expression of the contemporary “trustification” movement wherein the quantum jump in size and complexity of these new protocorporate firms required a radical rethinking of management strategies and techniques.

In this discussion, for heuristic reasons, I’ve momentarily oversimplified the “industrial” division of labor by collapsing two ultimately different kinds of managers into one, that is, by ignoring the Sloan’s and Chandler’s distinctions between managers with strategic/entrepreneurial functions and those, mostly middle-echelon types, who carry out the relatively rote work of administration. This distinction is of sufficient importance and yet of enough complexity that I’ve left it to a later place in the chapter.
For a more nuanced analysis of the three-way division of labor typical of modern corporate and related institutions, see the analysis of “corporate form” in McDermott 1991: 21ff. It includes both extensive quotation from Taylor’s peremptory, even derisive relationship with the stereotyped “dumb Dutchman,” Schmidt, and consideration of the wider technological, product, productive, and marketing developments that together shaped division of labor within the twentieth-century corporation. There, as here, I acknowledge the depth and extent of my borrowing and learning from the work of Alfred Chandler, especially Chandler 1962.

5. I will often collapse the categories Manager and Technological Specialist into the single term Manager. This reflects the U.S. industrial practice of including both in a “managerial echelon,” distinguished from the “production work force” or, if a union is present, the “collective bargaining unit,” by systematically different terms and conditions of employment (rate and kind of pay and benefits, tenure of employment, access to promotion, and so on). This point will be elaborated later in the chapter. In this locution some managerial echelon people directly manage workers (line managers) while others (staff) contribute to the systems that keep the work going (accounting, quality control, design, plant layout, routing, etc.) or perform scientific/technological tasks calculated to increase output while lowering the wage costs of the workers themselves. My own preference is for the French term cadre, which includes the state and private sectors, both staff and line. On this subject, the work of Dumenil and Levy (1996: pt. 5) is especially useful.

6. For Marxist theory, we must address two extremely important issues. On the one hand, Marx’s reduction of different complex labor-powers to uniformly simple ones rested on his assumption that markets for goods, services, and labor-power were or were becoming more and more homogeneous. But in the economic universe that began to take shape in the 1880s we can see the evolution and spread of diverse, often noncomparable markets for different sorts of labor-power no less than for other commodities. For example, it takes about as much time, expense, and effort to produce a master’s degree in English as one in electrical engineering, although for many years the latter has carried far more earning power than the former. On the other hand, a nursing degree is likely to bring a much lesser return than one in marketing, although most people would agree that nurses, of which there has been a shortage, are at least as useful as marketers, who always seem to be quite plentiful. More generally, it is not at all clear that credentialing (with degrees, certificates, etc.), which tends to increase the wages and benefits of the credentialed employee, has any economically significant link to increased productivity on the part of the employee. Consequently, and absent evidence to the contrary, the conditions necessary to technically reduce different employments to a uniform productive/monetary standard are not present in the various modern labor-power markets. This is itself a reflection of the evolution of modern cap-
italism toward creating and modifying distinct markets to suit its own interests rather than being subject to the putative discipline of a claimed universal market.

At the level of his historical materialism, Marx also understood that the reduction of complex labor-powers to simple ones was an actual historical process characterizing the capitalism of his time. Uniform, simple labor-power formed his standard for labor-power because he believed that the processes of proletarianization were the most significant development of his era. The reduction of complex to simple labor-powers was thus not solely a technical matter but a crucial historical development bringing in its train a mortal threat to capitalism.

But we are now in an era with seemingly disparate labor markets for different kinds of labor-power and with evident tendencies that labor-power productive skills and capabilities are ramifying, not simplifying. Further, it appears to be the case that resources devoted to the reproduction of social labor-power are growing or at last stable, not following the downward path called for by the General Law of Capitalist Accumulation. Whether this is the case worldwide is debatable, but it is beyond debate in the developed economies. Thus, if we wish to analyze contemporary capitalism the analytical reduction of complex to simple labor-powers, even if it were possible to carry out, would amount only to a technical exercise lacking in historical/material warrant for its importance.

In chapters 7 and 8, I will argue that Marx’s labor theory of value, the foundation of the reduction being discussed, is, as currently argued, purely and simply untenable. But, independent of those arguments, neither in the analytical nor in the historical/material dimensions is the Marxist reduction of complex to simple labor-powers any longer sustainable. Even if it were, it would be of only marginal significance to the trajectory of capitalist change.


8. See, for example, the excellent Stone 1973. For Marx, see Marx [1867] 1967: 164ff. As to the persistence of the master-servant template, in the United States it was only in the 1960s that hospital and nursing home workers came to be recognized in law and practice as employees bound only by the terms of their contracts and not servants owing an extracontractual obligation to—as they used to be called—“their patients.”

9. Analysis of courses/channels is not at odds with the concept, nor, indeed, the existence, of social mobility. It does, however, reflect the overwhelmingly evident but universally overlooked fact that most people don’t change their class/status group in a lifetime, that is, that social immobility is a more prominent feature in a modern society than social mobility. Obviously, the study of different courses must at some point address social mobility issues but not here and not now.
10. I have come only with difficulty to understand that a course is not a kind of class, notwithstanding the economic paradigm I’m employing. The differences are in fact quite considerable, but let me characterize only four at present.

First, class is a function of markets, and courses correspond to a capitalism that has evolved beyond them. In mainstream sociology, *class* is defined in terms of Max Weber’s “market situation.” In the last analysis, too, Marx’s *class* is defined in terms of “the market,” specifically the market for labor-power where one class exclusively purchases its use (the propertied) and another exclusively sells it (the propertyless). “The Market” and its analytical consequences have little place in a modern corporate economy.

In the second place, in a class paradigm one as it were deduces the characteristics of the different classes and their occupants from that class equals market matrix. This seems to be an effective procedure in a class paradigm featuring only two or possibly three classes. From the nature of the, say, two- or three-class paradigm the social and cultural differences between the classes will be exceptionally severe and readily discernible not only to observers but within the classes themselves. When the propertyless suffer such dire deprivation, as they do in the paradigm presented in *The Communist Manifesto*, it is relatively easy to link the strictly economic term *class* to associated characteristics in the social, political, and cultural realms. But in more complex societies featuring courses the association is not all that clear, either empirically or paradigmatically. For example, some very rich persons today are also very politically influential (corporate leaders), but some are not (pop stars). Similarly, some of the very poor are radically deprived in cultural terms, but, as in Thompson’s *The Making of the English Working Class*, some are not.

My sense is that we should treat a course as constituting an actual subsociety with a common culture and common values. That is, in class analysis one tries to infer that because different members of the same class have the same abstract *kinds* of experiences they will predictably react in similar ways. Alas, that’s always been a more obvious inference for the class analysts than for the class participants. But in the manner in which we have analytically constructed the concept of a course we have tried to show, especially for the higher courses, that people within the courses share (or overlap) experiences, not just kinds of experience. That is, members of the Elite course form a definite subsociety, with shared prep school, university, and even graduate school experiences and shared or overlapping roles in big institutions; Thus, from the nature of the case they have been and will be frequently brought into face-to-face contact with one another, will intermarry, will share mentors, and so forth. In short, their social and other traits will be manifestly tied to their economic ones. A similar account, albeit watered down, fits the Manager course and so forth. I estimate that it can be shown, on this basis, why and how it is that the higher courses are so much more politically and culturally...
potent than the lower. If possible, I intend in a future book to go beyond the somewhat narrow economic concept of courses and develop more fully an analysis of their political, cultural, and social actions.

Finally, in at least one respect courses have a greater affinity to premodern societal divisions such as estates, ranks, orders, and even castes. Unlike classes, which the dominant intellectual traditions accept are mainly constructed through contractual and market relations with only a very limited role for a political authority such as the state, the courses are each significantly constructed and actively maintained through government action. This has taken such diverse forms as the funding of education, labor union regulatory systems, professional certification, research subsidies for science and technology, and the administrative relationship. As I have pointed out elsewhere (McDermott 1991, 1991–92) and emphasized here, we increasingly live within a society whose outlines are socially fabricated so that, for example, life course differences must be considered constitutive of it, not just one possible—and thus erasable or otherwise alterable—outcome.

11. The social (and economic) capacity to buy a preschool experience for one’s child has taken on an enhanced importance as the managerial ranks have become more open to non-Elite persons and more demanding from the technical point of view. It tends to give the favored child better access to the more prestigious public or, usually, private primary schools, which in turn increases his or her chances of access to one of the more prestigious public or (usually) private secondary institutions and the elite-connected mentors found there.

One is not arguing that it is solely the quantity of money that provides course privileges for a young child. The social standing and even the (high) culture of the family can skew the odds that the boy or girl can get into a “better” preschool and can aid considerably in the transition to “better” primary, secondary, and undergraduate institutions and thus prechannel the candidate into the “right” institutions and the “right” type of graduate education. The level of (high) culture enjoyed by the boy’s or girl’s family is important. All school tests are skewed to certain cultural norms, and the boy or girl who is already acculturated to those norms will do better on them as a rule than their counterparts not so well capitalized. To a very great extent, more than I think is popularly acknowledged, an intimate familiarity and knowing comfort within a certain kind of liberal, humanist, and secular culture, somewhat cosmopolitan in character, is “the coin” for entry into and continued equal participation in the upper-middle and higher classes in the United States today and, probably more so, those of the other capitalist powers. It is, however, an important reality, but even more an important myth, that this culture can be embraced by persons and families of modest means, especially when aided and abetted by those public elementary and secondary schools that have traditionally acted as conduits for the elite colleges and universities.

12. It is appropriate to digress here to again emphasize the centrality of the
manager-worker division. For reasons that I do not understand, the deeply modal division does not occupy the absolutely fundamental place it ought to occupy in all employment discussions. One simply does not understand industrial organization, industrial practice, industrial law, or even the role of unions if one overlooks the distinction. I can say that with equal assurance as a labor studies scholar, an industrial historian, an economist, and even a former shop steward for my union. Yet, to take a particularly egregious example of the neglect of the distinction, one might look even cursorily at typical U.S. productivity statistics in manufacturing that merge total employment hours, that is, those of both the managers and the workers. But managers normally have much greater job tenure than workers; in actual industrial practice managing is a fixed not a variable cost of doing business. Hence, if there are, say, two managers and eight production workers and times go bad, one of the eight workers is much more likely to lose his or her job than one of the two managers. But then productivity should fall by about one-eighth. When times change and that worker is hired back, productivity should then rise by about one-seventh. There is a certain verisimilitude in our simple example because, as far back as I can remember, the onset of bad economic times has been marked by a sharp decline in labor productivity and the return to good times by dramatic rises in the same. Considerable ink is normally used to analyze these two phase shifts, much of it wasted because of the failure to understand that in modern industry two quite different classes of employees, workers and managers, have a differential impact on output. Workers produce; the role of management is not normally to add their bit to that production but to act as a multiplier of it. It is precisely this difference in modal productive roles that conventional discussions of labor productivity too often obfuscate.

13. The modal modern manager-employer relationship, including much of its historical development, is analyzed at length in McDermott 1991–92.

14. This was not always the case, nor perhaps was it usually the case before, say, the 1890s and the consequent move to professionalize the management function. But from the more or less simultaneous birth of the modern university, modern science-linked technology, and the modern corporation, “promotion from the ranks” has been much diminished. Business firms maintain different entry points for managers and workers. Thus, low-level managerial posts that perhaps in an earlier time could be taken by workers now fall to the lot of persons coming in from management or technical degree programs at the colleges and community colleges.

Somewhat countering this change, many companies encourage their employees to obtain further schooling as a condition for promotion, sometimes even promising promotion and pay raises ahead of time for those who will complete a given course of study. Some companies even partially subsidize further education for their employees and may even allow them time off from the job to take their classes. In my own twenty-odd years of experience teaching evening college students, I found that this sort of further schooling...
is typically granted to junior managers or perhaps to workers whose work is especially technology oriented. Regardless, whether one must enter management through a different portal or detour to it through a continuing education program, this further confirms that there has been a clarification and ramification of the different courses/channels in occupational life.

15. I knew Harry Braverman; he was both my editor and friend. There is much in his 1974 book that is excellent, but he does leave one with the impression that a modern worker doesn’t get much chance to exercise any sort of skills. My own experience and observation argue that a machine operative in a contemporary setting has a job requiring high stamina, reasonable intelligence, a “knack” for mechanical things, a substantial measure of common sense, and good personal reliability. Basically, the idea is that the worker’s personal, productive characteristics must far exceed what is minimally needed to do the job so that (a) the job itself will be done reliably, and (b) the worker will have the wit, skill, and initiative to correct and adjust the flow of material to maintain the machine-set rhythm of the production process. If the productive characteristics of the individual workers were only marginal, their lapses would show up in marred product, disruptions of the pace of the work, lower output, more accidents, even greater lateness and absenteeism, and so forth. The human tragedy of this mode of work is that it is absolutely necessary that the worker’s productive qualities be far superior to the actual work he or she is to carry out. Chaplin’s famous Modern Times misses the point of mass machine production as Charlie plays a bit of a bumbler in the film. A wonderful film, it is one of those artistic products that Plato so roundly criticized in that its artistic invention is in the service of falsification, here of the industrial experience of the ordinary, “unskilled” worker.

It is to the point here to observe that one of the most effective of all techniques workers can use in conflicts with management is “to work to rule,” that is, for each worker to carry out only those tasks specifically required by the job description prescribed by his or her managers. When the “hands” do only what the “brains” tell them to do, very little can be accomplished!

16. McDermott 1991–92 provides an analysis of the complex employment relationships of what we have called here Regulars, that is, between the employee, employer, union, and government. Unfortunately, in that discussion I had yet to understand the important differences between classes and courses and the consequent lessening relevance of market-based classes to a modern economy. The characteristics of modern employment need to be analyzed in the five-termed relationship mentioned in the text and cannot be adequately rendered in the binary relationships employer-employee and propertied-propertyless. At issue here is not the importance of social stratification and frontiers of conflict between different social strata. To cope with these issues in a modern economy, both practically and analytically, one has to go beyond the binary or ternary logic of elementary class analysis.
17. The wartime evolution and crystallization of U.S. union-management relations from the stormy events of 1938–39 to the relatively peaceful postwar pattern is narrated in the excellent Lichtenstein 1982.

18. Managers who don’t have “line” responsibilities are usually echeloned into an organizational structure in parallel with “line” managers and with corresponding pay and benefit scales.

The “fixed” costs associated with managing are very high. In U.S. manufacturing in the 1990s, for example, roughly one-third of all employees were located within the managerial echelon and received about half of the payroll.

19. Something like the center-periphery distinction has been developed by Gordon et al. (1982) in terms of primary and secondary labor markets. An excellent analysis in its own right, the distinction is based mainly on the sociological character of the workers, primarily pointing to the overrepresentation of women and people of color in the poorer paying, poorer working conditions found in the secondary labor market. (At present, young, school-age workers would have to be added to the picture.) By and large this way of drawing the distinction was intellectually (and morally) animated by the sociology of discrimination and inequality rather than the wider study of the relations of production that we have been subsuming under the concept of commodity form. What I conclude lies at the bottom of this bifurcation of the sociology of discrimination in work from the wider study of productive relations per se is the tendency, notable among left-wing analysts, to limit the meaning of relations of production strictly to the single dimension of the propertied and the propertyless, that is, of owners and workers, viewing its differentiated empirical consequences as of very much lesser importance than that abstract difference itself; I fear we are again dealing with echoes of the old “proletariat.” Yet such a one-dimensional, “structural” analysis is far too limited and sterile a schematic even to describe much less to analyze a modern economy whose main industrial, economic, and employment line of conflict is between manager and worker, not owner and worker. In a real sense, the evolution of the modern management echelon has served not only to quicken the profits of owners but to keep them well away from the firing line of what one might call the modern industrial class struggle. But to show this one must analyze the ensemble of relations of production, not just the propertied-propertyless relation per se. The steady expansion of the Marginal course to include large numbers of white, male, or other (formerly) privileged sociological categories of workers also lends support to this position.

20. At present almost one in four farm managers and operators in the United States, for example, do not live on those farms and presumably commute to work (Statistical Abstract 1999: table 675). These would predominate in the larger farms that produce the largest share of farm products and are organized under modern labor-management relationships. Exclusive of imports, roughly 20 percent of the fresh fish sold in the United States is produced in factorylike ponds or enclosures, not from the open sea, by laborers
working under modern management systems and not by traditional fishermen. On the other hand, much of the fish caught at sea is caught by fleets of smaller boats working in tandem with “mother” ships that take, clean, and either freeze or can the product at sea. Again we meet the industrial division of labor already familiar to us in factory, farm, and office (table 1160).

Chapter 6

1. In the past decade, for example, an investment in a Ph.D. in English would arguably have led to a poorer return than an MBA in Finance. It is not prima facie clear in the 2003 economy whether an investment in a college degree from a low-prestige institution will perform better than an apprenticeship in a skilled trade such as plumbing.

2. Along with game theory, which was developed largely in association with the defense industry, Becker’s and similar work by others was among the main influences on the extension of cost-benefit analysis to hospital care, environmental protection, safety and health legislation, and other social services, even to the extent that Becker might be called the godfather of the educational voucher movement and the other attempts to introduce price-competitive criteria into the world of public education. These last are truly ironic because, as indicated, Becker’s original analysis of education was done largely in nonmonetary terms.

3. As we know in practice, wage setting tends toward anarchy, the wage level for a particular job depending variously on custom, geography, the presence or absence of a union, or even the social prestige of the occupation in question.

   An official of my union once explained to me that the ebb and flow of adolescent hormones determined the wages for State University of New York (SUNY) professors in the 1970s, as follows. In the city of New York, most unionized teachers were averse to strikes but not so those who labored in the junior high schools. These teachers much preferred wintry picket lines and aggressive policemen to restless adolescents; hardened, apparently by these cruel alternatives, their militancy did succeed in winning raises. Naturally, that meant that there had to be a corresponding adjustment for each level of educational employee in the city—elementary school, high school, and city university. But when the latter got raises we SUNY workers had to have them, too, lest the prestige and competitive posture of the state university suffer.

   The union official’s story is amusing, but it also has, as far as I can discover, a significant measure of truth. Keynes’s old observation that wages tend to be unusually inelastic on the down side merely hints at one dimension of the peculiarities of wage determination ([1936] 1964: 267ff.).

4. Alfred Marshall is characteristically frank and open about the unrealistic nature of this point ([1890] 1930: 95–96).
5. Just such a thesis is argued in Bowles and Gintis 1976 (see especially chapters 4, 5, and 6).

6. Appeals to snobbery and exclusiveness, however, also have a significant impact on wealthier and, presumably, better-educated consumers. See Stiglitz 1987.

7. This submersion of public services within the network of commodity practices makes privatization more readily possible. Medicare and Social Security, for example, pioneered and developed the “market” for mass medical and retirement plans, devised different commodity-like “packages,” gained costing information, developed administrative structures that are now advanced on the learning curve, and so on, without which such areas would still be terra incognita to the private sector. Moreover, as in education, the presence of a vast funding system in which “customers” are already constrained to purchase has proven immensely attractive to the private sector as an unexploited line of business with a guaranteed customer base.

The most dramatic model for government creation of a commodity market was probably the fast-food business. It was the military that first perfected the technologies of purchasing, preparing, standardizing (portioning), costing, distributing, and serving a great variety of all kinds of foods on a truly mass basis. It also helped to prepare the market by familiarizing millions with a mass-produced food product. Less well known, site manufacture of housing, as opposed to craft fabrication of individual houses, was also pioneered by the government (Baxandall and Ewen 2000: 37ff.). These observations also serve to confirm the value of the conception of commodity form, that is, as a constellation of convergent social practices.

8. This is not always without lag, as we know from the import, via the Immigration and Naturalization Service, of large numbers of both well- and undereducated workers on behalf of U.S. industries and employers.

9. “While the United States spends less on primary and secondary schools than most advanced countries, it devotes 40 percent of its education spending to colleges and universities” (Sassoon 1996: 764). On the other hand, both the “brain drain” the United States now imposes on other countries’ economies and its import of low-wage agricultural, manufacturing, and domestic service workers, often illegal but winked at by the authorities, testify that the system is only “more or less coherent.”

10. This sort of cooperation is itself borrowed from the customary arrangement between the military and its suppliers. Since World War II, “tech” representatives from the producers of weapons systems often serve on the ship or air base while combat operations are being carried out. In fact, it was as a tech representative for Lockheed and other aircraft firms that a civilian Charles Lindberg flew combat missions during the fighting in the South Pacific in that war.

11. It has been suggested to me, in a private correspondence, that the university system may be splitting into several levels so that the higher courses
are coming to be associated with only the high-prestige institutions and so forth. The anecdotal evidence is not at all clear, but the hypothesis that the Manager course is being split in two would represent a sea change in corporate employment practices and thus, derivatively, in the social structure.

12. If a peevish note creeps into my presentation here it comes of the fact that from early college through graduate school my problem was not to defer income on behalf of a richer tomorrow but of simultaneously earning enough income to (help) pay living costs and (entirely) pay school costs. I remain deeply grateful to New York City’s taxpayers, as without the then free city college tuition I could not have afforded to finish college when I did and without the subway I could not have squeezed in the necessary studying; to this day, when I ride the subway, I feel a certain pressure to be reading Hegel or at least Dostoyevsky. Later, in my roughly two decades of teaching mostly older, returning students, I saw how difficult it was for them to afford (the relatively low) state university tuition and how much potential study time was consumed in driving to and from home, job, and school. The concept of a human capital is much too sanitized to grasp these realities for the working student, who is, after all, not that rare a species. More generally, it neglects the fact that a student works to prepare for work, an undertaking more arduous and stressful than a simple “investment.”

13. In the latter decades of the nineteenth century and the first few of the twentieth, the United States passed from its position as a relatively minor player among the world’s industrial powers to the preeminent place it still enjoys. What is most remarkable about this great shift was that at its beginning the United States lacked what was then a state of the art social labor-power. That is, both the then declining but still powerful British economy and the German one threatening its supremacy possessed vast reservoirs of highly skilled workers, especially in the metal trades. By way of contrast, the U.S. takeoff into industrialization seemed fatally limited not only by the lack of such reservoirs but by the fact that its potential industrial population was going to be drawn, as was even then evident, from an immigrant population, largely agrarian and increasingly non–English speaking.

Clearly, this departure from what was then state of the art industry in high-flying Germany and Great Britain required a simply enormous effort to transform a crude aggregate of foreign-born, mostly agrarian immigrants into a social labor-power made up, analytically, of highly adaptable individual labor-powers able to fit themselves into different complementary roles. Or, as we put it earlier, to create a social labor-power with a wide menu of quasi-productive services. The size and rapid growth of mass education in the United States reflects this vast social-industrial development in both its terms: adaptable workers and polyvalent, managerial-technical cadres. See Bowles and Gintis 1976; and McDermott 1992: 300–308.

As already suggested, it is irrelevant whether the vast expansion of the edu-
Managerial strategies that emphasize “quality circles” and other devices intended to quicken the cooperative exchange of information between managers and workers and their joint learning curve coexist in industry with fully programmed work modes, as in fast food, the sewing trades, the assembly of electronic and electrical goods, chicken and beef processing plants, data entry, and so forth.

While it may be true that in the “ideal” learning situation the learner learns enough to do away with the need for a mentor, in the real world learning is too often a matter of inducing in the student an exaggerated sense of his or her own incapacity. We now understand how destructive this has been for female learners, but it is no less widespread and destructive for those in the lower courses generally, as I can testify from direct experience as both learner and mentor.

Chapter 7

1. I am often told by neoclassically oriented colleagues that they eschew all value theory as fatally tainted by “metaphysics” or prescriptive prejudices on the part of the would-be value theorist. As we’ll see, there’s something to that. But on the other hand there is no economics and no economic analysis whatsoever unless one allows or admits that certain classes of human exchange actions are in principle quantitatively comparable. But as soon as one makes this point explicit, rather than implicit, one has adopted the fundamental proposition of value theory.

2. Continuing the analogy to philosophical epistemology, price “nominalists” would take the position that the price ratios between things can only be explored by means of empirical studies. No analysis of concept-prices, however acute, however “deep,” can reveal anything further about real world prices. Later in the book I will argue for price nominalism or, equivalently, a theory of price relativity.

3. The Marxist model is of an economy in which the meager quantity of commodities going to the workers is governed by the Absolute General Law of Capitalist Accumulation, hence that the workers’ consumption of commodities has no significantly free dimension, their quantity being so limited that qualitative choice among consumption items is vitiated. Marx, of course, wanted to show that the apparent freedom of a free market economy is illusory and that both capitalists and workers act according to imperatives disguised as choices. In that precise sense, Marxist microeconomic behaviors are always governed by imperatives.

This finding itself rests on Marx’s equilibrium model of an economy, where
there are three Departments producing, respectively, (I) producer goods, (II) workers’ consumption goods, and (III) capitalist consumption goods. The controlling features of the model are the rates of surplus value and the organic composition of capital in Departments I and II only, with Department III (capitalist consumption or “luxury” goods) playing no role. Simplifying somewhat, the rate of surplus value, that is, the relative share of net product going to the capitalists and the workers, is governed by the General Law, while the absolute quantity of net product is controlled by the organic composition of capital, which is more or less equivalent to the capital intensity of the production process, itself a function of the technological state of the art. In brief then, the dynamic of such an economy one-sidedly rests in the necessary consumption both of the workers and of the productive process and the fact that luxury goods, goods that could possibly be consumed in the free choice mode, are only peripheral to the economic dynamic. See von Bortkiewicz [1907] 1984: 217. For a closely related analysis, see Sraffa 1960: 7, 8.

At the other end of the spectrum is the Jevons/Walras microeconomics, which makes the explicit assumption that final consumption occurs in the mode of free choice and that all nonfinal or productive consumption is purely derivative of that. Thus, my formulation that with their narratives included the two microeconomics, otherwise identical, are mirror images of one another.

4. Penrose ([1950] 1980), among many others, has examined this phenomenon. I find this older book still topical because of the breadth of her knowledge about business practice. For a more recent and more comprehensive examination of business pricing policies, see Lee 1998.

5. On a busy intersection near me, there are two gas stations, directly across the street from one another, whose prices I’ve been noting for about a half dozen years. One consistently charges a higher price for each grade of gasoline, and both seem to have about the same number of customers.

Technically speaking, there is no “law” in that much heralded “law of supply and demand.” One can as easily cite as many instances of its failure as of its fulfillment. The proposition represents a sometimes useful observation or guide to action, not really much more empirically reliable than “Boys will be boys!” or “March comes in like a lion but goes out like a lamb.” Economists who are convinced they are really dealing with a law here should understand that they are dealing with a prescription and not at all with a description. Their confusion on this point seems to me to be inexcusable.

6. Even if only briefly, we must again comment on this particular mare’s nest. The terms rational and irrational are a methodologist’s nightmare, particularly in microeconomics, where one assumes “rational” behavior of a certain not to be exceeded type, that is, where the behavior is claimed to be “perfectly rational” or, equivalently, “maximizing.” This common usage exhibits a deep logical-grammatical confusion and is always illicit, as can be shown upon even the briefest reflection. One can say that something is “red” or “not red,” “rectangular” or “not rectangular” merely by directly examining the situation
and more or less ignoring wider, contextual questions. Or, in logical-grammatical terms, red and rectangular are simply (one-place) predicates. Rational and irrational are often employed with the same sort of logical grammar, as in “If the buyer behaved with perfect rationality.” But rational is not a (one-place) predicate; it is a (two-place) relational term like, say, heavy. Both point not to a predicated quality of single objects standing alone but to the place of two objects when they are ordered by the appropriate comparative relation.

One can no more say of a weight that it is “perfectly heavy” than of an action that it is “perfectly rational.” Even when one says of something that it is “the heaviest,” the meaning is merely that that weight is heavier than each of the other weights included in an indicated comparison; there is simply no meaning to a claim that there exists or might exist a weight whose heaviness lies outside any and all comparing functions. And there can be no such thing as a weight that is perfectly heavy, that is, cannot be exceeded by any other conceivable weight under any circumstances. But just that sort of claim about rational or maximizing or some other logical-grammatical synonym lies at the heart of every statement of abstract equilibrium conditions, whether partial or general. College presidents who claim that “excellence” is their institutional standard (or the good medieval St. Anselm, who “proved the existence of God” with an analogously devious construction), like economists who employ perfectly rational, need to be reminded from time to time that a superlative is merely the upper boundary of some definite comparative.

7. Disguised tautologies lurk everywhere in economics. Both Marxist “prices of production” and neoclassical “marginal” Prices are explained as being the prices that would obtain if a market or the whole economy were in equilibrium. But Price and equilibrium are simply the two terms of the same tautology; Prices are necessarily Prices in equilibrium. Technically speaking, Price and equilibrium are not synonyms but interdefined terms.

8. See Schumpeter’s characteristically succinct account of the historical evolution of utility theory leading up to (and beyond) the Jevons/Walras microeconomics. At various times that theory has been cast in terms of utility (meaning really useful), pleasure, happiness, hedonic tone, satisfaction, opeliness (desirability), anticipation or expectation, preferences (both cardinal and ordinal), and latterly in indices of indifference, substitutability, or opportunities foresworn, taking forms as simple as points of indifference between choices or, indeed, even complex indifference surfaces. Schumpeter’s account correctly sees that what I have called the value subsystem needs to be purged as far as possible of psychological excrescence in order to explicate it as a logic. Even his account, however, underplays the fact that the term value, however carefully purged of undesirable psychological features, is still a coded term for certain human behaviors or, when the analyst is being really careful, a term whose exact psychological meaning need not be specified save that it is the omnipresent, universal something that decisively conditions, or should condition, all human economic behavior (Schumpeter 1954: 1053ff.).
9. The more familiar “transformation problem” in Marx’s *Capital* was initially identified by Boehm-Bawerk (1896) and then defended against by von Bortkiewicz ([1907] 1984). Both contributions are reprinted in Sweezy 1942, and there is an almost limitless number of books and articles defending Marx. The transformation problem is the problem of consistently transforming value equations in which the Departments I, II, and III may have differing rates of surplus value into price equations in which each of the three has the same rate of profit. In general, the transformation solutions proposed only work for relatively trivial cases and a general solution has not been forthcoming nor, in my view, from the terms that establish the problem, is it ever likely to be forthcoming.

10. Again some of my neoclassically oriented colleagues would like to claim that their science is value free, that is, until they employ their science to analyze “trade union monopoly” or “government regulation,” at which point their professional moral abhorrence of “waste,” “inefficiency,” and offenses against “liberty” comes tumbling out.

11. This conception of commodities as dated labor-power is borrowed from Sraffa 1960 (chap. 6), but the similarities in the two conceptions are only skin deep. The linkage between the value theory to be developed here and the work of Amartya Sen is closer, both intellectually and, especially, morally.

12. In the text I have elided Schumpeter’s own emphasis on the way “creative destruction” is tied to the business cycle, but the elision introduces no essential distortion into our present discussion.

13. The classic conception of “the Market” is that it is a way of achieving maximal unconstrained feedback from the “sovereign” consumer. Theory aside, modern concentrated and coordinated industries construct rather than obey their markets. The classic problem with statist central planning mechanisms is that they discriminate against final or consumer satisfaction. The old Soviet Union was a marvel for the consumer; it most wanted to please the military but had political and other barriers to effective feedback from other consumers. I do think human ingenuity can do better than reinventing either of these trolley cars.

I am not arguing for a “best system.” On the other hand we have had roughly two centuries of experience with the relationship between democratic political structures and private property, thus some idea of its strengths and weaknesses. I think it not difficult to list the sort of things that make that relationship more sensitive to citizen feedback and learning and those that dampen such feedback and incremental learning. Thus, even without going beyond what are in point of fact premodern political arrangements, such as constitutionally structured democracy through elected representatives, it should not be technically imposing to greatly strengthen those arrangements. In a future book I would like to explore what might be required to make a quantum democratic leap beyond the rather tatty democracy and economic priority setting we now enjoy.
14. What we have succeeded in doing is in giving an economic, not legal-historical, definition of property. In this sense, the institution of property consists of social and legal structures and procedures that assign “value” to goods and services at least in part independent of their future value, that is, some useful index of their contribution to the expansion of the social labor-power. Equivalently, it represents the set of phenomena that impose on future price relations, price relations enacted in the past that may be contraindicated from a productive standpoint. By definition, then, economic property is literally counterproductive, representing a drag on, not a goad to, the development of the productive powers of the social labor-power.

The relationship between economic property, as defined here, and this or that actual system of private or quasi-socialized property is obviously a complex one, and judgments about it cannot rest on simple inference. It is in principle conceivable that a given system of (legal) property and its ascribed values in a given period of time would correspond to or approximate a Pareto optimum with respect to the social labor-power, but that would have to be argued to the skeptic and not, as at present, assumed by the faithful.

15. The shift in the logic of “property” is most interesting here. If we conceive of an economy as fundamentally just a simple aggregate of individuals, a Lockean property is the logical (and moral-political) bridge that assures that their individuality will take primacy of place in the actions of the economy. This is Popper’s and Hayek’s “freedom.” But if we conceive that an economy is a social phenomenon, that is, a structured aggregate of individuals, a “system,” then that logic of property constrains the individuals in the economy from freely altering their relationships. In the first, property reflects a logic of freedom for the individual. In the second, it is precisely coterminous with the constraints operating on individuals.

16. If we apply a hard-nosed realism to the matter, the current appeals to allow the “free market” or “free enterprise” maximum leeway in the name of “freedom of choice” in fact advance the fortunes of the larger companies at the expense of the smaller. The deregulation of the interstate trucking industry almost immediately changed an industry made up of small, at best regional firms into oligopoly. Airline deregulation also led to failure of the smaller, weaker carriers and merger of the survivors into megafirms. Relaxation of the rules governing television and radio bands has had the same effect, along with a decrease in “public service” programming, an increase in the percentage of air time devoted to advertisements, and the greater frequency of using shock effects, violence, and other antisocial phenomena to gain temporary ratings advantages. Even the selection and presentation of the news is now heavily dependent on whether it will draw as large an audience as some other form of “entertainment.”

One must acknowledge that government “bureaucracies” are often smaller and more responsive than those of the bigger private firms; citizens can often change their political representatives via the ballot box or change their behav-
ior through the courts, but CEOs and boards of directors are much more self-
perpetuating and much better insulated from “outside pressures.” “Statism” is
a lesser evil than business gigantism and collusion, though hardly a superior
way to make for a genuinely freer economy. Again I plan to take up these
issues in a future book.

Chapter 8

1. If, for example, in an empirical investigation of a more or less self-con-
tained economy one assumes that employment is at an equilibrium level but
then observes steadily rising wages across the board, one would normally use
the latter fact to look again at the equilibrium assumption. Here the inconsis-
tency of the assumption with the finding aids in developing a more useful,
accurate model. In general equilibrium theoretical work, the relationship
between premise and implicate is reversed. One assumes (or wants to assume)
equilibrium and adjusts terms, propositions, and results to maintain it.

2. The expression “the class struggle” seems too vivid to describe the
competition and often outright conflict between the several courses for
reward and privilege. Probably that comes not of its literal meaning but of its
association with images of fiery sans-culottes and rough-hewn Bolsheviks
storming this or that barricade. On the other hand, the several courses do rep-
resent a multidimensional structure of privilege and authority, and between
them there is obviously system conflict along many of those dimensions.

The major active front of class-related conflict in a modern society is not
between labor and capital but between Managers and the several worker
courses. One can reduce that latter pairing with the former in that the man-
gerrial course or its near equivalent, the professional, managerial and (univer-
sity educated) technical or upper middle class takes its authority and extra
reward from its special closeness to the Elite. Politically speaking it is foolish,
however, to make that reduction. In a modern economy the special power and
wealth of the Elite are not socially manifest, as they were, for example, in the
Age of the Moguls in the latter part of the nineteenth century when one could
readily identify the monopolies, the figure, the power, and the ostentation of
a Rockefeller, a Morgan, a Gould, or a Belmont. The corporation as an institu-
tional form obscures the empirical identity of those who actually guide it and
those who reap its richest rewards. The social conflation of the Elite and the
Manager courses into the colloquial “manager” has much the same effect,
namely, to insulate the Elite to an important degree from everyday industrial
and related disputes. In concrete industrial and commercial life the direct
front of contact and therefore of potential conflict is between Managers and
the lower courses. This includes not only on-the-job disputes over wages,
hours, and work conditions or differences over consumer issues but also the
nature of people’s access to social services, typically funneled through the
administrative relationship, and of course conflict over social mobility issues. Practical conflicts over social mobility are not usually fought on the frontier between Elite and Manager. The parents who square off over mobility-related issues on the school committee and in similar precincts are more likely to represent the different, codified interests of Manager versus Regular or Marginal.

It is interesting that this obvious point about social and class conflict does not find its way into the social science literature in those terms. Truth to tell, social scientists generally belong to the Manager course. One could argue, not without reason, that those social scientists who tend to think of themselves as either politically liberal and/or scientifically detached, would be ideologically embarrassed to have to view themselves as relatively privileged and as part of the very group that in our society struggles hardest in an everyday way to preserve, even extend, the structures of social privilege.

3. The one-sided development of the Manager course also carries with it the imperative for Managers to impose an often draconian discipline on the worker courses, itself a costly procedure in terms of workplace injury, absenteeism, strikes and slowdowns, poor quality control, and so forth. On the question of whether it would be more profit productive for capital to pursue wider and more even development of the productive capacities of the social labor-power in its entirety, see Bowles, Gordon, and Weisskopf 1990, especially chapter 7.

4. Bowles, Gordon, and Weisskopf (ibid.) argue the case against “Taylorite” microefficiency.

5. As previously remarked, there is a paradox, social and legal in nature, in the existence of the courses as the deployable elements of modern capital. Courses are more akin to orders, castes, and other such premodern social formations than to classes per se. That is, the older orders, estates, and castes were not based, as are classes, on “free,” individually entered contractual relations between persons, thus not directly administered by government. Not so the courses. Course boundaries and identities are in good part maintained and even administered by means of state action.

The courses unite a lifetime in one ensemble of relationships. I agree that there are obvious differences between a medieval estate, an Indian caste, and a modern course, most dramatically in that there was lesser movement in and out of those older social orders than we believe is true—probably correctly—of the modern courses. Nonetheless, it is striking that the tendency of the modern capitalist property system is to re-create at least some of the features of those premodern sociopolitical orders or, in equivalent terms, to introduce greater administrative and other kinds of constraint not only into this or that day’s activities but into the shape of one’s lifetime. Here we see that modern property, in its youth a plausibly liberating social and political influence, now acts primarily to constrain, not liberate, the texture and quality of everyday life.

6. It is very easy to overlook this jump in Marx’s logic and, in fact it is typically overlooked. Examine closely, for example, Sweezy’s summation of
Marx’s view as I cited it in chapter 2. The jump occurs within the following excerpt: “Marx . . . selected the forms of the capital-labor relation that arise in the sphere of production as the most important for modern capitalist society. . . What is the nature of this capital-labor relation? In form it is an exchange relation? . . .” And so it is. The Marxist sphere of production receives its analytical determination from his sphere of exchange, not vice versa. Marx’s narrative of capitalist production was both pioneering and masterful, but it is embedded in an analysis of exchange relations and Marx never seems to have resolved the paradox. To escape the paradox logically requires that the workers’ “final” consumption must occur within the continuous circuit of capital, not as an interruption to it, that is, within the sphere of production and not in a different sphere, that of circulation, that is, exchange. In fairness to Marx, the paradox was not resolvable in the underdeveloped capitalism of his time.

7. This thesis is consistent with the line of argument of the so-called Cambridge capital debates. For a summary, see Dobb 1973: 247ff. My text takes the position that there is no “natural” rate of interest and that profit is, to use an older locution, a deduction from wages, that is, from payments to members of the various courses in exchange for their actual productive accomplishments. This, however, would also have to include payment deducted in the form of opportunities foreseen for the growth of the social labor-power, in other words, a conception of lost “opportunity cost” directly predicated on the social labor-power per se.

8. There is no question that the actions of these banks are calculated at least in part to preserve “historical values.” Obviously, other factors enter into these actions as well in order to keep the economy “prosperous,” employment or unemployment restrained, social conditions acceptable, or the nation’s competitive position “advantageous.” But that “in part” is all that is needed to support the conclusion that modern profit collapses into (economic) rent. Once modern economies gave up commodity money there remained no determinate meaning to the orthodox linkage between the “rate of saving” and the “investment rate.” The practice of creating money and credit by fiat breaks the old hypothesized determinate tie between demand and supply of money and necessarily introduces the possibility of both qualitatively and quantitatively different growth paths for any economy, any commodity, and any human productive resource.

9. Ironically enough, modern cost-benefit analysis confirms this very point, if sometimes bizarrely. Findings as to cost and benefit vary enormously depending on what one assumes prior to the analysis itself. A workman who loses an arm in an accident at the age of sixty would be “entitled” to only the equivalent of five years’ worth of modest pay—if the injury is viewed under the rubric of loss of income; on the identical standard, a surgeon would presumably win a higher award than a machinist, and both be awarded more than a laborer. If we think it important to encourage new technology, we would view the poisoning of a chemical company employee as of less moment
than that of a food worker and so forth. The point is that in such calculations the ultimate findings are hostage to one’s initial assumptions. The resulting calculations have more the character of a dance routine than an investigative procedure.

10. In my view the Reagan-Thatcher years were the consequence not the cause of the defeat of the social democratic/progressive trio described in the text. Given the social ubiquity of modern commodity production it would be an anomaly if business firms and industry associations had not expanded their participation in the entire political process, not just in electioneering. To give an example, I worked as a lobbyist for a progressive organization in the state capital, Albany, New York, during much of the 1961 and 1962 legislative sessions. There were many bills presented there, some of obvious importance to business lobbyists, about which they had only marginal interest and often on social issues no worked out political positions. That clearly is not true today. The business community has become vastly politicized in the intervening years. Bills of interest to the business community today are as likely as not to have been initially drafted by the firms or associations most interested and then put into the legislative hopper by friendly and/or dependent legislators. As for social issues such as abortion, education, or welfare, today well-planned, well-informed, business-generated positions dominate the discussion.

11. I do not want to leave the impression that fundamental economic reform is a mystery that confounds our present-day intellect. Each of the following proposals has been bruited about in economic discussions in recent years, and taken together they would go a long way toward altering in the requisite manner an economic mechanism now too often socially dysfunctional. In no particular order, then, consider the following.

Some years ago Michael Harrington proposed a barrier to companies that want to flee their present locale and relocate, say, overseas. They would be required to file a social and economic impact statement, modeled on the environmental impact statements now in the law, that is, to specify what the social and other effects of their leaving would entail. If the impact were estimated to be largely negative, they would automatically be disallowed the tax and other advantages pertinent to the move. At present, by contrast, companies that flee are not untypically allowed generous tax write-offs not only on their abandoned property and producer assets but often on the “customer goodwill” they leave behind. Typically, runaway companies can also “double dip.” A company going from locale X to Y is often fully paid by Y to come even as X pays most of the costs of the going. Harrington thought, and with reason, that we as a public have no obligation to subsidize this sort of corporate roaming.

One could easily generalize this idea along the following lines. A charter of corporate behavior document could be legislated covering the social and related responsibilities of big firms. It would, among other things, include making their private records into public documents. Then companies that
were found to have behaved in violation of the charter, could be excluded from all tax benefits, regulatory assistance (as in their labor relations), government subsidies, and consular assistance (for their overseas dealings). They would not be coerced into signing on to the charter, but those that refused would forego the benefits of public and government assistance. The point is that most modern firms operate, as we’ve seen, in a deeply social mode; even if society exacted only a fair price for its assistance and cooperation this would radically alter the nature and practical functioning of the economic system.

At present it is customary to fine companies if they violate the law, as in fouling streams and estuaries or, as today, “cooking the books.” As with tobacco, these fines are often then amortized via the tax system. Given the social impact of the big modern firms, criminal penalties should be applied when the occasion merits it. Executives who knowingly endanger the public should be excluded from the right to continue in their position or to take another like it. In the extreme case, boards of directors might be removed and the directors similarly forced to give up their other directorships for a term of years or even permanently. In the more extreme cases—asbestos-producing firms, tobacco firms, Ford Motor Company, and Firestone Tires today—more severe criminal charges could and should be pressed against identifiable executives. One recalls that during the Napoleonic wars the Royal Navy hanged an errant admiral “pour encourager les autres.” Penalties considerably short of that should “encourager” more responsible behavior on the part of our corporate steersmen.

More generally, while the different managerial specialties have been professionalized in the purely technical sense, they have not been in the moral sense. A doctor or a lawyer has a prescribed legal responsibility to his or her patient/client and to the organized profession. Some analogous legal prescription should fall upon every person in the management echelon. In fact, it should be illegal and punishable for any business executive to hide or otherwise conspire in corporate actions that he or she has reason to believe will be socially harmful; equivalently, every person in management should be legally required to be a “whistle blower” if he or she believes it appropriate. A negative protection for whistle blowers is not enough, either for the public or for the responsible manager. Both are best protected if whistle blowing is both a protected right and an imposed obligation. Taking one thing with another, a resocialization of the management professions that emphasizes the moral obligation of competence-based self-policing of one’s own performance, which is the hallmark of professionalization, and not just their status as the firm’s flunkies, is long overdue.

Again, one need not willy-nilly impose such a system upon a recalcitrant “private sector.” Firms that are unwilling to sign consent agreements embodying such changes could reasonably be denied all gifts and assistance from government.
One could go on with ideas about closing up the differences between the courses, about restricting access to U.S. markets for foreign firms that, for example, would not sign appropriate consent agreements or that violate them. (We impose sanctions at present on foreign firms that deal with Cuba but less often on those that exploit child or slave labor.) There is really no mystery to these things; some reforms will work well, some poorly, others will have to be discovered on the basis of experience. But the key to that experience is to act on the principle that, ideology aside, a modern economy is a deeply social phenomenon in which society provides perhaps half of all investment and underwrites and often guarantees the profitability of the rest. One wants not aggression against the “private sector” but an end to excessive public forbearance. Basically, the deeply social nature of a modern economy provides society not only with rights to demand business acquiescence but with exceptionally powerful means to exert those rights.