The Limits to Capital, David Harvey, London: Verso, 2006

The cover of this re-edition of David Harvey's book announces that it is 'new and fully updated'; in fact, aside from a short prefatory text, it is an unaltered reprinting of the original 1982 publication. Harvey has chosen not to rethink his ideas in response to the many assessments – generally extremely positive – of his work, to the flood of publications on Marx's *Capital* published in the last quarter century, or to economic and political developments during the same period. The new edition provides an opportunity, however, for a reconsideration of this text, which Bob Jessop already in 2004 proclaimed a 'classic' of Marxist writing[1] and which Harvey himself describes in his new introduction as 'prescient' and 'even more relevant now' that twenty-five years have passed. Harvey's is an ambitious and altogether large-spirited book filled with interesting theoretical suggestions. I will not comment on most of these here, but will limit myself to the heart of Harvey's argument. As this takes the form of a direct confrontation with *Capital*, we can examine the adequacy of his understanding and critique of Marx's ideas by examining his treatment of three interrelated topics central to those ideas: the method of theory-construction employed in *Capital*; Marx's theory of value and its place in his analysis of capitalism; and the theory of crisis that Marx developed on the basis of that theory.

Marx achieves his theoretical goals, according to Harvey, thorough 'ruthless application of dialectical modes of reasoning – the principles of which are very different from but just as tough and rigorous as any mathematical formalism' (p. 38). As this comparison suggests, lurking in the background is a comparison of Marx's argument to the modes of analysis of modern mathematicised economics, and in fact – as we shall see – academic economics has importantly shaped Harvey's thinking. On the other hand, the 'rigour' of dialectics is never explained or illustrated. The general compliment coexists with constant specific criticism. With respect to the relation of values to prices, certainly a central question of Marx's theory, it seems that he only came 'close… to solving the problem', no doubt because of 'his extremely limited mathematical technique' (p. 67). Marx's miss, indeed, seems as good as a mile: his transformation procedure 'is incorrect' and his argument logically defective (p. 4). And with regard to the falling rate of profit, which Marx considered 'the most important law of modern political economy', his argument, in Harvey's eyes, 'is not particularly well-honed or rigorously defined' (p. 181). Indeed, although Marx's intention was to use this 'law' as the basis for a theory of crisis, Harvey concludes that crises have 'nothing directly to do with the supposed law of falling profits' (p. xxiii).

In fact, whatever the toughness of Marxian dialectics may consist in, *Capital*, according to Harvey, is far from having a rigorously logical structure in the ordinary sense: its first chapters 'are not firm and fixed building blocks upon which all subsequent chapters are erected' (p. xxxi). Harvey describes Marx's dialectic in conventional terms as proceeding by the discovery of 'contradictions' that, once resolved, give rise to new ones in an argument that spins 'onwards and upwards… to encompass every aspect of the capitalist mode of production' (p. xxxii). On the other hand, apparently much remains unencompassed: after seven chapters summarising and interpreting Marx's argument up to his theory of the falling profit rate, Harvey intends to use the same device of dialectical logic 'to extend Marx's argument on to less familiar terrain', demonstrating in particular that the conditions

1. Jessop 2004, p. 480.

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of crisis generated by the system as Marx analyses it 'can be absorbed by new forms of circulation', only to reappear due to the 'dynamics of technological change' (p. xxxii).

According to Marx himself, the dialectical manner of exposition utilised on occasion in *Capital* was merely a 'method of *presentation*' of ideas worked out by the ordinary logical methods of scientific analysis, a 'mode of expression' chosen both to pay tribute to Hegel and because it reflects the nature of a society whose movement may be described as 'full of contradictions' in that its normal progress leads necessarily to crisis. On the other hand, the 'dialectical method' of *enquiry*, as Marx explains it in the 'Postface' to the second edition of *Capital*, Volume 1 approvingly quoting the first Russian reviewer of his book, is just the attempt to discover the law governing the variation of the phenomena of capitalism, 'of their transition from one form into one another'; that is, 'to show, by an exact scientific investigation, the necessity of successive determinate orders of social relations, and to establish, as impeccably as possible, the facts from which he [Marx] starts out and on which he depends'.[2] Marx, in other words, stakes his claim to scientific rigour precisely on ordinary logic (for the good reason, though there is not space to argue it here, that there is no other kind).[3]

Yet it is true that *Capital* does not have the simple form of a deduction of consequences from a set of initial premises. For instance – and most fundamentally – the analysis of the value-form begun at the start of the first volume is not really completed until the end of the third. There are two reasons for the complex structure of Marx's argument. One is that his work is not simply a social theory but, as its subtitle proclaims, a critique of political economy and may be described as 'dialectical' (in addition to the two senses of that word mentioned above) in that it follows the Hegelian pattern of demonstrating that an historically dominant mode of thought in fact represents an inversion of the true state of affairs.[4] Marx begins with the fact that capitalism appears – to the eyes of economic theorists and ordinary social actors alike – to be characterisable essentially as a market society, only to show that on this basis the production of profit, the goal of capitalist market exchange, is inexplicable. This opens the way to the demonstration that the class relation between capitalist and wage-labourer underlies the generalisation of market relations: only when the ability to work becomes a commodity must all goods become commodities. Profit-making – the exploitation of wage-labourers by capitalists – is prior to the generalisation of the market. The historical specificity of capitalism, however, remains hidden from the viewpoint of economics, which, taking market relations for granted, is unable to explain their origin or dynamics. Similarly, the conclusion of Marx's text explains not only the mechanics of price formation but also how these obscure the class relation of production.

This systematic difference between the social relations and processes fundamental to capitalism and the way in which they appear to those involved in the system's functioning is the second reason for the complexity of Marx's analysis. Each capitalist believes that the returns to his investment are a function of the particular structure of his investments in labour and means of production, together with the market conditions governing the inputs and outputs of his process. But Marx claims to demonstrate that the centrality of market exchange to a social system based on wage-labour implies that the value of commodities

2. Marx 1976, pp. 100–1.
3. For fuller discussion, see Mattick 1993.
4. See Mattick 1997.

and the surplus-value they contain is determined by the relation of each capitalist entity to the total production system. This is, fundamentally, because the labour performed by workers in any individual enterprise counts as social labour only insofar as it is abstracted from its particular character by being exchanged against and so represented by money. The assignment of a value to a commodity in money terms makes that commodity comparable (as having a value) to every other commodity, thus integrating the processes producing the various goods into one society-wide system. This homogenising of productive activity by the equation of its products to quantities of money is experienced by each capital entity as the competitive pressure of markets for inputs and outputs. In particular, the surplus-value that comes into existence because the total consumption requirements of the working class are less than the total amount of value it produces appears as if produced unit-by-unit through entrepreneurial responses to market conditions.

Hence the challenge facing an analysis of the functioning of the social system is to do justice at once to the individual character of capitalist entities – the absence of any overall planning mechanism – and to the fact that they are constrained in their operations by their relation to the rest of the system. This Marx achieved, as he explained in the 'Preface' to the first edition of *Capital*, by utilising 'the power of abstraction'. He begins by representing the system as made up of 'aliquot parts,' as a way of examining the features shared by all capitalist firms. Thus he abstracts from all the features that, in reality, differentiate firms – the ratio of investment in labour-power and means of production, the time needed to amortise capital investments, the productivity of labour, and so on. Further, in order to study the specifically capitalist features of modern society, he abstracts from such aspects as state activity, the existence and activity of classes other than those of capitalists and workers, and even the existence of separate nations. Throughout the first two volumes of his book, he abstracts also from the fact that different capital functions – notably, marketing and the management of money-capital – are realised in distinct kinds of firms, in order to focus on the production of value and surplus-value. Volume 3 introduces forms of capital specialising in the circulation of goods and money and other economic forms not based on production, notably rent. Here, too, in order to study the way in which the abstract laws initially established operate in the real world of capitalist firms, Marx considers the effects, visible in competition, of the differences between firms from which he abstracted at the start.

As is well known, it was Marx's original intention to continue his work with further volumes analysing the aspects of capitalism left out in his study of capital: the economic specifics of wage-labour and landed property; the complexities of finance; the interplay of national economies in the world market; the ways in which the abstract tendencies towards systemic breakdown that he worked out in the first part of his study manifest themselves in economic history. Harvey's extension of Marx's argument can therefore be seen as an attempt to carry out the original programme. This is certainly an objective that is more than worthwhile: it is necessary, if Marx's work is to function, as he wished it to, as the core of a living tradition of scientific investigation.

Harvey's achievement, however, is limited by two features of his work. First, he tries to do too much in too short a space; the result is a profusion of theoretical schemata and suggestions without sufficient empirical grounding. For example, analysing crisis, he constructs a model of an 'accumulation cycle', ascribing it to Marx on the basis of a number of quotations from *Capital*, and then asserts that 'the historical evolution of capitalism… [is] accomplished over the course of successive accumulation cycles' (p. 326), all without any reference to the actual history of cyclical phenomena. The second, paradoxically, is a sort of over-empiricism, with the result that Harvey's book reminds one of Marx's judgement on *The Wealth of Nations*, that Adam Smith vacillates between the theoretical and empirical categories of surplus-value and profit in a way that creates inconsistencies in his theorising. The root of the problem is Harvey's lack of clarity with respect to the different levels of abstraction operative in different phases of Marx's analysis. This results both in misunderstandings of Marx and in confusion about the logical relationship of his own ideas to Marx's. The chief example of this difficulty – which we will examine in some detail below – is Harvey's treatment of Marx's crisis theory, based on the prediction of a tendential fall of the rate of profit. But it is visible throughout his book.

For example, discussing the theory of surplus-value advanced in Volume 1 of *Capital*, Harvey observes that Marx excludes from his account of the determination of the value of labour-power such matters as 'changes in the physical standards of living, changes in the labor process in the household, changes in the role of women in the family, forms of class struggle, and so on'. He thinks Marx should not be blamed for this, because 'these are difficult and complex questions' (p. 162). He does, however, fault him for not undertaking 'any systematic study of the processes governing the production and reproduction of labor power', calling this 'one of the most serious gaps in Marx's own theory' (p. 163). Actually, none of these matters are directly relevant to the task Marx undertakes in *Capital*, which is, let us remember, not a general account of the evolution of capitalist society but an analysis of *capital* – that is, of the production and accumulation of surplus-value (this is why Marx reserved a discussion of wage-labour for the projected but unwritten Book 2 of the opus of which *Capital* would have been Book 1). It is not because changes in household labour are complex and difficult to understand that Marx abstracts from them, but because they are irrelevant to the question of how capital investment in labour-power makes possible the generation of new and enlarged value. It is equally irrelevant to Marx's purposes whether the expansion of the labour force proceeds by population growth, the incorporation of non-capitalist populations into the expanding system, or the drawing of previously unemployed members of the working class (like children or housewives) into wage-labour. It is enough for him to show that the tendency towards mechanisation tendentially produces a surplus labour-force that is available when enlarged employment is necessary.

This confusion about levels of abstraction impedes Harvey's understanding of the most basic concept of Marx's theorising, value itself. As he observes in his first chapter, this concept as Marx uses it rests on the distinction between abstract and concrete labour. He also understands that it is 'the commensurability of commodities achieved through exchange' that 'renders the labour embodied in them equally commensurable' (p. 14), and that this is accomplished specifically by exchange against money. A chapter later, he approaches the same question again, under the heading of 'the reduction of skilled to simple labour', a special case of the reduction of concrete to abstract labour. Marx must, he says, find 'some satisfactory way to reduce the manifest heterogeneity of concrete human labour, with all of its diversity as to skill and the like, to units of simple abstract labour' (p. 57). He finds Marx's treatment of this problem, unfortunately, 'ambivalent and cryptic', since Marx 'simply states that "experience shows" that the reduction is "constantly being made" by a "social process that goes on behind the backs of the producers"', without bothering to explain what this process is (ibid.). Unsatisfied by various academics' attempts to solve this problem, Harvey provides a solution of his own: the idea that the mechanisation of labour processes, which deskills workers, actually transforms labour into something abstract in the sense that it is not tied to specific skills and applications but can be shifted freely from one area of production to another. Far from going on 'behind the backs' of social actors, the 'reduction from skilled to simple labour is... a real and observable process' (p. 59).

This is not only to take the opposite of Marx's view of the question under discussion, although Harvey claims Marxian authority for his view on the basis of some passages from the *Grundrisse*: Harvey's view is nonsensical as an explication of the concept of value. First of all, the process of mechanisation and deskilling – which, in fact, always involves the acquisition of new skills by some workers, even if others are losing old skills – leaves untouched the heterogeneity of concrete labour, which derives from the heterogeneity of use-values and the distinct technical methods of production used to make them. If a redundant steel worker is set to work in a computer monitor assembly plant, even on the (unlikely) assumption that neither kind of work requires specialised skills, 'socially-necessary labour-time' is defined differently for the two fields of production, so that an hour of one kind of labour cannot be treated as an equivalent quantity of abstract labour to an hour of the other kind. Second, mechanisation is a process that has progressed throughout the history of capitalism. But commodity exchange and the modern use of money as incarnation of value are constant features of the system. Harvey's suggestion would make the value theory at best tendentially applicable to capitalism. Once again, what begins with a celebration of Marx's genius leads to doubt about his theoretical enterprise: 'what credence can we place upon a theory of value that presupposes that such a reduction [of skilled to simple labour] has occurred?' (p. 118) Given that Marx's entire theoretical edifice is based on the value theory, this doubt would amount to a dismissal of the whole of *Capital*, had Harvey not, in his view, solved the problem.

If, as Marx argues in the passages from the *Grundrisse* Harvey quotes, the concept of abstract labour tends to acquire a material equivalent in the growing mobility of the labour-force from one occupation to another, this is, from Marx's point of view, a consequence rather than the origin of the domination of production by value and the reduction of concrete to abstract labour. And Marx's conception of how this reduction is accomplished is no more cryptic than it is ambiguous. It is just the process of exchange against money that Harvey has explained so well twenty pages earlier: the reduction of skilled to 'simple' labour is only an aspect of the general homogenisation of concrete labour effected in the exchange process. Harvey has confused an historical process, the tendency to replace labour by machines – due at once to the eternal requirement to decrease costs so as to increase profits and to the opportunity inherent in the wage-labour form to transform labour into a flexible 'human resource' – with the most abstract feature of capitalism, the socialisation of privately controlled labour by monetary exchange.

The ill effects of Harvey's confused grasp of Marx's value theory are particularly evident in his discussion of fixed capital (capital which, invested in long-lasting plant and equipment, is replaced only over several production cycles). This form of capital raises interesting questions, as Harvey notes: the value of fixed capital, transferred piecemeal to produced commodities, circulates while the means of production, as a use-value, remains in place; because a particular means of production may come to be produced more efficiently before it is replaced, lowering its value, it may come to transfer less value to the product than it possessed at the time of purchase. Meanwhile, changing prices of final goods may produce a situation in which the money recovered for replacement of fixed capital is less than its actual cost. To these, Harvey adds the thought that the profitability of a business employing a particular means of production will affect the price at which that means of production can be sold or rented. He concludes that there

> seem to be, therefore, three ways in which the 'value' of fixed capital can be determined: by initial purchase price, by the surplus value it helps to produce through productive consumption, or by its replacement value. (pp. 209–10.)

Assuming that what he means by 'initial purchase price' is (as in the abstract analysis of Volume 1) the value at the time of purchase, this is, in Marx's conception, subordinated to 'replacement value': as with all commodities, the value is defined at any moment as the 'socially-necessary labour-time' at that moment (Harvey himself recognises this on p. 215, though without noticing that it obviates his earlier argument). The surplus-value a machine helps to produce is, of course, an abstract theoretical quantity unknown to the capitalist, and even on the most abstract level it is not conceptually the same as the profit which the capitalist claims. But, while the profitability of an enterprise employing a machine may have an effect on its price, it does not determine its value. So it is quite incorrect to assert that 'the value of the machine at any one moment is a simultaneous determination of all three circumstances' (p. 210), whatever this might mean. Here, we see the relation between misunderstanding of the value theory and confusion between different levels of abstraction (price and value, profit and surplus-value).

In an attempt to resolve some of the difficulties his own off-kilter account has created Harvey seizes upon the idea, favoured by some neo-Ricardians, of 'joint production' – treating 'the residual value of the fixed capital… as one of the outputs of the production process' (p. 213). But this – which amounts to the elimination of the concept of fixed capital – is quite impossible within the terms of Marx's theory, in which the output of the production process derives its value from the transfer of labour embodied in means of production and the new labour expended in using them. It is no help to observe, again leaping between levels of abstraction, that 'second-hand markets for machines do exist' (p. 213): selling a machine is not the same as producing it.

Harvey's book is pervaded by such misunderstandings. But the central example of his confusion of levels of abstraction in Marxian theory is, appropriately, his conception of the relation between Marx's abstract crisis theory and the actual phenomena of crises as they have been experienced throughout the history of capitalism. In Harvey's estimation, *Capital*, Volume 3's 'exposition of the law of falling profits' was meant only 'as a "first-cut" statement of his theory of crisis formation' because it fails 'to integrate all of the insights from the first two volumes of *Capital* into a full statement of the mechanism of crisis' (p. 191). For instance, in stating his law, Marx does not consider the role of finance, the intervention of the state in the economic mechanism, or the particularities of fixed capital. Considering such matters requires an adjustment of the 'first-cut' theory – an adjustment that Harvey claims to accomplish in his 'second and third-cut' theories of crisis. This is why the falling-profits law, while explaining 'the underlying source of capitalism's internal contradiction' (p. 425) 'has nothing directly to do' with actual crises (and anyway is only a 'supposed law').

Aside from the question how a law that is only 'supposed' can be an 'underlying source', the problem here lies in the concept of 'underlying source' itself. What is the relationship between Marx's abstract law and the actual disturbances of capital accumulation that we call crises? From Marx's point of view, it is the decline in the profitability of capital itself, aside from any indirect effects it may have, that produces the phenomena of crisis, such as financial panics, mass unemployment, and general gluts of goods on the market. On the other hand, the tendential decline in profitability that Marx predicts is not experienced as such by economic actors. This is because the rate of profit of which Marx's law speaks is the ratio of the total surplus-value produced in society to the total capital invested. This surplus-value is distributed among the many firms that make up the total capital – both those that produce commodities and those that market them or that lend money to productive capitalists – and to non-capitalist actors as well, like the state and landowners, creating the empirical categories of interest, profit of enterprise, executive salaries, rent, state expenditures, and so on. The (Marxian) rate of profit thus sets a limit to the amount of money available at any time for investment. But even this limit is normally not experienced as such, because the profusion of credit instruments that mediate continuing expanded investment will normally represent sums of money ('fictitious capital') in excess of the actual value in existence. This may only become apparent in a crisis, when the need to repay loans cannot be met. It is then that, says Marx, the law of value makes itself felt 'in the same way [that] the law of gravity asserts itself when a person's house collapses on top of him'.[5] The comparison suggests the kind of analysis Marx has in mind: while the force of gravity is a theoretical construct not to be identified with any of the observable phenomena of a collapsing house, it provides a causal explanation of the unfortunate events. So it is with Marx's falling rate of profit.

The abstract character of Marx's law is complicated by an additional feature: he emphasises that it can only be a *tendency*, as capitalism itself produces 'counteracting influences... checking and cancelling the effect of the general law'.[6] As a consequence, the effects of this law are only visible over time; it describes the consequences of features holding for the capitalist system as a whole, over the whole of its history. What that history demonstrates and, according to Marx, would continue in the future to demonstrate, is that the counteracting factors can only offset the tendency of the rate of profit to fall in the short run; over a long enough time, the tendency will assert itself. The decline in profit rates will eventually lead to a decline in accumulation, and this will produce the phenomena of crises, 'violent eruptions that re-establish the disturbed balance' between accumulation and the preservation of existing capital values 'for the time being'.[7] They do this by raising the rate of profit, primarily by producing a devaluation of capital as existing means of production are sold off at prices below their values, and also by forcing wages down, thus lowering the value of labour-power and increasing the rate of surplus-value (the ratio of surplus-value produced to the value of labour-power employed).

Harvey's understanding of Marx's law is this:

> the capitalists' necessary passion for surplus-value producing technological change, when coupled with the social imperative 'accumulation for accumulation's

5. Marx 1976, p. 168.
6. Marx 1981, p. 338.
7. Marx 1981, p. 357.

> sake', produces a surplus of capital relative to opportunities to employ that capital. (p. 192.)

Marx does speak of the falling rate of profit as leading to an 'overproduction of capital', in the sense of the production of capital that cannot be profitably employed.[8] Harvey's formulation can be interpreted in accordance with Marx's conception, according to which the tendency of the rate of profit to fall results from the tendency, inherent in capitalism, for a 'relative decline in the relation of variable capital to constant, and hence also to the total capital set in motion'.[9] Given the physical limit of the working day whose labour must be divided between the reproduction of the workforce and the production of surplus-value, this implies a declining production of surplus-value relative to the total capital.[10] Although a declining rate of profit is harmless, according to Marx, so long as the mass of profit generated remains large enough to make continuing accumulation possible, at some point the mass will be insufficient, as the existing scale of accumulation sets a lower limit for further investment: 'the development of the social productivity of labour… means that an ever-greater amount of capital is required in order to set the same quantity of labour-power in motion and to absorb the same quantity of surplus labour'.[11] At this point, the decline in profitability has produced a surplus of capital relative to investment possibilities. That is, in Marx's theory, an *insufficiency* of capital appears as a surplus; there seems to be nowhere to invest because the investment possibilities that exist are insufficiently profitable (hence the tendency to substitute speculation, gambling for large short-term gains, for productive investment).

Despite initial appearances, Harvey's theory of crisis, as he develops it, turns out to be quite different from this. In fact, he is convinced that Marx was wrong to focus on the fall of the profit rate in his crisis theory, ascribing this to 'his anxiety to straighten out the political economists' of whose work *Capital* is a critique. This diverted Marx 'from the logic of his own argument to such a degree that what should have been a tangential proposition appears fundamental' (p. 180). Following his usual pattern of general praise and specific criticism, Harvey finds that 'Marx's falling rate of profit argument' is erroneous, in fact 'not particularly well-honed or rigorously defined' (p. 181), even while it 'does manage to unmask what might well be *the* fundamental source of capitalist crises: the contradiction between the evolution of the forces of production on the one hand and the social relations upon which capitalist production are based on the other' (p. 180). All of Marx's work in his three volumes, which was to culminate in the statement of his great discovery, the 'most important law' of political economy, is a failure; only the vague generalisation about forces of production and social relations is of lasting value. It falls to Harvey to supply a theory adequate at once to capture 'the inner logic of capitalism as a whole' and '"the concrete forms" assumed "on the surface of society"' (p. 182).

Marx's failure, according to Harvey, results from not having integrated into his first-volume model of accumulation the insights achieved in the model of reproduction

8. Marx 1981, p. 360.
9. Marx 1981, p. 318.
10. For an explication of this idea, see Cogoy 1987, pp. 54–74.
11. Marx 1981, p. 328.

constructed in Volume 2, and then from having refused 'to take up the role of the credit system and the rate of interest in the second volume of *Capital*' (p. 188). (This is another confusion of levels of abstraction: Harvey seems unaware that the categories of credit and interest have no place in Marx's second volume, which, like the first, considers capital as consisting only of productive firms that advance their own capital and perform their own circulation tasks.) In his 'first-cut' theory of crisis, which claims to 'minimize the damage and rescue at least a part of Marx's argument' (p. 188), Harvey sets Marx's prediction of declining profitability against the conditions for 'balanced harmonious growth' that he takes the Volume 2 reproduction schemata to depict. His 'second-cut' theory 'strives to integrate the financial and monetary aspect of affairs with the earlier analysis of the forces making for disequilibrium in production' (p. 325). Finally, his 'third-cut' theory goes beyond Marx 'to integrate the geography of uneven development into the theory of crisis' (p. 425), following Marxist tradition in extending the theory in *Capital* into an account of imperialism.

Throughout, Harvey employs the concept of equilibrium, central to the mainstream of bourgeois economics since the nineteenth century, as a key notion in a Marxist critique of political economy as well. Thus Marx's main ('first-cut') insight is described as the idea that

> [i]f the amount of capital in circulation is to remain in balance with the limited capacity to realize that capital through production and exchange – a condition implied by the stabilization of the rate of profit – then a portion of the total capital must be eliminated. If equilibrium is to be re-established, then the tendency towards overaccumulation must be counterbalanced by processes that eliminate the surplus capital from circulation. (p. 193.)

Harvey holds that this is accomplished, in Marx's view, by the devaluation of capital, both as means of production and as produced commodities, which serves 'to equilibrate the total circulating capital with the potential capacity to produce and realize surplus value under capitalist relations of production' (p. 202).

Marx does indeed, as noted above, speak of crisis as counteracting the fall of the profit rate by devaluing capital. But this cannot lead to the (re-)establishment of equilibrium, as this is not, in his eyes, a state the capitalist economy can be in, except by temporary accident. The problem is not, we recall, too much capital but too little, relative to the scale of accumulation, because of too low a level of profitability. The devaluation of capital, achieved through deflation of commodity prices, bankruptcies, and corporate consolidations, serves for Marx not – as Harvey would have it – to bring the amount of capital 'in balance' with investment opportunities but to raise the rate of profit. This means a new lease on life for capitalist accumulation, a process that, by its constant shifting of economic resources among fields of investment and by its constant reconfiguring of production methods, makes any tendency to equilibrium impossible. In the words of Henryk Grossmann, perhaps the best analyst of this aspect of Marxian theory,

> the 'normal course', the 'equilibrium state', for Marx signifies not an 'average' or 'typical' or 'most frequently occurring' process but a purely imaginary disturbance-free

> course of reproduction (under fictive conditions), which does not occur in reality and serves only as a methodological tool of analysis.[12]

For Marx, therefore, it is not disequilibrium – capitalism's normal state – that produces crisis, but the blockage of the constantly disequilibrating process of accumulation produced by insufficient profitability of capital. For Harvey, in contrast, it is 'the errant behaviours of individual capitalists that are a primary source of disequilibrium in production' (p. 325). His 'second-cut' theory investigates the degree to which this disequilibrium can be counteracted by the credit system, which, acting through crisis itself, 'rationalizes and re-structures production' and 'lays the material basis for later phases of accumulation' – an 'aspect to speculation that Marx ignores' (p. 326). Above all, the state's utilisation of the credit mechanism can 'bring productive forces and social relations back to some equilibrium position from whence the accumulation process can be renewed' (p. 327). The version of Keynesian theory hinted at here is amplified and clarified in Harvey's recent book, *The New Imperialism*: suppose, he says, that the state and private financial institutions (he, apparently, sees no reason to distinguish between the economic character of these)

> create fictitious capital roughly equivalent to the excess capital locked into the production of… [commodities] and switch it into future-oriented projects in, say, highway construction or education, thereby reinvigorating the economy.[13]

Such uses of finance solve the problem of 'surplus capital' by 'absorbing it', thus dealing with the crisis of overaccumulation. Oddly enough, there is no mention of Baran and Sweezy's *Monopoly Capital*, classic purveyors of what used to be called left Keynesianism and the inventors, so far as I know, of the phrase 'surplus absorption'.[14] In any case, Harvey shares with other leftist and liberal Keynesians the idea that if state expenditures

> on built environments or social improvements prove productive (i.e. facilitative of more efficient forms of capital accumulation later on) then the fictitious values are redeemed (either directly by retirement of debt or indirectly in the form of, say, higher tax returns to pay off state debt). (p. 114.)

From Marx's perspective, of course, such 'investment' cannot be productive, at least in the capitalistically relevant sense of productive of surplus-value. In principle, future surplus-value produced by a renewed accumulation of capital could be used to pay off state or

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12. Grossmann 2007, p. 54. Harvey cites this work, but his description of it as dealing with Marx's theory of capitalist breakdown suggests a confusion with Grossmann's magnum opus, *Das Akkumulations- und Zusammenbruchsgesetz des kapitalistischen Systems* (Grossman 1929), which Harvey shows no signs of having read. The misreading of the Volume 2 reproduction schemata as proposing a model of equilibrated growth (p. 132), far from peculiar to Harvey, reflects a general tendency of contemporary writers to view Marx's theorising through the lens of academic economics.

13. Harvey 2003, pp. 113–14.

14. See Baran and Sweezy 1966, e.g., p. 108. Curiously, Harvey cites Mario Cogoy's 1973 critique of the Keynesian Left, cited above, but does not discuss it. Thus he neither considers how it might apply to his own ideas nor explains why he rejects it.

private debt invested in capitalistically nonproductive resources, but even this would represent a net deduction from the produced surplus-value. And, historically, it has not proved possible to pay down the debt incurred, on an accelerating scale, by the capitalist governments of the world since the Great Depression; hence the current bad odour of Keynesian theory even though governments are unable to abandon Keynesian practice on pain of economic catastrophe. Yet the Marxian idea of capitalism as a social system doomed to recurrent crisis, on a scale threatening its continued existence, remains hard to accept, so strongly does it fly in the face of all other views of the economy. While the work of Baran and Sweezy has lost its former prominent place in radical thinking, two of its central features – the effort to bridge the gap between Marxian and bourgeois theory and the belief in the possibility of state governance of the economy – are still alive and well in leftist economics. Perhaps their presence in Harvey's work partly explains the positive reception it has increasingly garnered in the decades since its original publication. He is certainly not alone in advocating 'the construction of a new "New Deal" led by the United States and Europe… to assuage the problems of overaccumulation'[15] although he does not suggest where the money is to come from.

Meanwhile, he offers his 'third-cut' theory of crisis 'to integrate the geography of uneven development into the theory of crisis' (p. 425). It is, in his view, the very unevenness of development that makes possible temporary alleviation of the effects of overaccumulation as surplus-capital is moved to relatively undeveloped regions. This 'holds out the prospect for a restoration of equilibrium [in the global economy as a whole] through a reorganization of the regional parts' (p. 429). Yet, he insists, such solutions can only be temporary, as the forces leading to disequilibration are bound to reappear with continuing capitalistic development. Ultimately, Harvey suggests, the physical destructiveness of war is 'the only means that capitalism has at its disposal to achieve the levels of devaluation now required' (p. 445).

It is impossible not to agree with Harvey that if this be true there could be no better reason 'to declare that it is time for capitalism to be gone' (ibid.). Yet this analysis of war as the ultimate solution to the supposed problem of 'surplus absorption', sketched on one page, rests, as we have seen, on such a mass of confusions that it is hard to give intellectual assent where it is easy to feel emotional kinship. I am not suggesting, naturally, that Marx's theory must necessarily be accepted as the truth about capitalism. Harvey's attempt to provide a sympathetic critique of and alternative to the Marxian account is, however, fatally hampered both by his misunderstandings of that account and by his failure to develop a theory of his own that can stand up to Marx's critique of such fundamental concepts of bourgeois economics as 'equilibrium' or deal with the difficulties identified over the last decades in concepts like 'surplus absorption'.

The sources of this situation lie deeper than Harvey's particular strengths and limitations as an analyst of capitalism. In an essay published in 1997, Tony Smith proposed that Marx's theory can be understood as a 'research programme' in the Lakatosian sense.[16] But although Marx's theoretical construction indeed has, as Smith argues, the richness and complexity of content and analytical apparatus required for an ongoing project of scientific theorising, Lakatos's concept does not really apply. There is an implicit sociological dimension to the

15. Harvey 2003, p. 210.
16. Smith 1997.

idea of 'research programme', involving the activity of researchers operating with a shared set of categories and procedures, that has been lacking from the set of divergent perspectives falling under the name of Marxism since Marx's own lifetime. To this day there is no general agreement among Marxists about such fundamental issues as the analysis of value (visible, for instance, in the continuing controversy over the so-called value-price transformation problem) or the significance of Marx's purported law of the tendency of the rate of profit to fall. It is for this reason that progress in the analysis of the economic dimension of capitalist society continually requires renewed confrontation with Marx's ideas, whether to use them as a basis for further work or to replace them with more adequate ones. From this point of view, the effort represented by Harvey's book is more important than its insufficiencies.

Reviewed by Paul Mattick
Adelphi University, NY
pmattick@gmail.com

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