

# Marx's Understanding of the Essence of Capitalism

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For Karl Marx, capitalism is fundamentally distinct from other modes of production mainly because of market anarchy, and only secondarily because of capitalist exploitation. Although capitalist exploitation is unique as well, it is a derivative feature of market anarchy. I demonstrate this thesis through an exposition of Marx's mode of abstraction, the concept of commodity fetishism, the concept of social labor, and the specificity of capitalist exploitation. The thesis has ramifications with regard to the debate concerning Marx's concept of socialism—whether it should be primarily centralized planning or worker-managed enterprises coordinated via the market.

It is a cliché that Karl Marx did not explicate the character of the socialist economy, consistent with his scientific or materialist view of history. However, his theory of the capitalist mode of production (for short, capitalism) sheds light on his normative view of would-be socialism. Hence we can learn about his conception of socialism by studying his understanding of the essence or *differentia specifica* of capitalism.

However, Marx's view of the defining character of capitalism is far from settled. While classical Marxists at the turn of the century emphasized the anarchy of the market, neo-Marxists stress the domination of capital over labor-power. The latter view implies that the fundamental malady of capitalist relations is not the anarchy of the market-coordinated system of production, but rather the exploitation and domination of workers by the capitalist firm [see Gordon 1976; Jain 1980; Jones and Svejnar 1982; Schweickart 1980].<sup>1</sup>

Thus, according to the neo-Marxist tendency, the alternative to capitalist production is a system of egalitarian firms, in regards to the distribution of pecuniary compensation and power, rather than a centrally planned economy. Needless to say, the experience of existing socialist countries, and their recent opting for greater market solutions, corroborates the neo-Marxist approach.

This poses the question of whether the neo-Marxist view of the essence of capitalism could be based on Marx's texts. I argue that his treatment of capitalism does not, for the most part, fit with the neo-Marxist thesis. Marx characterizes

capitalism as primarily a system of market anarchy, rather than a system of income and power differentials. Such anarchy engenders *primarily* the perceived rule of people by commodities, and *secondarily* the rule of people by people.

While such a view was explicitly advanced by the young Marx, I reach my conclusion on the basis of examining exclusively the mature Marx and in particular his later economic writings. In this manner, my assessment cannot, following the argument of Louis Althusser [1977, pp. 49-86], be dismissed as true only for the young and so-called non-scientific Marx.

I develop my thesis in four steps. First, I show that Marx's discussion in *Capital* of market exchange prior to exploitation is conceptually significant. Second, I highlight the fact that commodity fetishism, the way actors perceive things, is exclusively the outcome of market exchange. Third, I argue that Marx's concept of social labor denotes that laboring, in the transhistorical sense, amounts to the rational control of society over the allocation of resources. Fourth, I contend that domination of capital over labor is derivative of market exchange, and hence can be only a secondary feature of capitalism. In this fashion, I establish that, for Marx, the primary defining characteristic of capitalism is the anarchy of market exchange.

Needless to state, the exercise here merely reconstructs Marx's view on the matter at hand. I do not advance my own conception of capitalism. To wit, I do not believe there is an entity called capitalism understood as a stage in the rectilinear progress of humankind. But this is not the place where I can clarify and substantiate such a statement.

## 1. Mode of Abstraction

Marx commences *Capital* with the explication of the commodity rather than with capital's domination over labor. In fact, he spends the first two parts of volume one of *Capital* (which amount to six chapters and over one hundred pages) without alluding to capitalist exploitation. While the count of pages is not an argument, the order of topics is of most importance. Not until part three does Marx begin to explicate the labor process and how unpaid, surplus labor is essential for capital valorization.

While the extraction of surplus labor is essential for capital growth, it is not essential for the *definition* of capital. To wit, Marx defines the circuit of capital (M-C-M') independently and before the introduction of the exploitation of labor.

It is possible to dismiss this interpretation on the ground that Marx started with the commodity since capitalism has historically arisen from *simple* commodity production (where self-employed trading is the dominant form). If that was the case, Marx would have started *Capital* with the "so-called primitive accumulation" rather than relegating it to the last (eighth) part of volume one of *Capital*. Marx, though, is writing a treatise not about the history of capitalism and its origins, but rather about the character of fully-developed capitalism. In this manner, his critique of capitalism is not specific and dependent on the violent origins of capitalism (the forcible creation of the proletariat), but rather depends on its persistent anarchy of product exchange.

Given the order of topics in the above mentioned volume is not historical, this leaves us with two other options: Either Marx was careless or that the order of topics

is indicative of the logic or uniqueness of capitalist production. I chose the latter option.

The thesis that exploitation does not, at first approximation, characterize the uniqueness of capitalist production seems *prima facie* odd in light of Marx's labor theory of value. However, one should not confuse the labor theory of value with the sale of labor-power as a *commodity* (the commodification of labor). Marx's labor theory of value expresses how the exchange value of commodities could be reduced to a unique essence, socially necessary labor-time. The operation of that essence is not contingent on the existence of the labor-power market. In fact, Marx explicated the labor theory of value and even the nature of money without needing to refer to the commodification and exploitation of labor.

If one believes, as Marx does, that capitalist production is unique, one should not start with a universal phenomena like accumulation of wealth, development of forces of production, exploitation of labor, or class struggle. That is, to his credit, Marx did not start discussing capitalism with the explication of what is universal. In relation to accumulation of wealth, other modes of production also had experienced economic growth and the advancement of forces of production. To wit, the progress of forces of production is the transhistorical engine in all modes of production [see Khalil n.d.].

In relation to exploitation, surplus labor is not peculiar to capitalism, and hence it is not something which makes capitalism unique. Thus, the exploitation of labor and class struggle should not be the entry point to the study of capitalism. In fact, the exploitation of labor should be explicated after understanding what is unique about capitalism. In this manner, capitalist exploitation is differentiated from pre-capitalist exploitation. As I show elsewhere [Khalil 1991], exploitation in pre-capitalist modes of production, broadly speaking, arises from political reverence of authority; while capitalist exploitation stems from the reverence of the product by actors (commodity fetishism).

In other words, capitalist exploitation could only be understood after understanding the essence of capitalism, the appearance of the world of commodities. Therefore, Marx starts with the commodity in *general* in part one of the above mentioned volume, and only thereafter moves to discuss labor-power as a particular instance of commodities. If we assume that Marx is not careless, this indicates that the most important feature of capitalism is the nature of the commodity; while capitalist exploitation can only be understood after the explication of what is unique.

The progression from the general to the specific is true to Marx's mode of abstraction stated in his famous "Introduction" to the *Grundrisse* [Marx 1973]. In the "Introduction," he asserts that the first explicated category should be the simplest and most primary one in the sense that it implies all the rest. He finds the apparently innocuous concept of the "commodity" to contain the fundamental contradiction of the capitalist mode of production (more on that later), from which all other relations could be developed. In short, the mode of abstraction in *Capital* is designed by an architect who is aware that the skeleton has to be laid out prior to the elaboration of its outward appearance and variation.

## 2. Commodity Fetishism

The specificity of the commodity in capitalism lies in the fact that it is not simply a value for use (a product), but also a value for exchange or exchange value. The commodity attains its character as exchange value not simply from the fact that producers do not consume the commodity, but rather from the fact that the anarchic market is the medium of exchange. Although pre-capitalist (political subordination) and cooperative (socialist, free exchange) systems are far apart on other points, they are contrasted with the market (private exchange):

The private exchange of all products of labour ... stands in antithesis not only to a distribution based on a natural or political super- and sub-ordination of individuals to one another ... but also to free exchange among individuals who are associated on the basis of common appropriation and control of the means of production [Marx 1973, pp. 158-9].

What unites the pre-capitalist and cooperative systems is the absence of the market; i.e., "a priori there is no conscious social regulation of production" in both systems [Marx and Engels 1975, p. 197].

Marx is explicit that the market, even if firms are worker-owned, entails the production of commodities, as opposed to products, and is hence subject to the law of value [Marx 1981, pp. 276-7]. The law of value rules exclusively in the system of anarchic, irrational markets. Irrationality is not the product of capitalist exploitation, but rather the result of the absence of rational, planned coordination [Marx 1981, pp. 1022; see Khalil 1990b]. The word rationality is used here in the narrow sense of the ability to control one's circumstances, which is for Marx denied in market exchange.

The commodity expresses a fundamental irrationality since in the market "the whole negation of his (the individual's) natural existence is already implied" [Marx 1973, pp. 248]. Marx defines natural existence as the coordination of economic activity through conscious control like the case of "the individual member of a family or clan (later, community)" [Marx 1973, pp. 156-7].

The natural existence is broken in the market as a result of "the pressure of general demand and supply" [Marx 1973, pp. 158]. When conscious coordination breaks down, "individuals have alienated their own social relationship from themselves" [Marx 1973, pp. 160]. The carrying of the "social bond" in the "pocket" (i.e., in the form of commodities) amounts to alienation. That is, alienation arises when, as a result of the market, the social bond switches residence from the collective will to products. Then the social bond becomes "value," which is expressed in the form of exchange value and ultimately, at the surface level, in the form of market price. In this light, money as a commodity in capitalist production possesses the alienated social essence in general.

In other words, when the natural potential towards rational coordination (planning) is blocked by capitalist relations, the product acquires the alienated rationality in the form of "value." Value transforms a thing from a mere product into a "commodity" [Marx 1976, pp. 153-4]. In this case, the value embodied in the commodity starts to exert an external force on sellers and buyers.

Marx calls this force "mysterious." It makes actors perceive things as fetishes embodied with will, while it makes them perceive themselves as powerless things, i.e., alienated. Such a subsequent state of alienation means that products act as if

they have volition. Individuals who abandon their "definite social relation" (planning) end up falling into commodity fetishism:

The mysterious character of the commodity-form consists therefore simply in the fact that the commodity reflects the social characteristics of men's own labour as objective characteristics of the products of labour themselves, as the socio-natural properties of these things. Hence it also reflects the social relation of the producers to the sum total of labour as a social relation between objects, a relation which exists apart from and outside the producers. ...It [the commodity-form] is nothing but the definite social relation between men themselves which assume here, for them, the fantastic form of a relation between things. ...I call this the fetishism which attaches itself to the products of labour as soon as they are produced as commodities, and is therefore inseparable from the production of commodities [Marx 1976, pp. 164-5, see also pp. 168-9, 1981, pp. 965-6, 968-9].

The perception of the commodity as a fetish is the result of empowering products with the power to regulate productive activity which individuals have surrendered to market forces. The power of commodities presents the world in "a distorted way," determined behind the backs of agents [Marx 1981, p. 969, see also pp. 1006-7, 1013, 1976, pp. 167-8, 157-8, 164]. Economic agents are not "aware" that they are under the "strict governing authority" of exchange value, since the value of a commodity "does not have its description branded on its forehead" [Marx 1976, pp. 166-7; 1981, p. 1021]. In contrast, the classical economists, since they subscribe to an intrinsic theory of value (unlike the "vulgar" ones who recognize only supply and demand forces), are aware of the power (value) of the commodity. They, however, treat such power as a material property like weight, color, and taste [Marx 1976, p. 177].

Since value works behind the backs of agents, they are led to believe they are free, which is "merely an illusion" [Marx 1973, pp. 163-5, see also pp. 157-8]. However, agents become free from the rule of commodities only with the abolition of the market. Then the "economy of time" comes under conscious management [Marx 1973, pp. 173, 1971, p. 257, 1976, p. 133, 1981, p. 959]. Thus the law of value ceases to work behind the backs of agents as a "blind natural force" [Marx 1981, p. 1020; see also Marx and Engels 1975, pp. 193, 197].

Stating it differently, Marx does not rule out labor-time calculations in a future socialist formation [Marx 1976, p. 667; Marx and Engels 1975, p. 196]. The only difference is that socialist planning entails conscious management of labor-time calculations:

(Only when production is subjected to the genuine, prior controls of society will society establish the connection between the amount of social labour-time applied to the production of particular articles, and the rule of the social need to be satisfied by these) [Marx 1981, pp. 288-9, see also pp. 799-800, 1974, p. 345].

In collective production, there is no need for money or other value-forms to coordinate activity, since "society distributes labour-power and means of production between the various branches of industry" [Marx 1978, p. 434]. In his "Critique of the Gotha Program," Marx presents labor-time simultaneously as the criterion for coordination among various branches of industry and as the standard for distribution of the "social consumption stocks" [Marx 1974, pp. 346-7, see also 1976, p. 172, 1978, p. 434]. The difference between the equalization of labor-time by the planning

authority and the law of value in capitalism is that the former implements the bourgeois principle of "equal rights" in each individual case of exchange, while the latter fulfills it on the "average" [Marx 1974, p. 346]. A more important difference is that the individual in a planning system ceases to be ruled by his estranged power. Thus, the exchange value of the commodity (the fetish) and the subsequent state of alienation have no basis for existence [Marx 1973, p. 832].<sup>3</sup>

Similar to socialist formations, pre-capitalist societies express "unity" in the sense that "the economic concept of value does not occur" or the concept of exchange value has no need to exist. This is the case because the dominant force of coordination is not market exchange [Marx 1973, p. 489, see also pp. 776, 251-2]. While the product of labor in patriarchal families is measured by the duration of effort, it does not embody "exchange-value." The product is not a commodity because individuals "act only as instruments of the joint labour-power of the family" [Marx 1976, p. 171, 1973, p. 171-2]. Thus, only market-coordinated production is marred by the perception of commodity fetishism.<sup>4</sup>

### 3. Social Labor

As I showed at length elsewhere [Khalil 1990b], Marx's concept of "social labor" denotes that the transhistorical essence of laboring activity is collective.<sup>5</sup> That is, producers would be true to their generic essence if they coordinate their activity directly, not through the market. For example, Marx describes the products of the different kinds of labor in the "patriarchal rural industry of a peasant family" as "already in their natural form *social* functions." "The fact," according to Marx, "that the expenditure of the individual labour-power is measured by duration appears here, by its very nature, as a *social* characteristic of labour itself" [Marx 1976, p. 171, see also 1973, pp. 83-8] (emphases added).

Marx uses the phrase "social production" repeatedly to mean collective production. The identification of the words "social" and "collective" is best demonstrated in this passage:

Private property, as the antithesis to *social, collective* property, exists only where the means of labour and the external conditions of productions of labour belong to private individuals [Marx 1976, p. 927] (emphases added).

In social production, society "distributes its means of production and productive forces in the degree and measure which is required for the fulfillment of the various social needs" [Marx 1968, pp. 528-9, see also 1981, p. 991]. The capitalist formation is the antithesis of the universal, collective condition of labor, because then labor is not "directly social" [Marx 1973, p. 158], in the sense that production activity is not managed as part of an explicit rational plan.

Capitalist production does not stop labor from being social. Instead, labor expresses its sociality in an *indirect* manner via the market. The market ensures that the product of one laborer is demanded socially. The numerous references to "social labor" and "social production" [Marx 1970, p. 32, 1981, pp. 1016, 1019-20, 1022, 1976, p. 167; Marx and Engels 1975, p. 196] deal with the adjustment of the composition of supply to *given* sectoral demand. Therefore, the metaphor of the invisible hand for Marx has to be true.

This might seem as an ironic statement: Marx, after all, is the demonstrator of the contradictions of capitalism, not its harmony. However, for Marx, such contradictions have many levels. While market coordination presents some problems, like commodity fetishism and the business cycle, it is not, in the final analysis, the Achilles' heel of capitalism. The ultimate weakness of capitalism, for Marx, is the development of forces of production and the subsequent tendency of the rate of profit to fall.

This is the real irony in Marx's theory of capitalism. While Marx identifies market coordination or anarchy as the particular essence of capitalism, it is *not* blamed for the ultimate weakness of capitalism. Rather, what is blamed for the Achilles' heel of capitalism—the advancement of forces of production—is in fact the universal essence of all modes of production. Thus, Marx's theory of capitalist crises contains an ironic contradiction which I elaborate elsewhere [Khalil n.d.].

To recapitulate, it should not be surprising to state that Marx subscribes to the invisible hand metaphor. Labor activity, even when it appears private, is coordinated by the power of commodities, since labor is essentially "social" [Marx 1973, p. 156, see also pp. 244, 652].

In fact, Marx's law of value amounts to an invisible hand metaphor. Marx explicates the law of value by using the example of Robinson Crusoe to illustrate how different functions of labor are divided in a way which meet the different kinds of demand (i.e., supply equals demand in every industry). "All the relations," Marx asserts, "between Robinson and ... objects that form his self-created wealth ... contains all the essential determinants of value" [Marx 1976, p. 170]. This is a startling assertion in light of Marx's characterization of the use of the Crusoe and similar stories as "unimaginative conceits of the eighteenth-century Robinsonades" [Marx 1973, p. 83]. Nevertheless, Marx asserts that *any* social formation faces, like Robinson, the problem of allocation because the "economy of time along with the planned distribution of labour time among the various branches of production, remains the first economic law on the basis of communal production" [Marx 1973, p. 173, see also 1976, pp. 169-70].

Disregarding their differences, Marx identifies the planning board's problem in allocating labor-time with Robinson's. Both are supposed to illustrate the law of value in market exchange. Marx's use of the Robinson Crusoe story should not be swept under the carpet. It exposes clearly that, for Marx, the labor activity of an individual is collectively determined by a priori given societal needs. Irrespective of the specific mode of production, the composition of supply, in the final analysis, must match given, societal needs. In modern lexicon, excess demand for every product equals zero—keeping in mind that there is only one, right-angled indifference curve. The capitalist system of market anarchy upsets *only* the surface of the innate tendency of supply to balance demand.<sup>6</sup>

That is, even in market exchange, labor-time calculations assert themselves, although on average and in the form of exchange value which is mystically possessed by commodities. To put it tersely, the capitalist mode is an aberration from the ideal system of planned economy only to the extent that coordination is attained unconsciously, as if the rational mind is mildly intoxicated. Unconscious market coordination of economic activity is like an inebriated person trying to find the right key to fit into a key hole. This is usually costlier than a similar action performed by an abstemious person.

Another harm engendered by blind coordination is the enslavement of the economic agent by his estranged rational power embodied in the product. In a "rationally regulated" system of "full self-awareness" [Marx 1976, p. 171, see also 1975, p. 187], the goal of production is achieved without alienating the power of social labor. The abolition of the market is the condition for regaining rational control; only then could the social essence of labor be actual.

#### 4. Capitalist Exploitation

In the discussion so far, I have attempted to establish that the primary unique feature of capitalism for Marx is market exchange. Technological prowess and economic growth are also conspicuous features of capitalism. However, for Marx, contrary to David Levine's [1981; see Khalil 1987b] thesis, they are not distinctive features of capitalism. Marx has noted the sweep of economic growth and technological innovations throughout history [see Khalil n.d.].

According to Marx, one should understand the exploitation of labor by capital through the fundamental nature of capitalism, i.e., market coordination. In some places, though, Marx gave the impression that the entry point to understanding capitalist production is exploitation. For example, he asserted, "capital is not a thing, but a social relation between persons which is mediated through things," where the "wage-labourer ... is compelled to sell himself of his own free will" [Marx 1976, p. 932].

Even here, however, capitalist exploitation is derived from market exchange. When labor, capital, and land are exchanged in the market, they are considered commodities as well. As such, they are seen as fetishes or persons with will. The perception of means of production as fetishes makes the world become "bewitched, distorted and upside-down ... haunted by Monsieur le Capital and Madam la Terre, who are at the same time social characters and mere things" [Marx 1981, pp. 968-9].

The fetishism of means of production is richer than the case with other commodities since they are means of income as well. The prices of labor-power, capital, and land (wages, profit, and ground rent) express deep exchange values. Thus, the means of production are commodities. As such, they are viewed by the contracting parties as fetishes commanding their fair value. Market exchange fosters the illusion that one is free, and hence contracts must be fair. That is, the exploitative exchange masquerades under the shroud of equal exchange. What is objectionable about the commodification of products (the embodiment of exchange value) is compounded by the commodification of labor (the shrouding of capitalist exploitation).

Throughout the paper, I have argued that, as loathsome as the exploitation of labor, the commodification of products in general is, of the two, the more fundamental feature of capitalism. As stated earlier, Marx discusses market exchange and commodity fetishism prior to exploitative exchange. Even when Marx refers to fetishism in the context of exploitative exchange, such exchange is *not* at the root of fetishism. For instance, when Marx [1981, pp. 962 ff.] calls labor-power, capital, and land "fetishes," it is not because of exploitation. Rather, it is because these means of production (like the rest of commodities) are traded in the irrational market [Marx 1981, p. 1022].

Putting it differently, for Marx, as a result of the anarchy of the market and the



consequent alienation, all commodities, including labor-power, are thought to be receiving fair compensation for the actual service performed (disregarding monopoly, theft, fraud, etc.). The power of commodities over individuals casts a thick veil which conceals the origin of surplus value. As a consequence of commodity fetishism, labor-power is *not* credited with the production of surplus value. Thus, while market exchange is the primordial feature of capitalist production, capitalist exploitation is a derivative. While the latter cannot exist without the former, the former (as unique capitalist exploitation) can stand independently of the latter.

This suggests that capitalist exploitation and authoritarianism inside the factory, which Marx disavowed, would collapse once market exchange is eradicated. In other words, the market is more fundamental than exploitation because its negation entails the elimination of irrationality (the rule of the law of value) *and* exploitation. In contrast, the attempt to eliminate exploitation (like in worker-owned enterprises in a market system) does not definitely entail the abolition of irrationality and most probably fail in resisting the treatment of labor-power as a commodity [see Arnold 1987a].

One may infer that Marx's *primary* complaint against the capitalist system is not the exploitation and control of wage-labor. Rather, the main villain is market trading, which insufficiently rationalizes production. This implies that Marx's socialism amounts to the construction of a rational or "conscious" coordination of exchange [Marx 1976, p. 187]. This consequently eliminates the shroud surrounding the sale of labor services. The whole system is then turned into a "factory," where market or "social division of labor" is replaced by command or "manufacturing division of labor" [Marx 1976, p. 476-477; see Walicki 1988, pp. 33-35].

Marx's concepts of the social division and manufacturing division of labor deal with the coordination problematic (which is his central concern). Marx defines the social division of labor as the market "for the products of the labor or private individual who work independently of each other." In other words, the social division of labor deals with, as he puts it, "anarchy." In contrast, the manufacturing division of labor is intra-firm specializations which are coordinated through planning. In the capitalist context, such planning is "despotism":

[I]n the society where capitalist mode of production prevails, anarchy in the social division of labour and despotism in the manufacturing division of labour mutually condition each other [Marx 1976, p. 477].

This implies that the break up of firms enhances the social division of labor at the expense of the manufacturing division of labor, while integration engenders the opposite. The tradeoff resembles the concern of the transaction cost approach—spearheaded by Ronald Coase and Oliver Williamson—with regard to the size of the firm relative to the market. Such a neoclassical approach stipulates that the choice of exchanges between the social (market-mediated) and manufacturing (intra-firm authority) divisions of labor should be guided by the criterion of minimization of transaction cost. In contrast, for Marx, manufacturing division of labor is certainly superior; it is always more efficient because it avoids the irrationality of market-mediated transactions and hence closer to the socialist ideal.

Marx recognized that the manufacturing division of labor increases the despotism of capital over labor. However, it liberates producers from the perceived mastery of things and the subsequent state of alienation because, inside the firm,

"the specialized worker produces no commodities" [Marx 1976, p. 475]. This allows workers to see themselves for what they are, as members of the working class with common interests, not separated from each other by the anarchy of the market.

Thus Marx welcomes vertical and horizontal integrations, which he calls the "centralization" of capital, because it is a step closer to an economy run according to "an approved and authoritative plan" [Marx 1976, p. 477]. In this case, it is an economy where the rationality of the division of labor at the level of the workshop is written at the level of the system as a whole, i.e., turning society into a factory. According to Marx, the bourgeois objection to conscious regulation of production at the level of the whole society does not arise from technical considerations in regard to productive power:

The same bourgeois consciousness which celebrates the division of labour in the workshop, the lifelong annexation of the worker to a partial operation, and his complete subjection to capital, as an organization of labour that increases its productive power, denounces with equal vigour every conscious attempt to control and regulate the process of production socially, as an inroad upon such sacred things as the rights of property, freedom and the self-determining 'genius' of the individual capitalist. It is very characteristic that the enthusiastic apologists of the factory system have nothing more damning to urge against a general organization of labour in society than that it would 'turn the whole of society into a factory' [Marx 1976, p. 477].

The rationalization of production—the turning of society into a factory—entails the substitution of commodities (including labor-power) with products, i.e., goods and services stripped from exchange value. In other words, people will no longer be ruled by the law of value or perceived commodity fetishism, but rather will take direct control (like the rational planning of the factory) over their relations of exchange.

To note, the factory example which Marx implicitly promoted is stripped from its capitalist hierarchical relation of power. In fact, such power relations would not be necessary once the labor service is no longer seen as a fetish.

That is, with the disappearance of the perception of commodity fetishism in a planned economy, the ability of one class to extract surplus value from another is, theoretically speaking, negated. That is, since capitalist exploitation is ultimately derived from market exchange, the eradication of the market, after the achievement of advanced technological competence, theoretically entails the elimination of capitalist exploitation.

Neo-Marxists have pointed out that the firm is not only about the extraction of surplus value. It is also about the maintenance of the power hierarchy or authoritarianism. However, for Marx, authoritarianism is *not* an independent stratum, but rather is derivative of economic exploitation. The length of the working day does not guarantee the firm a given surplus value. It has to be extracted. Extracted effort has at least to justify the value of labor-power, which is already paid. The *raison d'être* of the firm is to extract effort above the value of labor-power. Thus power inside the firm is needed for such extraction, and does not, for Marx, arise out of extra-economic considerations.

For Marx, the ultimate character of capitalism is market exchange, which in turn gives rise to the rule of people by people in order to extract surplus effort. This entails

that the elimination of the market leads to the abolition of capitalist exploitation. In contrast, as N. Scott Arnold (1987a, 1987b; cf. Schweickart 1987) has shown, the eradication of capitalist exploitation, according to Marx, cannot be sustained without the termination of the market as well. That is, worker-owned, democratically run ventures have no chance to survive in the ocean of market competition. According to Marx, a democratically run firm must revert to power domination in order to survive in the market, since it is subjected to the law of value [Marx 1981, pp. 276-7].

So far I have demonstrated that, for Marx, market exchange is the most fundamental in the characterization of capitalist production with a unique essence. However, such uniqueness does not sever capitalist production from other modes of production. The law of value is merely a *distorted* form of a transhistorical essence. Namely, it is the universal economic law of the allocation of social labor. Likewise, commodity fetishism is related to other features in other modes of production. Commodity fetishism arises from the treatment of the law of value as *the* generic law of allocation. Marx's law of value is simply the tattered garment which the law of nature dons when it enters private exchange.

For Marx, market exchange, which gives rise to the law of value, is the quintessential character of capitalism. Although capitalist exploitation and the subjugation of laborers to the caprice of capital inside the firm are very important, they are derivative features.

## 5. Conclusion

In this light, Marx's understanding of capitalism is not dualistic in character, but is rather unitary. That is, capitalism is not characterized by market anarchy *and* exploitative exchange. Rather, the archetype of capitalism is anarchy of production, and capitalist exploitation is a derivative feature.

Therefore, for Marx, the progression of socialism involves first and foremost the abolition of market anarchy, and not merely the negation of exploitation via decentralized workers cooperatives. This means that the phrase "market socialism" is a contradiction in terms [see Prychitko 1988]. The persistence of the market—irrespective of the form of ownership of property or degree of egalitarianism—leads inevitably to commodity fetishism. The persistence of commodity fetishism, the perceived rule of people by things, might ineluctably lead to the return to the rule of people by people.

According to Marx, people are ruled by the essence of commodities when their particular relation, private production, contradicts their transhistorical essence, collective production. The contradiction between the particular character and the transhistorical essence vanishes with the withering away of private labor in a centrally-planned economy. This implies that for Marx there are no dialectics in socialism; the system is at harmony. Allocation of labor is transparent under the omniscient human rationality.

Thus the socialist phenomenon is supposedly flat. The socialist production has no inner depth or intrinsic nature underneath the surface because there exists no contradiction between what is historically particular and what is historically universal. In the socialist society, the particular social relation matches the presumed species essence.

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## Notes

1. If one oversimplifies the history of Marxism, one would find this split running through many generations of Marxists [see Elliott 1976]. In the first generation, while Karl Kautsky and Rosa Luxemburg (as an economist, not political organizer) conform to the neo-Marxist tendency, Vladimir Lenin, Leon Trotsky, and Joseph Stalin belong to the orthodox camp. In the second generation, while the neo-Marxist tendency is led by Oskar Lange (who proposed the model of market socialism) and Abba Ptachya Lerner, the orthodox camp is spearheaded by Maurice Dobb, Paul Sweezy, and Paul Baran. In the third generation, the balance tips in favour of the former as a result of the infusion of works by humanist Marxists like Erich Fromm, Frankfurt School thinkers like Herbert Marcuse, and radical institutionalists like David Gordon.

The split in Marxian thought might assist in shedding light on the controversy over the origins of capitalism in Western Europe [see Sweezy, et. al., 1976]. Also, it might help in understanding the debate on the character of mode of production between Andre Gunder Frank and Immanuel Wallerstein, on the one hand, and Emesto Laclau and Samir Amin, on the other [see Brenner 1977].

2. To be clear, as discussed elsewhere [Khalil 1990b], I call this type "social" alienation because it arises from the transient suppression of the sociality of labor by the market. This should be distinguished from what I dub "abstract alienation" [Khalil 1991]. Abstract alienation is caused by low-level forces of production which characterize pre-capitalist modes of production. Abstract alienation gives rise to the reverence or fetishism of political, economic, and religious authority figures.

3. Obviously, Marx has failed to foresee the rule of the authoritarian planning authority. The failure might be the result of his materialist mode of conception. The materialist conception, at first level of approximation and at simplest presentation, denies non-economic foundations of power. Interestingly, non-economic sources of power, which I cannot detail here, is also denied by the neo-classical, public choice approach [see Khalil, 1987a].

4. This is not to suggest that Marx did not distinguish between pre-capitalist and socialist formations. While both are free from commodity fetishism, pre-capitalist modes are afflicted by restricted division of labor (i.e., the negation of abstract/concrete labor) and oppressive political authority in the form of reverence of patriarchs, kings, and clergy (what I call rank fetishism). In another paper [Khalil 1991], I relate rank fetishism and the negation of abstract/concrete labor to the low-level forces of production.

5. Marx's concept of social labor should be distinguished from his concept of abstract labor. Put briefly, the concept of social labor deals with the problem of coordination of decisions, i.e., the economy as a system of exterior agents. In contrast, the concept of abstract labor is related to technological prowess and division of labor, i.e., the economy as a complex organization. As argued elsewhere [Khalil, 1990a], these two approaches to the study of the economy should not be undertaken as substitutes of each other, but rather should be pursued side by side.

6. For Marx, crises beyond business cycles cannot be caused, but only accentuated by market anarchy with assistance of money. For Marx, the balance between the composition of supply and the corresponding sectoral demand is ultimately attainable, allowing for some temporary friction or what the Marxist literature calls "disproportionality". Thus, a sophisticated version of Say's Law—which would deal with the composition of output and not only with its level—is acceptable to Marx:

*[We can see at a glance that in our capitalist society a given portion of labour is supplied alternately in the form of tailoring and in the form of weaving, in accordance with changes in the direction of the demand for labour. This change in the form of labour may well not take place without friction, but it must take place*

[Marx 1976, p. 134].

Thus Marx does not propogate a theory of crisis based on underconsumption a la Malthus or Sismondi [see Bleaney 1976, pp. 102-119]. His critique of Say's Law in *The Theories of Surplus Value* is limited to its naive version which does not recognise the role of money, and hence cannot explain temporary sectoral disproportionalities.

7. To clarify, the absence of the market, like in pre-capitalist modes of production, does not mean the lack of exploitation. As argued elsewhere [Khalil 1991], class, or more accurately "status" exploitation in pre-capitalist production arises from other reasons, viz., primitive forces of production.

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