**Preface**

to

the Polish translation of

*Reading* Capital *Politically*

I am delighted that *Reading* Capital *Politically* is being translated and published in Poland. It is the first such publication in any country once plagued by a Soviet-style government and its perverse utilization of the writings of Karl Marx to justify political repression and the imposition of work, exploitation and alienation. With the Marx-Engels Institute and Progress Publishers in Moscow churning out every writing by Marx that could possibly be interpreted to rationalize official Communist Party policies – and keeping well hidden those that could not be so interpreted – few local opponents of those policies were inclined to seek inspiration in the very texts that were being wielded against them.

Therefore, in the period of struggle leading up to the overthrow of such governments in Eastern Europe and the Soviet Union it was only natural that dissidents sought inspiration in non-Marxist or even anti-Marxist writings, especially those aimed against the orthodox Marxism of the Soviet state. On the one hand, the writings of liberal, pro-capitalist thinkers who emphasized the autonomy of “civil society” vis à vis the government provided a natural quarrying ground for those who sought rationales for the elaboration of institutions and social networks beyond state control. On the other hand, the writings of anarchists who had long seen, and opposed, all “states” as the prime source of social domination – before, during and after the solidification of Bolshevik power - provided another rich field of research. This was especially true of the writings of Russian anarchists, such as Kropotkin or Makhno, who opposed that solidification but also of Western anarchists such as Emma Goldman who traveled to Russia to join the revolution and was outraged to discover both the Bolshevik usurpation of the worker-created factory committees and urban soviets and the repression of autonomous struggles such as those at Kronstadt and the Makhno-led movement in the Ukraine.

In the wake of the overthrow of Soviet-style regimes at the end of the 1980s and as a result of the massive influx of Western neoliberal capitalist advisors and of the acceptance of their advice by the new post-Soviet governments, some kind of a return to Marx has been inevitable. As the French philosopher Jean-Paul Sartre said, many years ago, given that Marx has provided the most detailed and accurate analysis of the workings of capitalist power of any of its social critics, it will be impossible to get beyond Marx until we get beyond capitalism. I think this is still true, whether we are talking about the state-capitalism of the Soviet system, the so-called “private” capitalism of the “West” or the peculiar mix of the two that we now see in China.

That said, it is also true that Marx’s analysis was neither complete nor was it without flaws. Moreover, in the years since Marx wrote the evolution both of the opposition to capitalism and of capitalist modes of responding to that opposition demand serious study of how much of his analysis is still relevant, of where and how it can be usefully extended to new domains of conflict and of the limits of its ability to grasp emerging alternatives to capitalist institutions and ways-of-being. Every generation, when time and circumstance demand it, creates new readings of old texts. This book is one such reading. Its composition was provoked by circumstances that pre-dated the overthrow of the communist regimes but that, in some ways, are very similar to the contemporary situation. As a result, it can, hopefully, provide some useful input into the reevaluation of the relevance of Marx’s writings now underway.

Please understand, it took considerable work to penetrate the ideological veil woven by Western “capitalist” and Eastern “socialist” politicians, academics and mass media to perceive and begin to analyze how struggles against the imposition of work, exploitation and alienation in the “socialist world” paralleled those in the “West” and thus how Marx’s analysis which was based primarily on his study of 18th and 19th Century British capitalism was also applicable to that supposedly non-capitalist “socialist world” of the 20th Century. Given the way Soviet-style orthodox Marxism was used to justify precisely those evils it will undoubtedly also take time for many suffering from contemporary neoliberal capitalism to find their way to a useful Marx.

**Distractions**

Along the way there will be a great many distractions, many of which will come from various “social democratic” readings of Marx that have been used to justify participation in Western capitalist political institutions such as pseudo-democratic electoral politics. As I point out in the introduction to this book, all too many self-identified Marxists have crafted readings of Marx that tend to divert our attention from the immediacy of our own struggles to the mechanisms of capitalist power analyzed without reference to those struggles. Some – ignoring Marx’s subtitle to *Capital* defining it as a *critique* of political economy – seek to reduce Marx’s analysis to a variant of economics and would thus draw us onto a capitalist intellectual and strategic terrain. Others, such as the Althusserians – the collaborators and followers of French Communist Party theorist Louis Althusser – have re-read Marx in the wake of the Soviet repression of the revolt in Hungary in 1956 in such a manner as to produce dense philosophical treatises and structuralist models of class relationships that have proved perfect for academic studies and debate but subversive of real struggle. Ensuing debates over such models not only in Europe and the United States but in places such as South Asia and Latin America have absorbed an enormous amount of energy that might otherwise have contributed to actual efforts to resist or get beyond capitalism.

Fortunately, some have avoided being drawn into such distractions and have put a great deal of effort into grasping changes in content and forms of our struggles and how the modes of capitalist exploitation have changed in response to them. As explained in the introduction to this book, that effort has included both theoretically innovative re-readings of Marx and empirical research into the concrete nature of our struggles as well as capitalist responses. I coined the term “autonomist Marxism” as a general descriptor of the work of those who have recognized and placed the analysis of our struggles at the center of their work. (The term “autonomist” is also applicable to some anarchists although they are not analyzed here. See, however, my [essay on Kropotkin and autonomist Marxism](https://webspace.utexas.edu/hcleaver/www/kropotkin.html).)

Unfortunately, some of the more interesting and thoughtful of such “autonomist” inquiries, while trying to update Marx to take account of recent changes in the dynamics of class relationships have also come to reject the core of his analysis: the labor theory of value. This is by no means the first time the long-standing bourgeois rejection of that theory has been echoed by some “Marxists”, but given the overall insightfulness and usefulness of these inquiries – as well as widespread attention they have attracted in recent years – this rejection deserves serious consideration. Given that this book makes a case for the contemporary political usefulness of its own interpretation of the labor theory of value, it seems only appropriate here to briefly critique those who would throw the theory overboard.

**The Labor Theory of Value?**

The thinker at the core of that tendency of “autonomist” Marxism which has come to reject the labor theory of value is Antonio Negri – a major figure in the so-called extraparliamentary Left in Italy in the 1960s and 1970s. Negri was imprisoned in 1979 on false charges of being the brains behind the terrorism of the *Brigada Rosa*, escaped to France, and for many years worked and taught in Paris. His work has only recently become widely known outside of Italy and France – mainly as a result of the publication of two books, co-authored with Michael Hardt, *Empire* (2000) and *Multitudes* (2004) that have been widely discussed not only in Marxist but also in mainstream capitalist circles.

 Negri’s rejection of the labor theory of value began in the early 1970s with an analysis of what he called the “crisis of value”. His primary point of reference was the so-called “fragment on machines” in Marx’s 1857 manuscript, the *Grundrisse*. In that fragment Marx argued that because of the relative surplus value strategy of raising the organic composition of capital by substituting machines for labor to increase productivity, the increasing centrality of machines in capitalist production was marginalizing labor as a source of value and setting the stage for a revolutionary explosion in which labor value would be replaced by “disposable time.” For Negri, and soon for many others, in Italy, France, Germany and even the US, the inability of capitalism to re-impose enough waged and salaried jobs in the wake of the Great Recession of 1974-75 and then the depression of the early 1980s (persistent double digit unemployment in much of Europe) suggested that the crisis foreseen by Marx in the *Grundrisse* was coming to maturity. Thus the spread of a discussion, especially in Europe, of the need to liberate the wage and income from jobs through the creation of a “citizen’s wage.” All of this gave increased credence to that “struggle against work” that had been an explicit strategy of struggles in Italy and a characteristic that many autonomist Marxists had found in the struggles around the world that had thrown the post-WWII Keynesian era into crisis in the late 1960s and early 1970s. It was also consistent with a concept Negri adapted from Marx: self-valorization. In Marx the term denoted capitalist self-expansion, its expanded reproduction of class relations, but with Negri’s redefinition it referred to the self-activities undertaken by workers to form new, non-capitalist relationships. If capital was having a harder and harder time imposing work, then clearly the possibilities for more and more self-valorization were growing.

Now, before moving on, it should be noted that the idea of a growing capitalist inability to impose work was severely criticized by some “autonomist” Marxists – myself included. Drawing on the work of Mariarosa Dalla Costa and the Wages for Housework movement, we pointed out that while capitalism might not be providing the same level of “full” (waged) employment as in the past, associated with that shortage of *waged* work was an ever greater amount of *unwaged* work that people had to undertake to compensate for reduced waged employment and income. Moreover, there was a Eurocentric element to the analysis that ignored the much lower organic composition of capital in most of the world, including all of those countries (including some in Eastern Europe) to which capital was fleeing (outsourcing) to take advantage of cheaper labor – labor made cheaper, in large part, through vast amounts of unwaged work – or from which it drew cheap raw materials, e.g., oil, made cheap not only by imperialism and repression but by the unwaged labor of producing and reproducing the oil-producing proletariat. This critique was based on an understanding that the work capital imposes, or seeks to impose, has always included both waged work producing commodities for sale and profit and unwaged work producing and reproducing labor power, i.e., the ability and willingness to work – with much of the latter being done by women, students, peasants, and ex-waged, e.g., waged workers who have lost their jobs and do the unwaged work of making the labor market function by looking for jobs, but also the “retired” who still do some of the work of taking care of children etc. It was the Wages for Housework movement that originally evoked the 24-hour working day.

**Immaterial Labor, the General Intellect and Measure**

Nevertheless, through participation in research and discussion in Paris – much of which was published in a series of new journals: *Babylone*, *Futur Antérieur* and most recently *Multitudes* – Negri and his co-workers shifted their attention from the capitalist inability to impose waged work to what they saw as its increasing success in annexing all of life as work. In a sense they embraced the Wages for Housework concept of the 24-hour working day but with a different focus and theory. Whereas that movement had zeroed in on how most of the unwaged work of reproducing labor power has traditionally been done by women, Negri et al. focused on what they came to call “immaterial labor” both on the waged job and off. The concept of “immaterial labor” denotes various forms of work – such as mental labor, but also affective labor – that differ from the kind of industrial manual labor that was the focus of Marx’s attention in the 19th Century. This immaterial labor, they have argued, has been becoming ever more central to the production of wealth in capitalist society – most obviously in the computer industry, in the production and commodification of information, in the various entertainment industries (television, film, computer games), in medical and financial services but in many other sectors as well. Unlike the Wages for Housework movement that focused on the performance of such labor by unwaged mothers, wives, sisters, aunts and girlfriends, Negri et al. have argued that this immaterial labor was becoming hegemonic – the dominant form of labor – throughout capitalism, both on-the-job and off.

Closely associated with this understanding was the appropriation of another term from Marx: that of the “general intellect.” Marx had used this term in the “fragment on machines” to evoke all of the accumulated mental labor, scientific and technological, that was embodied in the machines. For Negri et al. the concept denotes all the immaterial labor being annexed by capital throughout society – on-the-job and off. Beyond the unwaged immaterial (and material) labor of producing labor power, they have also pointed to how a wide variety of unwaged activities outside of waged working hours also contribute to capitalist profits. Modes of annexing off-the-job activities that effectively convert them to work for capital are easy to find. In the business literature this tapping of people’s unwaged time is called “crowdsourcing.” One example of this are the evaluations and feedback from consumers who provide management with information they would otherwise have to pay for, i.e., hire people to produce, thus reducing costs and increasing profits. (It has been noted in that same business literature that the profitability of crowdsourcing is by no means guaranteed, in part because there are costs associated with organizing such out-sourced participation and in gathering and assessing such information.) Other examples can be found in the work of news casters, political comedians, sit-com script writers or social science professors. Each of these workers draws upon information about what is going on in the world around them that they absorb at home as well as in the office, reading a weekly magazine on a Sunday morning or chatting with their family members or friends as well as in the hours formally allocated to their work. When those off-job experiences are brought to bear on the production of news programs, jokes, or lectures, they have become moments not just of life but of work. In one extreme form articulated by Paolo Virno, the notion of a general intellect is equated with the mental abilities of human beings, e.g., with "the linguistic-cognitive faculties common to the species," or with "the simple faculty of thought and verbal communication". The result, these Marxist theorists have argued, has been a growing impossibility of differentiating between labor and non-labor and thus of having a labor theory of value to measure capitalist exploitation or a concept of self-valorization to designate activities outside of and beyond work for capital. Now, about these ideas I’d like to make two comments.

First, human activity has always – as far as we know – involved physical, mental and affective dimensions. In the capitalist era, with its tendency to subordinate all of human activity to its own forms (which justifies the use of a generic term “labor” to characterize what are otherwise discrete and highly varied activities) the evolution of the division of labor – driven by class struggle – has repeatedly involved an evolution in the distribution of manual, mental and affective labor. One example was the change resulting from the Taylorist response to the power and struggles of skilled workers: a new, sharp division between line workers primarily engaged in manual tasks and professional engineers tasked with the mental labor of applying science to industry and working out new production technologies. The change that has preoccupied the theorists of the “general intellect”, on the other hand, has been the reversal of Taylorism as more and more work has involved integrated mental and affective labor, even among what were once primarily manual workers as well as among the key players in those industries more obviously dependent on immaterial labor mentioned above.

Second, our ability to see how our everyday experiences off-the-job can become elements of the work that we do for capital does *not* mean that we can no longer differentiate between such annexation and its refusal. This is true off-the-job just as it has always been true on-the-job! All workers know on-the-job – wherever that might be, in an office, a factory, a laboratory or at home telecommuting – when they are actually working, doing the things they are paid to do, and when they are not. The “refusal of work” has always been present to a greater or lesser degree and has always implied that it was possible to distinguish between working and doing something *other* than work. Shirking, featherbedding and sabotage are all well known and recurrent historical phenomena. This has been bitingly and humorously illustrated by the cartoonist Matt Groening (best known these days for his animated TV series *The Simpsons*) in his book *Work is Hell* where one finds a lovely, full page cartoon not only titled “How to Kill 8 Hours a Day and Still Keep Your Job” but full of assorted ideas about the various things one can do while sitting at a desk that are anything but work.

Certainly, with a little thought and the help of some clear theory about what constitutes work for capital, we can equally well distinguish between off-the-job activities that help reproduce capital and those that do not. Or, where it is a question of degree, e.g., eating and sleeping are necessary both to reproduce labor power *and* to simply live, we can judge the extent to which those activities are making possible more work for the boss or more self-activity both by their qualities and by their relationship to the rest of our activities. In other words, neither the recognition and the analysis of the existence of “immaterial labor” nor of the “general intellect” understood as the totality of immaterial labor precludes distinguishing between work-for-capital, on the one hand, and non-work or self-valorization on the other. So, if we can indeed make this distinction then the labor theory of value continues to provide a sophisticated theoretical tool for understanding not only how capital seeks to endlessly subordinate our lives to work, but also how so many diverse phenomena (machines, commodities, information, culture, education, emotions etc.) constitute moments of that subordination – and possibilities for subversion.

Moreover, if we can make these distinctions, then we can *measure* the degree of our subordination, we can measure the degree to which our lives involve work-for-capital – not only on-the-job, the traditional terrain of exploitation, also off-the-job, in our daily lives. It is quite clear that *capital* understands this and that is why it has always devoted substantial resources to measuring how we spend our time and energy in order to achieve its own ends (keeping us working and making profits so that it can not only continue to keep us working but put others to work as well). The technologies of such measuring have been changing – from mechanical clocks, supervisors devoted to maintaining the required intensity of work and quality controls to digital monitoring – but the objective remains the same: maximize the extraction of work from our time and energy and minimize the degree to which we are able to tap both for our own, autonomous purposes.

Off-the-job nowhere is this more obvious than in education where capital has systematically intervened to organize the unwaged activities of children and adults to make sure that what takes place in schools produces the willingness and ability to work for business (as opposed to the willingness and ability to refuse work and engage in other kinds of activity). The achievement of that goal has led capital’s theorists and administrators to organize school activities in ways that permit *measures* of the amount of school*work*. Work *in* schools for full-time students takes up most of the year, most of the week and most of the day. Then there is all the work *outside* of schools. Some of it is most appropriately called *homework* in the United States. Some of it goes by other names under the general rubric of “extra-curricular” activities, but they too are structured to inculcate the ability and willingness to work (as well as ideological things such as school-spirit/patriotism and the illusion that election of corporate-bought representatives = democracy). All of this is organized using competition - for grades, for scholarships, for admission to the best schools at the next level – to extract the longest and most intense work time possible. Indeed, in the United States these methods of imposing the greatest quantity of work possible has reached such a point as to be critiqued by those who see that childhood is being as subordinated to work in the 21st Century as it was to factory production in the 19th Century. School systems, at all levels, from elementary schools to universities, are increasingly demanding more and more detailed measures of the amount of work performed by both students and their teachers and professors. The longer standing business obsession with “metrics” (a jargon term for measures of work) in the realm of industry is becoming equally pervasive in schools. It is therefore ironic that in the very period in which capital is devoting more and more resources to measuring work to minimize non-work, some otherwise quite insightful Marxists are declaring such distinctions and such efforts to be impossible.

**Crisis and Finance**

Whenever we find that capital is channeling more and more resources into some kind of control, whether it be police forces and prison systems or devices to measure work and productivity, we should suspect that this is in response to crises in its current methods brought on by our struggles and the more resources it feels compelled to so channel, the greater the severity of those crises. Thus, the “bloody legislation” that accompanied the rise of capitalism was a response to the widespread and intense resistance to that rise. Thus in recent years of high unemployment and the autonomous movement of people across nation state borders, sharply increased expenditures on police and prisons measure the crisis created for capital by the unwillingness of people to accept the limits imposed on their standards of living both at home and abroad. Thus, the intensified efforts to measure work and productivity is a response to a crisis in its ability to impose work and to achieve acceptable levels of productivity.

The same reasoning helps us understand shifting patterns of capitalist investment – which is, after all, the most basic and paradigmatic form of capitalist control: the imposition of waged labor. Business invests where it can earn the highest rate of profit; it flees or disinvests in sectors, industries or geographical areas where profit is falling and reallocates itself to other sectors, industries or geographical areas where profits are higher. Marx’s labor theory of value reminds us that higher rates of profit are generally associated with higher rates of surplus value and higher rates of surplus value are the result of greater command over labor. Therefore, business tends to shift its investments from domains in which its command is in crisis to domains in which its command is, at least for the moment, greater and hence more profitable.

Since the Keynesian era was thrown into crisis by an international cycle of struggle in the late 1960s and early 1970s, capital has indeed been engaged in precisely those kinds of flight and new investments sketched in the previous paragraph. It has fled industrial sectors, cities and countries where labor was more powerful and invested, instead, in sectors, cities and countries where labor has been less powerful and a greater surplus value or profit could be extracted. This has been one key strategy of “neoliberal globalization” through which it has sought to undermine resistance and subordinate our lives to its rule. That strategy has, however, been fiercely resisted and for the first time in history those who have resisted have been able to organize their efforts on a level that approximates that of capital, i.e., a global level. That resistance – and beyond resistance the increasingly widespread efforts to elaborate alternatives to capitalist modes of social organization – is precisely why the crisis has lasted almost four decades.

***Capital,* Money and Financial Crises**

Part of the circumstances that provoked the research and thinking that finally crystallized in this book were those of a crisis with some similarities to the one faced by global capitalism today: a crisis of money and monetary relationships brought on by struggles that undermined the then-dominant mode of capitalist power. The shift from fixed to floating exchange rates in the international capitalist monetary order that took place in 1971-1973 was a wake-up call to those of us in struggle all over the world to refocus at least some of our attention onto monetary issues – very much as the onset of global financial crisis in the Fall of 2007 has forced the same kind of response more recently. The subsequent “Great Recession” of 1974-75 and the explosion of widespread fiscal crises in the mid-1970s – from the United States to Poland and beyond – brought our attention home from the rarified, relatively unknown terrain of international monetary relations to better known local ones where conflicts over government spending and tax policies were more familiar.

While the world largely ignored the eruption of protests in Poland in 1970, this was less true when protests re-emerged in 1976 at the same time that public employees in New York City were protesting attacks on their pensions and Egyptian workers were exploding in the streets of Cairo over cuts in food subsidies mandated by the International Monetary Fund and the Arab Fund. In all these cases there were direct confrontations between the ways money was being manipulated by governments and people’s efforts to defend their standard of living and with it their possibilities of struggle.

Therefore, my own personal re-examination of Marx’s theory of value – whose results are laid out in the chapters of this book – was motivated, in part, by the question “does the labor theory of value and surplus value help us understand money and crises that involve conflicts in which money plays a central role?” The answer that I came up with – “Yes, it does” – not only helped me understand the fiscal and monetary crises of the 1970s but has also helped me understand a variety of monetary crises since then, including those of the European Monetary Union, the stock market crash and savings & loan debacle of 1987 in the United States, the Mexican Peso Crisis of 1994-95, the Asian Crisis of 1997, the Ruble Crisis of 1998, and the Argentine crisis that began in 1999. The obvious question is: “How?” How does Marx’s theory of value help understand these monetary crises? And more importantly, beyond understanding what kind of political practice does this theory imply for changing the world so we no longer have to endure them?

The answers to those two questions are, succinctly, “it helps us understand money and monetary and financial crises by showing us how money in capitalism is both a key component of its command over our lives as labor and how monetary and financial crises are manifestations of our ability to undermine that command” and “the theory’s implications include the need to reorganize our activities – including those we now call ‘work’ - to the meeting of our own needs free of capitalist command.”

Examples of understanding money and monetary relationships in terms of conflicts over the imposition of work are easy to find. The *fiscal crises* in the old Soviet-style states, such as Poland, were often explained by ideologically motivated economists in the West as merely manifestations of the incompetence of central planners. But in reality the emergence of those crises was the direct product of many years of struggle by people who successfully forced the government to subsidize their income while resisting various forms of imposed work. The explosion of protests in “communist” Poland in 1976 had exactly the same content as those in “capitalist” Egypt of that same year: a revolt against government efforts to roll back food subsidies and impose more work. “Food subsidies”, whether they take the form of “food stamps” in the United States or government payments that keep prices up for peasants while holding them down for consumers are manifestations of the power of various groups to force the government to act in their interest despite the low productivity of their work. (If their productivity was high enough, no subsidies would be necessary.) As I point out in chapter three of this book, the use-value of food varies according to class. For the capitalists command over food is command over life and helps it reduce life to labor; for us command over food provides the power to resist the reduction of our lives to labor-for-capital and make time and energy available for activities against or outside of capitalist social relations. Capitalists seek not only to subordinate and exploit the labor of producing food (whether with agribusiness corporations or state farms) but to control access to food via money prices that can be manipulated either directly through price-setting and subsidies or indirectly through government monetary and fiscal policies. In these circumstances you only have a “fiscal crisis” when our struggles undermine such subordination, exploitation and manipulation.

Similarly, capitalist policy makers have, at various times, in response to worker success at driving money wages up faster than productivity, wielded *monetary policy* to intentionally generate the inflation of consumer prices to achieve a transfer of income and value from workers – who have seen their real income undermined and their labor power devalued – to the business owners of the commodities whose prices have been intentionally inflated. (See Chapter 5 of this book.) Sometimes this has occurred locally as in the use of an expansionary monetary policy to generate inflation within a country and sometimes it has occurred internationally as in the quadrupling of oil prices achieved by OPEC in the 1970s and sanctioned by US diplomacy and balance of payments deficits that provided the money necessary to the circulation of the much higher priced oil – money that took the form of “petrodollars” and made OPEC an adjunct of the international banks as a financial intermediary transferring value and income from consumers/workers to OPEC, the banks and non-financial business through loans. Such financial intermediation, converting working class income into capitalist profits only became a crisis when worker success at raising money wages to prevent a decline in their real income resulted in accelerating inflation and provoked capital, via US President Jimmy Carter and Federal Reserve Bank Chairman Paul Volcker to drastically tighten the growth of the supply of money in the United States, to drive interest rates up in the U.S. and hence in the world, bringing on the global depression of the early 1980s and subsequent international debt crisis of that decade, and beyond.

Just as understanding 1) the labor theory of value as a theory of the value of labor to capital and 2) how capitalist economic crises are rooted in its failures to command has helped us interpret those monetary crises mentioned above in class terms, so too can these insights help us grasp the current global economic crisis that exploded in 2007. This global crisis – which shows no signs of abating – first took the form of a crisis in the housing market and in associated financial institutions but quickly generalized into a crisis of capitalist investment, high unemployment, falling incomes, falling tax revenues and state fiscal crises.

Financial crisis has been a central issue in this period for two reasons. First, because of the key role of financial institutions in creating the housing bubble whose collapse triggered this period of crisis and second, because the bailing out of those financial institution has created or intensified government fiscal problems and hence problems for taxpayers and the beneficiaries of government expenditures. Let’s examine these in turn.

That housing bubble, it is now recognized, swelled to mammoth proportions as banks, hedge funds, and other speculators created a variety of new financial instruments that channeled ever greater amounts of money into loans for home buying (and hence into the home construction industry) in ways that made it ever more difficult for investors to judge risks and therefore ever more inevitable that the paper value of their investments would increasingly outstrip the revenue stream that could actually be realized from loan repayment. Just to give one example of how financial “creativity” could cloud risk assessment, consider the case of the securitization of bundles of mortgages. There is clearly a huge difference between the knowledge available to a bank that loans money to a home buyer and the knowledge available to an investor who buys a mortgage-based security that promises a share in the income stream generated by hundreds of home buyers as they repay their loans. In the first case, the bank – at least in principle – bases the decision to make a loan on a detailed assessment of that buyer’s income and assets. In the second case, the only information available to the investor is a rating accorded to the security by some third party credit rating agency. If that agency’s ability (or willingness) to accurately assess the likely income stream is impaired by the complexity of the financial instrument and the impossibility of evaluating each of the hundreds of loans that have been bundled together as the basis of that instrument, then it is impossible for the investor to understand the risks involved. When you couple this blindness with what has since been revealed to be widespread fraud at all levels, you have a guaranteed disaster in the making.

Also well recognized at this point is how situations such as the one described above have arisen: first, through the removal of regulatory safeguards created during and after the Great Depression of the 1930s – effectively eliminating financial crises for over thirty years – and second, through the failure to create new regulations capable of limiting the dangers inherent in new financial instruments. The removal of regulatory safeguards has taken two forms: the rewriting of regulatory laws to permit previously banned activities (such as allowing commercial deposit banks to engage in speculative banking investments) and the failure to enforce existing regulations by regulatory agencies dominated by neoliberal administrations ideologically committed to free markets and opposed to the very existence of regulation.

What then is the relationship between the understanding of Marx’s labor theory of value in this book and all of these financial shenanigans? That understanding focuses our attention on how everything in capitalism, both when it achieves its goals and when it fails to achieve those goals, is an aspect of the antagonistic struggle over the degree to which people’s lives are subordinated to capitalist work versus the degree to which people succeed in freeing themselves from that subordination. In other words, the rapid spread of financial deregulation and speculation that led to the housing bubble and subsequent collapse must be understood in terms of that struggle.

We can achieve that understanding by recognizing several things about history that led to the current crisis. First, we need to recognize that the massive flow of investable money into financial speculation, e.g., buying mortgage-based securities in the hope and expectation that their value would rise, *was only possible* because of the deregulation of the financial sector that began with the abolition of usury laws and has been underway since the end of the 1970s. Second, we need to recognize that *financial deregulation took place in response to workers struggles* that had produced accelerating inflation and negative real interest rates (and thus a crisis for the financial sector) in the 1970s. The International Monetary Fund’s Annual Reports from that decade reveal that by 1975 inflation was being identified as the number one economic problem in the world, and a key source of that inflation was identified as “structural rigidity in labor markets”, IMF-speak for workers’ power. Third, while financial deregulation was only one part of a wider process of deregulation (sometimes called “liberalization”) aimed at undermining workers struggles, lowering costs and increasing profits, this particular form of deregulation *resurrected speculation* – mostly dead since the 1930s – as a profitable alternative to real investment in non-financial industries whose profitability has been undermined by workers struggles. Like off-shoring, or outsourcing, then, speculation has provided a way for capital to escape from those sectors in which its command of labor was weakened in a way that also undermined the strength from which it fled. In the case of outsourcing the geographical displacement of jobs imposed hardship, concessions and lowered standards of living on once powerful groups of workers. In the case of financial deregulation we find a parallel sectoral displacement of investment funds from areas of worker strength to speculative investments about which workers have little understanding and less leverage.

Given the wider neoliberal attack on wages and income (deregulation, union-busting, high unemployment) it was not surprising that many workers had recourse to credit to sustain their standard of living. Indeed, part of workers struggles for some time – even before those neoliberal attacks – had been greater access to credit, especially for minorities and communities previously neglected. With reduced regulatory restraints financial institutions sought to take advantage of these demands by extending credit, but only at extremely high interest rates – often hidden within the opaque legalese of credit agreements. The infamous sub-prime mortgages (which became subject to multiplying defaults that helped trigger the bursting of the housing bubble) were one example of such credit. The widespread distribution of high interest rate credit cards unchecked by any effort to determine ability-to-repay was another. But even as financial institutions sought to use high interest rates to suck off substantial portions of workers’ wages, the latter were not entirely without recourse. Not only did credit buy them houses, consumer durables, education and momentary pleasures, but always they held the threat of default that would terminate repayment streams and wipe out creditor institutions’ assets. While default might result in foreclosures and corporate repossessions of some items, much of the use-value obtained through credit was entirely unrecuperable by loaning institutions. The wage struggle thus came to be complemented by the struggle over credit. That struggle was soon playing out not just at the level of individuals and families but in courtrooms and legislatures as workers and pro-consumer groups challenged conditions of payment and of bankruptcy. (Those struggles would eventually lead, in the Obama administration, to the creation of a new Consumer Financial Protection Bureau – which, at this writing, the financial industry is trying to cripple through lobbying in Congress.)

The second reason for the focus on the financial crisis – the fiscal implications of bailing out financial institutions – provides us with another example of how capital tries to free itself from crisis brought on by struggles by imposing the costs of its own rescue on others. Historically this has been a characteristic of every business cycle; when workers struggles have imposed crisis on capital, it has used a strike on investment, layoffs, high unemployment and often police and military repression against workers to re-establish a balance of power sufficient to re-launch a new round of investment and expansion. In recent financial crises, including the current one, we see all of these familiar methods at work, along with an even older one: getting workers to pay the cost of financial bailouts through the transfer of taxpayer money (most of which comes from workers) and the imposition of austerity through cutbacks in government services that benefit workers. While the imposition of austerity became familiar the primary “condition” imposed by the International Monetary Fund on countries in the South in exchange for Standby Agreements and debt rollovers during the international debt crisis of the 1980s and 1990s, the current financial crisis has seen capitalists demanding the same kind of cutbacks in the North, e.g., in Europe and even in the United States. While the hundreds of billions of dollars worth of short term bailout funds handed over to banks threatened with collapse may be paid back relatively quickly, the imposition of austerity threatens long term reductions in standards of living. Examination of which services austerity programs cut, whether in Greece or in the United States, reveals that “fiscal responsibility” is an ideological cover for dramatic attacks on working class standards of living

This understanding of the genesis of the financial crisis differs markedly from other Marxist explanations. It differs, for example, from those that utilize the distinction that Marx drew in Volume III of *Capital* between productive and unproductive labor to argue that the financial sector is purely parasitic, a domain where surplus value may be absorbed but cannot be produced and that therefore the crisis originated not in workers struggles but in an excess of surplus value production in non-financial sectors that was temporarily absorbed in the financial sector. Such analysis ignores several things. First, it ignores that however much we may deplore the risky nature of the services it produces and sells, the financial sector nevertheless produces commodities (services) and the labor that produces them is productive even by Marx’s own definition. Second, the diversion of investment money from other sectors into the financial sector follows the usual capitalist pattern of money flowing to more profitable domains, i.e., where control over labor is greater. While the expansion of the financial industry certainly created employment, the kinds of workers hired are rarely organized and are extremely divided. Despite having replaced a myriad of scriveners by the intensive use of computers, the low end of the wage hierarchy in the financial sector continues to be staffed by an army of poorly paid clerks and secretaries, while the high end are extremely well paid speculators.

Understanding financial deregulation and the resurrection of speculation as a capitalist response to workers’ struggles also differs from those interpretations that explain financial *crisis* purely in terms of its own internal dynamics of speculative booms and busts. The history of capitalism demonstrates clearly that what capital can do, and how it can do it, is determined by the constraints placed upon it by other forces. In its early period many of those constraints derived from the efforts of the old ruling classes it was seeking to replace. As it freed itself from those constraints, it became ever more constrained by the antagonistic power of the working class it had forged in its own rise. Legal curbs on speculative activity are not essentially any different from curbs on the length of the working day, or on child labor, or on the imposition of highly unsafe working conditions, or on cost cutting through environmentally destructive toxic waste disposal and so on. “Free market” or “laissez-faire” capitalism is an ideological myth wielded by those who would, at various points in time, justify the removal of some previously imposed curbs by arguing that a less constrained capitalism would be more efficient, better for everyone, etc. Economists have created mathematical models embodying this myth and use them to justify various moments of deregulation but those models are ideological constructs that do not represent anything that ever has existed, or hopefully ever will exist. Therefore, no appeal to “internal dynamics” should be allowed to divert us from the hard work of figuring out exactly how various forms of deregulation, including financial deregulation, have constituted capitalist efforts to thwart or outflank constraints imposed by our struggles to limit the damage capitalism does to us.

**Beyond Financial Crisis, Money and Capitalism**

All of which brings me to the most important question posed earlier: “what kind of political practice does this theory imply for changing the world so we no longer have to endure [financial crises]?” My succinct answer to that question was “the theory’s implications include the need to reorganize our activities – including those we now call ‘work’ - to the meeting of our own needs free of capitalist command.” Allow me to unpack that answer.

In the first place, it clearly goes beyond the most progressive proposals of those who would spare us the repetition of the current crisis by reimposing the kinds of regulations that for many decades made such crises impossible. While we might well support such proposals as at least temporarily freeing us from such crises, our historical experience certainly teaches us that curbs put in place today may be removed tomorrow. No, the political conclusion that I draw is that the only way to be permanently free of financial crisis is to be free of all of its constituent elements: money, banks and capitalism itself. We must, therefore, fight for changes in the production, distribution and consumption of wealth that progressively free us from capitalism as a whole. Most basically we must fight to end the subordination of our lives to work for capital and the elimination of all those institutions that support that subordination, including, but by no means limited to financial ones.

My reasoning here more or less repeats the arguments Marx wielded against monetary reformers in the 19th Century – including those like the Englishman John Gray and the American John Francis Bray who wanted to substitute “labor chits” for money and Frenchmen like Proudhon who wanted “People’s Banks” that would channel credit to small rather than big business. Marx lay out his argument in the first of the *Grundrisse* notebooks of 1857 written in response to Alfred Darimon’s book *De la réforme des banques* published the previous year. In the course of a scathing critique of Daimon’s Proudhonist reasoning about price changes, Marx points to the limitation of any and all monetary or financial reformism:

“In this last formulation the problem would have reduced itself to: how to overcome the rise and fall of prices. The way to do this: abolish prices. And how? By doing away with exchange value. But this problem arises: exchange corresponds to the bourgeois organization of society. Hence one last problem: to revolutionize bourgeois society economically. It would then have been self-evident from the outset that the evil of bourgeois society is not to be remedied by 'transforming' the banks or by founding a rational 'money system'.”

True in the 19th Century, true today. The only way to permanently overcome financial crises is to abolish the bourgeois organization of society in which money and finance are integral moments. But abolishing the bourgeois organization of society means to abolish the endless subordination of life to work. Money and finance are merely two institutions, among others, through which that subordination is organized. Until they are abolished we will, quite legitimately, fight to minimize the constraints and damage which those institutions inflict upon us. But both to win such battles and to get beyond them we need to evaluate and possibly elaborate all those alternative methods of producing and distributing the things we need to live, the way we want to live, that we have been inventing outside of capitalist relationships as we have contributed to creating new *commons* free of commodification, money and finance.

Examples abound all around us. Some are old and familiar, such as peasant struggles that have preserved communal lands as the basis for autonomous cultural activity or the struggles of the landless to acquire land for much the same purpose. There are also urban parallels such as the appropriation of spaces for community farms or youth social centers. Others are new and take advantage of modern technologies, such as urban farming that requires only limited space and hydrophonics to grow food independently of corporate agribusiness and capitalist price manipulations. Still others involve the generation and free sharing of information, knowledge, music, art and experience via the Internet. Although there is an obvious monetary and work cost to acquiring and operating the kind of computer that permits access to the Internet, the constant fall in the cost of computing power and the proliferation of free access through libraries and wireless networks has been steadily reducing those costs for ever more millions. In the elaboration of such non-capitalist relationships, we rupture the many kinds of mediation through which capital seeks to manage our relationships both to ourselves and to each other. (See the discussion of reflexive and syllogistic mediation in chapter five of this book.) Although capital constantly seeks through “intellectual property rights” to reimpose mediation, to circumscribe and limit the growth of those commons, subordinating their content and the creativity to its own goals of imposing work, our struggles against such new enclosures have grown apace and repeatedly outstripped capital’s ability to enclose.

To conclude: there is obviously a great deal more to be said about the above issues and perhaps more to be said about the relevance of various passages in this book to them. But this “preface” already seems long to me, so, at this point, I will leave the text to the reader in the hope that the availability of this translation widens and deepens a discussion beneficial to the future of our collective struggles.

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