Inequality and Democratic Egalitarianism

'Marx's Economy and Beyond' and Other Essays

MARK HARVEY AND NORMAN GERAS

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For Norm

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Journeying through Marxism

This book is the unlikely product of two people who somehow managed to collaborate across what was historically a yawning sectarian chasm: one with a Trotskyist formation (Norman Geras) and one with a Maoist one (myself). This by no means exhausts the possible incompatibilities between someone with a long and prolific academic career, and someone with a truncated one; a dedicated political philosopher, and a disciplinary floater between history, political economy and sociology. And yet, close friends from undergraduate days in the early 1960s, we remained so until and beyond Norman's untimely death in 2013. We met as undergraduates in Oxford in 1961, Norman having just arrived from Zimbabwe, myself a Londoner. We shared a passion for the cinema, then experiencing the experimentations of the New Wave. Typical of the forced choices demanded many years later on Norm's blog, Beethoven was 'the best' classical composer (Norm) and so was Bach (me). Only one correct answer. But it was politics that drew us together, including Norm's anti-imperialist support for any ex-colonial team that could beat England at cricket. We both survived the Cuban missile crisis (just), and were struck by how Oxford University pretended it wasn't happening, along with the rest of life outside its complacent elitism and privileged rituals.

Across potentially insurmountable sectarian and experiential divides, both wedded to historical materialism and realism, over the years we had many never-ending discussions and some fruitfully interminable disagreements. Yet, late in life we found how we surprisingly agreed on Marx, and how to move forward from Marx, and so decided to write a short book, succeeding only in completing an extended essay before he died: Marx's Economy and Beyond, which appears below as the centrepiece of this volume. Norman had never written a co-authored piece, an aspect of his single-mindedness. He also would never countenance any alterations by anyone of any text he had deemed finished: not even a comma to be added or subtracted. So the text of that essay in this book is as he approved.

When we met in the early 1960s, we were already both politically committed adherents to a historical materialist understanding of capitalism, and, even before university, had embraced Marx's *Capital*, the *Communist Manifesto*, the early *Economic and Philosophical Manuscripts* as foundational works influencing world history. Later, although by then in divergent political trends, we had each at taken part in groups dedicated to systematically 'Reading Marx', inspired by Althusser, although neither of us swallowed either his theoreticism or his particular political reading of Marx.

One of Norm's early papers, 'Essence and Appearance: Aspects of Fetishism in Marx's "Capital"' (Geras, 1971), reflected a shared interest in the epistemology of historical materialism, and of Marx's understanding of the scientific status of his political economy. Norm's route to developing this interest had been through careful exegesis of Marx's texts, in this case the idea that the appearance of prices attached to commodities in markets was a real phenomenon rather than an illusion, but one that required a scientific understanding of the underlying processes generating variations in price, which for Marx lay in the variations in the abstract labour time embodied in them. It is no accident that the essay in this volume returns to that important point of departure for us both. But, my route to adopting this realist theoretical epistemology had been a doctoral thesis on, and then a post-doctoral research fellowship with, Jean Piaget, and the dialectical materialist epistemology advocated by him. Rejecting both social constructionist and philosophically *a priori* epistemologies, we broadly shared an epistemological outlook, although one as a political philosopher, the other as a theoretical and empirical social scientist. That was an important condition for being able to discuss issues – such as a universalist position on human nature (Norm's) – and disagree, because at least we did agree on what sort of argument or evidence counted.

Norm became a university academic and for some time pursued his exploration of Marxist texts, first in his examination of Rosa Luxemburg's life and works, and then developing a major thesis affirming Marx's concept of a distinctively and universal species being: human nature. Always more than exegesis, these works identified and developed ideas present in Marx, as well as dissecting their weaknesses and absences. Indeed, in affirming Marx's conceptualisation of human nature, he also both clarified and elaborated on it, drawing notably on its moral and political implications, a thread which was to become the hallmark of Norm's later work. He reworked and advanced Marxism, rather than mummifying Marx in a conceptual mausoleum. Indeed, in his works on Marx and justice he had already argued how the concept of exploitation, present in Marx, required a much more developed conception of the just distribution of the wealth produced by human labour (Geras, 1985). That is more than echoed in the central theme of this book.

Later, his work took a new turn – almost an epistemological break – deploying a political and moral philosophy from his earlier work to an understanding of the holocaust, first, and then, more generally, of crimes against humanity (McLellan, 2012). The consideration of 'political philosophy after the holocaust' (Geras, 1999) involved a wide ranging study of a uniquely significant historical event, raising moral issues poorly or insufficiently faced by the political left. Likewise, developing his universalist, human-nature-based approach to the twentieth-century institutional establishment and legal conceptualisation of crimes against humanity (Geras, 2015) required historical research, albeit secondary, into a wide range of twentieth-century atrocities (torture, genocide, war crimes), as well as the legal history leading to the emergence of international courts and tribunals. Confronting these realities of twentieth-century history in all their enormity, Norm was giving a magnetic loading to a moral compass which he considered essential for any democratic and egalitarian socialist perspective. It is a moral philosophy now fully addressing major historical realities, rather than his earlier one primarily based on interpretation and evaluation of texts – however historically significant these were. Regimes, governments, states, dictators, are to be judged by the bearings of this compass, grounding any politics of social transformation more broadly than one in terms of 'which side are you on' or 'my enemy's enemy is my friend' with respect to US or capitalist hegemonic imperialisms. No regime found wanting by such a compass could be morally – hence politically – supported. Moreover, a universalist human solidarity urges political measures to confront perpetrators of genocides and crimes against humanity. This underpinned *both* his justification of a war to remove Saddam Hussein *and* his subsequent retraction of war as the means to do so: a moral and political quandary which he faced unflinchingly.

I followed a more unorthodox life course. After a brief spell as a university lecturer, I quit academia to become a building labourer, much influenced by the political atmosphere of the times (the Chinese cultural revolution, the anti-imperialist Third World movements, and the student and women's movements). I was employed in a Labour-controlled local government 'direct labour' organisation, building, converting, and maintaining social housing then publicly owned by the municipality. For the next seventeen years, I was an active trades unionist, both within a workforce (with 1500 workers in 1974 when I started) and developing links with tenants' associations. In spite of never disguising my class and educational background, I was a democratically elected to be shop steward, chair of the shop stewards' committee and convenor steward for several spells.

We fought many struggles, including, but well beyond, the bread-and-butter issues of wages, safety and conditions. In the 1970s and 1980s, we were the first to gain a 35-hour week for manual workers; we won a significant equal pay case for women building workers. We organised strikes, held social benefit events and raised regular and substantial collections for all the major union struggles of the day: defending the nurses in the NHS and the miners during the miners' strikes, and supporting the fight against the insecure and illegal, but very widespread, phenomenon of bogus self-employment in the private construction sector: employer tax evasion on a grand scale which continues to this day (Behling and Harvey, 2015).

However, the 1979 election of Thatcher with a radical right pro-market politics changed everything. Within months, a moratorium was placed on all new council housing building, followed by the imposition of compulsory (i.e. rigged) competitive tendering for all work undertaken – a political strategy pioneered in the building industry. From then on, as Direct Labour Organisations lost work, we were subject to successive waves of redundancy – rippling right across the public sector construction industry in the country. Moreover, this attack on public-sector production was complemented by the highly subsidised sale of publicly owned housing stock to sitting tenants. I was finally made redundant in 1991, when only 65 direct labour building workers remained from the initial 1974 workforce, and council-owned housing stock had been reduced by more than half. The union struggles against the waves of redundancy were the bitterest of all: the effects on life-long building workers devastating, indeed, in a small minority of cases, lethal.

For me, personally and politically, the experience was life-changing across many dimensions. Here, I will only briefly summarise a couple of key aspects of direct relevance to the main themes of this book. The first involves a radical revision of the understanding of markets, which were assumed by Marx to be 'perfect' in terms of competition, price setting, value determining, whether for labour, capital or all forms of commodity, in intermediate markets for inputs into commodity markets, or end markets for consumers. The privatisations of the Thatcher government were what I now understand as 'politically instituted' markets, of which Direct Labour Organisations were but a small if pioneering example. The government determined what kind of enterprise could compete over what kind of contracts. They set the rules of competition. In many instances, price regulation and rates of return on capital were politically fixed. But, once in place, once 'instituted', these markets then assumed a dynamic of their own. They worked out their logic – to the desired end of destroying public enterprise at the expense of private commercial enterprises. It helped me understand how I – along with many thousands of others – lost my job. This experience of manifestly politically instituted markets, however, then led to a more general reflection on the historical and social economic organisation of markets, so giving them a more socio-spatial and historical fix than allowed for within Marx's conception of 'the economy'.

Second, one of the main aspects of this politically instituted market concerned competition between direct employment and bogus self-employment, the dominant characteristic of the workforces of private contractors. This led later to a reflection on how labour markets in general were also exemplary of politically instituted markets, from the historical outset of industrial capitalism and before, defining who and how labour is sold, the nature of the contract between whom, under what conditions, including employment protection, sickness and leave entitlements, pension rights and so on. The price of labour, in particular its tax and social security/insurance elements, and the relation between price and skill qualification are politically conditioned, if not quantitatively precisely prescribed, in ways that differ markedly from country to country. The minimum wage, for example, is a political price institution, taking different forms at different historical times in different countries. This political pricing of labour fundamentally undermines Marx's conception of a *process* of price determination within an economy abstracted from political and social processes, related only to intra-economic concepts of value and socially necessary labour-time. It requires a different vision of 'the economy', more radically historical and socio-spatial than that of a capitalist mode of production superseding a feudal one.

Third, and with much more agony, I needed to understand defeat – recognising the depth of defeat without becoming defeatist with respect to radical societal transformation. In spite of all collective efforts of the labour movement and the social movements of the time, tenants did not storm the streets in defence of either social housing or the public sector workers that built and maintained them. Instead, in very large numbers, they bought their flats, preferring private ownership, and not just because they were offered them at knock-down, state-subsidised prices. We lost the battles to defend public sector coal mines, railways, steel production … clinging on only to a much modified public sector National Health Service. Many of the workers I worked with thought their job was just another job, nothing special about being 'public sector' to be defended as such. Even under a Labour local authority, power relations between management and workers, its disciplinary regimes and productivity incentives, were different but not so different from any capitalist private enterprise. The division between manual workers and managerial staff, wage inequalities between top council officials, higher management and the lowest-paid clerical or manual workers, and employment security and pension entitlements, exhibited considerable hierarchies of inequality, also mirroring the private sector. Likewise, tenants had little collective investment or real social ownership of their built environment, but were subject to state bureaucratic regulation down to what colour of paint went on their front doors or living rooms (I worked with painting gangs for some time). They certainly benefited from social rents – and when these were raised, did collectively engage in rent strikes unknown in the private market sector. Yet the difference between social and market housing was not enough of a difference to form the basis of social resistance to the privatisation of social housing on a regional or national scale. Although the postwar slum replacement by social housing was a major historical and social transformation of the living environment of the working class, there was no equivalently ambitious transformation on a similar scale to modernise and replace the tower blocks, with their regulated maximum room dimensions.

They instead often became social and ethnic ghettoes, confining their inhabitants to the standards of a previous epoch.

This was just one tiny corner of the world – although replicated across most of the public sector. But public or state ownership of 'the means of production' did not make enough of a beneficial difference, lacking vision of continuing social and progressive transformation. It was also a productionist vision of socialisation, rather than one that included rights of social citizens as producers *and* users of public goods. Workers' states not citizens' states. It replicated the dichotomous producer–consumer split of the private sector – a feature now reinforced by the political construction of the citizen as consumer of public services. That should not be surprising within polities and economies dominated by capitalist enterprises, including the period when nationalised industries were claimed to occupy the 'commanding heights' of the economy. However, these 'failures of socialism', parochially and globally, have deeper roots. On the left, we need to look at these failures squarely in the face.[1] Excuses that none of the experiments were really 'socialist' in spite of being proclaimed so; or that they occurred in the wrong kind of society (not advanced enough); or that they were limited to one country or another; ring ever more hollow in the absence of any plausible prospects of real, right and global 'socialism'.

Many of these socialist experiments were undoubtedly influenced by Marx's analysis of capitalism. In two critical respects, his analysis of the economy limited and narrowed the view of the overthrow of capitalism and the vision of socialist alternatives. As just indicated, Marx's view of capitalist economies was under-politicised, whereas markets and the capitalist organisation of production are in significant part not just regulated but constituted politically, in ways that we explore in this volume. Second, and relatedly, state ownership of the means of production could too easily be equated with socialisation of the economy, on the one hand, and, on the other, with the abolition of the purely economic relations of production generating class divisions within society, and, more widely, the basis of all significant inequalities in society. The state

1 By revelling in denouncements of the evils of neoliberalism, the left has failed to understand, or wilfully turned its gaze away from, the overwhelming historical fact of the failure of the major experiments to build socialist societies, and perhaps the even bigger failure in advanced capitalist economies to even initiate such transformations.

takes ownership of the means of production, and the basis of the class division between bourgeoisie and proletariat is *ipso facto* dissolved. It was an analysis which failed to fully grasp what could be entailed in the democratisation of an already politicised economy, where power relations, not just economic exploitation, are systemically unequal.

One striking feature of those societies that have experimented with socialism has been the emergence of entrenched and interconnected inequalities: of power, public privilege and private wealth, corruption and repression, often to extreme levels. Of course, it would be entirely mistaken to lay all, or even a major part, of the blame for failures of socialism at the door of *Das Kapital*. Yet, for all those who still like to believe in democratically egalitarian societal alternatives to capitalism, it does invite us to rethink the foundations of a critical analysis of capitalist political economies, as a contribution to achieving more just societies.

So, why 'democratic egalitarianism' in the title of this collection of essays? 'Socialism' has historically primarily been a response to class inequalities, to a vision of the economy where social ownership of the means of production is a necessary *and sufficient* condition to initiate a transition to socialism. This transition is viewed as a step, a pathway, on a journey to eliminate the core inequalities generated by capitalism, namely those inequalities of class, the division and relations between owners of the means of production and workers with nothing other than their labour to sell. The notion of democratic egalitarianism is a response to a much broader diagnosis of the generation of societal inequalities, embracing both the feminist emphasis on the significance of gender inequalities certainly and the inherently racialised dynamics of capitalist inequalities, and then adding those inequalities generated by exclusion and differential enjoyment of public resources, notably educational systems and divisions of knowledge and skills. As will be argued, the core divide between owners of the means of production and workers with only their labour to sell is shown to be ill-conceived in classic Marxist theory. And, *in consequence*, the attractively simplistic vision of a big-bang revolution in which a workers' party takes state ownership of the means of production, the core vision of 'socialism', is seen to be woefully *insufficient* and *misdirected* in achieving a more egalitarian society. Democratic egalitarianism is a more radical, more extensive, vision of a just society, than one based on a restricted notion of the social ownership of the means of production. Of course, just as we must avoid going backwards from Marx's insights, any vision of a more just society could not be one which includes the private ownership of capital, and the enormous, often grotesque, inequalities associated with it. These preliminary remarks will be reprised in the conclusion, once the multiple dynamics generating systemic inequalities have been more fully explored. But central to this argument will be that political and economic power and resource inequalities are deeply intertwined through the political processes (legal, fiscal, institutional) of instituting economies in space and time.

So, our two life trajectories arrived at an intersection which combined political and economic analysis with a magnetically recharged and repolarised moral compass. We thought long and hard about whether it was relevant or worthwhile to advance an alternative vision by taking the route of criticising what might today appear an arcane theory of capitalist exploitation. Are there still large numbers of 'believers' in the Labour Theory of Value? There are certainly prominent voices that proclaim it, as you will see. A recent example is Paul Mason's *Postcapitalism: A Guide to Our Future* (Mason, 2016). In typical fashion, he idolises an analysis developed one hundred and fifty years ago in a very different world of capitalism, to such an extent that he isolates one fragmentary allusion in Marx's *Grundrisse* to suggest that Marx presciently understood the dynamics of free knowledge-sharing in the internet age that would undermine capitalism from within, and lead to post-capitalism.[2] In discussions with friends (who shared our experience of a period of widespread 'true belief' in 1960s and 1970s Europe), however, many still hold on to it as a kind of comfort blanket. Not full and ardent belief any more, but a default position in the absence of any powerful alternative. Something to hang on to, but, as times change, providing threadbare comfort. So, we had an imagined community of true believers, half-believers and default believers in our minds when embarking on this work.

At its core, Marx had a simple proposition, casting aside its underpinnings in the Labour Theory of Value. Firms generally make profits from the goods and services which workers by their labour produce. Owners of capital (including shareholders) own these products and hence walk

2 'In the 1858 *Fragment*, however, we are confronted by a different model of transition … Scribbled on paper in 1858 but unknown to the left for more than 100 years, capitalism collapses because it cannot exist alongside shared knowledge' (Mason, 2016, 137).

away with the profits, as well as retaining ownership of accumulating capital. Workers just have wages. This is a big inequality divide: capital versus labour, a division of class, based on *relations of and in production*. It is an inequality that arises because of what happens in production, the creation of new values beyond and *systemically above* the costs of the factors of production (wages, machinery, advertising etc.). We retain this core idea while putting it on a different footing, and combining it with a view in which this source of inequality is articulated with others, notably those arising within markets through asymmetries of power in exchange, and those arising from unequal rights and access to public resources. We see inequalities arising within both production and markets in combination, on the one hand; and within the public sphere on the other. One strand of our critique of the Labour Theory of Value, therefore, is of its one-sidedly productionist account of the origins of economic inequalities.

The historical fact of the re-emergence and increasingly stark levels of extreme economic inequality over the last two decades, whether in the US, China or Europe, has provoked a renewed interest and debate on inequality amongst those who had never been believers (Piketty, 2014; Stiglitz, 2012 and 2015; Atkinson, 2015; Bourguignon, 2015; Milanovic, 2016). In the spirit of 'critique', one reason for a close examination of the core theoretical premises of *Capital* was to ensure that our analysis of societal inequality was indeed going forwards from Marx, not sidestepping, or, worse, going backwards from Marx. Although there are many new voices against systemic inequality of capitalist and market socialist political economies, with some unquestionably developing new and significant analyses, to them Marx is at most a shadowy presence. As a consequence, in some key respects they therefore regress from Marx – and their proposals for change are correspondingly limited, not calling for radical transformation but suggesting new taxes, redistributive mitigations, improved educational access and skilling, all tampering at the margins.

In speaking of a regression from Marx, the current renewed interest in distributional inequality largely ignores, and certainly sidelines, the significance of the capital–labour inequality divide arising within and from production. However, these authors do grasp a whole new range of inequalities, especially inequalities derived from income hierarchies and inheritance, massive and unjustifiable distributional inequalities, which have become starkly manifest in the last two decades, although some of them were already as extreme at the beginning of the twentieth century. Neither huge income hierarchies nor inherited capital (as opposed to landed) wealth was present on today's scale, and certainly not a dominantly manifest feature of the capitalism and industrial capitalists in Marx's time: it was not that he did not integrate them into his analysis; they were not there for him to analyse. And, as is well known, he rather promoted a view of homogenisation and immiseration of an ever-expanding proletariat. He was wrong, but he could not have been right. Any positive critique of Marx's productionist Labour Theory of Value must therefore also take full account of the new realities of inequality addressed and analysed by its contemporary critics.

Contemporary forms of income and inherited wealth inequalities and their analysis

Piketty, clearly alluding to Marx in his *Capital in the Twenty-First Century*, shares a view with Marx that capitalism is systemically prone to generate extreme, and indeed growing, levels of inequality. Only politics of redistributive taxation and welfare, and, more significantly, the destruction wrought by two world wars, temporarily halted the inherent dynamics of inequality. The middle twentieth century was the exception to the rule. For Piketty, the two sources of inequality – from wages (salaries) and from wealth – are located in the sphere of distribution of resources, rather than in the sphere of the creation or generation of wealth. His is an analysis of distribution. His account of wage inequalities for the bulk of wage earners, with some qualifications, largely follows a path set out by Kuznets in the 1970s where incomes are related to productivity, productivity to skills and, with expanding education, a tendency towards greater equality. With significant political interventions on minimum wages, the race for expanding education to keep pace with skill-intensive technological change has, until quite recently, been partially achieved, resulting in a general raising of standards of living with economic growth. However, this market-based account of technological change, supply and demand for skills, with consequent rewards for productivity, does not work for the super-salaries at the very top end of the salary-income scale. So, Piketty, with his primary focus on the top one per cent, abandons marginal productivity theory as inappropriate for labour markets (p. 321). Very little attention is paid to the bottom end, to poverty, to unemployment and under-employment, to zero hours contracts or indeed to the relative stagnation or decline of middle incomes highlighted by Stiglitz, Atkinson, Bourguignon and Milanovic, as effects of globalisation and economic restructuring. Instead, he offers a rather limited account of power over firm revenue resources, first by suggesting that senior managers have 'their hands in the till' (p. 331), and then that their greed is mitigated in countries other than the US and the UK by social norms. The widespread reduction of high marginal rates of taxation in recent decades also potentially acted as a stimulus to this peculiar exercise of power. The rewards for dipping into the till increased dramatically. Finally, although this is mentioned almost in passing, Piketty points to a 'coincidence' of super-salaries with concentrations of capital: firms with multi-million turnovers are the preferred economic habitat for the super-greedy, set free from social norms of just distribution.

Piketty's more significant contribution lies in his analysis of inequalities that arise from the inheritance of wealth. Although there is an important cross-over between high-end inequalities of salary and capital wealth, he argues that the primary engine of inequality has been inheritance, with a concentration of wealth, as against income, now reaching levels in most advanced economies equivalent to that of the Belle Epoque before the First World War. Although this varies between countries, the top 10 per cent own between 62 per cent and 72 per cent of all private wealth, whereas the poorest 50 per cent of the population own a mere 2 to 4 per cent. The primary driver for this concentration is a simple one (one that has been widely criticised): if the rate of growth of the economy is less than the rate of return on capital, then automatically wealth concentrates at the top through the mechanism of inheritance. It means that growth in incomes arising from growth of the economy is less than returns on past accumulated wealth. He phrases this in universal ahistorical terms: 'Throughout most of human history, the inescapable fact is that the rate of return on capital was always at least 10 to 20 times greater than the rate of growth of output (and income). Indeed, this fact is to a large extent the very foundations of society itself: it is what allowed a class of owners to devote themselves to something other than their own subsistence' (p. 353). In contemporary capitalism, financial and business assets as against real estate begin to dominate wealth ownership in the top 9 per cent, and do so overwhelmingly in the top 1 per cent (p. 259). The rise and spread of home ownership – the patrimonial middle class – has been significant, but thrown into the shadows by the super-wealthy owners of stocks and shares. The pinnacle of the inequality pyramid is occupied by a capitalist elite, not only owning a huge share of national private wealth but gaining the bulk of their income from dividends, often in spite of also cornering their super-salaries.

Piketty has done an immense service, painstakingly providing historical statistical resources that substantiate these sources of inequality that cannot be captured by Marx's productionist Labour Theory of Value. But note. For Piketty, these are 'inheritance societies' (p. 351) not exploitation societies: rentiers not capitalists appropriating profits by exploiting employees (however much they get paid). He provides anecdotes of how the super-salaried managers of today are frequently the elite rentiers of the next generation (p. 443), citing the example of Bill Gates, whose rate of growth in personal wealth, from \$4 billion to \$50 billion in the course of ten years, represents a historically novel phenomenon. But he fails to develop his analysis to integrate the generation of profits and their appropriation with the generational emergence of a rentier class. One root of the problem is that his definition of capital first conflates landed wealth with entrepreneurial profit-producing capital (p. 45), for which he has been castigated by both Stiglitz and Atkinson; so then secondly conflating rent from property with profits of firms in a single rate of return on capital. A portion of the wealth explosion of the past few decades has been in real estate, a property asset bubble, fuelled in part by financialisation and bank credit instruments prior to the 2007–8 crash (see also Rowthorn, 2014).

As a consequence, although abandoned for labour markets, Piketty appears to adhere to a conventional marginal productivity theory of capital as the only explanation for the existence of a rate of return on generic 'capital'. As already seen, he projects on to all history a more or less constant rate of return on capital, in spite of providing evidence of a 'great divergence' from the late eighteenth century when annual growth started to triple the rate of any previous historical period. He does not associate this with a new historical form of return on capital, profits from the industrial production of commodities for mass markets on the basis of wage and slave labour. In short, he not only elides feudal with capitalist modes of production, suggesting similar forms of rent appropriation and wealth concentration, a profoundly ahistorical regression from Marx. He also, absurdly, even considers caves and flint tools as capital (p. 213), to which somehow marginal productivity theory in conditions of pure competition would seem to apply. In short, Piketty conceptually abolishes industrial capitalisms as distinctively historical forms of emergent political economy – in spite of his own statistics on growth. There are only generic inheritance societies.

In contrast to Piketty (and the more so to Marx), Stiglitz's analysis of new historical phenomena of inequality considers them as examples of both historical and US (perhaps also UK) exceptionalism in their extremes of inequality. These are deviations and distortions of capitalism, political departures from a potentially more benign capitalism. Extremes of inequality are non-systemic. He thus makes a significant – and potentially much more significant – development of the analysis of inequality in his argument that the democratic political process has become fundamentally corrupted, driving and underpinning the extreme inequalities at the top, with deregulation of banks and financial markets, the abandonment of progressive taxation and effective antitrust legislation, and the stalling of educational expansion. He locates the decisive historical moment in this inequality exceptionalism with the election of Ronald Reagan (Stiglitz, 2012, pp. 31, 81), and harks back to the preceding period of a capitalism of greater social consensus. The flow between money and power in the electoral process, particularly in the US, lies behind US exceptionalism in its extremes of inequality. But he falls well short of generalising this analysis into an understanding of historically and politically instituted distinctive economies of capitalism – so largely protecting the discipline of economics.

Stiglitz's focus on inequality exceptionalism leads him to concentrate on the US, and to target the top one per cent, providing an echo chamber for the social movement slogan 'We are the 99 per cent', so relaxing attention to the huge differences within the 99 per cent, in terms of gender, ethnicity and access to educational resources. That is not to say that he ignores the bulk of the working population and their remuneration, whom he rather sees as suffering from more 'normal' market forces of supply and demand, and technological change. So, the market forces of globalisation, especially in the old industrial countries, has had the effect of reducing incomes of the skilled working class, resulting in a polarisation of economies between high-skilled and high-tech workers at one extreme, and low-income low-tech service workers at the other. Flows of capital and labour have consequently witnessed a decline of inequalities *between* countries (especially with the emergent middle class of China), and an increase of inequalities *within* countries, so manifest in the US with its hollowing-out and decline of middle incomes, also analysed by Bourguignon (2015) and Milanovic (2016). And these market forces of globalisation, he certainly argues, need much better regulation.

Yet his venom and animus are invested in what he deems to be the abnormal departures of well governed market functioning. In the absence of sound regulation and political and social norms, he thus identifies two main 'distortions' from normal capitalist inequality: he generalises the concept of rent to all forms of abusive profit derived from monopoly market positions unaligned to wealth creation, on the one hand, and asymmetries of information in market exchanges, on the other.[3] He argues that new high tech, and in particular IT and software, industries are particularly prone to monopolisation because of the advantages of universal interoperability – a modern version of the so-called 'natural monopolies' of roads and utilities. There are advantages if machines and software have the same language enabling them to talk to each other. And he suggests that the US has now become dominated by rent-seeking because of widespread monopolisation, which he locates solely in market positioning and capture. Microsoft is offered as a prime example. In his technical papers, he even describes these as 'exploitation rents' resulting from market exclusivities, whether in real estate or products and services. The abusive exploitation from monopoly rents, moreover, is of consumers and buyers, not of those who produce those exclusivities. In that respect, if Marx was one-sided in one direction (production), Stiglitz is in the other (markets). 'We use the term "market power" and "exploitation" interchangeably' (Stiglitz, 2015, p. 10). In our analysis, we will argue that both sides need to be brought together. As with Piketty, but here much more explicitly, Stiglitz then directly links monopoly market positions and excessive rents with CEOs being able to dip their hands in the till, or, as Stiglitz puts it, possessing 'the power to set his [*sic*] own compensation' (Stiglitz, 2012, p. 39), without regard to growth or social returns. By 2010, within two years of the crash, the ratio of CEO pay to employee pay had returned to an unjustifiable level of 243 to 1, the CEO earning in less than two days

3 He even advances the classical argument that, with perfect competition and information, prices would be driven down to the point where firms would make zero profits (p. 43).

what an employee earns in a year. Often linked to monopoly power and the absence of adequate market regulation on transparency, rents also accrue when there are asymmetries of information, to the advantage of sellers and disadvantage of buyers. The financial products crafted in the financial markets prior to the 2007–8 crash provided super-bonuses and profits to the bankers, selling products that nobody but a small minority of bank insiders understood. But, although Stiglitz goes on to make a wider case that strong trades unions, supported by appropriate legislation, potentially provide important countervailing powers to those linked forms of monopoly and informational power, his analysis again falls short of a more generalised understanding of asymmetries of power in exchange, of a kind which we develop later in this volume. He still adheres to a mythical conception of markets where there might be perfect information, equality and symmetry of power in exchange. By contrast, the analysis we develop argues that asymmetries of power and monopolisation are systemic rather than exceptional, historically evolving and varying in different political economies certainly, but ubiquitous. The centrality of slavery to the emergent industrial capitalism of the United Kingdom in the nineteenth century, and the use of state power to sustain and develop it, provides the starkest example of the bonding between profit and power.

These varied analyses of new phenomena of inequality related to income dispersion (at both extremes and the middle) and inheritance thus present a challenge to any historical materialist perspective on contemporary capitalisms. They provide new arguments allied to new empirical evidence which are inassimilable into the classic and core concept of Marxist class inequality. Yet at the same time, and in different ways, they sidestep that core concept, and situate the sources of inequality exclusively within market exchanges and wealth distribution. Profit generation and appropriation within production, the importance of labour at all levels of skill and professionalisation – and at all levels of the income distribution from zero hours contracts to super-salaried managers and sports stars – in the creation of added value and firm profits is epistemologically suppressed. We cannot return to a purely productionist understanding of profit-generation, capital appropriation and accumulation; but equally we cannot restrictively confine the generation of resource inequalities to markets and wealth distribution. Bringing production and market exchanges together in an integrated analysis of the gross inequalities and unjust distribution of societal resources, market and non-market, is therefore the challenge which Norman and I, at a particular conjuncture of our lives, sought to address.

The essay Marx's Economy and Beyond (henceforth MEAB) is the central platform of this book, laying out our broad approach, combining political economy with political philosophy, including a discussion of just distribution. It aims at a renewal of historical materialism by way of a critique of Marx's foundational Labour Theory of Value. In that essay, however, we explicitly evaded a key aspect, namely how firms in the private sector generate profit and hence the role of the ownership of capital as contributing to a major societal division and inequality. So, a short note on profit and the generation of inequality has extended the analysis implicit in the principal essay. In doing so, it only points a way for future theoretical, historical and comparative development.

Then, supporting the theoretical analysis of that essay and note, an analysis of the legal, fiscal and political institution of wage labour in the context of the British industrial revolution elucidates the key asymmetries of power between labour and capital. This analysis politicises and historicises the economy in ways that depart not only from Marx's abstraction of the economy but also from the epistemological institution of economics as a discipline. It provides a necessary spatio-temporal fix to economies of labour. An aspect of this analysis shows how the economic concept of 'free wage labour' rests in part on legal and fiscal coercion. This chapter is then complemented by an analysis of the significance of plantation slavery for the emergence of industrial capitalism, arguing that industrial capitalism was predicated on 'free' wage labour *and* slavery, where the use of coercive power was unbridled, and which supplied essential raw materials of cotton and sugar for the mills of Lancashire and the mouths of the proletariat. Slavery, moreover, was in general not an economic failure: indeed it was a profitable *and modern* form of capitalism, succeeded not by wage labour but other forms of coercive labour, indentured labour fed by forced migration on a mass scale to the British colonies and debt peonage in the US South. Both these forms of coercive labour continued deep into the twentieth century. They dispel the myth that capitalist political economies have an inherent affinity with the freedom of free wage labour. Either then or now. The mass forced deportations of millions of Africans and Indians constitute crimes against humanity on a huge and systemic scale. This chapter, in particular, is dedicated to Norm in recognition of his analysis of the holocaust, genocides and indeed, if more in passing, the slave trade. Multiple forms of contemporary, non-chattel, slavery and forms of bonded labour, including child labour, are present across the world in the supply chains of advanced contemporary capitalism. The final chapter draws together the analysis, above all voicing the need to see the intimate intermingling of inequalities of economic and political power. But this is no *Communist Manifesto*, and it has no political programmatics. In calling for a conception of a just society based on democratic egalitarianism it is appealing for a re-imagining of plural post-capitalist futures, founded on a radical reworking historical materialism as an ongoing project still in its infancy, and beyond the life capacity of two individuals.

2

Marx's Economy and Beyond

I

In the present time of financial crisis and economic downturn, there has been renewed interest in Marx's thought and much discussion of its relevance to current problems. The interest centres, for obvious reasons, on his major economic treatise, *Capital*. That the three volumes of this work and the related manuscripts – the *Grundrisse* and *Theories of Surplus Value* – yield insights regarding both the periodic instability of capitalist economies and the maldistribution of the burdens of economic crisis is not to be doubted. At the same time, it is hard to think of a period since Marx's death when Marxist movements and organisations in the world's wealthiest countries were weaker than they are now. More generally, the global left is not well-stocked with practical strategies – strategies for moving towards alternative forms of economy and social organisation – that look like being able to persuade Western electorates.

The need for a critical renewal of Marx's materialist theoretical legacy, and for its application to contemporary societies, is as pressing as it has ever been. Everywhere the material basis of human life is called to mind: in concerns about climate change; in problems of the availability and the cost of food; in issues of land use, the control of water and the price of oil. The materialist conception of history, as it came to be called, may sometimes have been formulated one-sidedly by Marx, Engels and the first generations of their followers, but its focus on the material infrastructure of social and political order remains indispensable both for understanding where humankind now stands and for any realistic projection of how to maintain the movement of historical progress in forms that can be defended as increasingly just.

One thing that is not helpful in this context, however, is a blank reassertion of the validity of Marx's most central economic categories for the analysis of global capitalism. *Capital* remains a work of fruitful – particular – explanatory hypotheses: hypotheses regarding, for example, the underlying causes of instability and crisis, the tendency towards the concentration of capital, the persistent production and reproduction of unemployment, the restlessly innovative drive transforming and retransforming technical processes of production and, more generally, social relations at large, and the globalising dynamic as capitalist imperatives are pressed across national and regional boundaries. It contains the wherewithal for explaining why the geographical limits sometimes imagined for capitalist markets can generally be offset by the creation of fresh consumer needs through the invention of new types of product. Marx may not have anticipated the full extent of this phenomenon, but he understood its potential.

On the other hand, the value theory that is central to the architecture of *Capital* and to the whole of Marx's mature theoretical enterprise is not defensible. On his own account of things, Marx set out to 'reveal the economic law of motion of modern society' (Marx, 1976, Vol. 1, p. 92) and yet he could not show how labour-determined values, as defined and expounded in the first volume of his major work, were translated into the mechanisms of price and exchange in actual capitalist markets. This difficulty has long been known about under the name of the 'transformation problem'. We mention the latter here only in passing, since it is our contention that the weaknesses of Marxian value theory are more fundamental and incapacitating than are captured by the statement of that problem. Still, the labour-value-price nexus within Marxian theory remains the site of a key difficulty for those who continue to affirm the validity of Marx's central categories, and yet it is a difficulty all too often left unaddressed by them.

We will cite as exemplifying this omission recent books by three veteran Marxists: Terry Eagleton, Fredric Jameson and David Harvey. These are writers of varied intellectual styles; they address their readers in different tones and idioms. We draw attention only to the common feature uniting them (apart, that is, from their being all writers of established reputation within the stream of contemporary Marxist thought). That common feature is that all three write *as if* the explanatory success of Marx's theory of value for understanding capitalism needs no defence; *as if* it can just be taken for granted.

The book by Terry Eagleton to be discussed here bears a title of rebarbatively totalising implication: *Why Marx Was Right*. Despite the title, Eagleton does not in fact claim that Marx never went wrong. He allows in the book's preface, as well as signalling here and there throughout, areas of doubt about or disagreement with Marx's ideas. Eagleton's purpose is no more, he says, than to take ten of the most standard criticisms of Marx and to try to refute them (Eagleton, 2011, pp. ix–x). Nowhere in this exercise, however, does Marxian value theory put in an appearance for analytical appraisal. Of course, Eagleton is not a political economist, and it may be thought acceptable for him to choose his themes according to what he knows most surely. Yet it is clear that he regards Marx as having provided, all in all, the best intellectual starting point for understanding modern capitalism, and it is hard to understand how this claim can be sustained without any defence of Marxian value theory. Sparing himself the effort of such a defence, Eagleton nonetheless lets slip that, as far as he is concerned, Marx's concept of value may be taken as being valid. For, as he writes in the preface already mentioned, 'Marx was the first … to show how it [capitalism] arose, *by what laws it worked*, and how it might be brought to an end' (Eagleton, 2011, p. xi). The verb 'to show' is factive: Eagleton's contention, therefore, is not one about what Marx merely set out, or hoped, to do; it is a claim about what he putatively achieved. But that claim cannot be rationally defended except by a defence of the central notion with which Marx undertook to explain 'by what laws' capitalism worked. So there is a hole at the very heart of Eagleton's book, purporting as it does to convince its readers why Marx was (mostly) right, but without any attempt to vindicate by argument the most pivotal concepts relied on by Marx in his presentation of capitalism.

That book does at least have the merit of being written in a language which is clear and easy to comprehend. The same cannot be said of Fredric Jameson's *Representing* Capital*: A Commentary on Volume One*. This is a commentary many readers will find impenetrably obscure and written as if addressed to a circle of initiates in some arcane cult. One of the few points it does register clearly, all the same, is the one we have identified in Eagleton: namely, that Marx exposed the inner laws governing the operation of capitalism. Jameson is explicit about what stands at the centre of these laws. '[T]he theory of value', he writes, '… secures the existence, behind all appearances of price and market exchange, of those deeper laws which it is the vocation of Marxian theory to bring to light' (Jameson, 2011, p. 12). The *vocation* of Marxian theory – but does Marxian theory succeed in this vocation? One must make one's way through more than a hundred pages of further abstruse commentary before discovering that the author will simply dodge the question. It is not his purpose, Jameson says, 'to defend the "truth" of *Capital* from its anti-Marxist enemies'. (He betrays there, incidentally, a certain supposition about the qualifications he requires for inclusion of others within the Marxist fold.) It is not his purpose to do that, because *Capital*'s critics, Jameson declares, subscribe to a reflection theory of truth, whereas the work 'stands or falls as the representation of a system' (Jameson, 2011, p. 127). That is it, all of it: the author's entire attempt to deal with the issue of validating Marx's most fundamental concept, a concept that according to his belief secures the existence of capitalism's deeper laws. He brushes aside the issue with no more than a glancing reference to clashing epistemological assumptions.

Finally, David Harvey who, like Eagleton and unlike Jameson, respects some norms of clarity of exposition, is similarly evasive. In his *A Companion to Marx's* Capital he, too, is committed to the idea that, embracing science, Marx undertook 'a mode of investigation and inquiry that can uncover the deep structure of capitalism' (Harvey, D., 2010, p. 46). As Harvey also refers to this structure, it is a 'deep value structure' (Harvey, D., 2010, p. 33). Again, however, one is entitled to ask if Marx's mode of investigation not only *can* but actually did uncover the deep structure of capitalism – a structure which might be shown to be significantly determinative of the relevant object of explanation (capitalism itself) and consequently capable of explaining it. Harvey does address this question at one point, if only indirectly and whether or not he is aware that that is what he is doing. Observing that a price can be put on things which are not the product of labour, he writes: 'if prices can be put on anything independent of their value, and if they can in any case quantitatively fluctuate all over the place independent of [labour-determined] value, then why is Marx so fixated on the labor theory of value?' The answer Harvey gives to this question refers to the material basis of life, to the real transformation that labour effects upon nature and which is crucial to human existence. As he writes: 'if everybody tried to live off the spectacle of waterfalls or through trading in conscience and honor, no one would survive' (Harvey, D., 2010, pp. 60–1).

Intended as support for a specifically *labour* theory of value, this suggestion is philosophically inept. It appeals to entities and processes which certainly do include human labour and its transformative effects, but which include, as well, material inputs to the production process that are *not* productive of value according to Marx: natural resources, raw materials, tools, machines and so forth. Harvey's answer to the question he himself poses, in other words, does not distinguish why, in Marx's theory, the expenditure of human labour-power should, but the use of, say, horse power, or of the natural force of a river, should not, yield objective economic value. And this is as much as he has to offer in support of a thesis informing his entire presentation of *Capital*, the thesis that Marx found the way to uncovering capitalism's deep structure.

There is, to be sure, nothing wrong with the idea that in the social sciences explanation may uncover laws and/or structures which are not immediately visible to the participants in the social processes under investigation but are the product of research and analysis and the construction of theoretical hypotheses. But the mere enunciation of some supposed law or deep structure is not sufficient unto itself. Its claims to intellectual attention, to actually *being* explanatory of what it is thought to explain, requires an effort of argument, of following through to show how the surface appearances of social life (to put this in the way Marx himself sometimes put it) can be traced back to their determinant causes; or conversely to show how – that is, by what paths and mechanisms – these causes work through to the actual consequences, events, tendencies or what have you, of the real world. For two other possibilities have always to be considered than that an effectively determining and explanatory underlying structure has been identified. First, it is possible that the structure hypothesised does not exist and so can explain nothing. Second, it is possible that even though it does exist it either does not explain anything or does not explain what those invoking it think it explains.

Both of these abstract possibilities are pertinent to the case in hand. Marxian value is defined as being determined by the labour-time on average socially necessary in given conditions to reproduce some particular commodity, and prices are held by Marx to fluctuate around this value (in his simpler model) or to be governed by it in a more indirect but not fully specified way (in the more complex model). As readers of *Capital* will know, however, one crucial commodity, at the very centre of his account of exploitation, is labour-power itself, the capacity of the labourer to work. Apart from several other difficulties with Marx's theoretical treatment of labour-power – difficulties we shall come to shortly – the value of labour-power is held by him to include a historical and moral element, since it is not a matter simply of brute natural fact what workers require in order to be in a 'normal' condition of health and capacity when presenting themselves ready for work; there is, as we might say today, a cultural component involved. But this means that identifying a value of labour-power that is, so to say, 'underneath' its varying prices is no longer a viable enterprise. There is no determinate value of labour-power definable separately from the price of labour-power and its fluctuations – in other words, separately from actual wage levels – because it will be impossible to bypass the latter in settling what is the historical and moral component in the needs of the labourer.

Even if this problem – a disabling circularity – did not exist, and value could be arrived at as Marx says it is, there is the second possibility to be faced: which is that, existent as they may be, labour-determined values do not uniquely determine price, because price is set by a number of factors, the labour-content of the commodity only one amongst them. Marx, as it happens, was perfectly well aware of this when he needed to be: he accepted that a produced object which is 'useless' (for which there is no demand) has no value at all, however much labour may be embodied in it.[1] But he thought to restrict, without more ado, the influence of social utility and demand on the determination of value to that one effect. Why usefulness and effective demand may determine whether a commodity has any value at all but not, also, contribute to determining how much value it has, is a question to which he gave no persuasive answer.

In any case, the books by Eagleton, Jameson and Harvey which we have referred to are as if innocent of the existence of such questions, while putting forth knowledge claims on behalf of Marx's *Capital* that depend on the questions having been addressed and satisfactorily answered. From reading those three books one might think it were enough simply to *assert* that labour is the unique source of economic

1 'Finally, nothing can be a value without being an object of utility. If the thing is useless, so is the labour contained in it; the labour does not count as labour, and therefore creates no value' (Marx, 1976, Vol. 1, p. 131).

value, without having to go to the trouble of showing how prices in the real world are governed by labour-determined values. Yet unless this can be shown, Marx cannot have revealed 'the economic law of motion of modern society'.

(We will digress here briefly in order to anticipate and respond to the suggestion that, contrary to the stubborn orthodoxy just illustrated by the work of the three writers we have discussed, Marx's political economy can be upheld *without* reference to his value theory; that it constitutes a superior explanatory framework independently of that theory. Note that we ourselves earlier referred to some fruitful, if particular, aspects of Marx's economic thought, and the above suggestion might be seen as an alternative version of that acknowledgement. Yet it is a much more modest claim on Marx's behalf than the one we have been taking issue with up to now. That Marx was a percipient analyst of the political affairs and economic trends of his day has been widely remarked upon. Already in the *Communist Manifesto*, published nearly two decades before his mature theory of value was outlined in the first volume of *Capital*, he and Engels had written of capitalism in terms which now read in places as remarkably prescient about the processes of global capitalism.[2] But

2 'The bourgeoisie cannot exist without constantly revolutionising the instruments of production, and thereby the relations of production, and with them the whole relations of society … The need of a constantly expanding market for its products chases the bourgeoisie over the entire surface of the globe. It must nestle everywhere, settle everywhere, establish connexions everywhere. The bourgeoisie has through its exploitation of the world market given a cosmopolitan character to production and consumption in every country … it has drawn from under the feet of industry the national ground on which it stood. All old-established national industries have been destroyed or are daily being destroyed. They are dislodged by new industries, whose introduction becomes a life and death question for all civilised nations, by industries that no longer work up indigenous raw material, but raw material drawn from the remotest zones; industries whose products are consumed, not only at home, but in every quarter of the globe. In place of the old wants, satisfied by the production of the country, we find new wants, requiring for their satisfaction the products of distant lands and climes. In place of the old local and national seclusion and self-sufficiency, we have intercourse in every direction, universal inter-dependence of nations. And as in material, so also in intellectual production. The intellectual creations of individual nations become common property. National one-sidedness and narrow-mindedness

whatever may be shown by excerpts from the *Manifesto* either about the advantages of Marx's class analysis or about his grasp of some of the tendencies of capitalist development, this is something different from the claim we have been concerned with hitherto, according to which in his theory of labour-determined value Marx was in possession of some sort of conceptual key to understanding capitalism, enabling him to lay bare the workings of that socio-economic formation. This longstanding thesis about the theoretical superiority of Marx's conceptual schema is lost if the suggestion is now to be entertained that the labour theory of value is dispensable to his explanatory enterprise. That theory of value was not just a casual add-on to his account of class relations under capitalism that one might take or leave. It was intended by him to disclose the secret and central dynamic of the whole capital–labour relationship. If it does not do that, then Marx's theoretical enterprise fails in a fundamental way. And so it does fail, as we go on to argue in detail below. Referring to what Marx grasped, to his remarkable insights about capitalism, has also to be complemented by a recognition of what his account left out or understated or misdescribed. Marx may have understood about the drive towards commodification but he did not dwell on its limits, and this affects his central argument, as we in due course explain. It is a failure, furthermore, tied up with his whole treatment of the capitalist economy as a closed system obeying its own internal logic – a weakness of his theory to be highlighted in section II below.)

We return to the main thread of our analysis. It is not difficult to understand why *Capital* and the account of value it contains acquired

become more and more impossible, and from the numerous national and local literatures, there arises a world literature. The bourgeoisie, by the rapid improvement of all instruments of production, by the immensely facilitated means of communication, draws all, even the most barbarian, nations into civilisation. The cheap prices of commodities are the heavy artillery with which it batters down all Chinese walls, with which it forces the barbarians' intensely obstinate hatred of foreigners to capitulate. It compels all nations, on pain of extinction, to adopt the bourgeois mode of production; it compels them to introduce what it calls civilisation into their midst, i.e., to become bourgeois themselves. In one word, it creates a world after its own image' (Marx and Engels, 1976, Vol. 6, pp. 487–8, and cf. Marx, 1976, Vol. 1, p. 617).

such a hold on communists, socialists and other activists of the left, and has retained a more general appeal to this day despite all its theoretical deficiencies. In his most simple portrayal, the concept of value is deployed by Marx to present in vivid terms a picture of capitalist exploitation. Labour-power is for him the sole source of value, and the capitalist purchases it for what it is worth, which is to say for the value of the commodities that go into keeping the worker alive and in a state fit to work, and then puts the purchased labour-power into operation. But in operation labour-power can produce more value than it has, and the capitalist sees to it that it does. This is the source of surplus value – which is, for Marx, the inner essence of profit. In the difference between the value *of* labour-power and the value which labour-power in operation *creates* we have a direct and simple image of class exploitation in capitalist society. It is an image that has been useful for, loosely speaking, didactic and political purposes. What is more, the first volume of *Capital* presents this image as though the exploitation of the working class by the capitalist class was a purely objective phenomenon, inscribed in the very nature of things. It lies within the structure of social and economic reality itself, without, apparently, being dependent on any normative judgement. The assumption that one's own moral standpoint is an integral part of the universe is always a tempting one; it may be seen, for example, in religions for which the most important ethical injunctions and prohibitions are traceable to the will of God. If value is what Marx says it is, and exploitation is there willy-nilly in the very foundations of the capitalist social world, it is as though reality itself stands on the side of those opposing economic injustice. Reality – just like that, unadorned – is always a useful ally to have in political contestation. Marx's *Capital* may be read, accordingly, as having provided a convenient and powerful myth, its theoretical failures notwithstanding.

It is false, however, that what Marx offers is a purely objective definition of exploitation. His concept of exploitation depends on assumptions about who is entitled to what, who merits what rewards or benefits. That the worker is not the recipient of all the value he or she creates does not constitute a wrong unless one thinks that the worker *ought to* be able to appropriate all of it. We do not argue the point again here, but it can be shown textually – and it has been, without having generated any persuasive riposte (Geras, 1985; 1992) – that in his mature writings, including *Capital*, Marx did rely on precisely this supposition, even though there is also material in the same writings appearing to contradict it.

The concept of labour-determined value is not only insufficient to establishing the existence of capitalist exploitation, it is also unnecessary to doing so. It is insufficient to that end because of its internal theoretical deficiencies and of the requirement, just mentioned, of supplementary normative assumptions. It is in addition unnecessary, because the performance of surplus-*labour* (in Marx's terms) needs no translation into embodied values in order for one to be able to recognise that, if some people in a society do not work, then others who do work must work beyond the point of providing what they need themselves; they must work, in addition, in order to cover what is appropriated by, or yielded up to, non-working others. Marx was himself perfectly well aware of this, since he held that all class societies are based on exploitation, while the existence of labour-determined *values* as embodied in commodities was a reality specific to capitalism. As he writes in volume one of *Capital*:

> Wherever a part of society possesses the monopoly of the means of production, the worker, free or unfree, must add to the labour-time necessary for his own maintenance an extra quantity of labour-time in order to produce the means of subsistence for the owner of the means of production … (Marx, 1976, Vol. 1, p. 344)

So the idea of surplus-labour, and of surplus product, can be articulated without any reference to the thesis that the *value* of commodities is determined by the labour socially necessary on average to reproduce them; even though it should be noted that, here as before, the bare existence of surplus-labour does not suffice to establish that there is exploitation in a pejorative moral sense. For this, further argument is needed, argument about what justly belongs to whom, about what is the proper relationship between effort and reward, about equality, inequality and so on.

Not only is Marx's account of exploitation deficient in explanatory-theoretical terms; it is open to criticism, as well, on account of the normative assumptions it secretes. His condemnation of capitalist exploitation as unjust relies on the implicit premise that the rightful owners of produced values are the people who produced them. Yet Marx himself had indicated the shortcomings in this moral premise when he commended as a better principle, if only for a more remote communist future, the slogan 'from each according to his ability, to each according to his needs' (Marx, 1977, p. 569). The principle embodied in this latter slogan can be seen as morally persuasive only if individuals are *not* entitled to the entire fruits of their labour. A society, for example, that sets aside some portion of the product of the labour of the healthy and able-bodied so as to provide for the ill and infirm, would count as unjustly exploitative if those capable of working were thought to have a rightful title to all of what they produced. Most people on the left, however, accepting, like Marx himself, that the claim of need here has some moral force, would not see such provision as exploitative or unjust. Noting this does not mean, of course, that a proportion of goods deducted from what is produced by those who work may legitimately be claimed by absolutely anybody. One may support provision for the sick without underwriting the principle that pure ownership of resources, in and of itself, should generate some title to a reward out of the overall labour product. In any event, in this regard also, Marx's central vision in his major work is incomplete. It lacks the detailed argument necessary to sustaining a well-founded theory of exploitation and of its opposite – just distribution. We return to this point in section III.

There is something of an irony in the contention (whether implicit or explicit) of contemporary Marxist writers that Marx's analysis of capitalism was simply right, or at any rate right enough to be an unproblematic starting point for us today. For it is an attitude quite foreign to Marx's own intellectual habits. He for his part attempted not only to master the political economy of his day but also to be abreast of the most contemporary developments in the societies whose dynamics he was seeking to understand. Fredric Jameson is so wedded to the notion that volume one of *Capital* is *fons et origo* that he writes as if, instead of Marxian theory having to adapt in the light of subsequent developments, these latter are already in some sort contained in what Marx wrote – which, if it were true, would make a certain sense of the almost biblical gaze which he (Jameson) practises towards that work. 'It should not be surprising', he declares in the opening words of his commentary, 'that Marx remains as inexhaustible as capital itself, and that with every adaptation or mutation of the latter his texts and his thought resonate in new ways and with fresh accents – *inédits* as the French say – rich with new meanings' (Jameson 2011, p. 1).

Against such frozen attitudes, there is a need, instead, to reconfigure the materialist approach to understanding history, contemporary capitalism included, in light both of the politico-economic realities of the century and a half that have elapsed since Marx wrote and of the weaknesses in the original framework of ideas that he elaborated. In what follows, we hope to indicate the necessary direction this reconfiguration should take. Building on the work of Karl Polanyi, we argue that an 'instituted economic process' approach exposes the shortcomings of any attempt, such as is to be found in Marx's work, to conceptualise the economy as a closed system, one that can be theorised separately from the political, legal and other co-realities by which it is instituted.

This is more than just a matter of the economy not being separately identifiable in abstraction from the politico-legal norms and structures that have a part in constituting it. As we go on to argue, the very determination of value itself, so crucial to Marx's explanatory enterprise, depends upon political, legal and moral facts in the full variety of their specific historical shapes, so that the exchange of labour-power is never reducible to a single model of the kind sketched by Marx in *Capital*. Labour-power, cornerstone of his theory of value and exploitation, is not amenable to being described or theorised by reference to some standard, universalisable labouring-situation, which might then be captured in a mathematically expressible schema. For there is no transcendent situation *of the labourer* in capitalist economies, and one of the reasons there is not is that the circumstances of those who work and the pressure upon them to exchange their labour-power are never purely economic facts, as they might be within a closed economic system. The worker's position within capitalist formations is subject to moral, legal and cultural constraints, which themselves contribute to defining the price for which the commodity labour-power is sold and the conditions under which and manner in which it may be used by its purchasers.

Moreover, the production of labour-power cannot be treated as comparable to the production of other commodities. This is because part of the process of its production belongs outside the exchange economy, be it in the family where a gendered division of labour supplies 'inputs' not subject to determination by the market, or in educational institutions of one kind and another where the commodity labour-power takes on particular shapes that are not always readily substitutable for one another. The lack of uniformity in the specific substance of labour-power which is due to the imparting of education and differential knowledge and skills also means that the Marxian conception of labour-power's being 'used up' by its purchaser (the employer) within the time period for which it is sold by the worker does not straightforwardly apply in real labour processes. Knowledge and skills are not fully spent, so to speak, in or by the process of labour; indeed they are often enhanced. They also constitute a resource for their owners, the sellers of labour-power, entailing, at least sometimes, a counter-balancing factor in the contract of exchange between capitalist and worker; and they are the site of resource differentials among workers themselves (if we refer thus to all those who sell their labour-power for regular remuneration); owning nothing but one's labour-power is not the same thing for those with expensive saleable skills as compared to those with none. The Marxian model of the 'free' labourer, too, understates the extent to which real capitalist societies, historically and to this day, have accommodated forms of more or less coerced labour, from plantation slavery to the trafficking of women and children for sexual and other types of exploitation.

For all of these reasons, to be enlarged upon in the section that follows, there is no single and universal measure, and no basis stretching across all forms of the capitalist economy, for the value of labour-power. That quantity is in truth – in real terms – the price for which the human capacity is sold, not something 'behind' or 'beneath' it.

II

> Bourgeois society is the most developed and the most complex historic organization of production … Human anatomy contains a key to the anatomy of the ape. (Marx, 1973, p. 105)

Marx's view that historical change provides an epistemological standpoint enabling advances in understanding of both the present and the past rests in part on the persuasive idea that, in the absence of experimental manipulation of variables available to the natural sciences and for small-scale human interactions, history itself provides adventitious variations of perspective from behind our backs. One might expect, therefore, that a century and a half of significant historical variation would have led to a new anatomical understanding of the political economies of the capitalist epoch and their development. Yet, perversely, there has been a persistent adherence to the core theoretical analysis contained in *Capital*; and one even finds, to turn the whole epistemology upside-down, assertions that *Capital* has become more true of reality today than it was in its own time. We have already referred, in the previous section, to Fredric Jameson's affirmation of this view, and it is indeed common to the three books discussed there. (See, for example, Jameson's 'ever more true', Eagleton's 'truer as time passes' and Harvey's 'the [contemporary] neoliberal counter-revolution … brilliantly deconstructed in the 1850s and 1860s' (Jameson, 2011, p. 9; Eagleton, 2011, p. 115; Harvey, D., 2010, p. 14).) The past, it seems, has become a better vantage point for understanding the present than the present itself.

Yet a telling clue for this analytical stasis may lie in Marx's choice of the metaphor of 'anatomy', a relatively fixed skeletal structure. Moreover, Korsch (1938) and Harvey (2010) have observed that, in contrast to Marx's political writings, the political economy of *Capital* is a system with a logic which, once historically in place as a new mode of production, follows its own unalterable laws, including crises of self-destruction.[3] In Jameson's frequently repeated language, the economy of *Capital* is machine-like, a system whose course has been set by its defining preconditions.[4] The radical novelty of Marx's analysis was to propose that economic laws were *not* universal to all historical social formations: the laws of capitalism emerged after a historical transition and did not operate in previous modes of production. Economic laws thus proceeded in leaps, historical transitions, followed by the working through, over time, of the established laws of that mode of production. It is this enduring vision of a partially historical but then mechanical political economy that we subject to criticism in what follows. The

3 Thus, despite the historical character of capitalism itself, Marx sometimes even talks of its laws as akin to ahistorical laws of nature: 'the labour-time socially necessary to produce them [commodities] asserts itself as a regulative law of nature. In the same way, the law of gravity asserts itself when a person's house collapses on top of him' (Marx, 1976, Vol. 1, p. 168). Or again, of the law of increasing surplus immiseration: 'The relative mass of the industrial reserve army thus increases with the potential energy of wealth … The more extensive, finally, the pauperized sections of the working class and the industrial reserve army, the greater is official pauperism. *This is the absolute general law of capitalist accumulation*' (Marx, 1976, Vol. 1, p. 798).

4 'Of *Capital* itself, we must say that it consists in the representation of a peculiar machine whose evolution is (dialectically) at one with its breakdown … its growth with its collapse … this demonstration is framed in terms of a system rather than of human agency' (Jameson, 2011, p. 142).

historical political economy proposed here further develops the insight of an already part-historical explanatory framework by emphasising a yet more radically historical and comparative understanding of political economy than is to be found in the classics (including Marx). Even evolutionary economics does not question whether or how processes of variation and selection may themselves radically change from historical epoch to epoch, as against the comparatively stable natural selection environments of biological organisms.

Economic processes and their organisation are thoroughly historical, including their dynamics and *modus operandi*, and political economy as a discipline needs to be accordingly historical. Developing the Polanyian conception of the 'instituting' of economic processes shows how economic causalities are emergent, immanent in their organisation, their geographic scale and their temporal scope (Polanyi, 1957). So, as against a vision of economy where the inner workings of its laws become ever more manifest and hence correspond to abstraction in the theory, conceiving of economy as historically and geographically instituted processes assumes radical variation and multiple historical pathways. To suggest that causalities are immanent and emergent in economic organisation, however, is not to promote pure contingency or chaos, a jumble of disordered histories. The connotation of 'instituting' and 'de-instituting' rather suggests that causalities evolve a varying geographical scale and temporal extension. In that sense, our conception of political economy and causality is a deepening, rather than a rejection, of Marx's conception of historical causality.

Jameson, by contrast, proposes a more 'dialectical', even Hegelian, interpretation of Marx, suggesting a historical process whereby the abstract in thought (a political economic theory of capital) is in an interactive, dialectical relation with a historical process of reality itself becoming more abstract over time. Capitalism gradually becomes more homogenous and 'pure' over time, as in the polarisation of classes or global fluxes of finance capital. So buttressing Jameson's defence of the increasingly manifest truth of Marx, the historical process would then be one where abstraction in reality converges with the abstract in thought, as already represented in *Capital*. A less dialectical view of the abstractness of Marx's model is one that contrasts the richness and variety of surface phenomena of capitalisms across the world, with some underlying shared generative mechanism underpinning all historical capitalisms and their development. Within this kind of interpretation, without dialectical overtones, capitalism can be seen to gradually universalise, until all economies of the world are absorbed into the same generative processes – capitalism as a globalising economy, everything commodified, including the air we breathe, the water we drink and so on; Harvey's super-commodification, achieved through 'accumulation by dispossession'.[5]

The radically historical political economy advocated here, however, treats scale, both temporal and spatial, as immanent in historically instituted organisations – configurations – of economic processes. So certain organisations of economic process develop more or less extensively over space and time, without there being a single generative motor with universalising tendencies – a Model-T Capitalism, or an abstract model with undefined spatial and temporal scales, in relation to which all observed variations are surface phenomena. Moreover, the development and scale of economic organisation can be seen to be an outcome of complex interactions between economic and political processes, with states being politically implicated to varying degrees in instituting economic organisation. Political processes, especially through legal and fiscal interventions, are involved in the very constitution of economic organisation, so requiring an integrated approach rather than a separation of spheres or disciplines, let alone a reversion to a base–superstructure dichotomy. Nowhere is this more clear than in the economic organisation of labour, and it is to this that we now turn, in order to address the core concepts of Marx's Labour Theory of Value, the generation of inequalities, surplus- value, and the accumulation of capital.

A neo-Polanyian renewal of Marx's analysis of labour-power in capitalist political economy

Marx was undoubtedly correct to insist that labour is at the source of the creation of economic wealth, in whatever political economy, capitalist or pre-capitalist. His view is a permanent antidote to accounts that one-sidedly treat markets – which also involve their own labour

5 Harvey speaks of 'the wholesale commodification of nature' and suggests that '[t]o presume that markets and market signals can best determine all allocative decisions is to presume that everything can in principle be treated as a commodity' (Harvey, D., 2005, pp. 160, 165).

activities – as the stimulants and generators of wealth. He accords to labour, in all its variety, a privileged position, not just as one productive factor amongst others. We retain that vision.

Represented at its most schematic, the initial conditions for the 'motor' of capitalism as characterised by Marx in volume one of *Capital* can be depicted as follows. In a much simplified form, Figure 2.1 sets out the logic of capital, once in place, the unchanging and general laws of capital just referred to.

During the course of the subsequent analysis, we will be visiting and exploring each of these numbered links in the chain of a closed-commodity conception of the economy. In this diagram, however, an initial presupposition is held in abeyance for the sake of exploring the argument (though it will be questioned tangentially): namely, that all commodities have a price ultimately determined by the socially and technically necessary labour time for their production – the Labour Theory of Value. We will return to examine that presupposition later, so as to concentrate first on the elements contained within Marx's

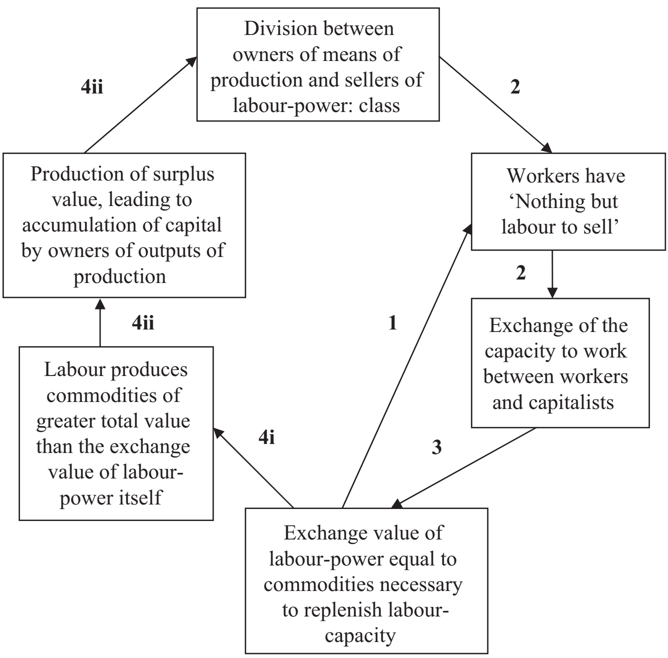

Figure 2.1 The Labour Theory of Value.

schema that contribute to 'an economy of labour': how labour capacity is produced or reproduced; the social organisation of the parties to the exchange between 'capital' and 'labour'; the necessity of that exchange; what is exchanged and how it is priced; and how it is then used in production – all in a continuing process within the wider framework of capitalist political economies. Each of these aspects of the economy of labour is critical for the Labour Theory of Value, and each requires fundamental development and revision from its formulation in *Capital*, the *Grundrisse* and *Theories of Surplus Value*. The argument to emerge in due course will be that economies of labour vary in space and time in these core aspects, and hence that there is no unchanging or spatially general law of capitalism with regard to the production of surplus value and capital accumulation.

The production or reproduction of labour-power (see arrow 1)

In Marx's account of the production of labour-power in capitalist economies, the central analysis refers more to reproduction than to production, and in particular to the consumption of those goods that are necessary for sustaining the social and biological existence of workers. As many, including Marx, have emphasised, the amount, variety and quality of those goods deemed necessary changes in the course of history, and may differ from one culture or country to another. It is a social and historical definition of 'necessary'. Nonetheless, critically, whatever this bundle of goods, labour-power is reproduced through the consumption of commodities produced under the market system of commodity production. The reproduction of labour-power is contained within the circuit of the commodity economy, and labour-power itself is also a commodity within those same circuits. This analysis therefore enshrines a conception of capitalist economies as a closed circuit system, and thereby postulates the economy itself as a closed system.

Feminist critics have already demonstrated the need for a revision of this analysis, by highlighting the significance of non-market domestic labour, the bringing up of children and the continuing gendered division of labour within the household, for the reproduction of labour-power. Reproduction of labour-power requires more than the consumption of commodities. The consequence of this critique is that labour-power, and its presence or absence on labour markets, is thoroughly and fundamentally gendered. Moreover, as most subsequent analysis has shown, there is no universal or historically static gendering of reproduction of labour-power: changes in the provision of child-care, the development of maternity leave, and a wide range of fiscal and policy instruments mean that this non-market process of reproduction of labour-power varies significantly from country to country, from historical period to historical period. The economic organisation of reproduction is instituted in temporally and spatially varying ways.

Nonetheless, non-market household reproduction of labour-power was present in Marx's day and overlooked in his analysis. Since that time, too, a different kind of non-market labour has emerged on a significant and expanding scale. A major historical development has occurred requiring a shift of emphasis to include not only reproduction but also production of labour-power: the progressive emergence of universal and selective education.[6] Obviously, one cannot criticise Marx for having ignored this, but latter-day Marxists who adhere to the formulations of *Capital* clearly have not taken full advantage of their historical vantage point to revise the theory. Over the course of a century and a half, most 'advanced' economies have seen the time spent in schooling and education, and the devotion of public resources to it, expand more or less continuously. The patterns, structures and forms of this new production of skills and capacities also differ between countries, so again pointing to economies of production of labour-power varied in time and space. Although this will not be considered here, educational institutions constitute, as well, the basis of, and are engaged in, the production of new knowledge.

Three important consequences flow from the consideration of these non-market forms of production or reproduction of labour capacities. The first, and most obvious, is that significant swathes of the population are withdrawn from the labour market: compulsory education leads to children and young adults no longer being economically constrained to sell their labour, a point to which we return. The labour force has been fundamentally and continuously reshaped. Second, the non-market

6 This is not to imply that education solely concerns the production of labour for the market: there is no functionalist or necessary process of adjustment between educational supply and market demand. More broadly, education also concerns development and reproduction of social relations, culture and polity.

production of labour-power breaks the commodity circuit, critical for establishing the dynamic portrayed in Figure 2.1. Labour-power is not reproduced through the consumption of commodities alone (hence its 'value' cannot be measured in terms only of the labour time involved in the production of these commodities). However factory-like school and university systems may appear, the public owners of these 'educational means of production' do not sell their products (school leavers, graduates) as commodities on the market, not least because they do not own them. Likewise, the household as such does not produce or own labour as a commodity, in order to sell it on the market. There is a direct implication of these points, namely, that the work undertaken in the household or in the education system – and we must insist on both the work of teaching and the work of learning by schoolchildren and students – is never priced by markets.[7] There is no standard or process of establishing commensurability between non-market and market labour.

A possible defence of the closed circuit economy might simply be that Marx's version could be made to work in so far as one considers only the reproduction of labour-power through the consumption of commodities and brackets off the non-market as a separate sphere.[8] However, to the extent that the skills developed and produced within education or households are essential for the production of commodities in the market economy, this bracketing just does not work. In short, we have to consider the economy as multi-modal at its core, with developing and variable interdependencies between market and non-market forms of production of labour-power. The dynamic of political economies that we call 'capitalist' requires consideration of non-market as well as market forces and pressures.

Third, and consequently, it becomes critical to expand our understanding of the generation of inequalities to include unequal rights to

7 There might be all kinds of administrative attempts to measure 'productivity' of teachers or students – just as there are parallel attempts to achieve such measures for health-care in hospitals, including cost setting. But there is no pricing by markets or market competition for outputs from different organisations.

8 There are passages in *Capital* which suggest this possibility, those dealing with skilled labour, where the value of skilled labour is but a multiplication of simple labour, with the commodities consumed by trainers adding to the commodities consumed by trainees to form a composite exchange value of labour-power from an aggregate of the labour time involved in the total of commodities consumed by all those involved.

public resources as well as commodity resources. For, just as much as the wage secures rights to commodities quite different from the rights of the owners of the means of production of commodities – to profits, property and so on – so educational systems, again in ways varied in space and time, generate unequal rights over public resources, say between a school leaver at age 16 and a university graduate at age 21. Educational systems are characteristically selective, creating instruments for determining the rights to differential access to public resources. That there is a combinatory intersection of inequalities over commodity and public resources, in wage hierarchies and labour market opportunities, only reinforces the importance of understanding capitalist economies in multi-modal terms. We have to get away from the idea that education merely reproduces class, if class is understood in the classical political economy terms of unequal rights over commodity resources. Educational systems and households are vehicles for generating and reproducing inequalities in skills and knowledge, within and across generations.

The exchange of labour-power (see arrows 2 and 3)

Marx wrote extensively about different aspects of the exchange of labour-power: the organisation of the parties to the exchange; the necessity of exchange (arrow 2); what exactly was being bought and sold (arrow 3); and how the price of labour-power was determined (arrows 1 and 3). We deal in turn with each of these now, once more with the ambition of developing the analysis. Strangely – and surprisingly unremarked upon – Marx builds his argument for the Labour heory of Value around an assumption of an individual seller confronting an individual buyer under a condition of equality, at least before the law.[9] This can be

9 'He and the owner of money meet in the market, and enter into relations with each other on a footing of equality as owners of commodities, with the sole difference that one is a buyer, the other a seller; both are therefore equal in the eyes of the law.' Or again, in the famous passage: 'It is the exclusive realm of Freedom, Equality, Property and Bentham. Freedom, because both buyer and seller of a commodity, let us say of labour-power, are determined by their own free will. They contract as free persons, who are equal before the law … Equality, because each enters into relation with the other, as with a simple owner of commodities, and they exchange equivalent for equivalent. Property, because each disposes only of what is his own' (Marx, 1976, Vol. 1. pp. 271, 280).

assumed to be partly because of how it fits within a more general argument that *in exchange* one person's gain can only be through another person's loss. Hence, Marx argued, the process of exchange cannot in general be a source of the generation of wealth, just a redistribution between individuals. Yet, as soon as one recognises the social organisation of owners of property, for example in the constitution of firms, and also institutions of property rights and inheritance, on the one side, and gender divisions, the shared characteristics of sellers of labour-power, the communities and combinations of workers – including, here, the history of crafts and guilds – on the other, this portrayal of an exchange between equal individuals appears fanciful, just as it is in much neoclassical and contemporary economics. Most significantly, it obscures the analysis of asymmetries of economic power in market exchange, and consequently of systemically unequal exchanges, which have, at the very least, redistributive consequences. One has only to think of the capture of value in value chains that results from the asymmetries of power enjoyed by UK supermarkets over small farmers, or by major end-product manufacturers like car producers over their suppliers, to recognise the importance of systemically unequal exchanges between different categories of economic agent. In these circumstances, unequal exchanges can redistribute wealth between classes of agent, so that it is not a question of one agent's gain against an otherwise equal agent's loss. The important thing to realise is that the exchange is entered into under a circumstance of inequality and asymmetry of economic power. The consequence of this is that asymmetries of power in exchange systematically generate unequal rights to commodity resources.

As for equality before the law, the assumption is historically quite fanciful for any of the European countries as they experienced industrial revolution. In the case of the United Kingdom, it took many decades, some would argue more than a century, before equality of contract was established in employment law. And even now one can remain legitimately sceptical about equality before the law. With whatever irony he may have portrayed it, equality in exchange was hard-wired into Marx's analysis,[10] and his analysis of markets in general takes for granted many of the assumptions advanced by economists who uncritically advocate the market economy. In developing a political economy of the exchange

10 For example, the individual seller of labour-power, Marx writes, 'must be the free proprietor of his own labour-capacity' (Marx, 1976, Vol. 1, p. 271).

of labour, therefore, the major requirement is that the supposition of a universal condition of exchange has to be abandoned in favour of a historical and spatial analysis of the socio-economic organisation of the parties to the exchange, underpinning the dynamics and inequalities of exchange.

Arising directly from Marx's analysis is the emphasis on the necessity – Marx uses the term 'compulsion' – for the exchange to take place, in a way that does recognise two classes of economic agent: owners of money (potentially capital) and owners of labour-power. Marx has a strange formulation of the double freedom of the wage labourer: on the one hand, the free ownership of his or her labour capacity; on the other hand, freedom from, that is, deprivation of, any objects that might otherwise ensure the worker's continued existence as a living being.[11] There are two major revisions required to develop this understanding of the constraint, or compulsion, to sell labour-power. The first concerns the nature of the economic constraint: the absolute dichotomy between owners of means of production (in the first instance, money) and owners of labour-power deprived of all objects other than labour-power to sell. The second puts in question whether the constraint to sell can, in fact, be seen as purely economic: to sell and survive or not to sell and to die.[12]

There is considerable ambiguity in Marx's text, for he does certainly consider, on the one side of the exchange, labour-power as comprising all the mental and physical attributes of a living being,[13] but then equally emphasises the absence of all other *objects* necessary for survival. On the other side of the exchange there is a parallel emphasis on ownership of physical assets, money, commodities and eventually physical means of

11 '… this worker must be free in the double sense that as a free individual he can dispose of his labour-power as his own commodity, and that, on the other hand, he has no other commodity for sale, i.e. he is rid of them, he is free of all the objects needed for the realization … of his labour-power' (Marx, 1976, Vol. 1, pp. 272–3).

12 The worker 'must rather be compelled to offer for sale as a commodity that very labour-power which exists only in his living body' (Marx, 1976, Vol. 1, p. 272).

13 'We mean by labour-power, or labour-capacity, the aggregate of those mental and physical capabilities existing in the physical form, the living personality, of a human being, capabilities which he sets in motion whenever he produces a use-value of any kind' (Marx, 1976, Vol. 1. p. 270).

production. So, the contrast or dichotomy is drawn between owners of means of purchase of commodities and owners of nothing other than a capacity to produce commodities, a static and absolute division of rights over commodity resources.

We have already seen that the economic compulsion does not exercise its force equally on men and women, because of various and developing divisions of labour, market and household. But this is not to diminish the understanding that there is indeed a constraint or dependency on selling labour, as a dominant form in a wage-labour economy of labour. However, the economic force of mutual dependency on buyers and sellers of labour, the asymmetric power relation between them that binds them into making exchanges, is far from static or universal in form. Again, the issue of knowledge and skills requires a theoretical shift. It is worth dwelling for a moment on Marx's exact words, a kind of possessive individualism in which the seller of labour owns his own 'mental and physical capabilities existing in the physical form, the living personality, of a human being'. An argument might be – has been (Jameson, 2011) – mounted that the abstract individual is itself only a product of capitalist historical development, and that the theory is postulating such a being only as an unfolding outcome of this history. The difficulty with the argument is that the possessive individualism of labour-power is a critical theoretical component both identifying the initial conditions of capitalist economic growth and underpinning the theoretical edifice of a universalising capitalist logic of accumulation, as outlined above. It is the 'commodity' labour-power which the owner may under compulsion sell to the capitalist: 'mental … capabilities existing in physical form'. We will come back to this when examining the use or consumption of labour-power in production.

But what is critically missing here are the skills and knowledge of knowledge-bearers: they may be deprived of necessary tools and equipment and all other means of producing means of subsistence. But workers have knowledge. They have skills. And it may be that capitalists have all the physical means of production, because they can purchase those with money and acquire full property rights over them; but, given that those physical means of production depend entirely for their conception, design, implementation and maintenance on bodies of knowledge and skills, it is difficult to argue that this body of knowledge, and the technical skills allied with it, are not also a means of production. Setting aside, in this argument, the major significance of the public stock (*not* capital) of knowledge, and complex interactions between that and technological knowledge (Mowery and Rosenberg, 1998), knowledge of the means of production is itself part of the means of production. And owners of the physical means, the fixed and circulating capital, are not owners of the knowledge as such, but at most hire its use in production.

On the other side of the exchange, that of the sellers of the use of their knowledge, crucially, individuals do not own skills or knowledge in the way they own commodities. Indeed – though this is an argument that cannot be fully developed here – as individual bearers of knowledge, they no more own collective skills and knowledge than they own the language they speak, also only as individual speakers or as 'bearers' of languages. Here we are treating the significance of this exclusively from the angle of the constraint to exchange, the mutual dependency between buyers and sellers of labour-power. The key implication deriving from it is that the force of the mutual dependency between buyers and sellers of labour-power, the nature of the asymmetry of economic power, shifts with the growth and distribution of knowledge amongst the sellers of labour-power. To put it bluntly, the owners of physical capital hire labour under a force of compulsion to obtain the use of skills necessary to create and mobilise that capital. Conversely, the sellers of specialised scientific or technical labour-power in Silicon Valley are under a different force of constraint than migrant rural workers entering into waged labour in Guangzhou Province today, or indeed in Engels's Manchester in the early nineteenth century. One further point before leaving this economic dimension of the compulsion to exchange: any division of labour creates a necessity to exchange between those who produce different commodities. If some workers produce bread and others butter, there is a necessity to exchange if people are to butter their bread, and wages (and, more widely, money) are a generalised means to enable such exchanges. People are under a compulsion to exchange wages for goods to sustain their customary ways of life.[14] However, the

14 Of course, within this overall compulsion to exchange for some goods or other, there may be considerable 'freedom of choice' as to what to buy and from whom. But even that relative freedom is subject to spatial and historical variation. The contemporary shopper in the UK makes choices within an organisation of retailers and retailer power of the time, quite different outlets from those characteristic of Italy or Norway in 2011 or the UK in 1950. There are no pure individual freedoms of choice, abstracted from the historically instituted organisations of exchange.

necessity arising from interdependencies across divisions of labour are of a different kind from the necessities arising from divisions of wealth and resources, typified by the division between employers and workers. Marx is right to that extent. But then, in this respect, labour is *not* a commodity just like others, and the force of the compulsion to exchange is different from that to buy commodities. Moreover, this is only a first point to mark the fact that labour is not a commodity like others. So Marx's analysis needs revision when he places such explanatory weight on the fact that it *is* a commodity like any other.

So far it is the specifically economic dimension of constraints to exchange, arising from asymmetries of economic power and interdependencies, that has led us to this point of difference between labour and other commodities. That difference is significantly amplified once we introduce the political dimensions (legal and fiscal) of constraints to exchange. Throughout the uneven emergence of industrial capitalisms, law and fiscal instruments have fundamentally conditioned this most political of exchanges. Laws on movement of people, vagrancy, settlement and laws of contract of employment; poor relief and welfare to incentivise or penalise moves into wage labour – both legal and fiscal conditions have been critical in shaping the compulsion to exchange. For example, and notoriously, the Poor Law Reform in England in 1834 criminalised those refusing work, so adding significantly to any economic compulsion to sell one's labour. We cannot give a detailed empirical account here, but these fiscal and legal frameworks have continuously co-evolved alongside, and in interaction with, the emergent economic organisation of relations of exchange, differentially affecting both the gendering of that compulsion and child labour, as well as the exchange of labour in general. And of course, this politicised compulsion to exchange is still changing to this day, and doing so in radically different ways, even across European economies of labour (for example, 'workfare'). The dynamics of exchange cannot be understood from within an abstracted economy, an economy as it would otherwise be in the absence of legal and fiscal frameworks. For that is to ascribe autonomy, as against specificity, to economic processes. The dynamics of exchange are interdependently economic and political at 'ground level', as it were – at the constitutive core of capitalist political economies.

Given that there is exchange, a key question is: what is bought and sold in economies of labour? Marx went to great pains (and, in *Theories of Surplus Value*, to great length) to insist that wages were exchanged for the capacity to labour: for labour-power rather than for the actual labour performed (Ricardo), or for the value of the goods labour produced. It is this capacity to labour, labour-power, which has a value and ultimately a price, linked to the costs of its reproduction, especially that bundle of commodities socially necessary to sustain a given standard of living.

Clearly, the issue identified by Marx, of what is being exchanged, is of central importance to any analysis of capitalist economies. However, there are many ambiguities in his thinking, and also notable failures to analyse just how different labour-power is from any other commodity in terms of what is exchanged. Put at its sharpest, the exchange of property rights over most non-labour commodities is typically absolute: in exchange for money, the new owner of the commodity has complete control over the object of exchange and can do what they like with it. The person who sells it retains no further rights or control over it. But it is important to distinguish between hiring any other good and hiring labour. Labour is different in two key aspects: the nature of the property rights exchanged, and how these are manifest in property rights over knowledge within economies of labour.

As a point of entry on the issue of property rights, we can take Marx's early formulation in *Capital*, where he seems to suggest that the only difference between wage labour and slavery is that the former is a time-delimited sale, whereas the latter is for life.[15] Putting aside for one moment the issue of the exchange in the first case being between the purchaser and the worker, the second being between one slave owner (or trader) and another, this suggests that the exchange of property rights is absolute, as with any other commodity – and as fits with the Labour Theory of Value. But Marx is equivocal on the point, for he immediately insists that, if the worker only sells his commodity temporarily, he consequently retains the right of ownership over it, in order to be able to

15 The sale of the labour-power, Marx writes, is for a 'limited period only', otherwise if sold for ever, the worker would be 'converting himself from a free man into a slave, from an owner of a commodity into a commodity' (Marx, 1976, Vol. 1, p. 271). The same point is put much more simply, in pamphleteering mode, in *Value, Price and Profit*: 'What the working man sells is not directly his *Labour*, but his *Labouring Power*, the temporary disposal of which he makes over to the capitalist … If allowed to do so for any indefinite period whatever, slavery would be immediately restored' (Marx and Engels, 1985, Vol. 20, p. 128).

sell it on successive occasions. It is only an equivocation – what is sold is, as we shall see, then used up, so that a new quantum of labour-capacity then becomes available for sale, once restored. But Marx is also equivocal in another way, when he speaks not of the sale of labour capacity as such, but of rights to use labour-power for a delimited time. This is different from purchasing a commodity with total rights over it, and then using it; it is purchasing rights to use a commodity, as against purchasing that commodity and then using it. In short, it is like *hiring*; and here we indeed find Marx likening the purchase of labour-power to hiring a horse for the day. But then he uses exactly the same terminology when saying that the right to use a commodity such as labour is no different from buying oil and then using it. In sum, confusion.

So the first step forward is to be clear that we are talking about hiring, rather than selling, and that what is exchanged is a right to use labour-power, not labour-power as such, as the commodity. But, then, we have to go on to ask, is there a significant difference – where Marx insisted there was none – between hiring a commodity (such as a horse or a car) and hiring a worker? And there are two issues here, a specifically economic one, and a legal and normative one. For, once we start speaking of rights to use, we are also speaking of retained control by the owner of the used commodity during the period of hire, after the exchange. When an owner of a horse hires it out, they retain some control, stipulated by agreement, over what may or may not be done to the horse (such as not turning it into horsemeat). In more recent history, there might be laws against cruelty that limit the rights of use over the horse and protect the hirer of the horse. But once we have redefined the general nature of what is purchased as hire of the use of labour-power, the significance of ownership of the labour-power comes to the fore. A horse never hires out itself. A wage worker does. The issue of rights over use of a horse is between the hirer and the owner of the horse, and an agreement over rights between them, not an agreement with the horse. Labour is the only 'commodity' that hires itself, and thereby is ever in a position to resist or go along with how use is made of it.

Workers have at least the possibility, though often limited, of exercising control over how they are used, in a way that no other hired commodity does. There is a difference (not a spatially universal or historically static one) between hiring a horse and hiring a worker. This is talking abstractly and in specifically economic terms of levels and possibilities of control over use. A whole literature exists, in labour process studies, of how those possibilities are realised – a contestation over control that is ever present, whether overtly or latently. But, as with the compulsion to exchange, these specifically economic aspects of control over use, clearly reflecting balances of economic power, have in reality been accompanied by legal norms of contract, defining expectations and the limits of rights over use. And these have been constantly evolving in conjunction with changing organisations of employment. In a nutshell, what is exchanged – rights over use – is variable both historically and geographically. Property rights over labour as an object of purchase are an instituted phenomenon, and the nature of the rights over use of labour-power, what is bought and sold in economies of labour, is not a universal, just like every other, from the dawn of the industrial revolution until the present. Put simply, what is sold in Lyons in 2013 is not the same thing as what was sold in Manchester in 1840; it is not the same set of rights.

Nowhere is the difference in rights over the use of labour-power more evident than in the rights over the use of knowledge and skills. For here we mark a sharper difference again from hiring horses or cars, or any other good. Marx talks of the labour-power being alienated, or sold, transferred from seller to buyer, for use in production. We have just established that at most we can talk of purchasing the rights to use of a knowledge or skill. Going one step further, we now note that the worker hires out that knowledge, not as its owner but as the bearer of a collective or social good, which is not itself produced or exchanged as a commodity. A key element to the dynamic of economies of labour is not for sale. For the hiring of the rights to the use of knowledge to occur – a market transaction – there is a collective non-commodity, knowledge, retained by the bearers of knowledge, shared and validated by communities in diverse ways, as historical and geographically varied forms of public good. That is to say, at the heart of the exchange of property rights within capitalist economies of labour, there are interdependent market and non-market rights over resources. How this interdependence develops, how the collective, non-market goods of knowledge and skills develop alongside their use for the production of commodity goods is at the core of any dynamic of capitalist economic development. The purchasing (or hiring) of labour-power cannot be understood as a simple purchase (or hire) of a commodity, with labour-power a commodity exactly like any other within a closed circuit of commodity production, exchange, distribution and use.

We turn now to the price of labour-power. In the labour theory of value, the price of labour is related to the price of the commodities bought by the wage, commodities socially necessary for the reproduction of labour-power. As a consequence of the above analysis of the (re) production of labour-power, and of how and what is exchanged in the hiring of labour-power, this conception of price of labour-power is seen to be inadequate. The value of labour-power cannot be conceived in terms merely of the amount of socially necessary labour time involved in the production of that basket of commodities. As surplus value, the basis of profit and capital accumulation, rests on the difference between the values produced by the use of labour-power in production and the value of labour-power itself,[16] we have lost half of the critical equation. And there is no such thing as an equation with only one half.

Moreover, as we have already indicated, labour-time as the foundation of value is part of a theory of the relationship between price and value; and, in the case of non-market goods and services, we have no price. Consequently, we have no quantitative relationships through which to relate amounts of socially necessary labour time, partly because, in a closed-circuit commodity economy, price competition is required to establish what amounts of labour time are socially and technically necessary to produce any given commodity. So we have no means of establishing the socially necessary labour time for the production of knowledge, for example, as there is no process whereby the production of a given knowledge is compared with another through market competition, and as mediated by price. Fortunately. It follows that the price of purchasing the rights to the use of labour-power, and of the knowledge of the knowledge-bearers, cannot be related to an underlying, and independent, quantity of necessary labour-time. So, the labour theory of value does not work for labour-power itself. The

16 In *Value, Price and Profit* (written in 1865), Marx comes perilously close to suggesting – though this is clearly a simplification for the purposes of popularisation – that a horse produces surplus value, inasmuch as the socially necessary time for the production of the food to keep the animal energetic is less than the time-in-productive-use of the horse. This only underscores the point made above concerning the reproduction of the *existence* of labour-power through consumption of socially necessary goods (Marx and Engels, 1985, Vol. 20, p. 130).

absence of an independent standard to which to relate price means that one cannot speak of selling labour-power above or below its value, if by that is meant its independent underlying value. On the other hand, as we have already seen, economic power in exchange generates systemically unequal rights to commodity resources.

We note in passing here that we both once subscribed to the notion of the fetishism of commodities, under which price, as a real phenomenal appearance, is underpinned by value and generated by deep structures – socially and technically necessary labour time – behind the screen of appearances. Having long since rejected Marxian value, however, we have not repudiated the view that there are processes behind the phenomena of price in market exchange that determine price. We have pointed, on the contrary, to economic power asymmetries and the relative organisation of the parties to the exchange as one of the most significant of these.

In attempting to develop the understanding of economies of labour, we have argued that in terms of the production and organisation of exchange, of property rights, and what it is that is exchanged, spatially and historically located dynamics are involved. By contrast, the 'full monty' Labour Theory of Value entails that across the capitalist world ultimately the same underlying measure of labour-determined value, as the basis of the price of labour, is at work. In fact, prices need to be considered as historically and spatially located aspects of market organisation, rather than just monetary quantities. If we compare the way that labour is priced in France, for example, with how it is priced in the UK, we find immediate and striking contrasts. In the UK, we have multiple institutions of price, in public and private sectors, firm-specific price systems, spot prices, sector price hierarchies, international labour market prices, and so on. In France, within the salariat, we have one national salarial grid across industries, related directly to established criteria of qualification. So labour circulates across France, and across industries there, within the same price–quality nexus. And of course, both countries have witnessed significant and continuing changes to their price institutions. So, here too, what is needed in a renewal of the analysis of economies of labour, is a spatially and historically complex understanding of pricing of labour within the dynamics of production, exchange and use of labour-power in those space-time frames. There is no transcendent, underlying, universal-capitalist measure, or independent basis, of the price of labour-power.

The use of labour-power in production (see arrows 4i and 4ii)

If we retain a vision of the centrality of labour to the creation of wealth, the primary process of maximising the benefits to the employer of exploiting the rights to the use of labour-power is undoubtedly the production of outputs – commodities – at a higher value than the cost of inputs. The generation of profits and the accumulation of capital for growth, what happens within the firm or organisation of firms in value chains through the use of labour is critical. Much attention in the literature has been paid to the labour process in terms of surveillance and control, Taylorism and deskilling, on the one hand, and resistance and coping strategies by workers (including skilled workers) in the face of this control and work intensification, on the other.[17] Perhaps insufficient attention has been paid to the creativity of labour (innovation), the exploitation of imagination, knowledge and skills in both overall organisation (firms, value chains, complex and multiple divisions of labour) and outputs of the labour process. We are convinced that the difference between the costs of inputs in production and the aggregate prices of outputs – the generation of profit – is in significant, although not exclusive, part a consequence of value creation in production by the use of labour-power and its varied organisation. But it is beyond the scope and intention of this reflection on economies of labour to address the processes of profit generation, however important, to the Labour Theory of Value. Rather, we limit ourselves to highlighting how the concept of surplus value is inadequate for an understanding of profit generation, as a consequence of Marx's conception of the use of labour-power in production.

The problems with treating the production of labour-power as a process of consumption of a socially and historically necessary basket of commodities have already been pointed out. Critical as this is to a surplus-value account of profit generation, Marx closes the circle of commodity production and consumption outlined in our earlier diagram with his account of what happens to labour-power when used in production. Again, there are ambiguities and confusions in Marx's

17 In Marx's terms, this is related to the progression from formal to real subsumption of labour-power that is the historical development of control to maximise the production of surplus value from the formal rights of control over labour-power in production.

own struggle with conceptualisation. For he slips from talking of the basket of commodities necessary for the reproduction of labour-power to talking of that necessary for the reproduction of *the existence* of labour-power.[18] And by that he seems in places strongly to indicate biological existence.[19] From there the circle is closed in production by a suggestion that physical and mental exhaustion, consumption of labour-power as the *using up*, in addition to *use of*, labour capacity, is what occurs in production.[20] In that respect again, labour-power is likened, as we have earlier seen, to the using up of other commodities in production: raw materials (for example, oil) and machinery. There is an expenditure of 'vital forces'.[21] The living being is physically and mentally depleted,

18 'Labour-power exists only as a capacity of the living individual. Its production consequently presupposes his existence. Given the existence of the individual, the production of labour-power consists in his reproduction of himself or his maintenance. For his maintenance he requires a certain quantity of the means of subsistence. Therefore the labour-time necessary for the production of labour-power is the same as that necessary for the production of those means of subsistence; in other words, the value of labour-power is the value of the means of subsistence necessary for the maintenance of its owner' (Marx, 1976, Vol. 1, p. 274). As a small, but important point, for most non-biological commodities this distinction between existence and quality of a commodity is of no importance. In the case of biological organisms, the distinction between what is necessary for continued biological existence and for capacities to work is of great importance: the first may be all that is required for horsemeat; the second may require considerable additional investment in training a horse to plough, in 'breaking' it etc. And the importance of that distinction becomes yet greater when considering humans and labour capacity.

19 'We mean by labour-power, or labour-capacity, the aggregate of those mental and physical capabilities existing in the physical form, the living personality, of a human being, capabilities which he sets in motion whenever he produces a use-value of any kind' (Marx, 1976, Vol. 1, p. 270).

20 '[L]abour-power becomes a reality only by being expressed; it is activated only through labour. But in the course of this activity, i.e. labour, a definite quantity of human muscle, nerve, brain, etc. is expended, and these things have to be replaced … His means of subsistence must therefore be sufficient to maintain him in his normal state as a working individual' (Marx, 1976, Vol. 1, pp. 274–5).

21 'We say labour, i.e. the expenditure of his vital force … is the expenditure of labour-power in general' (Marx, 1976, Vol. 1, p. 296).

exhausted, by work and then restored by consumption of food, clothing, housing, heating – and TV, iPhones, MP3s etc., etc.[22] And this link in the chain is what ties reproduction with consumption of labour-power within a closed commodity circuit. So, however ambiguous and open to interpretation, it is difficult to understate the role of this conception in the theory – it is an indispensable link in the analytical chain.

And of course, there is much that is convincing in Marx's account, and not to be jettisoned. People do need to eat – even eat well – to live, and thereby to work. But again we come back to the knowledge of the knowledge-bearers, and now to its use in production. It certainly is used, but equally certainly it is not, in the other sense of the word and by contrast with raw materials, used up. The biological brain may become physically tired, but the ideas and knowledge do not. There is a strong argument, indeed, that knowledge and skills are enhanced, even developed in use, and (again) collectively. Undoubtedly, such knowledge enhancement or development, knowledge outputs, may well be appropriated by the employers of the bearers of knowledge, through intellectual property rights. But the difficulties of employers in ensuring the kind of property rights over this knowledge that they typically have over other outputs, given that it also resides in the knowledge-bearers, are also well known. And, to conclude this point concerning the use of labour-power in production, if knowledge is used, but not used up, in production, it is not in need of restoration, and certainly not by the consumption of anything one might like to put in a basket of commodities. So, this final link in the chain of a Labour-Theory-of-Value understanding of surplus value production is also broken, in a way calling for further development of the analysis of economies of labour.

The main direction of such a development, as with the other aspects of economies of labour, needs to be towards looking at the overall social organisation of labour, as a historically and spatially variable process. The exploration and analysis of interdependent uses of labour, market and non-market, across the spectrum of the economy, is required in a

22 'The ultimate or minimum limit of the value of labour-power is formed by the value of the commodities which have to be supplied every day to the bearer of labour-power, the man, so that he can renew his life-process … the limit is formed by the value of the physically indispensable means of subsistence' (Marx, 1976, Vol. 1, pp. 276–7).

shift of focus, and in a shift in the conception of 'the economy'. The idea of a closed-commodity system, in which a physical capacity shared by all human-biological beings[23] is used up in production, encourages thinking about the economy as following an initial logic whereby the motor is set in place and then universalises towards globalized capitalism. It is this conception that needs fundamental revision and renewal.

The homogeneity of labour

At the outset of this analysis of economies of labour, an assumption was held in abeyance concerning the homogeneity of labour. There is an implication that may be drawn according to which, because all human products are the products of labour and that is the only thing they share in common, there must be such a thing as common labour, abstract labour, labour in general – and all such homogeneous labour can be quantified by time.[24] This leads to the assumption that there is an

23 There is a strand within Marx that has been echoed in debates on deskilling and suggests that capitalism has a historical tendency to reduce labour capacity to simple physical capacities, prone to nothing but physical exhaustion in its productive use: 'The distinction between higher and simple labour, "skilled labour" and "unskilled labour", rests in part on pure illusion or, to say the least, on distinctions that have long since ceased to be real, and survive only by virtue of a traditional convention; and in part on the helpless condition of some sections of the working class, a condition that prevents them from exacting equally with the rest the value of their labour-power. Accidental circumstances here play so great a part that these two forms of labour sometimes change places. Where, for instance, the physique of the working class has deteriorated and is, relatively speaking, exhausted, which is the case in all countries where capitalist production is highly developed, the lower forms of labour, which demand great expenditure of muscle, are in general considered as higher forms, compared with much more delicate forms of labour; the latter sink down to the level of simple labour' (Marx, 1976, Vol. 1, p. 305).

24 For example: 'As the *exchangeable values* of commodities are only *social functions* of those things, and have nothing at all to do with their *natural* qualities, we must first ask, What is the common *social substance* of all commodities? It is *Labour*. To produce a commodity a certain amount of labour must be bestowed upon it, or worked up in it. And I say not only *Labour*, but *social Labour*' (Marx and Engels, 1985, Vol. 20, p. 121).

underlying, independent, commensurable labour forming the basis of the commensurability of commodities: value as distinct from, yet forming the basis of, price. However, it simply does not follow from all products having in common that they are produced by labour that qualitatively different forms of labour are less different than qualitatively different forms of commodities. In Marx, if we disregard for a moment the issue of 'horizontal' qualitative differences – say, between bricklaying and carpentry – there is also an analytical and empirically brutal assumption that complex labour – high skills – is no more than some quantifiable multiple of simple skills, and that all labour can be therefore, in some measurable way, equated to a function of simple labour.[25]

Turning to horizontal qualitative differences, there are enormous assumptions made in trying to equate an hour of one type of labour with an hour of another. Even under the most Taylorised production systems, with task simplification, time measurements in general extend over a very small range of the total division of labour within an organisation – mostly, restricted to assembly line production or mechanically and automatically regulated labour performance. And then any such measurement is non-transferable to assembly lines in general, to call centres in general or any other such routinised forms of work. So neither horizontal nor vertical qualitative differences in labour can be assumed, without more ado, to be just variable quanta of a homogenous substance, abstract or simple labour. Empirically, the growth of capitalist political economies, in the market sector alone let alone the non-market sector in a multi-modal economy, has witnessed a proliferation and increasing complexity of interdependencies between both vertically and horizontally different kinds of labour. The idea of a progression towards greater homogeneity and simplicity of types of labour is both fanciful

25 '[I]t does not in the least matter whether the labour appropriated by the capitalist is simple labour of average social quality, or more complex labour, labour with a higher specific gravity as it were. All labour of a higher, or more complicated, character than average labour is expenditure of labour-power of a more costly kind, labour-power whose production has cost more time and labour than unskilled or simple labour-power, and which therefore has a higher value. This power being of a higher value, it expresses itself in labour of a higher sort, and therefore becomes objectified, during an equal amount of time, in proportionately higher values' (Marx, 1976, Vol. 1, pp. 304–5).

and erroneous, given the realities. In sum, a leap from the observation that all products share only labour as a common property to assuming that it is the same substance that all commodities hold in common, and then that this common substance is a quantum that can be measured by time, is a double jump into thin air. Rather, a more fruitful direction is to analyse the varied organisations of production of different kinds of labour, through different educational and household structures: the more important and interesting focus is the understanding of the processes of generating different qualities of labour in different historical periods and places.

The 'anomaly' of slavery

So far, we have been considering economies of wage labour, predominantly in Europe, in our critique of the closed commodity economy of 'free' labour conceptualised in Marx's Labour Theory of Value. One of the main strands of this critique has been the varied ways in which such economies of labour have been politically as well as economically instituted, entailing legal constraints on exchange, different rights to the use of labour-power in production, and different political constructions of the labour force through school-leaving and retirement ages. There is no general form, in other words, no capitalism-universal logic, to the economies of wage labour.

However, the assumption enshrined in Marx's *Capital* is that capitalism is almost defined as being based on the emergence, and then universalisation, of economies of 'free' wage labour, with the dissolution of forms of feudal bondage. Yet, of all the historical and geographical varieties of instituted economies of labour that developed with industrial capitalism – some would argue, indeed, as a precondition for this development – the new economies of forced labour in the plantation economies of Latin America, the Caribbean and North America diverged the most from the presumption of 'free' waged labour. Modern industrial-scale slavery in those regions, built on a slave trade of some 15 to 18 million African slaves, constituted one of the greatest historical movements of labour, and it was followed by an equally modernised form of indentured labour from India, with a further 2 to 3 million persons being transferred under various degrees of compulsion and bondage.

Marx was well aware of the phenomenon, from 1847 when he wrote *The Poverty of Philosophy* through to *Capital*, the *Grundrisse* and *Theories* *of Surplus Value*. Moreover, though not offering a developed analysis, he acknowledged three key aspects of slave plantation economies: first, they were modern and not the archaic remnants of an earlier mode of production; second, they were capitalist (not solely the outcome of 'primitive' accumulation), even, he wrote, producing surplus value; and, third, they were absolutely critical to European, and especially English, manufacturing capital, producing cotton for the archetypical capitalist industry in the Lancashire mills. Marx was particularly emphatic on the modernity and originality of the North American slave economy, as one written, he suggested, on a *tabula rasa*, rather than carrying the burden of historical institutions.[26] He even went so far as to say that 'the veiled slavery of the wage-labourers in Europe needed the unqualified slavery of the New World *as its pedestal*' (our emphasis) (Marx, 1976, Vol. 1, p. 925).

Yet, in spite of allotting to slavery so important a role, references to it by Marx are sparse, and in contrast to the wealth of empirical detail deployed in setting out the Labour Theory of Value, they are detached and absent from his core analysis of capitalism. Indeed, at points Marx does describe the plantation owners in America as capitalists; but they are also 'anomalies within a world market based on free labour' (Marx, 1973, p. 513).[27] For Marx, as we have seen, a foundational assumption is that the capitalist mode of production is based on free wage labour. Slavery, although capitalist, was not free labour, and just did not fit the assumptions of his analysis. So, this major historical phenomenon of the nineteenth (and the twentieth) century is excluded from it.

Of course, there is much that Marx did not know, and could not know at that time, about the various economies of forced labour and their historical co-development with industrial capitalism. He relied heavily on secondary sources, since much discredited (for example, on J.E. Cairnes's *The Slave Power*). It is now quite widely recognised that

26 America was a 'country where bourgeois society did not develop on the foundation of the feudal system' (Marx, 1973, p. 884).

27 Marx can also be seen to be struggling with how to fit slavery into his conceptual framework when he acknowledges that American slavery belongs to a capitalist mode of production, but 'only in a formal sense, since the slavery of Negroes precludes free wage-labour, which is the basis of capitalist production. But the business in which slaves are used is conducted by *capitalists*' (Marx, 1969, Vol. 2, pp. 302–3).

the plantation economies of the New World were critical in bringing about the 'great divergence' (Pomeranz, 2009) between the then vibrant economies of the East and the industrial capitalisms of Europe and North America. Apart from the availability of cheap and appropriate coal in England, the colonies provided key resources in sugar (calories), raw material for clothing, timber and other materials, thereby uniquely relieving Europe of a critical pressure on land. Without the vast expansion of land resources, it simply would not have been possible to clothe and feed a level of population, especially an increasingly urban one, in the emerging industrial centres. Europe, and in particular England, escaped the land constraints faced by other world economies of the epoch. This economic growth both drove and depended on the expansion of slave plantation economies. By 1860, just before the American Civil War, over 90 per cent of cotton for the English textile mills was produced by slaves in America. Moreover, the growth of world commodity markets, in which the slave trade and products of slave plantations were key components, was intricately woven into the development of finance capital and financial services industries, a leading edge of commodity market economies.

The growth of New World plantation economies, however, required labour on a massive scale, and, aside from a few failed attempts to exploit the indigenous human resources, depended on migration. Market forces could never have induced such a shift in global population: global labour markets, where only economic incentives to sell labour freely as wage labour carried force, did not yet exist, and to this day are far from fully developed, with many barriers, legal and economic, to global integration. Only compulsion and force were capable of delivering the new workforces of the world. In the broad sweep of history of forced economies of labour, there were several different trajectories. For the British colonies, there was an initial phase of indentured white European labour, including political convicts, and land evictions, notably in Ireland during the seventeenth century. Once this source proved inadequate and diminished in scope, slavery took over until the abolition of the slave trade (1807) and Emancipation (1834–38). Distinctively, the Caribbean slave economies never developed a sustainable population of slaves, owing to high death rates, infant mortality and a 4:3 male–female gender imbalance in imported slaves. In addition, as the case of Haiti demonstrated after the overthrow of slavery (1804), plantation economies relied on forced labour in production to survive. Consequently, after Emancipation, thriving sugar plantation economies such as Trinidad, Guyana and Mauritius depended on a new phase, quite different from the earlier ones, of the mass importation of indentured labour from India. This Indian indentured labour, recruited under varying conditions of compulsion and duress, transported in a manner and in ships very similar to those used for the Middle Passage, continued to produce the vital ingredients of developing European consumption: sugar, tea, and later rubber and rice from Burma and Malaya. The reliance on mass exportation of forced labour from India continued until the early 1920s.

A very different economy of slave labour developed in North America. By the time of the British Emancipation (1834–38), America had imported only 6 per cent of the total number of slaves traded across the Atlantic between 1500 and 1870, compared with 38 per cent for Brazil, and 51 per cent for the British, French and Spanish Caribbean. But it accounted for 38 per cent of the New World slave population by 1825, compared with 31 per cent for Brazil, and 30 per cent for the British, French and Spanish Caribbean and Americas. Unlike those in the Caribbean, slave populations in North America had manifested a strong natural increase, so providing the necessary source for a constant and growing American-born supply of slaves. Moreover, contrary to the myths which Marx relied on and referred to, in general slaves were not bred for sale: internal trade in slaves formed a tiny fraction of overall slave labour supply, although it was critical for the colonising expansion of slavery in the Deep South in the early decades of the nineteenth century. Immediately prior to the Civil War, the cotton plantations were growing, highly profitable, business-oriented enterprises, not squeezed by the market for commodities or free wage-labour, but, to the contrary, crucially contributing to the growth of industry on both sides of the Atlantic.

Clearly, this is not the place for a detailed analysis of the different instituted configurations of forced labour and their trajectories. Rather, we indicate some of the key implications for a view of capitalism based on a closed commodity-circuit concept of labour, such as the labour theory of value. These instituted economies of labour, with a particular spatial and temporal fix, exhibit a variety of blends of market organisation, physical and military force, legal and political power, blends that generated profits for capitalists, including for slave-owners and slave-traders, as an integral part of developing and multi-faceted industrial capitalism.

To begin with, in terms of production and reproduction of labour-power, the Atlantic slave trade combined aspects of primitive accumulation – the capture by force of people (thus turning them into slaves) drawn from African populations reproducing themselves outside the economies of the West. Indentured labour from India, often drawn from the streets of the cities or impoverished rural areas, were by contrast populations within the British Raj – therefore internal to, and interdependent with, colonial economies of the time – populations often dislocated or displaced and in a condition of extreme vulnerability. Both these sources of supply, however, were not self-reproducing from within the plantation economies, which consequently needed constant replenishment by the global trade in forced labour. This contrasted with American slavery, as already noted, where, by the early nineteenth century, the majority of slaves were often multi-generational American in geographical origin. They were people born into slavery, produced internally to the plantation economies. Child-care, some relief from field work for pre-natal and nursing mothers, helped to sustain this source of slave-labour supply. Giving birth was giving birth to property, that of the slave-owners. Not a second was lived by a single slave soul outside of the economy of slavery. Once capable, the child then formed part of the slave-labour force. In general, in both types of slave economy, self-subsistence farming on plots of land associated with dwellings sustained the daily reproduction of labour, hence falling outside the commodity circuit, in the absence, of course, of wages. In American cotton plantations, marriage was widely supported by the grant of a dwelling and an associated plot of land. Thus, many aspects of the supply and reproduction of labour fall outside the commodity circuit, and in different ways from household or educational systems in the waged economies discussed above. The non-market aspects of reproduction were very much internal to the economic organisation of the plantation.

Post hoc calculation of the costs of reproduction of slave labour, compared with the costs of achieving similar standards of reproduction of wage workers, while demonstrating the economic and business rationality of slave production systems, seem to miss the central point that, as with wage labour, the unpriced, non-costed work of reproduction within the slave economy is what marked the difference between economic systems. Slave-owners had neither the economic or statistical apparatus, nor indeed the raw information, to make such calculations, nor did they need them to know they were in an extremely profitable line of business.

For the redistribution of labour across the world, as already remarked, force, compulsion and, for indentured labour, systems of recruitment and debt servitude beyond any narrow economic constraint or market force, were necessary in such a massive displacement. The navies of the main slaving states, and the force to acquire or capture colonies in the first place, were integral to the slave trade. Yet, it is equally true that capital markets, and financial services fuelled the trade. The slaving ships symbolised the combination of force and constraint and the character of the mass-marketing of slaves as commodities for the plantation economies. Vibrant slave and indentured auction markets were features of colonial ports. Mortgage finance assisted planters in raising the purchase price for their plantation labour force.

In production, first and foremost plantation economies depended on having a captive labour force. In the case of slavery, captive meant for life, however long or short that might be. For indentured labour, a period of captive labour of generally 10 years and renewable, was combined with a 'contract' for payment for a return passage or settlement in the colony with an endowment of land. Rarely fulfilled, such contractual obligations were the focus of constant revision and contestation. European forms of indentured service were radically modified in colonial legal systems, especially with regard to penalties and punishments, and constantly revised and regulated throughout the 100-year duration of the institution of indentured labour – notably in the case of the British Masters and Servants Acts. For both slaves and indentured workers penalties for absenteeism, regimes of whipping and brutal force were critical to ensuring the continuity of active labour in production.

But, as has also been now well documented, plantation labour forces exhibited considerable hierarchical division of labour, with slaves occupying supervisory and even quasi-managerial roles, rewarded not by wages but by material benefits in kind and conditions of working life. Artisanal skills, developed on the job, or passed down through generations of slaves, contributed to the formation of a non-wage hierarchy of goods distribution. In American slavery, moreover, if only to demonstrate just how different instituted forms of economies of labour contribute to the nascent political economies, slaves for short-term hire, even agencies for slave-hire, were a considerable and conspicuous feature of labour flexibility to meet uneven demand for slave labour in the plantation production cycle and production system. Slaves-for-hire advertised themselves and negotiated their contracts, whilst remaining slaves, bound for life to their slave-owners, and paying them a cut from their income. The hybridity and fluidity of slave economic institutions defies a narrow perspective of labour-commodity capitalism.

For the use of slave and indentured labour, the dominant economic dynamic was the generation of profit through the production of commodities for the world market, and in particular to meet the demand for calories and supply the raw materials for industrial capitalism. In the labour process itself, therefore, once again the dominant feature is a combination of force and market productivity. It has been well established that sugar refineries on plantations pioneered factory industrial production, with considerable technological advance in steam power and industrial processing. Equally, the gang production systems in cotton farming, with their sophisticated internal divisions of labour, changing for different phases of agricultural production, ploughing, sowing, cultivating and harvesting, especially after the introduction of the cotton gin, have been likened to the assembly line production that was to typify factories many decades later. It was a division of labour that Adam Smith or Frederick Taylor could have approved, albeit reliant on its characteristic of being forced labour. No one needed to calculate the relative cost-benefits of free and forced labour for estimating the factor productivity of a given quantity of inputs, in order to know that slavery and bonded labour produced profits efficiently. One thing is for sure: the profits of slavery and indentured labour cannot be derived from a difference between the exchange value of labour-power and the values produced by labour-power in production, within a commodity market system. Profits for capitalists certainly; exploitation certainly; 'surplus value' not applicable.

But were slavery and indentured labour just transitional forms, inevitably to be superseded by free wage labour? In one sense that is obviously the case, although, as we have argued, it applies equally to many forms of 'free' wage labour in industrial capitalisms; they too, for their part, no longer exist. However, it also has to be said, the disappearance of slavery and indentured labour took a very long time within the historical development of industrial capitalism – slavery lasting formally until 1865 in America; 1886 in Cuba and 1888 in Brazil; and indentured labour in plantation economies, British and other, until 1920. Moreover, as already emphasised, if they were transitional forms, they were modern ones, born and developed with and alongside industrial wage labour economies, in a combined and complex economic dynamic. They were definitively not relics of previous modes of production. Finally, and critically, they did not just disappear because of the competitive economic superiority of free wage labour in a global market economy. Just as they were politically instituted, so politics and civil war disestablished them. Acts of Emancipation not market forces freed slaves in British colonies. Military defeat by the North over the slave political economies of the South, economically thriving and expanding in the decades immediately preceding the war, brought an end to that particular form of slave economy of labour. Political protest, both led by Gandhi in South Africa and by political movements in India, forced the British government finally to terminate the systematic exportation of indentured labour from that country. These forms of forced labour were not economically incompatible with capitalism, but politically and morally incompatible with certain political institutions and developing norms. But then, as we have argued, free wage labour economies are also not closed market systems, nor autonomous in their constitution. And to this day, throughout the history of the twentieth century and in many parts of the world, we need no reminders of the narrowly economic compatibility of forced labour, child and adult, with modern capitalist productive systems. Whether in China, Indonesia, India or Vietnam (to point only to a few obvious cases), some of the most advanced production units of contemporary multi-national capitalist enterprises engage labour under conditions of forced constraint, debt bondage, or child servitude. There is no implacable, purely economic logic, as suggested by Adam Smith, that formally 'free' wage labour will outcompete and hence eradicate the many varieties and degrees of servitude. Capitalism is far from bounded by a Benthamite 'freedom, property, and equality' before the law.

So, although indeed transitional in a limited sense, the epoch of slavery and indentured economies of labour presents the most powerful empirical refutation of the narrow vision of the economy of capitalism enshrined in the labour theory of value. It also, as importantly, reveals an analytic failure to incorporate known realities into an adequate theoretical framework. To say that slavery and indentured labour are anomalies within capitalism is like saying that whales do not belong in the oceans.

The neo-Polanyian turn

Our critical examination of, and conceptual development from, the labour theory of value has been conducted using a neo-Polanyian approach of 'instituted economic process'. In pulling this analysis together, we now conclude the present section by highlighting five main themes: the spatial and temporal fix of economies of labour; the politically instituted aspects of economies of labour; the significance of knowledge and knowledge-bearers; the multi-modality of economies of labour; and the multi-modal generation of social inequalities.

The spatial and temporal fix of economies of labour. The labour theory of value has been examined in terms of production, exchange and consumption of labour – to which the spatial distribution of labour in economic organisation, so conspicuous in the case of forced labour, also needs to be added.[28] Throughout the above analysis, there has been emphasis in each of these dimensions on the changing and dynamic nature of economies of labour. In this approach, however, an economy of labour is constituted by the overall organisational configuration of these four processes in relation to one another, as they are instituted in time and space. So, for example, we pointed out how changes in the production of labour, schooling and school-leaving ages alter the constraints to exchange. The development of child-care provisioning likewise alters both the process of reproduction of labour-power, and women's availability on the labour market. The organisation of the parties to the exchange can reflect changing power balances between sellers and buyers, and both the economic power of the buyers and the organisation of the sellers of labour-power condition the pricing of labour. Any given configuration of production, exchange, distribution and use of labour thus has a temporal and spatial fix, an emergent

28 The urbanisation of labour, involving a massive redistribution of it, directly affects the constraint to exchange, the increasing and intensifying dependency on wage exchange as the only way to acquire rights over commodity resources; and, conversely, the commodification of many of the crucial items necessary for the survival of human labour.

dynamic of expansion, retraction or reproduction in space and time. The French salarial system of the late twentieth century was an example referred to above, where processes of qualification of labour are tied to occupational positions and salarial scales that are generalised across industrial sectors, and across public and private employment. This in turn is linked to distinctive modes of education and training. And, to emphasise the point of the spatial and temporal limits of such a system, there are millions of workers excluded from full participation in this salarial system, youth, migrant, and marginal workers, aside from the gendering of this economy of labour. Segmentation of labour markets, as well as differences between formal and informal, legal and illegal labour markets, is also widely varied even across Europe. Although it is beyond the scope of the present analysis, the implication is clearly that there are different conditions for generating profit in the market sector that arise from different economies of labour, again in space and time. In short, the asymmetries of power in systemically generating inequalities in labour price, and hence inequalities in rights over commodity resources, are continuously evolving in space and time.

But the wage exchange itself – between employer and employee – cannot be seen in isolation. Given the central importance of the wage as a 'fiscal handle' for taxation (income tax, social insurance deductions, etc.) in all advanced capitalist economies, different taxation systems further condition, and often intensify, differential rights over commodity resources, the lowest wage earners being taxed at higher marginal rates than those that command the greatest rights over commodity resources through salary, property and share ownership, bonus systems and the rest. An 'instituted economic process' approach further suggests that these rights over commodity resources should be seen as one type of societal resource, highly significant certainly, but not the only one over which different social groups have differential rights. As we shall see, the analysis of divisions in rights over commodity resources needs to be complemented by analysis of the generation of divisions over public and social resources and of the intersection of the two.

So, the 'instituted economic process' approach suggests a radically historical and spatial understanding of economic causality, as against a universal dynamic established once and for all at a point of transition from feudal to industrial capitalist modes of production.

The politically instituted aspects of economies of labour. In addition to the fact that taxation and insurance deducted from wages have led to differential rights over commodity resources, the 'instituted economic process' approach shows how legal and fiscal instruments have co-evolved with specifically economic organisational forms of economies of labour. These only further contribute to the temporal and spatial scaling of economies of labour within national and transnational spaces, depending on the political units involved. Whether by use of legal constraints or by use of fiscal incentives or penalties, political instruments are co-constitutive of the compulsion, or pressure, to exchange, alongside specifically economic constraints. Employment law can equally condition in significant respects the use of labour-power in production, the respective rights of employer and employee, in definitions of employment contracts, rights to industrial action, rules over working hours, health and safety protection and so on. In that respect, laws of contract are co-constitutive of the nature of the property rights exchanged within economies of labour. In insisting that there are both specifically economic and specifically political dynamics constitutive of economies of labour, the 'instituted economic process' approach points to different modes of change being involved in the innovation of forms of economic organisation, as against changing laws or making budgets affecting incentives and penalties. Tensions and conflicts arise as a consequence of the different temporalities and scales of political and economic processes, generating co-evolutionary change, without functionalist co-adaptation and stabilisation or 'equilibrium'. This co-evolutionary dynamic is hence critical to an understanding of spatial and temporal transformations of economies of labour. Indeed, historically what is most striking is the continuing and varied trajectories of co-evolution of economic and political organisation of economies of labour: there is no steady state, no evident convergence towards a kind of uniform global super-capitalism. Above all, this approach facilitates the analysis of what Polanyi termed 'the shifting place of economy in society', and the dissolution of the separate, quasi-autonomous, spheres of polity and economy.

The significance of knowledge and knowledge-bearers. From the vantage point of the present, one of the most fundamental transformations occurring in varied forms across developing industrial capitalisms has been the growth of educational systems, formal schooling, technical training, different levels and characteristics of teaching and learning institutions and processes, regimes of selection and exclusion. This is a world of difference, quite unpredictable, even unimaginable, at the time

Marx wrote *Capital*. Yet, equally, from our historical vantage point, the development of industrial capitalism without the development of this knowledge base and the production and dispersion of differentiated ranges of knowledge across the working population is also unimaginable. Although, retrospectively, it is possible to see that exactly the same issues about the production, exchange and use of knowledge were present from the inception of the industrial revolution, it is perhaps only when they have achieved such a wide societal scale of significance that the analysis of the production, distribution, appropriation and use of knowledge in economies of labour becomes so evidently imperative. Adopting, from Polanyi, an anthropological method of inquiry towards novel forms of property rights, complex forms of appropriation both public and private, and processes of differentiation and distribution of different types of knowledge, an 'instituted economic process' approach is able to grasp the varied and evolving patterns of the circulation of knowledge through knowledge-bearers in economies of knowledge. Obvious contrasts between guild and craft systems preceding industrial capitalism and the educational and knowledge production systems that developed especially from the eighteenth century onwards suggest, again, a co-evolutionary process between processes of production and reproduction of knowledge and developments in economic organisation of industrial production. However, once more, there is no functionalist adaptation, and education systems are by no means confined to producing labour fodder. The dynamics, temporalities and scales of knowledge production and reproduction are so radically different from changes in industrial economic organisation as to preclude any functionalist co-adaptation.

The multi-modality of economies of labour. From this analysis of the growth of knowledge and the generation and circulation of knowledge by knowledge-bearers, a key development is that capitalist economic development is multi-modal. It cannot be contained within a closed-commodity circuit conception of the economy. As has been highlighted by feminist economists, much work occurs outside the sphere of waged employment, notably in the household. Moreover, waged work is dependent on household, unpaid labour – although, again, one needs to emphasise that this is not a functionalist relationship. Beyond that household work of reproduction of labour – to which one must add care of the elderly, who require unwaged care for their continued well-being and livelihood – there is a generally hidden aspect of the unwaged work critical for any functioning commodity market. Consumers co-ordinate and integrate their purchases, not markets. And, though it is beyond the scope of this analysis of economies of labour, the significance of public and state economic activity is evident in many spheres, not least with the most symbolic commodity of capitalism – there would be no cars without roads, which, despite many political conflicts, remain overwhelmingly public goods, rather than private tolled property. And there would be no *life* without water, which in many economies is a public good. As we have earlier emphasised, the neo-Polanyian view is that forms of non-market work – of work by consumers, household labour, the work of students and teachers in education systems – are continuously changing and vary significantly both between and within countries. The approach calls for a historical and spatial analysis of the forms of organisation of this rich variety of public state, domestic, and collective economic processes; and not just a labelling of them by reference to what they are not, the non-market processes. Critical for this analysis is the dynamic interaction between multi-modal economic processes and their organisation in complex configurations of production, consumption, distribution and appropriation. The example offered here of economies of labour, and the significance of knowledge-bearers to interdependent collective and market processes, provides one point of entry to such an analysis.

The multi-modal generation of social inequalities and intersectionality. An enduring contribution of Marx's closed-commodity circuit conception of the economy was undoubtedly to pose the question of why an economy systematically generated inequalities, and, indeed, growing inequalities. The labour theory of value was his particular, time-bound answer. Our own perspective highlights the major significance of inequalities of rights over commodity resources – inequalities that persist and often intensify when people leave employment and enter retirement. Again, different pension systems, public, social collective, private individual and corporate-industrial, result in very diverse inequalities of rights over commodity resources.[29] The UK is currently engaged in a general degradation of these rights in a race to the bottom. So, this

29 Even public-based or social insurance-based pension systems endow pensioners with differential purchasing powers to buy commodities, so constituting a varied and historically evolving interdependence between public, social and market economic organisation.

neo-Polanyian turn in no way aims to downgrade the significance of the systemic generation of unequal rights over commodity resources.

However, again partly because some processes were formerly less developed or visible, insufficient attention and analysis has been devoted to the systemic generation of inequalities over public, collective and social resources – and the intersection of this process with rights over commodity resources. Again, feminist social scientists led the way in pointing, for example, to the household as a site for generating gender inequalities, starting in life by the gendering of capacities and expectations within household social reproduction. The household remains a significant locus for the intergenerational reproduction of knowledge inequalities: informal and formal educative processes within the household underpin and reinforce inequalities established by formal, non-household, education systems.

But the significant growth in public education and the raising of school-leaving ages, pioneered and led by the US and Germany from the mid- to late nineteenth centuries, have raised the significance of unequal rights over public resources to a new level. Of course, assumptions are deep that only certain proportions of the population are educable to certain levels, and that therefore there is a quasi-natural distribution of educational opportunities. And economies at different stages of development can only afford to support education of restricted sections of the population, although clearly one country's inaffordability is another's affordability, if we observe national variations. A societal goal of equal education, equal devotion of educational resources to all, appears to be off the radar, even though deep assumptions concerning the natural proportions of the educable have been successively overturned and radically revised during the last century and a half. Regardless of whether or not the aim for greater equality over these public resources – in an intergenerational perspective – is attainable, our focus is on the analysis of how historically and geographically these inequalities have been, and are being, generated. There are distinctive modes of generating inequalities of knowledge, changing as educational, university and research institutions develop. Selection systems setting quotas and proportions of successes and failures, and financial support and withdrawal of support for students to continue in education, are amongst the varied institutional instruments for generating inequalities over public resources.

These inequalities are distinctive within nations, but they also reflect significant inequalities in the distribution of knowledge worldwide.

They intersect and combine with global inequalities of commodity resources. Through the distribution of bearers endowed with knowledge capacities, and the huge inequalities in dedication of public resources to knowledge production and reproduction, distinctive additional dynamics of inequality are central to understanding international divisions of labour and hence global economic inequalities.

We have been concerned here over inequalities in rights to educational resources in particular, because of their intersection with economies of labour and hence the way in which they demonstrate how inequalities over public and commodity resources combine and mutually amplify each other. A wider analysis would, of course, be needed to extend this approach to the systemic generation of inequalities to rights over other kinds of public resources. Water has been mentioned, and in many places in the world economic organisation systemically generates inequalities in access to this most essential public good. Rights to health-care and care for the old, and indeed rights to roads and communication infrastructures, exhibit to varying degrees modes of generating inequalities over public, collective and social resources. In the welfare state literature, this is sometimes analysed via the distinction of public versus private, where the public is seen as redistributive of, or mitigating, the inequalities created in the private, market-commodity circuit: a contest between commodification of everything and decommodification of critically important social goods. But that is a narrow and limited way of understanding the generation of inequality of rights over public resources, including within and by welfare state regimes.

In conclusion, we hope to have shown in this section how a positive critique of Marx's *Capital* and the labour theory of value – and his closed-circuit, time- and space-abstract, commodity economy – points the way towards a reconfiguration and revival of the materialist conception of history. Focusing on the inequalities systemically generated by economic organisations, and through that trying to gain an understanding of the potential forces and sources of change, remains central. But we have tried to indicate some critically important ways in which the analysis needs to be developed and renewed.

III

The foregoing analysis also has implications for contemporary left thinking about strategies for change – strategies aimed in the first instance at reducing inequality, and holding out the prospect in the longer term of a society thoroughly grounded in just and realistic principles of equality.

There is a long tradition of socialist commitment to democracy, and of activism to defend and extend it. From his earliest writings Marx held out the vision of a form of democracy that would transcend the boundaries of parliamentary politics, to run the length and breadth of the social order; and in his mature political writings he asserted, as a necessity for the workers' movement along the way to a better society, the importance of fighting for democratic gains through trades unions, the ballot box, parliamentary representation and social reform. Even the Leninist tradition, with its instrumental attitude to what it called 'bourgeois' democracy, was generally opposed to the ultra-leftism of those who adopted an abstentionist attitude to electoral politics: a workers' movement unable to make serious headway through democratic elections where these were available to it was unlikely to find itself in a condition to win power by insurrectionist means. In the interwar period Leon Trotsky, for his part, waged a fierce battle against those in the communist movement who dismissed the differences between parliamentary democracy and fascist dictatorship as being of no account.

Alongside these traditions, however, there were other tropes that were to prove fateful for socialism in the twentieth century, justifying as they did – in the name of class struggle and the harsh necessities of political combat – now terror, now the erosion of democratic norms and practices, now out-and-out dictatorship and a wanton disregard for civil liberties and the protections of human rights. There is no need here to rehearse all of this sorry history, but one important aspect of it was the propensity amongst some on the left in parliamentary-democratic countries – people living under the rule of law, with whatever limitations this may have involved in any given case – to make excuses for undemocratic actions, and even open tyranny, elsewhere. The apologetics by Western communists and fellow-travelling socialists and liberals for Stalinism (for the purges, the show trials, the gulag) were only the most glaring expression of that propensity. They reflected habits of mind that have persisted on the left to this day, long after the effective demise of the international communist movement.

For there are still voices in this quarter ready to identify with, or at any rate to make exculpating noises on behalf of, undemocratic movements and oppressive regimes. Thinking on the left about the relationship between anti-capitalist struggles, on the one hand, and struggles for democracy, on the other, sometimes displays a tendency to regard anti-capitalism as the primary commitment while democratic norms and procedures are treated as more open to compromise on its behalf. This tendency may perhaps be prompted by standard impulses of political partisanship: on account of which the 'enemy of my enemy' becomes, if not my friend, then at least someone to be looked on with greater indulgence. Thus, if capitalism is the main object of antagonism, then movements and regimes regarded as *anti*-capitalist, but which are also undemocratic, may be given an easier ride than the elected governments of capitalist democracies. But the tendency has some independent theoretical underpinnings as well. It treats the capitalist economy and the political structures of democracy as occupying separate domains, as it were, so that efforts to shift the former in a more egalitarian direction or to replace it with something radically different can, depending on circumstances, take or leave the democratising requirements of a truly self-active popular movement.

Rescuing the socialist idea from the failed experiments of the twentieth century and the persisting tendency, in a part of the left, towards anti-democratic apologetics must continue to involve (as it has always involved) the insistence that central to the very conception of a transformative socialist-egalitarian practice is that it is democratic at the root: which means in every sphere of economic *and* political organisation. Democracy is not just an optional extra. The commitments to anti-capitalism and democracy are indissolubly linked. The force of the critique of capitalist economies and polities is only weakened by any relaxation of that link in projected socialist-egalitarian alternatives to them. Egalitarian struggles have, today, to be part of the culture of universal human rights that has developed since the Second World War and is now backed by a global civil society. In light of the previous history of socialism, no mature political populace will readily accept the rationalisations of an earlier epoch regarding the supposed need to curtail democratic rights and liberties because of 'the struggle' or of the necessities of economic development.

But beyond these general points, we would argue, in addition, that there are considerations specific to the 'instituted economic process' approach that strengthen the case for not driving a wedge between economy and polity.

First, there is no pure or universal model of the capitalist economy or of the relationship at its heart, that between capital and labour. The economy not being a closed system, it and the capital–labour relation are always and everywhere partly formed by political processes and legal norms; they are not simply a product of economic power. As we have attempted to show in the previous section, such legal, political and other social structures are co-constitutive of the pressure on the possessors of labour-power to exchange it. All the more reason to see the project of improving and extending the democracy of the polity and that of establishing just principles of economic equality as intimately related.

It is, after all, an old socialist theme that the democracy of the state is bound to be flawed, at best, where it coexists with economic relations in which wealth is distributed as unequally as it is in every capitalist country (with whatever variations). In these circumstances political power and influence, too, are bound to be unequal. But the causal relationship runs in the opposite direction as well. A state, a party or a movement from which political democracy is absent, or in which it is severely restricted, is not well fitted to achieving egalitarian objectives. The historical evidence is overwhelming that power which is not responsible and accountable to those over whom it is wielded will tend towards decisions unduly favourable to the interests of those who exercise it and the social groups – classes, strata or whatever – to which they are most closely linked. Democracy with exceptions, curtailments and apologetic excuses will not only be uncongenial to any politically experienced electorate today, casting doubt upon the sincerity of the egalitarian ideals professed by those seeking power in pursuit of change, it is also inadequate to the tasks of a transformative egalitarian movement. Political democracy and social and economic equality are profoundly interdependent, and the want of either must distort and weaken the other.

Second, it is no longer feasible to think of socialist-egalitarian progress as turning upon a single axis of change, in which capitalist exploitation in the classic Marxian meaning is abolished. It is no longer feasible because the model of relative economic advantage and disadvantage on which that conception relied was itself too simple, as we have shown. There is not a unique and universal differentiation according to which one class simply owns productive material assets while another class simply does not. Though this is indeed still a relevant and crucial dimension of economic differentiation and one yielding great relative benefits to those on the better off – that is, the possessing – side of it, real capitalist societies are also characterised by a multiplicity of other differentials of comparative advantage, not all of them reducible to that which divides the owners of material means of production from the non-owners. There are gendered inequalities, differences in access to educational opportunity, differences in access to available work, or to well-paid work, and to space and housing and health and insurance, and to a clean environment and to water, and more. Combating exploitation cannot, consequently, be thought of as simply undoing the appropriation by one class of the surplus produced by another. A more comprehensive conception of what a just egalitarian distribution of advantages and disadvantages would look like is required.

Nor can this issue of the multiple sources of comparative advantage be finessed by referring it to the Marxian distinction between productive and unproductive labour – so that the *essential* division is said to be between capitalist exploiters and those engaged in productive labour for profit, while other categories of 'unproductive' worker supposedly share in the surplus appropriated by the capitalist class, share in it in exchange for servicing the consumer wants of that class. The very distinction between productive and unproductive labour is predicated on the theory of value – value as labour-determined – that we have shown to be conceptually incoherent. This distinction cannot survive the theory's demise, and neither can any secondary theoretical argument which depends on it.

Furthermore, there are grounds for thinking that the Marxian focus on the (class) distinction between those monopolising the means of production and those without access to any such material means played its part in what went wrong with the would-be anti-capitalist revolutions of the twentieth century. There was an assumption that collectivisation of the means of production and state planning would, in and of themselves, halt the genesis of fresh inequalities at their source, so to speak. Abstracting from other possible sources of inequality, however, disguised from supporters of those failed socialist experiments the danger of new inequalities posed by state ownership of property itself.

The multiplicity of dimensions of comparative advantage is a conclusion with far-reaching theoretical consequences. It means, at bottom, that the conception of a route to socialism based on the abolition of class exploitation must give way to – or evolve into – one of a route based on a more comprehensive theory of just egalitarian distribution. The latter denouement is an ironic one. It is ironic when one bears in mind the dismissive attitude of so many within the Marxist tradition to normative liberal theory. But, in any case, realities of *political economy* – always the primary domain of Marxist research and argument – themselves dictate that outcome, since they are the site of many inequalities, multiple sources of differential advantage, dividing not only owners from non-owners but also high-earning scientific personnel and earners in other relatively privileged categories from cheap labour; male from female workers; those with and those without higher education; people with ample pensions and people without; some with access to free or easily affordable medical care and others without; and so on. A society free of exploitation in the classic Marxian meaning would not, in and of itself, be a justly egalitarian one unless it were based on more generally just principles of distribution.

On the left today we are therefore confronted with a task of analysis and advocacy in support of the case that just distributive principles are egalitarian ones, and of explaining further what *specific* concept of equality is to be supported. For it is a well-known feature of the *general* notion of equality that it needs to be further specified before one can know what it entails. A plea for equality always invites the question equality of *what*? In face of the plurality of existing differences of comparative advantage and disadvantage, should the left be arguing for equality of resources, or equality of well-being, or equality of opportunity, or Rawlsian inequalities justified only when they benefit the least well-off, or something else again? We shall not undertake the necessary task of analysis and advocacy here, but only insist on its being necessary, and the more so in the light of an 'instituted economic process' approach, highlighting as this does the many dimensions of privilege and lack that exist across contemporary capitalist economies.

We will add, merely by way of indication, that exact equality of resources cannot be the aim where differences of need are taken into account, and equality of well-being is also problematic as an objective if the free choices of individuals are to be respected, since free choices inevitably generate unequal results – owing to differences in luck and to good and bad judgement – and it is debatable whether, or how far, such different outcomes ought to be 'levelled' by interventionist public policy. Equality of opportunity is also not unproblematic. What is often *called* 'equality of opportunity', as things are, is plainly not at all that, given how inequalities in one generation get passed on to the next. The advantages which richer parents can buy for their children, in terms of better physical surroundings, better health-care, better education, better everything, are bound to mean that their children have greater opportunities than poorer children. Genuine equality of opportunity – or something approximating it, for perfection in this domain, as in most, is likely to be unattainable – could only be based on a greater equality of condition in the parental generation, so to put it, and on serious efforts to counteract the disadvantages among its offspring that are passed on willy-nilly.

Thinking through these problems and proposing solutions to them is an indispensable theoretical undertaking, and its necessity and difficulties throw a cruel light back on the self-satisfied stance of those Marxists who still profess to believe that Marx, though he supplied so little in this domain, was pretty much just 'right' about the things that matter most.

Because an egalitarian, non-exploitative society would aim to provide a decent life for all its members according to just criteria of need, effort, desert and so on, the democratic political institutions of such a society cannot be persuasively theorised purely by reference to abolishing divisions of *class*. Everyone is to be included in rights of citizenship and covered by the basic protections afforded by human rights. A reconstructed materialist politics must be as insistent on democratic rights and liberties as it is on the necessary transformation of global capitalism; as committed to the democratic traditions that have evolved within bourgeois societies as to the task of creating more egalitarian economic forms.

It is a striking feature of recent times and of the economic and financial crises with which the institutions of national, regional and international governance are still struggling that the left has mostly not been the clear beneficiary, in gaining fresh and vigorous mass support. Here and there Marx's name is invoked and his theories are commended as having a new – or revived – relevance. But such talk is principally at a superficial level; it is not translated into serious programmatic argument or policy recommendation, a state of affairs suggesting that the old Marxian 'unity' of theory and practice remains sundered. In the light of what has been argued by us here, this should not surprise anyone. Former models of socialist strategy or egalitarian politics, based as they centrally were on the closed-system conception of labour, exploitation and the capitalist economy more generally, need to be rethought from the bottom up.

They need also to be integrated – as they never properly were in the traditional Marxist political vision – in a fully elaborated ethical critique and alternative. One of the signal strengths of the original conception of a transformative socialist politics founded in historical materialist analysis was to insist that its critique of capitalism must be more than merely *abstract* criticism. It was to be grounded in (*a*) an understanding of real socio-economic tendencies, and (*b*) a real social movement capable of effecting change. At the same time Marx bequeathed to the tradition he founded a one-sided rejection of moral advocacy (sometimes formulated in overtly relativising terms) that was out of harmony with the commitment to certain universal values implicit in his critique of exploitation. A reconfiguration of materialist thinking towards progressive change needs not only to improve on the economic analysis founded by Marx, but in so far as such improvements are called for, as we have argued above that they are, it must also be able to engage with normative arguments in the area of human rights and different conceptions of equality and justice. No more than in Marx's day will a moral critique of capitalism suffice; but unless there is a moral case for socialism there is no case for it, and it needs to be properly articulated.

3

A Note on Profit and Inequality

In MEAB, an attempt was made to develop an analysis of the systemic generation of multiple and intersecting inequalities in capitalist political economies, but with one significant and acknowledged gap: the generation and appropriation of profits by capitalist enterprises. In Chapter 1, a discussion of the current debates on inequality highlighted the contrast between Marx's productionist view of profit and the dominant alternative perspectives of market 'rents' (e.g. Stiglitz) and the distributional inheritance of wealth (e.g. Piketty). Marx founded his Labour Theory of Value analysis on the relations of production between labour and capital. Following the critique of that theory in the previous chapter, here both Marx's analysis and the dominant contemporary orthodoxies are counterposed to an integrated analysis combining relations of production with relations of exchange, in order to comprehend the generation of profit and its appropriation by owners of capital. It is an analysis of relations of production *and* exchange, and, to anticipate the conclusion, it aims to establish a systemic basis of generation of profits and their appropriation by owners of capital. Hence, enterprise profits are in turn a major, if not exclusive, source of societal inequalities in commodity resources.

There are two main components of the analysis, followed by a brief consideration of demand. The first section establishes the critical linkage between processes of qualitative transformation in production and quality positioning of goods or services in the market. It will be argued that there is no securing of profit without quality distinction in the market, and no quality distinction in the market without processes of qualitative transformation in production. The second section elaborates on the systemic asymmetries of power in exchange, between firms and firms, and between firms and consumers. Far from consumer sovereignty, the social organisation of consumers as parties to exchange with retailers and producers ensures that, in general, consumers are *relatively* powerless to exercise pressure on prices. Indeed, given their individualisation, lack of information and costs of searching or shopping around, often in the face of quasi-monopoly powers of those with whom they exchange, they may have even less power in relation to capital than workers in their exchanges with capital when selling the use of their labour-power. But, of course, wage-workers are consumers, and consumers are wage-workers, so they generally are at a systemic disadvantage twice over in their exchanges with capital. For profits to be generated and then secured, under a capital–labour regime, people are exploited first as workers, and second when they pay the market price, as consumers. The wage is the fulcrum, the two faces, of exploitation, and it is this double jeopardy of the worker-consumer that underpins profits for owners of capital. These two main components to the analysis are followed by a problematisation of the concept of demand, binding it to social norms and practices of consumption, within the overall reproduction of configurations of production, distribution, exchange and consumption.

Profit generation: linking production process to market positioning

In MEAB, we looked at how labour was reproduced, exchanged and used, with an 'instituted economic process' (IEP) analysis to critique the Labour Theory of Value. The IEP approach views economies as instituted configurations of four processes: processes of the qualitative transformation of entities of whatever kind (material, symbolic, practices …); processes of the transformation of entities' location in space; processes of transformation of control over entities from one agent to another; and processes of the transformation of the use of entities. Broadly, this corresponds to descriptive notions of production, distribution, exchange and appropriation, and consumption. Here we are concerned not with the overall configurations but with the specific analytical task of understanding the generation and appropriation of profits, linking production to market exchange within capitalist economic configurations. Moreover, we are dealing with commodities other than labour, because, as argued in MEAB, labour is a unique kind of commodity, unlike any other, with the many consequences elucidated in the previous chapter.

Production is therefore understood as a process of qualitative transformation, and the generation of qualitative differentiation of outputs. In this perspective, of course it might be that in some economies, or indeed for certain outputs, multiple agents might aim to produce qualitative similarity and homogeneity, permitting like-for-like comparison between outputs, and, in a competitive market economy, assuming success, competition would lead to success for the firm delivering the lowest price for the same product. But let us assume the opposite is the case, and that firms compete to achieve market positions of qualitative distinction, indeed uniqueness. It is worth remarking that the universe of market commodities which we now inhabit is beyond the nineteenth-century imagination, even of Marx in his most prescient *Grundrisse* future visions. In this perspective, moreover, this conception of qualitative differentiation in production involves all aspects of delivery of a product to market, including branding, packaging, advertising and all that contributes to qualitative differentiation. This process of quality differentiation goes right through to the selling, including the quality of the shopping experience for the consumer, to which retailers or internet portals can pay much attention. The process of production from multiple agents, in this light, is generating a universe of non-like-for-like comparable outputs, an absence of a quality grading metric that might easily be aligned with a price metric. With complex products like cars, which embody many different quality dimensions (performance, style, comfort, social functionality, prestige, economy, ecology …), there is no singular quality dimension to which prices could be aligned, and within each quality dimension no like-for-like quality characteristic. Moreover, some products involve many transformational phases and complex qualitative transformations over many dimensions to achieve their market position. A loaf of bread contrasts with a car or a smart phone in this respect, with consequent expectations of the relative prices for both producers and consumers. Even with apparently 'simple' products, however, the quality singularity is constantly being generated. It is always argued that one should not compare apples with pears. But the issue here is comparing apples with apples, not only the proliferation of varieties, but qualities within each variety (organic, local, 'economy', British), including branding and packaging, the varieties of supermarket experience, the promotional offers to which buying apples might be linked. One could spend a lifetime working out one's marginal utility preferences when buying an apple with a given disposable income, and still not get it right. So, at the very least, competition for quality differentiation produces a universe of outputs of low comparability between quality and price.

Thus, if two qualitatively different commodities command the same price, there is simply equality according to the money metric. It does not imply that there is anything the same about them other than price. There is no possible inference of there being any other hidden equality or commensurability, whether in 'value', labour-time, use-value or marginal utility. It is just what you pay in a market (whether loss-leaders or high profit-margin makers). The fact that two very different things have the same price does not require there to be a hidden quantity equivalence between them. We have seen with Marx that such an assumption of there being a hidden quantitative equivalence behind price leads only to an infinite regress, from price to time to abstract labour quanta. You can never quite know whether one mobile telephone as a piece of kit or as a financial package at one price is better value for money than another qualitatively differentiated mobile telephone or package at another price. One final point: the process of quality transformation and differentiation goes right the way through, in different phases with intermediary and end-market exchanges, from source 'raw materials' through intermediary products, to final consumer products. At each phase, quality transformation and differentiation systemically generates the potential for the prices of outputs to exceed the costs of inputs.

Those rare goods which are identical, or near identical and homogeneous, notably utilities like gas and electricity, stand as a good exception to prove the rule. Such goods have often been understood as natural monopolies, and many were, or still are, consequently provided outside normal commodity market transactions by public sector organisations. Even when such services are privatised, they tend to be highly regulated, with the price, return on investment, profit margins and capital investment being prescribed by the state or by state regulatory bodies. Drinking water from taps, in this regard, is particularly telling in its contrast with bottled water, which is subject to infinite quality differentiation, in production, bottling and marketing – and price. The quality of tap water, although generally failing to achieve identical quality and homogeneity across wide spatial distances, nonetheless is prescribed by the state to achieve this as an objective to be met as closely as possible, for public hygiene if nothing else (Harvey, 2015). In this respect, other goods, like milk, have their quality homogeneity tightly regulated. Homogeneity and identical quality of goods thus almost mark an economic boundary between market and non-market goods.

This view of production as a quality-transformation and differentiation process can now be linked to Chamberlin's conception of markets for goods (1933, 1953), where just such quality distinction and non-comparability systemically create quasi-monopoly positions in the market, with correspondingly secured monopoly rents or profits. The continual creation of quality novelty and distinction (as anti-equilibrium evolutionary economists also argue), prevents any process of competition leading to equilibrium, because quality differentiation eliminates price comparisons between sufficiently similar products. In a sense, each new quality differentiation creates a new product market for its singular quality. Turning Marxist terms on their head, precisely the qualitative differentiation of use values determine the price position of exchange values in the market, whether of horizontally or vertically quality differentiated outputs. In order to obtain market-price position, production is dedicated to the delivery of quantities of incomparably different qualities. This view dissolves the antithesis, in Marxist terms, between exchange value and use value, and places the source of potential profit not in some addition of unpaid surplus labour but in the magic of labour in producing qualitative transformations. To emphasise this point, the quality transformation of *non-labour* inputs to create qualitatively distinctive outputs is what creates the *potential* systemic excess of the price of outputs over the costs of inputs. Then, in order to turn this potential for profit into reality, what a capitalist enterprise pays out in wages must be returned to a capitalist enterprise in the purchase of commodities. Consequently, an IEP conceptualisation relationally integrates production with market exchange. There is not a store of value according to one metric generated within production (such as abstract labour-time) which then may or may not correspond to value within another metric within the market (market price). Rather, there is a process of quality transformation in production creating quality positioning in the market as the necessary condition for prices of outputs being systemically above costs of non-labour inputs, hence generating profits on capital. Although not to be developed here, this argument conforms to a view of market organisation as one in which quality–price matrices of horizontal and vertical differentiation evolve systemically in alignment with income inequalities and the social organisation of consumers with differential disposable incomes. The super-salariat purchase luxury goods, the in-work poor, the 'economy' labelled goods, both, in their different ways, turning a potential for profit into a reality. Production-exchange configurations in that way both produce and reproduce inequality.

Now that we have forged a link between the process of quality transformation within production and market positioning, the next step in this analysis concerns the *non-market* aspect of the transformational processes occurring within firms. Clearly, there is a quality differentiation between inputs and outputs which of itself, following the above analysis, generates price positions in markets, between 'raw' inputs (always qualitatively differentiated), intermediate outputs, and end consumer outputs. Here, an IEP perspective shares with Marx the view that this profit, as the systemic difference between costs of inputs and market price of products, is produced by labour and appropriated by the employers of labour and owners of enterprises.

However, the very existence of firms, the more so of those involving complex vertical and hierarchical divisions of labour and complex co-ordination, circumscribes a sphere of production whose internal processes are insulated or excluded from market exchanges. Although not subscribing to transaction cost theory, when Coase asked the question as to why firms exist (Coase, 1937), he highlighted the critical point that markets properly speaking do not exist within firms, and that activities within firms are not, even could not, be all 'marked-to-market' in terms of price. At root, all transaction theory does is to argue that the costs of producing something in the firm are less than the costs of producing the same thing entirely through market exchanges and contracts. In this view firms gain by reducing costs of production (including of transacting and co-ordinating production) by making rather than buying and re-selling. Transaction theory, including as developed by Williamson and followers (Williamson, 1996, 2002), is not designed to be a theory of profit-making. Yet it is a recognition that something is going on within the black box of a firm that allows it to generate more revenues than would be possible were the firm to completely contract out every part of the production process. A kind of shadow account is calculated of what it would cost a firm were it to contract out everything, its transaction costs, in such an extent that every individual worker was an independent 'enterprise', universal self-employment. The gain in revenue by a firm is the difference between this shadow account of hypothetical additional transaction costs and what the non-market internal organisation of a firm earns by selling its products. There is an implicit recognition of firms as profit-making organisations when contrasted with pure-market alternatives. However, having highlighted the non-market nature of the internal organisation of firms, transaction cost theory attempts to create, and then impute, hypothetical market prices to the transactions that firms decide not to do, when they decide to make themselves rather than buy from others.

The absence of market price for firm-internal production processes, however, is not a problem that needs solving. There is no metric for measuring profit generation within firms, the *adding of value* above costs, only the measurable costs for different parts of the process.[1] Moreover, theoretically, *we do not need one* to demonstrate the capacity of firms systemically to produce outputs commanding a higher market price than the cost of inputs. Of course, for profit maximisation there is always a management imperative to reduce costs of production, including, notably, the time spent in production for a given good (hence, in part, the widespread use of cost centres within complex organisations). But time disciplines and firm-internal cost economising might simply drive down the price of outputs to the point of vanishing profits, as in neo-classical supply and demand assumptions. At least, transaction cost theory provides a buffer against that form of firm suicide. Yet, in asking the fundamental ontological question of firms, the answer it arrives at, namely avoidance of transaction costs, is, in finality, absurd. Of course, firms decide on whether to make themselves or buy from others, and will, incidentally, attempt to reduce transaction costs. But, more centrally, firms exist to make profit for owners of capital, and capital ownership is, by the same token, constitutive of firms.

Part of the reason why attempts to project shadow market prices into the internal production processes of firms are doomed to fail is that the processes of quality transformation need to be viewed holistically, whether in terms of the product-output or in terms of the production

1 Thus, within firms or even public sector organisations, like the NHS in the UK, one finds cost centres to control internal costs. But these are not internal markets properly speaking, because costs are not market prices, and there are no organisation-independent buyers for internally costed activities.

process. To construct a metric – such as abstract labour-time – to measure the production process of a complex and co-ordinated division of labour as an integrated holistic process is an equally vain quest. There is no grounded way of aggregating up each individual worker's abstract labour-time to constitute the labour-time of a complex organisation in any measurable comparison with another (an implicit methodological individualism that surprisingly runs through much of Marx). Yet it is precisely the firm as a complex productive organisation that makes a profit, and the owners of firms (including shareholders) appropriate the profits, creating the major socio-economic division between owners of firms and sellers of labour power.[2] So, in terms of 'relations of production', this analysis is putting class divisions on a different theoretical footing, without abandoning the core concept.

Shadow market prices are one way to attempt to quantify the qualitative transformation process within firms, and, of course, abstract labour-time is Marx's attempt to do so. It is now worth revisiting that concept, precisely because Marx needed market pricing, a necessary link to the market, to make his argument. Whether for Marx or for contemporary mainstream economics, there was an epistemological barrier to recognising the non-market processes, non-quantifiable processes, within the firm as the necessary link to quantifiable pricing of goods in the market.

The flaw in Marx's account is that it relies on a theory of abstract labour-time as underpinning the commensurability of qualitatively different commodities expressed in the phenomenal manifestation in market prices. Labour is the only common substance embodied across all human products, hence forming the rationale for a metric based on the amount of labour-time embodied in a commodity. However, as argued in MEAB, there is as much quality differentiation between different types of labour as there is between different commodities – so the idea of a substance common to all commodities is problematic in ways we discussed. To overcome this difficulty, Marx developed the concept of abstract labour-time (or 'labour in general), labour-time with the differences between different types of labour having been abstracted out ('obliterated'). But, he makes it clear that this is not a theoretical

2 Note that this division between owners of firms and sellers of labour power is different from the division between owners of the means of production and sellers of labour-power, as advocated by Marx. See MEAB for a discussion of this difference.

abstraction but a real abstraction, one that occurs only as a consequence of repeated market exchanges, through the price mechanism.[3] Markets force comparisons through the medium of money. So, in Marx there is analytically an indissoluble link between the processes of price formation and the reality of abstract labour-time, as the underlying reality behind the phenomenal manifestation of market prices. The abstract labour-time which adds value in the production process, hence surplus value and profit, relies on market pricing forcing comparability.

Apart from the irresoluble circularity involved in that interdependence between the two metrics of price and abstract labour-time (MEAB and footnote 1 below), it creates a major obstacle to understanding non-market economic processes involving transformative labour. The other non-market spheres constitutive of capitalist political economies highlighted in MEAB were education and the household. There, in particular, we critically argued that the knowledge and skills (scientific, technical, economic) of knowledge-bearers employed by firms is *and remains* a major non-market resource upon which production of commodities for the market depends (see pp. 65–8 above). Here a whole new sphere of non-market process, the internal economy of the firm,

3 'When we bring the products of our labour into relation with each other as values, it is not because we see in these articles the material receptacles of homogeneous human labour. Quite the contrary: whenever, by an exchange, we equate as values our different products, by that very act, we also equate, as human labour, the different kinds of labour expended upon them' (Marx, 1965, Vol. 1, 74). 'What appears objectively as diversity of the use values, appears, when looked at dynamically, as diversity of the activities which produce those use values. Since the particular material of which the use-values consist is irrelevant to the labour that creates exchange-value, *the particular form of this labour is equally irrelevant* [my emphasis]. Different use-values are, moreover, the products of the activity of different individuals and therefore the result of individually different kinds of labour. But as exchange values they represent the same homogeneous labour, i.e. labour in which the individual characteristics of the workers are obliterated. Labour which creates exchange-value is thus *abstract general* labour' (Marx, 1971, 29). See also the further discussion, pp. 30–1. 'The labour time of every individual *in so far as it manifests itself in exchange-values* [my emphasis] possesses this social character of equality, and in manifests itself in exchange-value only in so far as it is equated with the labour of all other individuals' (p. 32). See also *Grundrisse* (1973, 171–2).

as a non-market process is given its place in production for the market. There are no instituted links between phases and constituent elements of production processes with market exchanges: no marking-to-market. In other words, *within a firm*, there is no process of abstraction of labour-time.

The whole point about the firm-internal, non-market processes is that they do not have prices attached to them, and the *organisational variety* of firms and their firm-internal processes of quality transformations precludes measures for quantitative equivalences. There is qualitative variety both of productive organisation and the labour-creative combinations of skills and knowledge. And it is precisely their organisational variety as productive systems that results in products or services with quality distinction, hence profit.[4] There is an inherent 'black hole' of unquantifiability within the firm, contributing to profit generation. Economists, classical, neo-classical or transaction-cost institutional, like either to deal with objects which already have numbers attached to them (prices) or to be able to attach numbers to them (imputed prices, marginal utilities, abstract labour-time). There are, however, no grounds for a quantity metric to fill in what is only a black hole for those that need numbers attached to things. The link between the holistic organisation of a firm's production processes of qualitative transformation and the qualitative differentiation of outputs and their market positioning is all we need to establish the systemic *potential* difference between costs of inputs and prices of outputs, the process of adding value and making profits. We are left with prices of inputs and prices of outputs in the market as the only metric in the real economic world. And, on that basis we have both an account of profit generation and appropriation creating a significant divide between sellers of labour and owners of enterprises on the one hand, and a theory of the underlying generative processes behind market prices, which are further developed below, on the other. All that is required is an analysis that shows how the processes of production and exchange have the systemic potential – although no more than that – to generate prices of outputs in the market greater than costs of inputs to the firm, and then appropriation of that added

4 This is a perspective developed by the capability theory of the firm, for purposes quite other from understanding the generation of profit and systemic societal inequalities (e.g. Langlois and Foss, 1999; Foss and Loasby, 2013).

value, or 'surplus', by the owners (shareholders, etc.) of the firm. It is a systemic basis of profit embracing both labour processes internal to the firm and price exchanges in the market.

There are three analytical consequences that flow from this. First, there can be numerous strategies, including exploitative and hazardous work regimes with low wages and work intensification, to minimise costs of inputs in relation to the quality of outputs commanding prices in the market. Innovation in process and product also potentially increases the gap. The organisation, in terms of the composition and divisions of labour, the investment in skills development and capital equipment – in short, firm organisation viewed holistically – can affect the ratio of costs of inputs to prices of outputs. In this respect there is not, as in Marx, a single mode of increasing absolute or relative surplus value in terms of the gap between labour-time embodied in outputs and labour-time required to reproduce labour power and embodied in machinery and raw materials (constant and circulating capital). A labour-time theory of value is likewise unnecessary to understand the dynamics of global supply chains, where major capitalist firms seek to minimise the costs of labour by shifting manufacture to low-labour-cost countries. There are many different routes of qualitative transformation to achieve a market position where prices of outputs are higher than costs of inputs, including brand distinction and style, for example. When it comes to making profits, there are many ways of skinning the cat.

Second, however, as already indicated, an institutionalist view of education, taxation, labour market regulation and wage negotiation systems from an IEP perspective suggests that there are societally very different pathways to profit generation, notably between the low-road low-skill labour-intensive regimes as against the high-road, high-skill and more regulated political economies. Moreover, as argued in MEAB, there is not only societal variation in profit generation but major historical variation – including in forms of wage labour economic organisation within the firm, changing continuously and radically from the inception of the industrial revolution to this day. There is no single global 'neoliberal' mode of capital accumulation. Political economies, including financial systems, are much more heterogeneous in space and time. There are significant variations within and between societies in wealth generation and appropriation, which combine with variations in distribution and inheritance, as highlighted by Piketty. Inequalities between and across societies are far more than distributional, however, as the examples of global supply chains for food, clothing, electronic equipment, cars etc., illustrate only too starkly. All capitalist – and market socialist – political economies generate, appropriate and distribute wealth unequally. But some are both internally and externally more unequal than others. These inequalities, moreover, are further amplified when considering the asymmetries of economic power in exchange discussed below.

Third, in order to be explicit about the implications of this analysis compared to a Marxist theory of exploitation arising from the difference between surplus labour-time embodied in outputs in relation to labour-time for the reproduction of labour power, the IEP approach does not reduce the generation and appropriation of surplus to one dimension. Different and more complex dynamics generate the surplus price/cost difference of outputs relative to inputs, not only, but including, the labour of those engaged in production. The holistic approach to firm profitability, the qualitative, non-market processes within the firm, and innovation, preclude the attractive simplicity of Marx's model of exploitation. Nonetheless, entirely with Marx, the owners of enterprises appropriate the surpluses and walk away with the booty arising from the skills, imagination, co-ordination – *and* gruelling monotonous work – of others.

Thus far the argument has established a basis for inequality arising from the generation and appropriation of profits made by firms, the division between owners of enterprises and sellers of labour-power, class in short. However, in ways that could scarcely have been envisaged by Marx (and there are many Marxist variants which suggest an opposite process of homogenisation and proletarianisation), wage and salary hierarchies have become a major manifestation of economic inequalities in most advanced capitalist economies. Gini coefficients or decile distributions of earned income as described by Piketty, including the super-salaries of managers, clearly point to a generative process of inequality different from that of class as just defined.

But just as there are processes of quality transformation resulting in price differentiation for commodities other than labour as discussed above, so too are there systemic processes of transforming the quality of labour, intergenerationally within households, within education systems and within firms, that generate massive income inequalities. In MEAB, the argument was outlined in terms of how educational systems, in different ways in different societies and different historical epochs, are involved in a non-market process of quality differentiation of labour, entailing different and unequal rights to public educational resources. School-leaving ages, selection systems, educational qualifications, deliver on to the external labour market horizontal and vertical divisions of relative generality and scarcity of different types of skills. Then, within firms, there are processes of formal and informal acquisition of skills often related to salary grading systems. These processes of vertical and hierarchical segmentation of labour-capacities are a major, but, as we shall see, by no means the only, explanation behind the huge inequalities in income earned from paid employment. Moreover different societal education systems generate very different quality differentiations, systems of qualification – as between Germany, France and the UK for example. They are moreover significantly amplified or modified by welfare and taxation systems – again varying significantly societally and historically, although this is not the focus here. The quality differentiation producing a rock star or a footballer, a futures market analyst or a top lawyer, with putatively rare or unique skills and characteristics, commands a super-salary in their respective labour markets; top credentials from elite universities command high, if not similarly stratospheric, income rewards; a minimal school-leaving credential, shared by a broader swathe of the population; and organisation-internal qualification and promotion systems consolidate and amplify these underlying inequalities.

To highlight the significance of the difference between income-hierarchical inequalities and inequalities arising from the appropriation of profits by owners of enterprises, a football club paying a star footballer millions of pounds a year may well be able to generate greater profits, so 'exploiting' its star players. The moral repugnance of unjust distribution has two targets not one: obscene salaries for stars and quasi-monopoly profits for owners of clubs producing the spectacle of football for the fan and TV market. So, in this analysis the inequalities arising from these processes of production of differentiated labour qualities combine with the inequalities arising from the division between owners of firms and sellers of labour-power – the most extreme examples of which being the rewards for bankers and top managers with share ownership as part of their income. As already observed – supported by both Piketty and Stiglitz – CEOs and management teams within large firms may also exercise their economic power – with their hands in the till – to secure yet greater rewards for their 'special talents'. Moreover, and critical for this analysis, wage hierarchies and inequalities map on to vertical quality differentiation of products, hierarchies of wages or salaries match up with hierarchies in prices of a category of good or services. I return to this point below, when problematizing the concept of demand.

Asymmetries of power in exchange

The second phase of the analysis opens up a further, and complementary, systemic source for generating inequalities over commodity resources, involving a different layer of analysis of the relationality between production and exchange: asymmetries of power in exchange. In MEAB and elsewhere, the IEP approach analyses exchanges in terms of the social organisation of the parties to exchange, and the power relations consequential upon that organisation. If viewed in these terms, power inequalities are endemic to virtually all market exchanges, although varying enormously both historically and societally, particularly for labour markets and consumer markets, the main focus here. On the labour side of the exchange, gender, ethnicity, and migration, socially condition the power relations differentiating between men and women, different ethnic groups, residents and migrants. This social organisation of the parties to exchange is formed within both the market and non-market spheres of societies, in varied interdependent ways. The historical emergence of trades unions, and, more widely, the very different societal arrangements for negotiating between federations of firms and trades union organisation, in Nordic, continental European and Anglo-Saxon political economies, fundamentally condition power asymmetries of exchange. The casual, temporary, unskilled, un-unionised, female, ethnic, migrant worker is defined by ramified and intersecting dimensions of power asymmetry in relation to any employer. Firm structures within different sectors, interfirm supply chains, emergence of significant oligopolies such as Microsoft or Apple, are forms of social organisation of the parties to exchanges, whether firm to firm, firm to employees, or firms to end consumers. Informal and criminal economic enterprises, often recruiting marginal and status-less migrant workers, exercise peculiarly exploitative power in exchange. The historical emergence of supermarkets, for example, and the way they vary between different societies, involve new power asymmetries between retailers and consumers, when compared with street markets or small independent shops. But equally, they have involved new power relations between retailers and manufacturers, farmers and logistics companies.

The asymmetric power between consumer and retailer or service provider is distinctive, and varies depending on the forms of organisation of retailing or service provision, or the extent to which there is organised consumer voice. But the typical relation is one of dependency: first, the consumer has no choice but to buy in order to sustain a social and biological life, rather than themselves make from the inputs available to manufacturers or service providers – although there are few 'complete' products requiring no further work from consumers.

Second, citizens as consumers are more individualised than they are as workers in most circumstances, making purchases independently of each other, and confronting highly organised and concentrated providers of services or products. It is notoriously difficult for consumers to organise themselves to apply market pressure, with rare and ephemeral instances of consumer boycotts.

Third, there is a critical asymmetry of information about price commodities and costs of their production between consumers and producers, the former having no idea about the margins implicit in prices presented on the market – hence the bewildering array of bargain offers, bogoffs, loyalty points, loss leaders etc., suggesting high margins in the 'normal price'. Consumers have no possible knowledge of the rate or profit enshrined in the goods or services they purchase – indeed, such rates are commercially 'top secrets'. Consumers are price takers rather than price makers, even when they shop around.

Fourth, the amount of consumption work (Glucksmann, 2016) required to ensure competitive comparisons of every single purchased item, if distributed by numerous outlets, provides systemic limits on the competitive pressures exerted by consumers on prices. As stressed throughout this analysis, non-market, non-priced work of this kind excludes calculable trade-offs of the time-versus-money kind, precisely because consumer work is non-market work, not 'marked to market'. Moreover, the issue is more often a time-versus-time one (between different social activities, travelling time, entertainment time etc.), or one in which there are other time constraints involved (care responsibilities, paid-working time etc.), both limiting the possibilities of endlessly shopping around for the best price for any single, even identical, product. So, for example, the competition that does exist between internet shopping – new routines – and traditional shopping doesn't rest on a price-versus-time calculation either, but on a time-versus-time one. Moreover, internet shopping, notably with Amazon, with a one-stop-internet shop has witnessed a quasi-monopoly power of the retailer in relation to the consumer, on the one hand, and extreme power of Amazon over its suppliers and product-deliverers, on the other.

The combination of all these four dimensions of the asymmetries of power between consumers and market providers serve to ensure that market exchanges between them systemically underpin rates of profit. Quasi-monopoly quality positioning of products and services within market offerings combine with asymmetries of power in purchasing from retailers. As productive labour generating potential profit in production, and as consumers paying the price in their market purchases, citizens are in that way exploited both as workers and as consumers, indeed in their very duality of being worker-consumers. It may seem strange to use the same term 'exploitation' to refer to consumers as to workers. But, although not stated bluntly, when Stiglitz talks of the exploitation from monopoly rents, that is exactly what he is pointing to: the abuse of market power over consumers, the purchasers of products and services. Capitalists secure profits at the worker-consumer's expense, with the wage as the pivot for engaging labour and constituting market consumers. Capitalists take back with one hand what they give with the other: they need both hands to make a profit. Not only relations of production but these combined with relations of exchange, both between labour and capital, and between consumers and capital, generate and secure profits to capital.[5] Hence, this is the double-sided exploitation that constitutes a major dimension of societal inequalities.

5 Having relocated the source of potential profit in the difference between cost of non-labour inputs and the price of outputs in the market, rather than the unpaid surplus abstract labour-time accrued in production, it becomes possible to understand the phenomenal and ever expanding world of consumer commodities. Workers, however much or little they are paid, underwrite the profits of capitalists by the purchases they make. Marx's conception of the wage as paying for, and supporting the production of, those commodities socially necessary for the reproduction of labour-power now appears woefully inadequate. To stretch his concept to every consumer purchase by appealing to historical and social norms voids the terms 'necessary' and 'reproduction of labour-power' of all meaning. This analysis also requires abandoning the theoretical corollaries of progressive immiseration of the proletariat and the inevitable crises of underconsumption-overproduction. But it leaves plenty of room for crises, depressions and waves of creative-destruction.

Problematising demand: making consumers pay for capitalist profits

So far, the term 'demand' has made scant appearance, other than suggesting that consumers pay a quasi-monopoly price for quality-distinctive commodities in the absence of being able to coherently compare price for commodities or shopping experiences with sufficiently similar qualities. In MEAB, we have already noted the inadequacy of Marx's treatment of demand, almost taken for granted, except in the generic concept of underconsumption and capitalist crises. On the one hand, he worked with a binary opposition between objects that had no utility, hence no exchange value (see p. 24 above); on the other, he treated workers' consumption only in terms of what was socially necessary for the reproduction of labour. But he was theorising in an epoch before the emergence of mass production of end products for mass consumption, a world in which even textiles, a product symbolic of the industrial revolution, left the factories not ready to wear. Societally, demand for manufactured consumer goods scarcely existed, and, however visionary he undoubtedly was, he cannot be held to account for not adequately developing a theory of consumer demand.

As already suggested, however, in the IEP approach the wage has been theorised as the twin facet of worker-consumer exploitation. Labour generates the condition of possibility of systemic profit, consumers in their purchases seal the deal. They pay the price of profit – including, as in the extreme example above, as fans of football clubs. As just argued, consumer purchases are systemically made under asymmetries of power in exchange within quasi-monopoly markets. In an IEP analysis, generation of profit and exchange in the market are both moments in the process of reproduction of production-distribution-exchange-consumption configurations. Fundamentally, this proposes that supply and demand are not independent poles, but always in configurational relationality to each other, within historical and spatial contexts. There is never a prior state in which either supply or demand, as it were, makes a first move without regard to the other.

So, in configurational terms, consumption is always both the beginning and the end of the process of an economic reproduction of instituted economies of goods and services. Take a couple of iconic examples: Schweppes Tonic Water, even including similarities in the shape of bottle and colour of label, has existed from the dawn of industrial capitalism in the late eighteenth century to the present day. Campbell's Tomato Soup, likewise, since the end of the nineteenth century. Consumers use and use up goods and services, and then come back for more, often more of the same. So, for example, patterns of eating tomatoes vary enormously from society to society, and how they became established – including in Italy, Greece or Spain – followed societally different historical trajectories. Major but societally varied historical transformations occurred with urbanisation, the development of mass production of final consumer goods for mass consumption, on the one hand, and the retail revolution on the other (Harvey et al., 2002; Jefferys, 1954). This transformation shifted the division of labour between what consumers do in finishing production – consumption work – and what manufacturers do, pre- and post- the final exchange. Whether in food or clothing, for example, work previously undertaken by end consumers to produce food to eat or clothes to wear increasingly became mass produced and sold in new retail outlets. The social norms and practices of what consumers themselves 'make or buy' generate and delimit market demand. Historically, including notably in the internet age, work shifts between consumers and market producers across the final exchange, and in both directions. What consumers do and don't do in finalising what they consume, therefore, significantly, if not solely, determines the scope and scale of market demand.

Moreover, social practices and norms of consumption generate demand, rather than individual choices, and certainly not marginal utility preferences or individual rational choices. No individual choice process can well explain why Germans drink highly mineralised sparkling water, whereas British people mostly drink still bottled water, or why Germans drink four times more bottled water than the British (Harvey, 2015), in spite of having higher-quality tapwater. Widespread social consumption norms and practices create volume of demand, not blind coincidences between millions of independent rational choices or individual preferences.

Moreover, consumption norms and practices are far from static in space or time. Configurational change and historical transitions have occurred across the globe, with innovation in social practices of consumption (fashions, fads, crazes etc. …) as much as of new products and services. But such innovations are always contextualised by the particular societal time–space configurations from within which they emerge. There is no ground zero featureless launching pad, and trajectories of change follow very different courses in different countries – the transition to eating more meat occurs with different meats in different formats, for example, in China (pork) and Brazil (beef). Prior states condition future states.

As already argued, moreover, wage hierarchies differ considerably from one society to another, as do employment statuses and related unequal rewards. Hierarchies of income map on to hierarchies of vertical quality distinction and price hierarchies; the greater the income inequalities in a society, the greater the vertical quality distinctions. Supermarkets map their product ranges in a given store closely on to the socio-demographics of its catchment area.

From this IEP perspective therefore, social consumption practices combined with inequalities in disposable incomes are always in societally varied configurational relationality with instituted processes of production, distribution and exchange. Consumption generates purchases from disposable incomes gained by selling labour, in different societal spaces in different historical times. So, 'demand' enters into an explanation, and cannot be assumed or ignored in any analysis of profit, but only within this broader relational perspective. Demand is as socially 'instituted' as an integral aspect of configurational reproduction, scaling up or down, and transformation.

In this *Note on Profit and Inequality* a gap in the critique of Marx's Labour Theory of Value contained in MEAB has been addressed. We had undermined the concept of surplus value, the consequent relations of production and class divisions of inequality, but on the narrow yet highly significant dimension of inequality arising from ownership, profit and the accumulation of capital, we had yet to develop our analysis. In this *Note*, an attempt has been made to critique both one-sidedly productionist accounts of profit, and the equally one-sidedly market-exchange or distributionist accounts.

Underpinning the duality of worker-consumer exploitation are the constraints and coercions to sell or compel labour on the one hand, and the correlative inescapable dependency on purchasing commodities for sustaining and reproducing social life, on the other. One phase of exploitation is but the flipside of the other – whether for the super-salariat paying for extreme luxury goods or low-paid zero-hours workers scraping a living and shopping in discount stores. But for the latter end of the extremes of rights to commodity resources, they are at the wrong end of all the dimensions of inequality, gender, race, skill, position in the global supply chain, absence of bargaining power, isolation and so on.

This double dependency is what binds the different dimensions of this particular source of societal inequality arising from ownership of capital: the duality of generating quality positions in the market in the process of production, and the asymmetry of power in exchange for consumers paying the price of profit. At the outset of this *Note*, a task was set to provide the grounds for a systemic difference between the costs of inputs to a capitalist firm and the prices of outputs in the market. That is all that is needed to establish a theory of profit based on the generative power of labour, on the one hand, and the payment of the price of profit through consumer purchases on the other. The theory, moreover, accords central importance to non-market processes, which are not quantified or quantifiable in relation to prices, whether in the firm-internal qualitative transformations of the production process or service activity or in the work performed by consumers requisite for purchasing and finalising products for consumption. Finally, this theoretical approach highlights two distinct processes generating inequalities, and their possible combinations: the inequalities arising from the generation and appropriation of profit by capitalists, and the inequalities arising from hierarchies of income and control over firm revenues. While both inequalities may combine at the apex for the top one per cent, appropriating profits from capital ownership and securing super-salaries, it is delusional to consider all the rest of us as a 99 per cent of equals, with a grounding in mutual solidarity.[6] In this chapter, the focus has been on the profit-based inequalities, as an addition to the multiple sources of inequality emphasised in MEAB in rights to both commodity resources and public goods, underpinning economies of labour. Gendered and racialised divisions combine with educational segmentation and knowledge inequalities. To understand any potential forces for societal transformation, all these multiple and intersecting injustices of inequality need to be addressed.

Finally, this *Note* is really no more than an analytical toolkit for the real task of historical and comparative study of the societal and historical variations in profit-making and its societal inequality ramifications. It is

6 For example, as expressed by Paul Mason in the final flourish of his recent book (2015): 'But there is good news. The 99 per cent are coming to the rescue. Postcapitalism will set you free' (p. 291).

an approach that eschews single-model capitalism, spatially or historically. How profits were made when combining UK factory workers with slave plantations in the US Deep South is quite different from the global supply chains of today. The economic power of a Microsoft or Amazon or branded manufacturers of mobile phones or clothing, the conditioning of their costs of inputs and the consumer purchasing of their outputs in distinctively structured markets, generates a characteristically twenty-first-century spatial and historical phenomenon of profit. The dominant economic power of supermarkets, more so in some countries than others, both over manufacturers and their supply chains, and over their consumers, distinctively secures a profit gap between what they pay for their inputs and what consumers pay at their tills. These asymmetries of economic power exploit not workers as workers, or consumers as consumers, but the social beings that are worker-consumers, in historically different ways and societally different economic spaces.

4

Making People Work for Wages: Instituting the Capital–Labour Exchange in the United Kingdom

The emergence of large-scale industrial production and waged labour changed the face of the world from the late eighteenth century onwards: the industrial revolution. Making workers sell their labour to capitalists owning factories was at the centre of this great transformation, although, as we propose in the next chapter, only in conjunction with modern and capitalist slavery in the New World. In MEAB, it was argued that the conception of an abstracted and closed economy of labour and commodities was a fatal flaw in any analysis of the emergence of industrial capitalist societal economies. Marx had paid great attention to 'relations of production' and to defining what was sold – labour-power not labour; and under what constraint – workers only possessing labour-power and needing to sell it in order to survive socially and biologically. Then, from the use of labour-power within production capitalists obtained surplus value, hence profits; and, by purchasing goods with their wages and then consuming them, workers were able to self-reproduce their labour-power. The circuits of profits, wages, commodities, capital were closed within the abstracted economy (exemplified in *Capital* volume 2). MEAB presented an extended critique of this conception of the economy, supplemented by a theory of capitalist profit-making consistent with that critique.

In this chapter, the analysis is developed further by showing how the historical and political development of legal, fiscal and welfare instruments, along with changes in economic organisation, co-constituted the exchange between labour and capital in a complex process of institutional change. What was sold, under what constraints, for how long and in what environment changed in fundamental ways in the course of two centuries. Who was under what constraints (children, women, adult males etc.) changed over time, along with what constituted unemployment and retirement as a societally instituted and defined 'labour force', available or not available for exchanges between capitalists and workers. Legal measures, continuously changing, conditioned the exchange, and intensified the asymmetries of power in exchange between capital and labour discussed in the previous chapter. In so doing, it will be argued, they fundamentally affected the price of labour, hence the potential generation of profit, even after formal wage setting was abandoned at the end of the eighteenth and turn of the nineteenth century. Moreover, the 'price' of labour was itself further radically changed over the course of time as it became the central 'fiscal handle' for taxation, and taxation itself became a major state instrument defining what constituted waged employment. The price of labour includes components that go to pay for things other than commodities, and this fiscalisation of the wage, in the case of the United Kingdom, was one of the key elements in forming a generalised organisation of contracts of service, or waged employment.

Breaking with any conception of closed circuits of money, capital, commodities and wages, the taxed wage at the same time became a primary vehicle for supporting the non-market dimensions of the economy (education, health, retirement, infrastructures, welfare payments …) critical for the functioning of market dimensions. And, above all, by analysing the capital–labour exchange as fiscally, legally, economically and politically co-constituted at its core, such exchanges are historically, societally and spatially variable. There is no 'natural' let alone universal economic fit between 'free wage labour' and capitalism, indeed, as we shall show, for much of the nineteenth century, the term coercive capitalism would better describe the capital–labour exchange in the UK. Moreover, to the extent that coercive capitalism has diminished, it did so as a result of democratic political pressures and the organisation of labour, rather than as a consequence of economic obsolescence, inefficiency or dysfunctionality. Labour is *unlike* any other commodity. Cans of tomato soup and horses cannot vote. Workers now can – but only progressively as the suffrage was extended. This difference between labour and other commodities in turn makes a difference in how and what was exchanged, in what were and are politically instituted markets for labour. General laws of abstracted economies go out of the window.

Coercion and constraint: legal, welfare, fiscal and economic trajectories

Recent debates in economic sociology have raised questions about the significance of law in the economy, and specifically the role of law in the operation of markets (Swedberg, 2003; Greif, 2000; Nee and Swedberg, 2005; Fligstein, 2005). In parallel to legal institutional change, the slow and uneven development of income tax and national insurance over the course of the nineteenth and twentieth centuries entailed a progressive 'fiscalisation' of the wage, also categorising and conditioning different relations of exchange involved in engaging labour. The significance of this development was well expressed by Schumpeter:

> The spirit of a people, its cultural level, its social structure, the deeds its policy may prepare – all this and more is written in its fiscal history, stripped of all phrases. He who knows how to listen to its message here discerns the thunder of world history more clearly than anywhere else. (Schumpeter, 1918, p. 7)

A grand and detailed historical analysis of the laws of the labour market by Deakin and Wilkinson (2005) ideally complements a similar, slightly less recent, two volume study of the history of taxation, also related to the labour market, by Daunton (Daunton, 2001, 2002; see also Daunton, 1995). In addition, Steinfeld analyses the key aspects of coercion and contract as they developed, especially in relation to the critically important Master and Servant legislation and its eventual replacement (Steinfeld, 2001). This work is also given a broader comparative perspective in the work of Hay and Craven (Hay and Craven, 2005). Some of these works adopt an explicitly evolutionary explanatory framework, even if their formulations of it differ in important respects. Steinfeld's analysis, although not framed in evolutionary terms, nonetheless addresses the complex interactions between politics, law and economic organisation of emergent industrial capitalism in the UK. Although their approaches will be more thoroughly explored later, they each have a conception of the evolution of law and fiscal regulation respectively as specific sources of variation in adaptive interaction to a changing economic environment.

The purpose of this chapter is to indulge in a kind of empirical experimentation, bringing to the foreground four primary poles of historical transformation: economic organisation of markets and firms, employment contract law, 'welfare' law and fiscality. The aim is to develop an analysis of the following key issues: the nature of the constraint to sell labour for a wage; the nature of what, in terms of rights and control, is exchanged when a wage is paid; the nature of the price institution, and its effects on price of labour; and the coercive power exerted on the performance of labour in production embodied in changing legal forms of contract. This analysis is facilitated by a 'long duration approach' made possible precisely because labour has been continuously bought and sold over the long historical period from before the industrial revolution through to the present, although the main focus of this analysis will be the two centuries from 1750 to 1945. So, first, we can demonstrate the contrast between the beginning and end (both arbitrary) of the process: what is sold, how and under what constraints in 1950 is unrecognisable from 1820. What is exchanged between capital and labour and how, what it is that is being priced, are radically different as a consequence of processes of historical transformation. Moreover, again in contrast to the abstracted economy, this historical transformation cannot be understood within 'the economy', but only in terms of a co-evolution of economically, politically, legally and fiscally instituted processes.

Deakin and Wilkinson developed a distinctive perspective for understanding historical changes in formal laws. Distancing themselves from game-theoretical views (which can be exemplified by Greif, 2000) in which law is endogenously emergent from repeated economic moves of rationally calculating economic actors, they stress the need for both the distinction *and* the interdependence between implicit norms and formal legal instruments.[1] As consequence of constant interactions between changes in economic behaviour and legal instruments, they argue that 'the process of legal change … is indeterminate and open-ended' (2005, 33). They broadly distinguish between the historical development of law concerning 'welfare' and the duty to work on the one hand, and the parallel body of law concerning the employment relation or contract, on the other. Welfare and contract law focus on the constraint to sell labour and the nature of what is exchanged respectively. For the

1 The premier historical example of emergent law was the *lex mercatoria*, a body of codes of contract, rules of exchange and property rights that emerged in trading communities during the early Middle Ages, partially independently of the state, although often relying on state powers for enforcement (Swedberg, 2003; Weber, 1978; Greif, 1989, 2000).

purpose of a systematic comparison, it is worthwhile distinguishing these two strands for their different modes of interaction with the economic 'environment'. Although in many instances they overlap, and the boundaries between them are quite fuzzy, the former relates to the classification of work relationships, between, for example master and servant, employer and employee, whereas the latter especially concerns the changing duty to work, or, in other words, how the constraints to sell labour on the market have been historically constructed. This second strand is distinct both in that it defines who is included and excluded from the labour market, and in that it immediately involves the allocation of economic resources mobilised by the state (central or local), whether for the construction of workhouses or for the provision of some form of welfare benefits (for example, outdoor relief). In this respect, this second body of law engages differently from the first with its economic environment, and hence may be explored for its different evolutionary trajectory. The rationale for treating them separately, as we shall see, is that they can well be out of 'sync' with each other, as much as with the economic organisational environment.

Steinfeld (2001) has a narrower focus, concentrating on the evolution and eventual replacement of the Master and Servant Acts. His analysis insists that there is no such thing as purely economic constraints to sell labour or powers to elicit the performance of labour. Whether from changing laws of private property or laws of labour contract, the degrees of coercion, whether pecuniary or non-pecuniary and criminal, fundamentally pervade economic organisation:'Law pervasively conditions the universe of possibilities that determine the degree of economic compulsion individuals confront in all market societies' (Steinfeld, 2001, p. 23).Moreover, his analysis, like that of Deakin and Wilkinson, analyses the trajectory of legal change in terms of complex interactions between political, economic and legal processes. Notably, he argues that different societies inhabit different economy-law contexts, so that in the US, with the direct presence of slavery, criminal enforcement of long-duration contracts had disappeared by the 1830s, as too close for comfort to slavery, just at a time when in the UK the deployment of criminal law to coerce labour was being further modified and extended to the industrial proletariat. For the United Kingdom, its slavery-at-a-distance meant that distinguishing between 'servants' and slaves had been a work undertaken far from the metropolis, notably in the early elaboration of slave codes in Barbados (Nicholson, 1994).

Steinfeld demonstrates, therefore, that there is no generic or economically 'natural' fit between free labour – however conceived and legally framed – and industrial capitalism.

> It becomes meaningless to speak of the rise of free labour as such because free labour is a political and moral conclusion (or a legal or constitutional one) rather than a thing, a conclusion, moreover, subject to revision. (Steinfeld, 2001, p. 239)

Finally his analysis shows that the eventual emergence of non-criminal-law-coerced labour in the United Kingdom was a consequence of complex political pressures arising from an extended suffrage, as well as legal and economic developments. It cannot be reduced to economic development on its own.

Turning to fiscal intervention in markets, there is a shift in evolutionary perspectives. Daunton regards taxation as the construction of a necessary consent for resourcing collective projects over and above individual interests, and, for the purposes of this chapter, in particular the role of the state in securing the necessary conditions for the operation of a capitalist market economy. A two-way trust or at least sufficient consent, a form of social contract, is required between state and people. He argues that both people's trust in the state *and* the state's trust of the people are required to minimise the need for enforcement and coercion for the collective purposes undertaken by the state. Daunton's account is therefore not predicated on any fundamental assumption of antagonism between individual and collective interest.

Although much less explicitly framed, the changing conditions of achieving trust are expressed in markedly evolutionary terms. There are four components to the perspective. First, there are distinctive designs for assessment and collection of taxation revenue – internal logics of fiscal systems – subject to processes and rhythms of state budgeting. This can be taken as the fiscal equivalent to legal codes, and has a similar process of social categorisation, defining and operationalising target groups for taxation – landowners, salary earners, foreign traders etc. As we will see, this means that tax categorisations and legal and welfare categorisations may intersect and conflict with each other. Second, any taxation system needs to find a fiscal 'handle' on the economy, in terms of forms of income or types of economic activity, such as rent from agricultural land, profits from trade, importing or exporting goods or services across national territorial boundaries, consumption of goods and services, or, in the case that particularly interests us here, exchanges between engagers and sellers of labour. These handles are attached to various widespread forms of economic activity, themselves open to change, an environment therefore that selects for appropriate handles. Handles can disappear as well as appear, as new forms of economic activity develop. Well-established and routinised taxes enter into normal calculations made by economic agents in their calculations of prices and profits – 'old taxes are no taxes' – becoming constitutive of economic activity. Third, changes either in states' needs for revenue-raising or in patterns of economic activity lead to partial or radical misalignment between fiscal systems and the economy. Daunton cites the example of regular waged employment developing in such a way as to 'offer' a new historical handle for taxation during the early twentieth century (Daunton, 2001, p. 14). Constant processes of variation in tax systems result in interactions with the economic environment, ranging from fine tuning of adaptation, to radical change. Developing Bonney's (1995a, b) concept of a fiscal constitution, moments of major historical crisis require major structural change in fiscal systems. Fourth and finally, the character of state expenditure can also alter – for example, from being primarily a fiscal-military state, typical of the eighteenth and early nineteenth centuries, to the state assuming responsibility for expenditure on education, health or economic public infrastructure. As argued in MEAB, for example, the expansion of education was both transformative of the reproduction of labour power and a novel multi-modal, public and private dynamic of economic development. These expenditures in effect are the obverse side of the fiscal contract between state and people, according people rights to resources acquired by the state, and creating new social divisions or integrations between 'the public' and sub-groups within it. Again, as argued in MEAB, inequalities over commodity resources intersect with inequalities in rights to public goods, notably education. This in turn provides a central, and additional, dynamic in multi-modal economic development, the political processes that shape the consent of the taxed in return for their rights over public resources. A critical aspect of this dynamic has clearly been the expansion of the suffrage, institutionalising the links between taxation, rights to public resources, and representation.

What each of these perspectives shares is that legal, fiscal or welfare rule systems involve categorisations or social divisions of the population, fundamentally in terms of rights over resources, whether secured through market transactions or through non-market arrangements, such as entitlements to welfare, or to public goods. In this chapter, the focus will be limited to how each of these systems categorises the parties to the employment relation – or excludes them from it; and how they each interact with, condition and impact on the organisation of buyers and sellers of labour, the constraints and incentives to exchange, the pricing mechanisms, and the 'rights to (labour) resources and their outputs', property rights. Table 4.1 summarises the main changes in economic organisation, contract law, welfare law and fiscality, providing a chronology of their development within the UK from 1700 to 1945.

The chronological Table 4.1 identifies the main changes in economic organisation relevant to employment, and aligns these to changes in legal frameworks, 'welfare' law and taxation rules related to the wage and employment. Read vertically, the table marks the key turning points for each of the four domains, while, read horizontally, the synchronies (visible in clusters of regulatory changes) and asynchronies between the trajectories come into focus. It is provided as a reference point for the textual analysis that follows.

In order to analyse the major transformations in 'making people work for a wage', the chapter is divided into three main sections:

- the early Master and Servant and welfare law matrix (end of eighteenth century to 1823)
- coercive capitalism: the mid-nineteenth-century contract and welfare law nexus (1823–75)
- the emergence of 'free labour' and the generalised employment contract (1875–1945)

As a gross generalisation, it could be argued that, after the Second World War, a nexus had emerged of an institutionalised form of economic employment organisation, a body of employment law, an employment-based welfare regime and income-based fiscal regime after an extended and turbulent history. That is to say, this nexus was the outcome, rather than the precondition, of industrial capitalism. Again, staying at this most global level, there is evidence of some level of mutual adaptation and coherence between the four poles of transformation. At the same time, this nexus is only an arbitrary point in a further history of transformation and co-evolution of these four poles – as can be

Table 4.1 Chronologies of economic, legal, welfare and fiscal change

Date	*Economic organisation* *Labour*	*Firms*	*Employment law*	*'Welfare' law*	*Fiscal constitution*	*State expenditure % GDP*
1700	Increasing wage dependency – rural two-thirds of working population. Annual settlement by hiring servant v. cash wage labourers.		[1562 Statute of Artificers, 1631 Book of Orders and Directions – corporative control, wage fixing minima and maxima.] 1747, 1777, 1798 Master and Servant Acts. Criminal and magistrate regulation of labour. Division between servants and contractors.	[1601 Poor Relief Act – only country in Europe to have a national integrated system of poor relief. Settlement Acts 1662, 1693, 1697.] Restrained charity.	Rates on property owners. Customs and Excise duties.	Taxation 8–10%
1750	Internal contracting. Disappearance of wage fixing. Growth of 'exceptive hiring', not linked to settlement.	Absence of unified managerial control: ownership combined with control.		1782 Poor Relief Act establishment of workhouses for non-able, excluding idle poor from relief. Relief 7 times level of France. 1795. Speenhamland Minimum wage guarantee indexed to prices.		

1800	Piece rates linked to internal subcontracting. Emergence of salaried middle class.	Subcontracting: family; master– servant; gang.	Combination Acts 1799/1800 abolition of wage fixing for most manufacturing trades. 1813/1814 Repeal of Statute of Artificers – wage fixing/ apprenticeship control of market entry. **1823 Master and Servant Act** Combination Acts, 1824/25. **1834 Poor Law Amendment Act**. Abolition of settlement by hiring. **1844/1856 Joint Stock Acts** 1852 Todd *v.* Kerrich – reinforcement of distinction between servant and salaried status employees (governesses).	Supplementary wages; compulsory labour on subsidised wages; outdoor relief. 1824 Vagrancy Act. Restricted relief to able-bodied, penalised refusal to work by criminal hard labour sentence. 1831 Reduction of minimum wage. **1834 Poor Law Amendment Act.** Enshrines principal of less eligibility. Workhouse only. 1844 Outdoor Prohibitory Order – proscribing relief where workhouse an alternative. 1847 General Consolidating Order. Whole family sent to workhouse, separately housed.	Emergence of the 'fiscal state', combining taxation and National Debt. 1842 Introduction of Income Tax, where income is self-assessed, and undifferentiated in source, applying only to middle and upper classes.	1810 23%

Table 4.1 Chronologies of economic, legal, welfare and fiscal change (Continued)

Date	*Economic organisation* *Labour*	*Firms*	*Employment law*	*'Welfare' law*	*Fiscal constitution*	*State expenditure % GDP*
1850	Growth of short-time hirings for time-based wages. Growth of collectively bargained wages. 1870–1880s Depression. Introduction of sliding scale wages, with time rates based on market price in steel and iron, then coal trades, through the TU conciliation boards. Persistent of mixed system of price and time for internal subcontracting in cloth industry.	Decline of internal contracting. Railways and Canals. Growth of vertical integration. Growth of the joint stock company and separation of ownership and control (60 companies 1885, 600 1907).	1867 Extension of suffrage Abolition of imprisonment for debt. 1871 Trade Union Act and Criminal Law Amendment Act begin the establishment of collective bargaining protections and 'collective laissez-faire'. **1875 Employers and Workmen Act**: partial contractualisation, but retention of magistrates' disciplinary powers. Protection of Property Act dismantled the Master and Servant Act criminality of breach of contract. 1880 Employers' Liability Act Emergence of the Employer–employee relationship. 1897 Workmens' Compensation Act – divides salaried post-holders from 'servants' (e.g. bus drivers).	1860s 12–15% paupers in workhouses. 1869 Local Government Board privatisation of relief to Charity Organisation society, restricting relief to 'deserving poor'. 1880s 20% paupers in workhouse; 1900 30%.	Falling rates of indirect taxation, increasing rates of direct taxation. 1894 Death duties with a graduated tax, distinction between precarious and spontaneous incomes, later to become active or inactive property.	Growing costs of education, and public health.

1900	Decline of pure piece-rate wages. Generalisation of open-ended employment on time-based hiring. Bedeaux systems of time–productivity.		1906 Trades Disputes Act provided unions with legal immunities and established rights to closed shops. Devonald *v.* Rosser 1906 mutuality of obligation in contract of employment. Hanley *v.* Pease 1915 enforcement of reciprocality of exchange, taking discipline out. Simmons *v.* Rosser 1910 emergence of the control test for employment status. 1911 National Insurance Act: manual employees gradually all brought under one umbrella – excluding casual workers, women outworkers, salaried above £160 p.a.	Booth (1887) and Rowntree (1897) reports on poverty of working poor. 1911 National Insurance Act. Institution of the male breadwinner model wage. Redefines unemployment in terms of suitable employment 1920. Unemployment Insurance Act increased coverage from 4 m to 12 m. 1925 Widows', Orphans' and Old Age Contributory Pensions, consolidates retirement to define labour supply. 1927 Unemployment Insurance Act mitigates contributory actuarial principle, allowing intragenerational transfers of rights.	1906 Abandonment of active versus inactive property as basis of taxation in favour of earned and unearned income. 1909 People's budget, introducing land taxes and graduated death duties. 1901–13 Standard rate income tax 5%. 1911 Act. Regressive flat rate scheme, combined with indirect tax on beer and tobacco. 1916–19 Threshold lowered to treble taxed individuals from 1.13 to 3.9 m by 1919. Standard rate income tax 30%. Excess Profits Tax 1914–20, then Corporation Tax.	1900 13.3% 1937 26%	Postwar construction, raising of the school leaving age to 14, part time to 18. Fisher Act, 1918.

Table 4.1 Chronologies of economic, legal, welfare and fiscal change (Continued)

Date	*Economic organisation* *Labour*	*Firms*	*Employment law*	*'Welfare' law*	*Fiscal constitution*	*State expenditure* *% GDP*
					1919 Income tax extended to upper manual strike – but withdrawn after tax strikes. 1922 Finance Act created the binary divide between employees (Class E) and self-employed (Class D). 1925 Budget 'new fiscal constitution': child tax allowances for middle class families. Assessment of tax switched from lay commissioners to Inland Revenue, although individual returns on quarterly basis. Income assessed in single return for earned and unearned income, and super-tax.	

				1929 Budget decisive shift to centralised government spending, and on progressive income tax for welfare spending. 1930 Labour budget, increased targeting of high earnings and unearned income. 1931 National government budget, lowering of thresholds, a further 1.2 m included in income tax.		
1945		Beveridge Report 1945. National Insurance Act 1946. Enshrinement of the employment contract, creation of the binary divide of employment and self-employment.	1946 National Insurance Act defines rights to benefits under universal social citizenship – but gendered on male breadwinner model.	1942. Introduction of general income tax on a PAYE basis, covering 16 m employees.	1948 37%	Establishment of National Health Service. 1972 School leaving age raised to 16.

seen only too clearly following the 2007–8 financial crisis. Moreover, a synchronic, horizontal analysis of the empirical evidence reveals just how contrasting, even conflictual, the relations are between the poles during any given historical phase. An analysis of the dynamics of their interactions sheds some light on processes of evolutionary change, political, legal, fiscal and economic.

The early Master–Servant and Poor Law nexus

A useful, if arbitrary, starting point is the series of Master and Servant Acts marking the middle of the eighteenth century. These were the framing legislation of the employment relation, a 'statutory innovation' (Deakin and Wilkinson, 2005, p. 62), establishing the master–servant model as the enabling law for the new labour markets of industrialisation. As far as the statute book is concerned, they remained largely unaltered for a century, until the next phase of major employment law legislation in the 1870s. By using the Weberian term 'enabling' law (Weber, 1978), it is being suggested that these laws were constitutive of multiple economic transactions over a historical period, that combined the practice of yearly or extended hiring with the legal presumption, expressed forcefully by Blackstone towards the end of the eighteenth century, that the master had a responsibility for the upkeep of the servant in good times and bad. In Swedberg's (2003) or Hodgson's (2007) terms, the laws were constitutive of the organisation of exchange as an economic activity, rather than a regulatory epiphenomenon. They were also prescribed and enforced by the breach, and, significantly, by the powers of magistrates in criminal courts.

Moreover, associated to yearly hiring was the right of settlement in the location (parish) where the work was undertaken, eventually leading to a right of parish relief in the new parish. In this respect, the Master and Servant Acts were institutionally buttressed by the much earlier, indeed Elizabethan, Poor Relief Act (1601), supplemented by Settlement Acts of the late seventeenth century, the 1722 Poor Relief Workhouse Test Act, and 1782 Poor Law Relief Act. These obliged the 'welfare' institutions to provide poor relief to those dependent on wages, relief that was resourced from a taxation regime of rates raised locally on property owners. Following enclosure legislation, and the growth in agricultural productivity, this historical nexus of employment law, welfare and fiscal systems enabled a controlled internal migration, and, as Deakin and Wilkinson argue, facilitated the emergence of industrial wage labour. England was the only country in Europe to possess such an arrangement, a locally administered but nationally integrated system, where welfare costs amounted to between 1 and 2 per cent of GDP, seven times that of France.

Within the logic of legal evolution, the Master and Servant Acts were both an extension and a deviation from earlier legislation – no radical or conspicuous rupture. Aspects of the master–servant model manifested continuity with the journeyman-apprentice model of the Statute of Artificers, but into new areas of economic activity unregulated by the corporative control of guilds, or wage assessment by magistrates.[1] Indeed, these older forms continued to exist in parallel until their abolition in the early nineteenth century, even if becoming increasingly marginalised in their 'enablement' of economic activity. Their scope was progressively undermined by legal changes – notably the Combination Acts of the mid- and late eighteenth century – which proscribed fixing of wages and prices, and collective organisations controlling labour markets for that purpose.

Yet, although constitutive of some aspects of the economic reality of employment relations, other aspects or economic organisation were certainly less framed by this legislation. In particular, many of the new areas of factory and workshop economic activity were characterised by forms of 'internal contracting', and a division between price work for the masters, and a combination of wage and subsistence for servants and wage-only labourers. Many factory owners were not employers, and, in some cases, merely leased out the use of factory space and machinery (Hudson, 2004; Mokyr, 2002). In others, the owners were main contractors to masters acting as internal sub-contractors. As has been widely commented, this system of piece-work was in many ways little more than bringing in outworkers under one roof. Indeed, as an economic organisation piecework was almost akin to an internal commodity market, rather than labour market, especially given that prices paid in this internal market were often scaled to price shifts in external commodity markets. So, with internal contracting, whether by head of household, master or ganger in the butty system, the sub-contractor

1 The 1562 Statute of Artificers, and the 1631 Book of Orders, controlling guild membership, wage and price fixing.

was the engager of labour. A great variety of different combinations of piece work and more subordinate time-based wages coexisted. Indeed, an important economic division, predicated on but not prescribed by, the Master and Servant Acts, was that between the piece-work master and the wage-work servant or labourer. As will be discussed further, piece-work is a distinctively instituted process of exchange, characterised by modes of evaluation and price scales peculiar to each industry. It is payment for the output of labour, rather than payment for employment, and fluctuations in price are directly influenced by commodity markets, rather than supply-side features of labour markets. As an economic institution it persisted until the end of the nineteenth century and, although with diminishing significance, beyond. Indeed, it outlasted the nexus of master–servant, settlement and Poor Relief nexus by many decades. With price work at the core of factory organisation, and for so long, it is scarcely surprising that much engagement of labour escaped the employment form.

From the mid-eighteenth century to the first two decades of the nineteenth century, both the welfare regime based on settlement and its contract law counterpart of the Master and Servant Acts were progressively destabilised, the first to lead eventually to the radically different 1834 Poor Law Amendment Act, and the second to major modifications to the scope of the Master and Servants Act in terms of trades and types of workers included, and of the criminal powers associated with contract enforcement.

A key dimension of the destabilisation of the earlier nexus was the Speenhamland reform of the welfare regime, breaking the links between duration of employment contracts, settlement, and the consequent right to parish relief. In 1795, reacting to the increasing rate-burden of numbers receiving outdoor relief – a stress between the fiscal and welfare institutions of the old order – magistrates in Speenhamland introduced a form of minimum wage guarantee, fixing wages to a level indexed to the price of bread. The aim was to reduce numbers dependent on relief, by increasing numbers dependent on wages, even if these were subsidised by the rates. Moreover the wage was adjusted for the number of household dependants: more loaves for more household members. Summarising, the effect of these new rules remained minimal during the boom years of relatively high wages and employment up to the end of the Napoleonic Wars. But then, with poor harvests, high bread prices and economic depression, the impact became considerable. Speenhamland rules were seen to have the perverse effect of depressing wages further, as employers benefited from wage-subsidisation by ratepayers, without diminishing relief-dependency of the unemployed. These can be seen as 'unintended consequences' of the Speenhamland reform, which, in economic terms, rapidly became unsustainable, ultimately leading to the radically new regime of the 1834 Poor Law Amendment Act.

Speenhamland highlights some significant points of analytic interest for evolutionary explanation. On the one hand, as a mode of instituting economic processes, welfare reform contrasts with the legal forms framing the organisation of engagement, typical of the Master and Servant Acts, but also of later reforms. By regulating quantitative, rather than qualitative, dimensions of economic activity, the rules directly transform resource flows, in this case of both wage transactions in labour markets and taxation leading to transfers from ratepayers to employers and wage earners. The 'unintended consequences' arise precisely because the rules interact with other changes in resource flows occurring within the economy – volume of cereal production, rate of employment etc. As occurred in this case, this type of interaction can produce, quite contingently, a crisis in resource flows, an economic crisis of a kind that could not be encountered by the legal framing mode of instituting economic processes. Speenhamland rules triggered a fiscal resource crisis, and conditioned the subsequent institution of a quite dramatically different welfare resource regime designed to avoid such crises.

The second source of erosion of the earlier master–servant nexus was the growth of shorter term hiring, both in agriculture and in new industries, and a consequential disjuncture between hiring and settlement – that is, between wage dependency and rights to relief. Furthermore, shorter-term hiring relaxed the duty on the master to continuously employ servants in good times and bad, in ways that were to become a critical source of conflict between capital and labour during the middle decades of the nineteenth century. 'Exceptive hiring', hiring outside the normal rules, spread to include not only newly emerging areas of employment, such as mining and mill-working, but areas of working governed by fixed and regular hours of working, outside of which the servant was not at the behest of the master. In short, the old Master and Servant Acts were gradually becoming incongruent with, or maladapted to, their economic environment, and the framing was also less 'constitutive' of normal economic practices of engagement of labour.

But this selective pressure was very slow to induce major legislative change. This again points to differences in the nature of interactions between law and economy, and welfare rules and the economy.

Coercive capitalism: the mid-nineteenth century contract and welfare law nexus

The increasing variability in duration of contracts also undermined the significance and applicability of wage setting by magistrates of designated and established trades, with their rules of entry through apprenticeship. The crumbling edifice, therefore, resulted in two major legal changes. The first was the introduction of the Combination Acts of 1799–1800, restricting the formation of workers' social organisation and power as parties to the exchange with capital. The second, and related, change was the abandonment of wage setting by the repeal of the Statute of Artificers in 1813–14. However, as a consequence new tensions emerged between fixing a price for labour whether for piece-work or waged work, the duration of a contract and the guarantees for masters to provide paid work for the duration of the contract. This signalled the collapse of the mutuality of obligation of the master to provide for the servant in good times or bad.

The 1823 Master and Servant Act was legal innovation to fit these new economic circumstances, and ensure and intensify the asymmetry of power between the contracting parties of capital and labour. It centred on the enforcement of the contractual obligation of the worker for the whole of the fixed duration of the contract, and the exclusivity of the contract, so binding a worker to serve a particular 'master'. Breach of contract was a criminal offence, to be tried by the summary powers of Justices of the Peace, often themselves employers of labour. Penalties for breach of contract included imprisonment of up to three months in a house of correction, entailing hard labour, and, on occasion whipping. Breaches of contract included absenting oneself from work, leaving before the contract term, even negligence or disobedience at work. If a worker left an employer to work for another, then that employer was also liable to prosecution and a fine, but, significantly, not imprisonment. Even in the mid-nineteenth century, the length of some contracts to exclusivity of rights over the labour of a worker could range from a year to seven years. Even the steam engine pioneers of the industrial revolution, Boulton and Watt, engaged their skilled workers on a seven-year contract, and glass piece-workers in the middle of the nineteenth century, such as Joseph Leigh, were on contracts of the same length. However, monthly and yearly contracts were common, with the annual bond being typical of the coal mining industry. In effect, the contract law of the 1823 Act enshrined a peculiarly punitive form of zero hours contracts, in the absence of any legal powers of workers to obtain a mutuality of obligation of their employers to provide paid work. Many of the prosecutions against workers were for leaving an employer to obtain paid work when under a contract that provided none for extended periods of time. Equally, in terms of the price–contract connection, as the price was fixed for the duration of the contract, leaving an employment before term to obtain better wages was a criminal offence, liable to imprisonment. One particularly coercive aspect of the law was the penalty of having to return to complete the contract following imprisonment for breach, on pain of further spells of imprisonment. Although the law did not include any specific provision for 'specific performance' of the necessary work under the contract, nonetheless the fact that breaches for negligence, disobedience or shirking could be penalised by imprisonment and hard labour had a similar effect: 'Penal sanctions may have served as a partial or complete substitute for efficiency wages in nineteenth century England, making it feasible for some employers to pursue and maintain a low wages policy' (Steinfeld, 2001, p. 69).

To appreciate the force of this legislation, from the late 1850s right through to its eventual repeal in 1875, prosecutions under the Master and Servants Act ran at a rate of between eight thousand and ten thousand per year, fluctuating notably with the economic cycle, increasing when labour supply was tight (Steinfeld, 2001, table 2.1, figure 2.1). As the industrial revolution developed, more and more types of worker were being included under the remit of the law, with the notable exception of salaried post-holders, the middle classes and professionals (Steinberg, 2003, 2010). Moreover, aside from the attendant rights of enforcement, the law prescribed what it was that was being exchanged: the exclusive rights to the use of labour for a given duration, with powers of discipline, and the fixing of a non-negotiable price. It enshrined an asymmetry of power in exchange, with one party subject to criminal prosecution, the other not, and with considerable latitude in terms of the provision of work and continuity of payment. It was under these terms that employers could make profits, reducing costs of labour when times were slack while retaining power and rights over the workforce (Steinberg, 2016).

In conjunction with these coercive powers of contract, the Poor Law Amendment Act of 1834 introduced new, remarkably similar, legal forms of coercion for inducing workers to work for wages. The decline of linkage between rights to relief (by settlement) and hiring, and the Speenhamland debacle, combined no doubt with the emergent political-economy ideology of free markets, resulted in a series of measures culminating in the 1834 Poor Law Amendment Act. Only the non-able-bodied were to be entitled to outdoor relief, whereas all able-bodied, including eventually their dependants, were to be placed in workhouses in conditions that were required to be worse ('less eligible') than the standard quality of living supported by wage-dependent labour at the lowest market rates.[2] Outdoor relief – benefits in cash to the unemployed – were to be progressively reduced or eliminated. Labour tests on ability to work provided a further instrument for reducing rights to outdoor, cash, welfare benefits. As with the houses of correction for breach of contract, the Poor Law workhouses increasingly used disciplinary instruments such as treadmills and the crank, in order to make confinement in them more than just 'less eligible' than any employment. As such, they too reinforced asymmetries of power in exchange, forcing workers to accept any price for their labour, rather than face the workhouse. It was more than just economic compulsion.

The central aspect of this new legal framework, and the feature that made it constitutive of labour markets, was the essentially legal enforcement labour market participation. It could not be left to a 'purely economic' choices of 'starve or work', 'having nothing other than one's labour to sell', or calculations of utility maximisation, characteristic of Marx or neo-classical economic analysis. The 1824 Vagrancy Act which preceded and heralded the Poor Law Amendment Act, indeed compelled all able-bodied people to find waged work, or be legally compelled to one month's hard labour. Males who deserted their families, if they became relief-dependent, were also subject to criminal prosecution, with a penalty of three months' hard labour. By legally instituting the constraint to exchange, the 'duty to work'; by recategorising the eligible

2 Workhouses were forced labour regimes, without pay, in which eventually the whole household of the non-able would be placed, with families separated into separate groups defined by sex and age.

to 'welfare' from the ineligible; and by incarcerating the unemployed able-bodied, the new legal framework established the 'freedom from interference' within the market exchange between masters and servants. It formally and legally instituted the zone of market freedom, defining the respective rights in a way that dovetailed with previous Master and Servant Acts. As the 1834 Poor Law Report expressed it: 'Let the master and servant make their bargain without interference, direct or indirect, of a law of scale of maintenance.'

Even the most formally free market in terms of price-setting was therefore instituted by law, and enforced by the use of state criminal powers. Moreover, as a welfare law, it was far from cost-free, but mobilised resources largely through property taxes. By the time of the Depression of the 1870s and 1880s, workhouses had spread throughout the land, and increasing percentages of the poor lived within their walls. As a welfare-law regime it had to work as an economy of resources, and this was severely exposed for its deficiencies both by Depression itself and by the Booth (1887) and Rowntree (1897) Reports. Although not as spectacularly as Speenhamland, the poor law regime was proving economically unsustainable by the time the economic environment it inhabited had also so changed in character as to destabilise it further (MacKinnon, 1987). The mid-nineteenth-century labour market institutionalisation was legally framed not by an employment versus unemployment dichotomy, rather by an able-bodied versus non-able-bodied, or *manual* employable versus unemployable divisions. Moreover, because the main legal instruments were essentially framing only the relationship between masters and manual worker servants, not between factory owners and workers, or employers' and professional salaried employees' relationships, there was no general legal framing of either employment contracts or unemployment.

The 1823 Masters and Servants Act and the 1834 Poor Law on their own each exemplify a new form of coercive capitalism in the leading political economy of the industrial revolution. But taken together, they combine welfare and law regimes that constituted a distinctive exchange between capital and labour, in the compulsion to sell one's labour, the 'zero-hours' contract duration, the control of labour in production and the inequality before the law between masters and servants. In spite of the rhetoric of freedom of contract, or 'free wage labour' associated with industrial capitalism, these novel legal and welfare instruments instituted more coercion, far removed from voluntary employment 'at will'.

Before we leave this period of great reform, two further institutional innovations were introduced, both of which inhabited fairly restricted niche economic environments at the time, which in each case were eventually to dominate the landscape if in considerably changed form. The first was a significant piece of 'enabling' law: the establishment of limited liability joint stock companies as a legal entity, by the Acts of 1844 and 1856. Large-scale enterprises in railways and canals were relatively small in number, if economically high in profile. These enterprises pioneered the development of vertical integration, extension of employment relations and separation of ownership from management. But only in the late nineteenth century did such enterprise rapidly expand in number, and become more typical of the demand side for labour. There were only sixty as late as 1885, growing rapidly, partly as a consequence of mergers and acquisitions, to six hundred in 1900.

Second, income tax was introduced in 1842, reinforcing the social division noted above, because applying only to 'office holders' of the middle and upper classes. It was, however, a markedly new fiscal handle, compared with property value taxes or customs and excise, upon which the fiscal-military state had been based (Daunton, 2002; O'Brien and Hunt, 1999). Income, however, was not only the bundle of all types of income, from professional salaries or office post-holding certainly, but also from property rents, and profits from enterprises. Income was total income, undifferentiated into its component parts, and it was self-assessed, with no requirement to identify its various sources. Moreover, it was policed by a kind of peer-review system, with like-minded tax commissioners approving the self-assessment at the local level. It marked only the incipient emergence, subject to major alterations, of a tax on waged income. And, just as the open-ended employment form first took roots in the salaried middle class, this was also the niche environment for the first tax on salaried income. Both joint stock legislation and income tax, therefore, emphasise the importance of not treating 'the economy' as a single homogeneous instituted totality. There was no single 'labour market' for employers and employees, but rather one set of laws and fiscal arrangements, with very different rights, for masters and servants, and a quite different one for post- and office-holders.[3]

3 When I started work as a manual worker for a local authority in 1971, relics of these old forms persisted, non-manual workers being termed 'officers', manual workers 'servants' in contracts of employment.

The emergence of 'free labour' and the generalised employment contract

It will already be evident that the emergence of a contract-based employment in industrial capitalism was slow and tortuous, involving the interweaving of legal, welfare and fiscal rules. The interaction between our four evolutionary poles has already been shown to be complex, and this is yet more evident in the period that saw the final emergence of a new nexus around the generalised employment relationship. During this final phase, lasting from the late nineteenth century to 1945, there were many asynchronies, conflicts and incoherencies between the four poles, suggesting highly complex dynamics.

From the standpoint of economic organisation, the disappearance of internal contracting and the emergence of unified employment under managerial control was slow and varied from industry to industry. It is worth returning to the significance of piece-work, as a distinctively economically instituted economic process, in blocking the development of generalised employment. The price for piece-work institution characteristic of textile mills ensured the persistence of the division between masters as the non-employed independent sub-contractors and their employed servants and labourers right up to the end of the nineteenth century (Biernacki, 1995). Complex compendia of prices for different types of cloth, with different kinds of yarns, with different qualities, subject to continuous revisions with technical changes, and price fluctuations in end markets, were evidence of non-legal yet elaborate economic institutionalisation. Nothing illustrates the distinctiveness of this institution better than the fact that time was *not* a measure of employment under the master contracts of engagement, particularly in England. Instead, the working day was enforced by locking workers (master and servants) in and out of the factory, closing the gate when work commenced, opening it when work finished. As a disciplinary institution, it was extrinsic to legal instruments of engagement and to economically instituted price mechanisms. The erosion and replacement of piece-work for employment on a time basis was thus critical in terms of economic organisation for changing the economic environment. A key element to the generalisation of employment-based wages was undoubtedly the development of 'collective laissez-faire' wage bargaining between national federations of employers and trades unions. Such bargaining led to the new, time-based wage scales, facilitated by the dismantling of the Combination Acts first by the 1871 Trade Union Act, and Criminal Law Amendment Act, and subsequently by the 1875 Conspiracy and Property Protection Act, which provided some legal immunities to trades unions.

The emergence of general trades unions – as against craft unions – particularly broke the basis of master–servant divisions of terms of employment. But just as the old Poor Law had enabled but not prescribed the price bargain between master and servants, so the new facilitation of collective bargaining left it to the parties of the exchange to generate the new institutional forms of labour-market pricing. During the interwar period, the growth of the new industries and the demise of domestic service resulted in a further dramatic shift from servant status into hourly waged factory employment, widely perceived as liberation from permanent subordination (Glucksmann, 1990). Taylorism, 'scientific management' and the Bedeaux systems of payment in factory-based industries introduced new price mechanisms which linked output to time, with generalised techniques for measuring productivity.

A key turning point in the trajectory of legal framing of the exchange between capital and labour was the decriminalisation of the law, under a vague but new appreciation of a right to equality before the law between employers and employees. The replacement of the Master and Servants Acts by the 1875 Employers and Workers Act was itself a product of economic, legal and political evolution. In order to avoid the risks of criminal prosecution, mine workers in Scotland began to accept 'minute contracts', which also gave employers the possibility of instant dismissal. Workers could chase higher wages when times were good; employers could shrink or divest themselves of their labour force when times were bad. The extreme precariousness and workforce instability were set in competition with the punitive rigidities of the masters and servant regime, with its costs of litigation, and threatened to spread into industrial England. Legally, the 1869 Act for the Abolition of Imprisonment for Debt also contingently undermined one of the main legal logics for the Masters and Servant Act, namely imprisonment in lieu of the possibility of quitting employment before term. And politically, the extension of the suffrage to include urban artisans in 1874, followed by the election of the first labour-oriented MPs (Alexander McDonald and Thomas Burt) persuaded even a Conservative, one-nation, Disraeli to decriminalise labour contract law.

The dismantlement of the Master and Servant Acts by the 1875 Employers and Workmen Act, and subsequent legislation defining the reciprocal obligations between employers and employees, persisted in excluding salaried post-holders in their regulatory framing. In what today would seem a bizarre anomaly, for example, bus drivers were excluded from the provisions of employers' liability to employees by virtue of being considered independently responsible salaried post-holders. A series of case law judgements gradually extended the legal test of being subject to managerial control as proof of employee status. But this fell far short of a general legal status of employee for all those engaged on a salaried basis within an integral organisation, private or public. Eventually, during the interwar period, case law also began to establish a test on whether someone could be deemed to be in a *contract of service*, or to be in a business on own account, under a *contract for services*. But these tests, in typical case law evolutionary mode, accrued, layer upon layer, rather than establishing a system of rules with the force of statute (Deakin and Morris, 1995). The more comprehensive recategorisations instituting employment contracts as a general form came from elsewhere.

As Deakin and Wilkinson argue, the changing welfare regime of the late nineteenth and early twentieth centuries broke with the Poor Law Act, and became central to the establishment of the employment contract in the modern sense of contractual bargain. The economic emergence of generalised, continuous employment was accompanied by a change in welfare rules making three innovative institutions constructing the boundaries of employment, in effect reconstituting the size and shape of the labour force on the supply-side: the growth of universal education regulated by progressive raisings of the school leaving age, affecting the point of entry to labour markets; retirement, affecting the point of exit from labour markets; and the *novel* institution of unemployment. From the Factory Acts onwards, but especially with the late nineteenth-century Education Acts, there was a reduction of child labour and a converse increase in state expenditure on education. Then a critical break with the Poor Law was brought about by the 1908 Pension Act, aimed to divide the aged poor from non-able-bodied and relief-dependent adults. For those over 65, pensions replaced relief, as a matter of right.

Finally, the introduction of a national-insurance-based contributory resource from 1911, with successive reforms through to 1927, progressively extended the range and scope of the employed covered by insurance, thereby linking unemployment to employment. From the standpoint of creating the new employment relation nexus, insurance regulation, much more than case or statutory law, gradually moved towards a general category of employee. From an initial base of manual workers, national insurance progressively included salaried non-manual, women and casual workers. As a further instrument for controlling supply of labour, and redefining the employment and wage relation, the 1911 Act instituted a strong set of rules for a male-breadwinner model, with differential rates and rights for married women.

But of all the three regulatory poles, the radical change occurred in the fiscal constitution of the employment relation. In advance and out of sync with the other two, it was to create the binary divide, at least in principle, between employed and self-employed, with attendant rights over resources, well ahead of law and welfare regimes. No doubt this was primarily driven by a change in the nature, as well as growth, of state expenditure. From being primarily a military-security-fiscal state, with revenues flat-lining at around 10 per cent of GDP, punctuated only by peaks of National Debt driven by war expenditures, the state's primary expenditures progressively expanded to support education, health and infrastructure expenditures. A step-change took place in the amount of GDP channelled through the taxation system, with the construction of new collective rights to public resources. These were to be centrally established around income tax. From the early twentieth century, a crucial institutional distinction emerged in the fiscal handles of earned and unearned income, the latter already pioneering, with death duties, a graduated progressive form of taxation. During the First World War years, an increasing proportion of the middle-class population was subject to income tax, although, in the immediate postwar period attempts to extend it to the upper working class were successfully resisted. The extension required a break with local self-assessment. Regular continuous salaried wages, relatively unfluctuating, provided an effective handle for taxation, to enable centralised collection and administration. Critically, the 1922 Finance Act, well ahead of other regulatory modes, created a *binary divide* between one class of income tax payers (Class E) embracing in principle all employed wage earners, and the self-employed, deemed to be taxed on profits earned in pursuit of their trade. In the period leading up to the Second World

War, the logic of this division was extended to embrace wider and wider sections of the working population. Major economic instabilities and fiscal crises of the state, notably the Great Depression, undoubtedly drove forward many of the regulatory changes, even if the 'economic environment' was itself markedly riven by uneven development. Finally, in 1942, the PAYE system of income tax was applied to all wage earners, covering 16 million employees: no doubt facilitated by a wartime central command economy, the fiscal-economic categorisation of employee and self-employed became dominant and general. 'Free' wage labour, for the first time in the history of industrial capitalism in Britain, became the unified and dominant form of employed engagement.

Relative coherence and systematisation between the different regulatory modes was then finally instituted through the Beveridge Reforms, and especially the 1946 National Insurance Act. The binary divide was fully integrated with the instruments regulating the supply-side of the labour force, and the legal status of employee. The employment relation nexus of law, fiscality, and welfare was both constitutive of, and congruent with, the dominant forms of economic organisation of waged labour and employment. However, as can be seen only too clearly now, the fiscal incentives combined with legal fuzziness in determining the boundary between employment and self-employment have opened the door to bogus self-employment on a massive scale, following its endemic presence in the construction industry (Behling and Harvey, 2015). Uber drivers, Amazon deliverers, sex industry workers have all been exploited by the one-sided advantages for their employers, the denial of employment rights or protection, and novel forms of coercion and extreme dependency.

But this nexus was only a consequence of a long-drawn-out, highly contingent process. This schematic account of the four poles of evolutionary variation and interaction has offered evidence of the different modalities of change governing each of them. As a consequence, asynchronies and – from a backward-looking perspective – inconsistencies and conflicts between the three regulatory nodes were critical to the overall evolutionary process. These were as significant as the inconsistencies and maladaptations between any one of them and an unevenly developing economic environment. Law developed to a different rhythm, and was 'selected' for differently from the rhythm of fiscal change, where budgetary crisis, even yearly budgetary balances, surpluses and deficits, were critical drivers of regulatory change. I now turn to draw some more general theoretical conclusions for the adequacy of different explanatory accounts.

Asymmetries of power: unending transformations

Selling labour for wages in capitalist political economies is a central sphere of tension and conflict, as a consequence of which, as the most politically instituted of all markets, it has undergone and will undergo continuous and radical transformation. What was sold, under what constraints, at what price and for what control in the production process underwent radical change from the late eighteenth century to the mid-twentieth century. It is not the same thing, and the relations of exchange, the asymmetries of power, so critical for the generation of profit and hence inequalities of wealth, are also radically different. Some of the most significant dimensions of change, necessary for any comprehensive analysis, have been largely ignored in the above account. The transformation of the parties to the exchange, notably the emergence of the large multi-divisional firm and employers' federations on the one side, and of trades unions and collective bargaining power on the other, were critical to modifying, if far from eliminating, asymmetries of power between capital and labour. If that was so in the period just explored, it continues to be so in the current epoch, with the emergence of the new precariat, the twenty-first-century version of zero-hours contracts and the spread of bogus self-employment across many sectors. Industrial restructuring, privatisations and the decline of public-sector employment, tertiarisation and the internet economy are all aspects of economic reorganisation further transforming the social organisation of the parties and relations of exchange.

With its narrower focus, however, the highly schematised analysis of this chapter has attempted to show that free wage labour, as propounded by Marx and mystified by neo-classical economics, is not an *economically* 'natural fit', the presumed default option, of capitalist political economies. New forms of coercion enrolling state power for the criminalisation and imprisonment of labour were as much a major invention of industrial capitalism as the steam engine. Exchange was politically and legally coerced exchange for much of the nineteenth century. And so-called 'free labour' of capitalist employer–employee equality before the law was a political (fiscal and legal) institution that arose after much conflict, and only following the extension of the suffrage. The criminally coerced labour of the houses of correction and workhouses became politically unacceptable, and, as Steinfeld has shown, only likened to slavery in the United Kingdom, late in the final quarter of the nineteenth century. Formal equality before the law in the exchange relation did not arise because legally coerced labour had become economically obsolete, or had been competitively destroyed by more efficient 'free-labour' enterprises. Moreover, the employee–employer contract to cover manual, non-manual and professional employment was fully generalised only during the middle of the twentieth century, as much a consequence of the standardisation and generalisation of income tax and social insurance as of legal change. In contemporary terms likewise, any impetus for the elimination of bogus self-employment or zero-hours bonded labour is a political one, not an economic one from competitors to supermarkets or the Ubers and Amazons of this world. Indeed, the emergence of ever new forms of intensified asymmetries of power in exchange point to a political and democratic deficit. Equality of power in exchange is a political as much as an economic issue, entailing, as argued in MEAB, democratisation of the economy.

A further major conclusion concerns the fiscalisation of the wage through the progressive extension and generalisation of income tax and social insurance. The price of labour, under the binary divide between employed and self-employed, was historically transformed. In ways that were not and could not have been foreseen by Marx, wages paid not only for commodities but now for all those public-sector goods (education, infrastructures, health care and so on), without which market economies did not and could not have developed. The fiscalised wage became the fulcrum articulating the link between market and non-market dimensions of multi-modal political economies such as the United Kingdom. There was no longer the closed circuit, as analysed by Marx, within the commodity-capital economy. The theoretical abstracting of the market economy as the disciplinary domain of 'economics' lost its grip on historical realities. The price of employee labour became unrecognisable from that of the mid-nineteenth century, along with the processes of reproduction of labour-power. The slow and nationally distinctive raising of the compulsory school leaving age and growth of further education, funded in large measure by income tax, both instituted non-commodity reproduction of labour-power and reshaped the labour force, excluding those of a certain age from being compelled to sell their labour.

This leads to the overarching conclusion of this analysis. By taking the capital–labour exchange as a key element of economic organisation, an exemplary argument can be made that transformations of the economy can be understood only in terms of complex interactions between economic, legal and fiscal processes, each with its own dynamics of institutionalisation. The transformation of the wage exchange cannot be understood from within an abstracted 'economy', let alone from within 'the market economy'. Economies do not develop simply economically: there is no abstractable internal purely economic dynamic. A market exchange of someone selling labour to an employer for wages is also a legal contract, and that legal contract defines, in part, both what is sold, and what can be done with it once sold, for how long and under what conditions of enforcement. Economic power is fused with state power: there is not an economic bargain on the one hand, and, quite separately, a legal contract. The bargain is the contract, the contract is the bargain. And it is not the individual instance of the exchange that matters, but the historical and societal instituting of the exchange relation common to all such exchanges at a given time, in a given societal space. Mid-nineteenth-century coercive capitalism was politico-economic, and so equally was the construct of British mid-twentieth-century 'free labour' and its subjection to distinctive asymmetries of power in exchange.

The causalities of transformation are complex. Welfare measures can become financially destabilised, as with Speenhamland and the late nineteenth-century Poor Law workhouses. They distinctively have resource crises inducing change as a consequence of interactions between welfare resource allocations and economic developments, such as long-run depressions or price inflation. Legal contracts and the law that instituted them can be undermined by changes in economic organisation, as with the emergence of minute contracts with respect to the Master and Servant Acts. But at the same time these Acts were politically undermined by the extension of the suffrage, and the changing moral norms of the economy which led to the decriminalisation of employment contract law. Conflicts and tensions emerged in the fiscal construction of the binary divide and the legal status as established in case law, opening a window for bogus self-employment. Figure 4.1 illustrates the complexity of this historical transformation, with the four poles of economic, legal, fiscal and welfare processes each with its own

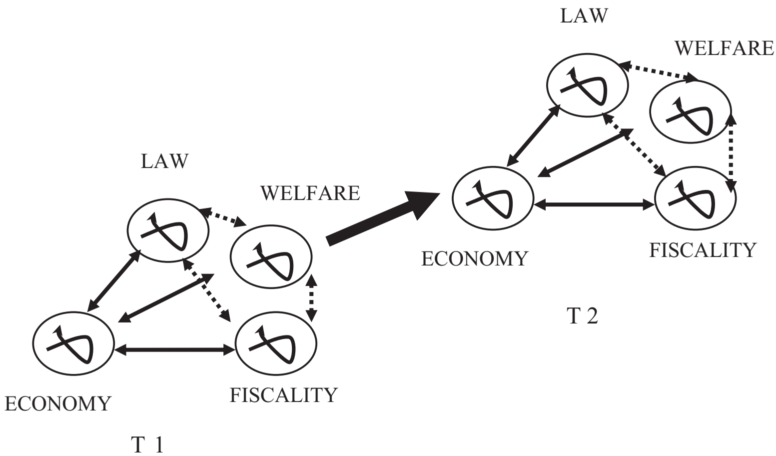

Figure 4.1 Transformation trajectories: instituting economic, legal, fiscal and welfare processes from one time period (T1) to another (T2).

dynamic and modes of instituting, but always with interactions between each and all of them, in a co-evolutionary manner.

In this perspective, laws on joint stock companies, company law, employment law, fiscal categorisations of employment, and welfare regimes are co-constitutive of the capital–labour exchange relation, indeed of the division between capital and labour, and the organisation of the parties to exchange. Consequently, the capital–labour division and relation are constantly being transformed in societal space and time. There are no general laws of capitalist market economies. The abstraction of the economy, and, to use old language, its reification, mask the role of the state in the formation of the capital–labour divide and the consequent asymmetries of power in exchange generative of the inequalities discussed in previous chapters. Indeed, abstraction of the economy leads to its reification, and reification leads to fetishism and false worship, as if the laws of the market make themselves and have to be observed. But laws of the market are just that: politically instituted as much as economic. And what can be done politically can be undone.

5

Coercive Capitalisms: Politico-economies of Slavery, Indentured Labour and Debt Peonage

This chapter develops the short section appearing in MEAB, and asks the question: why is slavery centrally important for an understanding of capitalist political economies?[1] Much attention has been paid to the exploitative nature of capitalism, and the consequently systemic and extreme inequalities of monetary wealth, to which we have added inequalities in rights to public goods and resources. In the analysis so far, these inequalities are seen to be inherently gendered and racialised, as an aspect of the broader analysis of economic power asymmetries in the exchanges between buyers and sellers of labour power. Slavery, and all forms of coerced labour, however, add a major new dimension to economic exploitation: abuse of political power and force in the appropriation, use and movement of labour. In MEAB, it was argued that the concept of exploitation is in essential part a moral and normative one, concerning just distribution of wealth. Slavery, and coerced labour, also pose moral and normative questions, but different, if connected ones: the (un)just exercise of power over labour, whether in the market sphere, the household or the public sphere.

1 I am extremely grateful for all the help from, and many discussions with, Catherine Hall, Nick Draper and Keith McClelland from the research group Legacies of British Slavery, at University College, London, https://www.ucl.ac.uk/lbs/. I am especially indebted to Keith for his analysis of the statistics of sugar exports from the Caribbean and sugar consumption in the UK. Needless to say, I take full responsibility for the opinions expressed in this chapter.

It is pertinent to recall for a moment the economic form of compulsion to work under capitalism invoked by Marx: having nothing but one's labour to sell; dying of starvation or working for a wage by which one can buy food (amongst other things). The narrowness of this strictly economic conception of compulsion was critiqued in the last chapter when confronting, at the heart of the industrial revolution, the nineteenth-century British legal realities of compulsion such as imprisonment for vagrancy and breach of employment contract, or confinement in the workhouse for failing to work for a wage. 'Free' wage labour was a late nineteenth-century, and a political and legal, as much as economic, construction. Yet Atlantic chattel slavery is of a different order of coercion. Kidnapping and abduction, African upon African, Muslim on non-Muslim, by religious or ethnic war raids was the primary and original violence of enslavement: children and adults, men and women severed from their social relations by force. Forced to march chained in coffles, the enslaved were wrenched from their homelands in order to be traded with white slavers. Then the Middle Passage. Confinement on board. Inflicted disease. Murdered by being thrown overboard to the sharks if no longer 'of value'. Displaced by thousands of miles into lands dominated by whites and their languages of mastery, and laws of property. All that precedes being put to work, where a further panoply of violence accompanies the enforcement of gang labour. Again chains, whipping, stocks, flight and recapture. Imprisonment in inhuman bondage. Born into slavery, infants and children were liable to be forcibly dispossessed of their parents. The multiple brutalities of coercion of slaves in order to create a productive force for industrial capitalism stands in the starkest contrast to the coercion of 'having nothing but one's labour to sell'. Yet, critically, industrial capitalism was not one or the other, slave, coerced or 'free' labour, but diverse combinations of them all.

This chapter will draw on a vast historical literature, but will be an analytical extraction from it, rather than a historian's historical account. It is hence divided into four sections, each focusing on a key aspect of slavery's significance for an understanding of industrial capitalism. In so doing, as with the previous chapter, the argument as it builds will further demonstrate the inadequacy of an 'abstract economy' conception of 'the economy', and the consequent epistemological suppression of slavery from the discipline of economics, whether in the classics such as Marx, or in neo-classical and marginalist economics. In that sense, it is a work of reparation, as Catherine Hall has also argued for the discipline of history. The themes of the four sections are as follows: the nature and centrality of slavery and forced labour to the UK industrial revolution and the contrasting trajectories of UK-Caribbean and US-Deep South slavery; the different transitions from slavery to indentured labour and debt peonage and the *political* emancipation from slavery and indentured labour; the hybridity and heterogeneity of political economies of labour; the epistemological suppression and containment of slavery, and the abstracted capitalist market economy.

The nature and centrality of slavery to the UK industrial revolution

The centrality of slavery to the emergence and development of the British industrial revolution has long been recognised, especially since its powerful articulation by Eric Williams in his *Capitalism and Slavery* (Williams, 1964). Since his account, the analysis has been broadened, deepened and extended in scope beyond Caribbean slavery, which, given his contribution and attachment to the region, had conditioned his perspective. In one most critical respect, the dependence of the industrial revolution on slavery did not end with the Britain's emancipation of slavery in its colonies, and indeed, as will be argued, American slave-produced cotton enabled the growth of the British cotton industry on a hugely expanded scale. However, although still controversial, Williams had forcefully argued that the triangular trade of purchasing African slaves with British manufactures, processing and manufacturing the raw materials from British-owned plantations, and supplying the plantations with machinery and British goods, was critical to both industrialisation and the economic growth of a new form of capitalist production. Much attention moreover has been given to the following claim: 'The profits obtained provided one of the main streams of that accumulation of capital in England which financed the industrial revolution' (Williams, 1964, p. 52). Although the quantification of a profit stream fuelling capital investment in new industries has attracted controversy, it is now well established that investments from British owners of sugar plantations above all were spread widely into manufacturing, shipbuilding, slate quarrying, canals and coal mining (Eltis and Engerman, 2000; Eltis, 2000; Blackburn, 1998, 2013; Hall et al., 2014). More recently, the contribution to the development of banking and financial services, the significance of bills of exchange and credit markets, in short the development of finance capital related to the slave economy, has significantly broadened and deepened the Williams analysis (Hudson, 2014). Furthermore, a significant fraction of the compensation money received by slave-owners on Emancipation in 1834 found its way into railway investments, manufacturing and the banking sector – and indeed the role of Rothschilds as the banker for providing the funds for compensation through government bonds was itself a huge stimulus to the City financial system (Draper, 2009). So this was a form of capital conversion of British-owned slave-economic wealth that provided, in its death throes, a stimulus to British industrial capitalism in the mid-nineteenth century. The significance of import substitution – importing raw materials for textile manufacture to displace home-produced alternatives such as wool and flax – and then the re-export of textiles to the rest of the world has further fortified the Williams thesis (Inikori, 2002). From this work, the extent as well as centrality of British slave plantation economies to the dynamic growth of industrialisation is powerfully confirmed.

On a broader canvas, and in answer to the different question of why the industrial revolution was centred first in Great Britain and then Northern Europe, rather than in China's Yangtze river basin or India where there were flourishing, even more advanced, market systems, Pomeranz has argued for a 'great divergence' dependent on colonisation of the New World (Pomeranz, 2009). Through colonial expansion, Britain in particular escaped from its land constraints of producing enough food and clothing for an increasing and urbanising population. It provided the critical escape valve from the Malthusian obstacle to economic growth arising from finite national territorial resources (Harvey, 2014). Combined with the ready availability of the right kind of coal, and the emergence of skills and scientific capabilities in Britain (Mokyr, 2009; Allen, 2009), colonisation and spatial expansion of the economy constituted a necessary, if not sufficient, condition for industrial revolution. Moreover, such expansion also required the expansion of an appropriate labour force. Early experiments using European indentured labour had largely failed (Beckles, 1985, 1986; Galenson, 1981), as had attempts to coerce or enslave indigenous peoples, which subsequently, across America and the Caribbean, were subject to genocide. An already established and spreading slave economy in Africa, moving westwards and across the Atlantic once centred on sugar, provided the only significant pool of labour for the expanding plantation economies. It resulted in an unparalleled scale of forced migration, eventually comprising over 12.5 million slaves transported on the Middle Passage. Territorial expansion in the New World and the forced migration of slaves from Africa, in this analysis, together constituted that necessary, unblocking, condition for metropolitan industrialisation.

In Pomeranz's account, both sugar and cotton played a significant role, the first in providing a new source of calories, the second in transforming the clothing of Europe and the wider world, with manufactured textiles. Yet, when addressing the centrality of slavery to the British industrial revolution, there are significant differences worth exploring between sugar and cotton plantation economies. In both cases, it is important to take a long duration approach encompassing different phases, and to consider, in a Polanyian manner, the configuration from production through to consumption. Mintz, in his classic study, argued that sugar production was characterised by 'factories in the fields', using slave labour on the plantation (Mintz, 1985). Certainly, there were further refining stages in the metropolitan countries, but machinery for cane crushing and processing was produced in Britain and exported to the Caribbean, as an integral aspect of industrialised agriculture. Moreover, the sugar plantations, under mercantilist trade tariff protection until 1846, were British-owned for British production and consumption. Hence, the analysis proposed by Williams is very much a sugar-slavery one, particularly when considering capital flows from plantation profits to the metropole. Taking the long-duration approach leads to a qualification of both the Williams and Pomeranz theses. Williams argued strongly that slavery, as a form of economy, required the protection of tariffs, and would not survive their abolition (1964, p. 137). Certainly, in the case of Jamaica, sugar plantations were ceasing to be as productive and were in crisis prior to the Emancipation Act of 1834. Certainly also, the trade and consumption of sugar in the UK witnessed a sharp and major increase *after* Emancipation in 1834 and the abolition of sugar tariffs by the Sugar Duties Act of 1846. Although sugar consumption per capita was already considerable by the early nineteenth century, it doubled by the end of the century, and then more than doubled again by the outbreak of the First World War, going from circa 20 lb to 40 lb and then 80 lb (Mitchell and Deane, 1917). Yet, a majority of this sugar came from British Guyana and Trinidad, replacing Jamaica as the leading sugar colonies from the middle of the nineteenth century. Critically, in these colonies sugar was produced overwhelmingly by Indian indentured labour, a form of coerced and forced migration labour to be discussed in the next section. Moreover, slave plantations were the precondition and preparation for the indentured labour plantations that almost seamlessly ensured their economic continuity. One form of coerced labour set the stage for the next, in a long-duration perspective. In these plantation economies, slavery conspicuously did not prepare the way for 'free labour', and indentured labour economies (as well as Brazilian and Cuban slave economies) dominated the tariff-free trade in sugar from the middle of the nineteenth century. As a final irony, therefore, in the 1880s Welsh wage-workers employed by the ex-sugar-plantation Pennant family, in slate quarries originally financed by slave profits, had a restricted diet consisting largely of white bread and tea (Jones, 2015) – sweetened by sugar produced by British indentured and Brazilian and Cuban slave labour. The temporal and spatial strands of history threaded slave to wage labour, wage labour to indentured labour.

The centrality of slave cotton to the British industrial revolution, certainly no less significant, was of quite a different nature, and in two major respects. First and foremost, it was the key raw material of a textile manufacturing industry in Lancashire that exemplified industrial production for mass markets, dominating domestic consumption and exports in manufactured goods for most of the nineteenth century (Fogel and Engerman, 1974; Beckert, 2015; Dattel, 2009). A new configuration was forged linking slave-produced cotton, wage-labour-produced textiles and a transformation of clothing purchased by consumers in Europe, North America, and across the world. Second, from early in the nineteenth century, the majority of the cotton was produced in slave plantations in the US Deep South, and continued to be so until the American Civil War in 1864, long after Emancipation in the British Caribbean. However, although it was not produced by British-owned slaves, the involvement of British capital linked to slave cotton was of primary importance to both the US slave plantations and the Lancashire textile industry. So, the issue is one not of profits derived directly from slave ownership but of the facilitation and trade of slave production and goods. Indeed, beyond the Caribbean, the Williams thesis can be viewed from a reverse perspective: the growth of industrial capitalism in the UK drove a massive expansion of slavery in the US.

Again, the long-duration perspective is illuminating. In the early phases of the industrial revolution in textile production, England imported cotton primarily from the Caribbean and Brazil. In contrast to sugar, however, a system of free ports allowed importation of slave plantation cotton from the French Caribbean, notably Saint-Domingue, until the 1793 revolution. There was no mercantilist restriction. Although the trade was interrupted by war, there was then a shift towards Brazil, Barbados and, in the last decade of the eighteenth century, especially British Guyana. Then, from the early nineteenth century a further decisive shift occurred to importing upland cotton, better suited to the industrial manufacturing of textiles, produced in the Southern states of America. The invention of the cotton gin by Eli Whitney in 1793 was also critical to the subsequent expansion of the trade.

As a consequence, between 1800 and 1860, the production of cotton in slave plantations in the Deep South grew by 650 per cent reaching a volume of 2.2 million lb; the number of slaves producing the cotton grew by 440 per cent, from 893,000 to about 4 million, of whom about 70 per cent were engaged in cotton production (1850 census, Dattel, 2009, p. 52). Of the US slave cotton produced, by the 1820s over 50 per cent was exported to the UK, reaching 70 per cent by the 1850s and 1860s. And the level of dependency of the UK textile industry on US cotton increased from 17 per cent in 1800 to 52 per cent in 1820, reaching 88 per cent in the 1860s (Bailey, 1994, table 1; Beckert, 2015). Given these figures, it is difficult to imagine that the expansion of US slave cotton economy into the Deep South could have occurred but for the growth of the UK cotton textile industry and the consumer demand for cotton clothing. There were more slaves set to work by industrial capitalism in the US than their complementary wage-labour counterparts in the UK Lancashire cotton industry by a factor of over 6: 460,000 UK textile workers in 1860 to a rough estimate of 3 million US cotton plantation slaves (Dattel, 2009: Beckert, 2015, chapter 5). Industrial capitalism and slavery advanced in lock-step.

Moreover, the ramifications between UK industrial capitalism and slavery are much broader, economically and politically. The key pivot and institutional development linking the trajectory from the Caribbean to Deep South slavery was the Liverpool Cotton Exchange, which, from its origins in the mid- to late eighteenth century, became the dominant conduit for cotton into the UK. The brokerage market established the necessary financial and trading links between planters, merchants and spinners that ensured a continuous development of both slavery and the textile industry (Krichtal, 2013; Hall, 2001, 2004, 2016). From a very early stage, specialised brokers provided novel credit instruments to merchants, and by the 1830s had innovated futures trading in cotton. They were also critical in establishing quality standards and sample-based buying, and developing and communicating market price information. Most significantly, by its capacity to shift the sourcing of cotton geographically, the Liverpool Cotton Exchange was able to sustain a nascent industry, and then support a massive expansion from the late eighteenth century all the way through to the end of the nineteenth century and beyond. It was the most advanced and largest commodities trading market of the middle of the nineteenth century. Viewed in this perspective, the evidence is of a history of the progressive and continuous, even if uneven, growth of a slave plantation-industry nexus, rather than of one form of slavery being superseded by another – the so-called 'Second Slavery' of the Deep South in the US (Tomich, 2004; Kaye, 2009). As far as the industrial revolution in the cotton industry is concerned, there was a single historical trajectory of development articulated through Liverpool, its port and its market organisation.

Furthermore, British capital was involved in the expansion of the slave economy in the Deep South in other ways, including at its outset the Baring Bank's provision of the bonds necessary to finance America's purchase of the state of Louisiana from the French in 1803. British banks, along with those of New York and North America, provided credit for the planters to buy slaves and acquire land in their move south and westwards. In so doing, they played their part in the massive transfer and internal trade of slaves from the Old South to the Deep South, directly supporting the extension and expansion of cotton slave plantation economy (Fogel and Engerman, 1974). Along with New York banks, they also were significant in providing the credit vehicles to factors, the key intermediary market agents in the burgeoning economy, so supplying planters with the necessary liquidity for the trade in cotton, and sustaining the yearly cycle from planting to harvesting (Tadman, 1996).

In a significant further phase of this expansion, the British interest was deeply involved in securing the expansion of cotton slavery into Texas. Although continuously changing sides as the state's future was disputed between Mexico, Indian alliances and the colonising planters, the British engaged in military adventurism over several years (Campbell, 1991). Ultimately, the incorporation of Texas into the United States as a slave state in 1845 was an outcome actively supported by the British, decisive evidence of the new and deep engagement of Britain in slave economies after the abolition of slavery in its own colonies in 1834 (Kennedy, 2013).

Finally, faced with a 'cotton famine' immediately before and during the Civil War, although Britain was officially neutral, the British interest in the continued securement of cotton was manifest in the building of two cruisers, six ironclads and twelve hundred blockade runners for the Confederacy, the sale of arms in exchange for cotton and the breaking of the Union blockades, famously by the *Alabama*, the *Shenandoa* and the *Florida*. John Brown, the shipbuilder, alone provided 111 blockade runners. British banks issued the Erlanger bonds to sustain the Confederacy's war finances, counting William Gladstone amongst its bondholders (Dattel, 2009). The British complicity in the expansion of slavery into Texas in the late 1830s and 1840s, and its active support for the Confederacy in the Civil War, subvert the loudly and widely claimed moral high ground arising from the earlier abolition of its own direct colonial slavery.

Within a decade of the Civil War and the abolition of slavery, British imports of US cotton reached and then surpassed prewar levels (Wright, 1974, table 1), remaining the dominant source of cotton well into the twentieth century. However, as with sugar, slave production was by and large superseded not by free-wage labour capitalism but by highly racialised debt peonage and sharecropping in the Southern USA, to be discussed in the next section. Yet, as with slave sugar plantations, so with cotton, the plantation system and landownership constrained and conditioned what succeeded it, following American emancipation and the Reconstruction.

Tracing the long-duration trajectories of slave sugar and cotton requires a fundamental revision of received interpretations of the development of industrial capitalism and slavery. Deploying a perspective that looks at the whole configuration from production, through market exchanges to final consumption, the wages of metropolitan labour purchased commodities produced in significant part by slaves and other forms of bonded labour through much of the nineteenth and early twentieth century. Contrasting the trajectory of sugar, with its British-owned plantations and labour forces, with that of cotton and American-owned plantations and labour forces, however, calls for a broadening and deepening of the analysis. In the first case, whether in terms of profits derived from plantations or the manufacturing, trading, merchandising and financing of slave sugar, the whole evolving configuration both benefited and was mobilised by British capital. It was an integral part of a national-imperial economy, contributing to and transforming metropolitan industrial capitalism. In the second case, we have to break out of historiographies with a national optic, whether Caribbean or American. To a significant extent, American slavery was nourished by British industrial capitalism, and British industrial capitalism was nourished by American slavery. As argued above, they both grew in lock-step. In the case of cotton, therefore, the flow of profits directly from slave-ownership may certainly have been significant for American industrial development and manufacturing. But it was the flow of raw materials that takes central place for British industrial development. Yet in this case too, British capital, and indeed British political and military interventions, were thoroughly implicated in the expansion and maintenance of slavery in the Deep South. Taking sugar and cotton together, this enlarged analysis challenges deep assumptions that industrial capitalism and free wage labour walked hand in hand in the onward march of economic development. Industrial capitalism combined a massive growth in slavery in the New World with the slow, and politically driven, emergence of free labour in the UK and elsewhere, as discussed in the previous chapter. These assumptions are further undermined when considering the economic organisation of labour that replaced slavery, whether in the Caribbean or the US.

Transitions from slavery

> The experience of all ages and nations, I believe, demonstrates that the work done by slaves, though it appears to cost only their maintenance, is in the end the dearest of any. A person who can acquire no property, can have no other interest but to eat as much, and to labour as little as possible. Whatever work he does beyond what is sufficient to purchase his own maintenance can be squeezed out of him by violence only, and not by any interest of his own. (Adam Smith, *The Wealth of Nations, Part 1, 1970* ed., p. 488)

In this section, three analytical points will be addressed: that slavery was not abolished because it was economically unsuccessful; that it was replaced in growing economies not by free labour but by other forms of coerced and bonded labour; and that both slavery and its successor forms of coerced labour were abolished by political means informed by moral grounds. In so doing, it further develops the argument made in the previous chapter, namely that 'free labour' is a politically instituted phenomenon, rather than a form of economic organisation that arises from within a capitalist economic dynamic considered abstractly.

Adam Smith's famous view quoted above informed much of the debate between political economists and parliamentarians in preparation for 'the mighty experiment' of abolishing slavery in British colonies in 1834 (Drescher, 2002). As Drescher demonstrates, this debate articulated a polarising binary opposition between free labour and slavery – there was no effective conceptualisation or discussion of anything in between the two. The argument supported the view that abolishing slavery would result not in 'econocide' of thriving slave economies (Drescher, 2010) but in a more productive economy based on individual self-interest and rational choice – the foundation of much subsequent economic theory. A further argument supporting abolition pointed to the special conditions obtaining in Caribbean slave economies, namely high mortality rates and the inability of those economies to reproduce themselves. Although both pro- and anti-slavery protagonists argued this point prior to the abolition of the slave trade in 1807, in the decades that followed it had become clear, for the British Caribbean, that the slave population was not self-sustaining.

However, here again, in terms of demographics of slavery the trajectories of sugar and cotton diverge. In the US, plantation slave populations survived and grew by natural increase, without a constant new supply of slaves from Africa – even if arguments were later made in the Southern States for the reopening of the slave trade and for an expansive slave empire (Johnson, 2013). In the US, by 1800 and before the abolition of the slave trade, there was a slave population of 1 million, but over the whole period of slavery only 6 per cent of slaves derived from slave imports from Africa, in contrast to 38 per cent for Brazil, and 17 per cent in the British Caribbean. An overwhelming majority of slaves in America were born in America. Between 1800 and 1825, the US slave population increased from 1 million to 1.75 million, and, as discussed above, the major expansion from the Old to the New South occurred through internal trade, and further natural increase (Fogel and Engerman, 1974; Fogel, 1994). In contrast, once the supply from Africa was cut off in the British Caribbean, slave populations were declining, providing further ammunition for abolitionists (Drescher, 2002, 2010).

In terms of economic viability, there were further contrasts. Jamaica, once the dominant and most productive slave sugar island, certainly experienced significant decline prior to Emancipation, so weakening the planter-interest opposition. But both British Guyana and Trinidad, in terms of sugar exports to the UK, showed strong and modest increases respectively up to the point of Emancipation, dipped for the decade afterwards, before exhibiting strong growth thereafter. Many studies of the productivity, entrepreneurialism and profitability of the US South, prior to the Civil War in 1864, have demonstrated thriving economies, and, indeed, levels of agricultural productivity higher than the non-slave, free labour, North (Fogel and Engerman, 1974, 1992).[2]

So, to conclude the first point, slave economies in general did not die through competition with free labour productive systems, economic obsolescence or downright failure.

Given the demographics just discussed, therefore, the post-slavery transition in the British Caribbean after 1834 was in sharp contrast to that of the post-Civil War United States. British colonies and their sugar plantation economies were dependent on continuing supplies of labour. The source switched to Chinese, but then overwhelmingly Indian, indentured labour, a particular form of bonded labour, often press-ganged into ships whose destiny was unknown to the coerced (Hira, 2012). The forms of indenture varied, but normally involved labour bonded for a period of ten years and renewable. The indenture contract generally included a provision for a paid-for return, but in reality it was a provision without prospect of being honoured. In many if not most cases, it entailed bonding for life, but without an owner's right to sell the labourer on to a third party, or to ownership of children of indentured labourers. In that way, despite similarities, it was a significantly different form of coerced labour from chattel slavery.

Over the course of a century, stretching well into the twentieth century, over 535,000 indentured Indians were transported in ships, some designed in very similar ways to those of the Middle Passage, with layers of bunks tightly crammed, resulting in high levels of mortality in

2 In one calculation, in terms of total factor productivity, Fogel and Engerman suggest Southern slave plantations yielded 35 per cent more output (Fogel and Engerman, 1974, chapter 6).

the long sea journey (Tinker, 1993; Northrup, 1995). British Guyana in particular, with its 239,909 indentured Indian plantation workers, dominated the Caribbean, but was overshadowed by the development of post-slavery sugar plantations in Mauritius, in the Indian ocean, with 453, 063 indentured labourers (Hira, 2012), following the capture of the island by a British military force from the French in 1810. From minimal exports of sugar under an 'illegal'" slavery system, exports grew from 32,502 tons in 1835 to 120,812 tons in 1860 (Allen, 2008), roughly equivalent to the combined production of British Guyana and Trinidad (Deerr, 1950). A further 152,182 Indian indentured labour were shipped to Natal, developing a further new source of plantation sugar in Southern Africa. As Allen has powerfully argued, moreover, the transport of indentured labour to the Caribbean should be placed in the wider, and *pre-existing* context, of the extensive use of various forms of bonded labour, chattel slavery and indentured labour across the Indian subcontinent and South-East Asia (Allen, 2014, 2012). As will be discussed further below, as with African-sourced slavery, Indian indentured labour was both transforming and transformed in the process of expansion of British plantation sugar economies. Indeed, the persistence and expansion of slavery and indentured labour in tea plantations in India throughout the nineteenth and indeed early twentieth centuries formed a necessary complement culminating in the English Cup of Sweet Tea (Guha, 1977; Behal and Mohapatra, 1992).

As was argued in relation to the expansion of slavery into the Southern States, these indentured labour sugar plantation economies were a reconfiguration of their slavery predecessors. A new forced migration and transportation of labour, modified labour plantation production regimes, exporting and marketing of sugar to the metropolis, completed its economic organisation with the expanding consumption of sugar and tea, paid for in large part by the wages of an industrialised workforce, working in forms of coerced and free wage labour discussed in the previous chapter. From the Polanyian analysis that runs through this work, the configuration as a whole is what makes sense of all the component parts. Increasing metropolitan consumption of sugar and tea drove transportation and then exploitation of bonded Indian labour, whether in India itself, Mauritius, Natal or the British Caribbean.

The transition to post-slavery plantation cotton economy in the Deep South of the US, without the necessity of constant replenishing labour, took a very different course. But here too, there was widespread resistance from ex-slaves to remain on plantations as 'free' wage labour of their previous owners, subject to the same managerial control (Fogel and Engerman, 1974). Although there was much variation in the transition from slavery, in Delta cotton plantations in particular the dominant form became sharecropping, which in reality entailed forms of debt peonage (Harris, 2001; Davis, 2006; Shlomowitz, 1984; Ransom and Sutch, 1972). Black sharecroppers and labourers were bound to the plantation landowners by their dependence on credit and a condition of perpetual indebtedness from which there was rarely an escape route (Mandle, 1983; Daniel, 1990). White ownership of land and brutal racial segregation reinforced this economic confinement. Yet these new forms of unfree labour sustained the cotton plantations, and by the 1880s supplied more than double the level of pre-Civil War exports to the United Kingdom textile industry, regaining their 70 per cent share of the UK market (Atack and Passell, 1994). Although the UK had responded to the Civil War cotton 'famine' by sourcing cotton increasingly from India and Egypt (Beckert, 2004), nonetheless the industrial wage-labour metropolis continued to depend on, and thereby support, the forms of coerced labour that replaced slavery in the US South.

The third and final analytical point, although concerning complex and multi-faceted histories, will be made briefly. By and large, slavery and its successor forms of coerced labour were abolished as a consequence of resistance of the enslaved and indentured, on the one hand, and political and legal processes, often informed by the moralities of the day, on the other (Davis, 2006; Blackburn, 2013; Drescher, 2002, 2010; Fogel, 1994). However, at the outset, it should be noted just how long industrial capitalism was sustained by *and promoted* forms of coerced labour, from the middle of the eighteenth century until the 1920s, and in the US the 1940s. It is hard, in the light of this history, to make the argument that industrial capitalism is uniquely and exclusively characterised by an economically driven rise of free wage labour.

Famously, the slave revolution in Saint-Domingue in 1793 (James, 2001), by its very success, was a constant beacon of fear and uncertainty to the slaveholding powers in the Caribbean and the US. Likewise, the 1831 slave rebellion in Jamaica unsettled the plantocracy and its defence of slavery prior to the Emancipation Act of 1834 (Knight, 2000). If British colonial slavery was abolished by a Parliamentary legislative act, emancipation in the US was a consequence of the defeat of the South in the Civil War, and the subsequent legislative measures, however limited, of emancipation. Unquestionably, in both cases conceptions of human rights and the dignity of free labour constituted a fundamental challenge to the continuance of slavery. In both cases such views were developed and articulated by social and political movements over decades, eventually motivating what were *political* acts of abolition. Lecky's judgement in his 1869 *History of European Morals* that the Emancipation of 1834 was 'among the three or four perfectly virtuous acts in the history of nations' (cit. Davis, 2006, p. 249) obscures the moral double standards manifest in Britain's dependence on and support of slavery for the next thirty years in the US South, including arming and financing the Confederacy during the Civil War. Moreover, both British and American emancipation, as just shown, led not to freedom but to other forms of coerced labour.

The slow ending of the forced migration of indentured labour from India likewise, involved resistance by political movements, notably led by Gandhi in Natal from 1901 and on his return to India in 1915 by the Congress party. But resistance was combined with legislative initiatives passed in the Colonial Office and the Government of India, between 1917 and 1921. British Guyana abolished indenture in 1919, some 85 years after slave emancipation. By then, indenture had become politically and morally delegitimised, a view reinforced by Britain's reliance on Indian soldiers in the European battlefields of the First World War.

In the US, perhaps as the exception that proves the rule, there is a case that the end of sharecropping and debt peonage of African Americans came as a result, not of politics, but of technological progress and economic development, notably machines replacing human labour in cotton picking, only in the 1940s (Mann, 1987; Heinicke, 1999; Dattel, 2009). However, it could be argued that political disenfranchisement of the black population and racial segregation in the US South until the Civil Rights movement, enabled the persistence of these forms of coerced labour for so long. The absence of democratic political morality in the institutions of racism licensed extremes of economic power inequalities. In all the other cases, politics of resistance on one side and human rights on the other, rather than an economic logic of capitalism, led to the political institution of economies of 'free labour'.

Hybridity and heterogeneity of political economies of labour, sugar and cotton

One of the limitations of the prevailing discussion of capitalism and slavery is to consider capitalism as a singular, relatively internally consistent, system, even as a world system, and then to pose the question of whether and in what ways slavery may have contributed to *its* development. A change in optic is required. It has already been argued that the industrial revolution in the UK was sustained and developed in many diverse ways by modern forms of slavery and indentured labour, and, in turn, that it generated, innovated, and hugely expanded these diverse forms of coerced labour. In short, it is a hybridising phenomenon, rather than system formed with a singular defining characteristic, such as free wage labour. Considering the configurations of sugar and cotton, from production through to consumption, across their long histories, there were evolving combinations of chattel slavery, coerced metropolitan labour, indentured labour and free wage labour. Consumption of final goods was paid for (in significant part) by the wages of the metropolitan working class. New forms of market exchange, credit facilities and insurance markets established the critical connecting links between slave and wage labour economies. Significantly, the most extreme forms of coerced labour – chattel slavery and indentured labour, with their brutally forced transportations – occurred in the agricultural tropics, albeit with their 'factories in the fields'. Conversely, wage labour, whether coerced or free, occurred in the metropolitan industries. Their co-dependent growth reinforced this hybridity, with the expansion of slavery into the Deep South, for example, combining with the mechanisation and increase in the number of spindles and power looms in Lancashire. There was no dynamic driving the incursion of chattel slavery into metropolitan industry, or free wage labour into the plantations.

This perspective can be enlarged to consider ecologies of diverse economic configurations, interconnecting and mutually transformed and transforming over time, so avoiding UK-centrism, Euro-, Atlantico- or any other centrism. Thus, the abolition of the slave trade shifted the Caribbean sugar axis from Afro-Atlantic to one that included the Indian subcontinent. But, with this decentred optic, perhaps the most significant ecology to consider is the one that connects the internal dynamics of slavery and its transformations within Africa, to both the Atlantic Middle Passage trade in slaves and the trade in slaves to the Mediterranean and the Ottoman Empire. Lovejoy has argued for such a shift in optic, demonstrating how, from 1600 to the late nineteenth century, profound transformations of slavery within Africa were themselves transformed by the Atlantic slave trade *and* its abolition. Thus, even before the Atlantic trade, there had been war raiding, tribute exaction and enslavement on a widespread scale within Africa, and many states could be characterised by having a slave-economy formation. Although different in many critical respects to the Atlantic chattel slavery and the engagement of slaves in plantation economies discussed above, slaves were employed as soldiers, concubines and domestic workers, but also significantly in agricultural production, mining, craft production and trading of slave-produced goods for markets extended by distant trade routes. From the sixteenth century, jihadi enslavement of non-Muslims was significant in the supply of slaves to the Mediterranean basin, including Renaissance Italy, as well as the Ottoman Empire (Davis, 2006). Even for the Atlantic trade, up to 40 per cent of all slaves prior to Abolition were delivered by a transformed and amplified Muslim-jihadi network of enslavers and slave traders (Lovejoy, 2012). A key and persistent feature of this 'hybridity' was the division between the enslavement by raids and warfare, endemic within Africa on a smaller scale, and the trans-shipment, markets and production systems of the enslaved. With very rare exceptions, European slave traders never engaged in the process of enslavement within Africa. It was a forged connection between a nascent process of European colonisation of the Americas requiring new sources of labour, and pre-existing forms of political and economic organisation (and disorganisation) within Africa. The new configuration was hybrid, therefore, because it brought into connection economies, cultures and polities that remained radically different, with different dynamics, even in their new and mutually transforming interdependence.

Finally, in the period following the British abolition of the slave trade in 1807, although the supply of slaves to Brazil and Cuba continued on a major scale to the end of the nineteenth century, the internal trade and economic production of and by slaves within Africa witnessed a massive expansion. Indeed, the Caliphate of Sokoto with its twin capital of Gwandu had a slave population equivalent to Brazil and Cuba combined, and the sub-Saharan Muslim states as a whole employed in the region of 4 million slaves, equivalent to the US, by the mid- to late nineteenth century. Lovejoy (2012, 2016a, 2016b) argues that, once severed from the Atlantic trade, and yet emergent from, and marked by, its preceding history, a revolutionary change occurred with new Islamic state formation based on mass slave craft production for external markets, for textiles, metal, leatherware, as well as slave agricultural products. West Coast Africa too developed substantial slave economies, notably producing palm oil for the European market, as a response to the loss of the Atlantic trade. It was a new route connecting European wage-consumers to African slavery. Perhaps the most startling of these new and emergent hybridities was exemplified by the model workforce and its housing of the Lever Brothers' paternalism at Port Sunlight on Merseyside near Liverpool. They produced soap with which to cleanse and moralise the British industrial proletariat. But the soap was made from palm oil produced by slave plantations in the Congo and West Africa from the early nineteenth century, an element of the so-called 'legitimate trade' (Lynn, 2002; Lewis, 2008; Lovejoy, 2012). A squeaky soap-cleansed British working class, a model wage workforce, African slavery: one configuration.

As already noted, a similar perspective informs the analysis of the trade in Indian indentured labour. Allen in particular suggests that the forced transport of 1.5 million Indians to work on plantations across the world can be understood only in the context of the prevalence of trading and forced migration of various forms of bonded labour, including Chinese 'coolies', to Sri Lanka and across the Indian Ocean *prior* to the new demand for labour following the British Abolition of the slave trade (Allen, 2008, 2012, 2014). As with the Caribbean, the competition, military and political, between the British and the French conditioned the transformations and upscaling of Indian indenture. The French, having lost Mauritius in 1810, nonetheless continued to ship Indian indentured labour to the island of Réunion, and, as we have seen, Mauritius then became for the British a new centre of sugar plantation production, complementary to the Caribbean.

Of course, the transformative role of the British industrial revolution and its dominant imperial military and political power entailed the subordination of disparate economies to its economic development. These ecologies of diverse political economies were not ecologies of equal partners. Yet, there was no singular global model, but a constant reconfiguration of connections between political economies, both transformative and transformed by their mutual interactions and interdependencies. Moreover, one limitation of this chapter has been to treat ecologies that always include the British industrial revolution in its population of economies at its core. A whole new range of connections between varieties of slavery, forced labour, free wage labour and industrial capitalism, would be opened up if one adopted North

America or another European industrialising country as a perspectival vantage point.

Countering the epistemological suppression and containment of slavery

If economies are placed in their historically evolving ecologies, their mutually transformative-transformed interdependencies, it can no longer be theoretically adequate to construct a closed model of capitalism uniquely defined by workforces characterised by 'free' wage labour. That is what Marx did in *Capital*, and he was, and is, not alone. Given that, for almost two centuries of its development, industrial capitalism generated first the massive expansion of a modern, capitalist, form of slavery, and then induced new forms of coerced labour, forced migration, sharecropping and debt peonage, this chapter has attempted to counter what amounts to an epistemological suppression of realities which were hardly hidden, invisible or, indeed, 'out of the news'. What follow are some reflections on what lies behind both the epistemological suppression of slavery and coerced labour, and also its containment by disciplinary boundaries, scholarly nationalisms and even the construction of 'slave studies'. Needless to say, there are many scholars, some discussed in this chapter, who engage in breaking boundaries, transgressing containments.

First Marx. For someone dedicated to understanding the nature of exploitation in emergent industrial capitalism, it is deeply puzzling why, in spite of his awareness of slavery, he so totally marginalised it from his analysis. As remarked in MEAB, it was not because he considered slavery in the US as backward, non-capitalist or pre-capitalist. However, in the scattered references to slavery, he clearly struggled conceptually to integrate slavery into his overall analysis. In one formulation in *Theories of Surplus Value*, he argues that American slavery was part of the capitalist mode of production 'only in a formal sense, since the slavery of Negroes precludes free wage-labour, which is the basis of capitalist production. But the business in which slaves are used is conducted by *capitalists*' (Marx, 1969, pp. 302–3). In *Capital*, likewise, he speaks of the capitalist mode of production as being merely 'grafted on to the barbaric horrors of slavery' (Marx, 1965, p. 236), with the consequence that their work regimes become so severe as to reduce their working lives to 7 years, under the cosh of producing profits for cotton production directed at international markets. Nor was Marx's dismissal of slavery as an anomaly within capitalism an intellectual one without political consequences for struggles within capitalism, since, as he famously wrote, 'Labour cannot emancipate itself in the white skin where in the black it is branded' (Marx, 1965, p. 301). Perhaps this tension within Marx is hardly surprising. As Drescher (2002) has demonstrated, and the quotation from Smith also indicates, the thinkers inhabiting the world of emergent industrial capitalism considered the epochal transformation of the 'great divergence' as one whose most significant novelty was the engagement of wage labour (however coerced or 'free') in factories on an unprecedented scale. It was, after all, a new mode of production and consumption. There was a widespread assumption that an economic system engaging free-wage labour would, in its economic superiority, displace any other. In that context, Marx, in a pioneering way for the future of economics, formalised a self-contained model of *Capital*. In so doing, the flows of money through wages, capital, and sale and purchase of commodities, generated the central contradictions of capitalism, with crises of overproduction and underconsumption arising from the decline in purchasing power of aggregate wages relative to the value of commodities produced, under conditions of the increasing capital value of the means of production. The crises of the model are predicated on the foundational assumption of the closed circuits of wages-capital-commodity exchanges. They are crises generated from within the economy, in which the only constraints and compulsions are economic. In order to execute this abstraction, it is worth listening to the language of the closure of the economy on itself which was entailed in forming the closed-circuit economy:

> It [labour] is not raw-material, not instrument of labour, not-raw-product: labour as separated from all means and objects of labour, from its entire objectivity. This living labour, existing as an *abstraction* from these moments of its actual reality.

And then, this is immediately linked to the condition under which labour enters into the economy of capitalism:

> 'Labour as *absolute poverty*: poverty not as shortage, but as total exclusion of objective wealth' (Marx, 1973, pp. 295–6).

In turn, this can be directly counterposed to his understanding of production based on slavery, in which the slave population 'satisfies the greatest part of its needs directly by its labour'. And then the contrast to wage labour:

> The slave does not come into consideration as *engaged in exchange* at all. But in production based on capital, consumption is mediated at all points by exchange, and labour never has *direct* use value for those who are working. Its entire basis is labour as exchange value and as the creation of exchange value. (Marx, 1973, p. 419)

For Marx, therefore, wage labour is constituted entirely from within economic relations. By contrast, in slavery,

> wealth confronts direct forced labour not as capital, but rather as a *relation of domination*; thus the relation of domination is the only thing which is reproduced … and which can therefore never create *general industriousness*. (Marx, 1973, p. 326)

So, critically, the closure of the economy under capitalism into a regime exclusively of exchanges is directly linked to a second operation of abstraction: the abstraction of the economy from uses of power and coercion beyond the wage-dependency of absolute poverty and monetary incentives. It is a closure of the economy, and of capitalism, in upon itself, not only from its own polity but also from the hybrid and heterogeneous ecologies of economies within which it developed. Law and physical coercion, as extra economic, are epistemologically excluded from an account of the capitalist exchange economy of labour.[3] Yet, as analysed in the previous chapter, in the very formation of industrial wage labour, coercion, imprisonment and forced labour developed with new legal instruments, until the abolition of the Masters and Servants Act in 1875. By breaking out of this double closure, and by comprehending economies as politically, legally or coercively instituted, many other forms of engagement of labour appear possible and

3 To be sure, Marx fully recognised the role of law, and indeed political struggles, over the length of the working day, limitations on child labour, factory legislation and so on, but not as constitutive conditions of what makes a capitalist wage-labour economy capitalist.

economically consistent with forms of capitalist exploitation, including slavery, concentration camps, indentured labour, debt peonage and the many varieties of coerced labour, legally sanctioned and illegal, in the global supply chains and societies of today (O'Connell Davidson, 2015; Bales, 2012, 2016).

At this point, it is worth briefly reversing perspectives: would the New World economies based on slave labour have the potential to become self-contained, self-reproducing systems? Slaves, in general, were largely self-subsistent from their household plots, and, in general, did not receive wages to purchase commodities. Pretty well all demand was external. Yet, in the world of hybridity, and in their very connection with industrial wage-labour capitalism, plantation economies not only thrived but dynamically grew in lock-step with it, as did indentured labour subsequently. Theoretically, there is no underconsumption issue once a closed-system assumption of a model economy is discarded – either way, between capitalist wage-labour economies and capitalist slave labour systems and vice versa. And, fast-forwarding to the contemporary world and its ecologies of hybridity and heterogeneity, a kaleidoscope of connections link near-slavery conditions of mining in Brazil with supplying iron ore to China, and labour regimes of Foxconn in China with half the iPhone purchasers of the world.

In closing these reflections on Marx's epistemological suppression of slavery, it cannot be emphasised enough that there is a persistent tension and conceptual conflict evident in his remarks about slavery. No doubt connected to his opposition, moral and political, to all forms of exploitation, slavery has a lurking presence in his work, suppressed but not erased. In neo-classical economics, with its implicit endorsement of the rationality and equity of capitalist economies, the suppression is absolute, and slavery disappears even from the margins. Individual choice theory of marginal utility preferences, game theory, behavioural and experimental economics exclude even the possibility of slavery and other forms of coercion. A suppression from a history that made the modern world, a blinkered exclusion from sight in the world we now inhabit.

In the contemporary boundary-making involved in the disciplining of knowledge, there are further important examples of the processes of epistemological suppression and containment of slavery and coerced labour. They break the configurational connections and transitional continuities highlighted in this chapter. Major historical accounts of

British industrial revolution are a case in point, and, in making these reflections, it is being suggested only that slavery is not given due weight, in some cases marginalised to a vanishing point, and not that it should be at the centre of all the analysis. In his otherwise powerful and illuminating account, Mokyr conceived of the industrial revolution as *The Enlightened Economy* (Mokyr, 2009) and confines slavery to a couple of paragraphs, and an odd sentence here and there, in a work of some five hundred pages. Summarily dismissing the Williams thesis, he does briefly acknowledge the importance of US slavery to the cotton industry (Mokyr, 2009, p. 162), but then, identifying much slavery with mercantilism, baldly asserts that 'mercantilism and the Enlightenment were in the long run incompatible' (Mokyr, 2009, p. 163). In similar style, he gives his game away when accounting, in one sentence, for the Abolition (1807) and Emancipation (1834) of British slaves, and argues that 'certain property rights were deemed to be incompatible with Enlightenment notions.' (Mokyr, 2009, p. 418). It seems more plausible that the phenomenon and growth of slavery in conjunction with the industrial revolution was incompatible with Mokyr's conception of the Enlightened Economy.

Allen's (2009) analysis of the distinctive comparative advantage of Britain as the locus of the industrial revolution, in particular being endowed the right kind of coal, in the right place, and at the right price, provides an invaluable counterpart to views, such as Beckert's, that almost suggest that the whole of capitalism revolved around cotton and textiles. A raft of the major technological innovations (the spinning jenny, the steam engine, Arkwright's mule, coke smelting etc.) epitomising the industrial revolution, and linked to coal, first as a domestic then as an industrial, fuel, provide a counter-balance to any analysis giving a dominant and overarching place to the great divergence expansion of colonialisation and slavery in the New World. That said, for Allen, 'Cotton was the wonder industry of the Industrial Revolution' (Allen, 2009, p. 182), yet only the slave trade gets a single mention, and slave production of cotton is absented, not just absent, from his account of the industrial revolution. This epistemological suppression is tellingly manifest in the sole reference to one of the most significant technological innovations, Eli Whitney's cotton gin, which had the effect of altering the international division of labour from wage workers picking out cotton seeds manually in England to slaves working gins in the Southern States (Bailey, 1994, see above).

Allen's account is indeed of the *British* industrial revolution, made in Britain. This suggest an epistemological disciplining of history, a kind of territorial nationalism, which is also reflected in the prestigious institution of knowledge, the *Cambridge Economic History of Modern Britain, Volume 1* (Floud and Johnson, 2004). In this 'official' history of the industrial revolution, slavery scarcely has a mention, and there is no developed analysis of its significance. This is the case in spite of the contributions by two major contributors to slave studies and the development of the Williams thesis (Engerman, Hudson), suggesting that this particular suppression is indeed an institutional effect, rather than one of individual scholars' orientations, knowledge or interests.

Slave studies, by contrast, exhibit the obverse face of the suppression of slavery from accounts of the British industrial revolution, a face which can be deemed more epistemological containment than suppression. It involves several features of knowledge compartmentalisation: Caribbean slavery or US slavery specialists, a kind of knowledge territorialism; slave production systems disconnected from their place in the wider ecology of economies; slave production systems disconnected from their post-slavery transitions and coerced labour successors. Classics like Fogel's account of the rise and fall of American slavery, briefly mentioning the growth of the American textile industry, attribute little or no significance to the industrial revolution and commodity consumption occurring across the Atlantic (Fogel, 1994). Slave plantation systems are studied in and of themselves, in spite of the fact that their very existence and growth depended on the links that connected slave production through to end market consumption predicated increasingly on wage labour. Tomich, while placing his work with respect to Wallerstein's World Systems theory, promotes a concept of the 'second slavery' of which the expansion and migration of slaves to the Deep South is a primary example, by disconnecting it from both its predecessors in the French and British Caribbean, and its successor in post-Civil War United States (Tomich, 2004, pp. 65–7). Yet, as argued above, the continuities in financing, marketing and capitalisation, symbolised by the Liverpool Cotton Exchange and the British engagement with the slave expansion in the US South and the Confederacy, point to a long-duration and interconnected trajectory of industrial growth linking wage labour transformations in Britain with slavery and sharecropping in the Caribbean and America.

There is a certain self-reinforcing complementarity between the epistemological suppression of slavery in accounts of the British industrial revolution and the containments of slavery in territorial or temporal framings across the Atlantic. Suppression on one side of the epistemological boundary is matched by containment on the other, so securing the boundary from both sides. From Mintz to Beckert, there are also of course also boundary breakers and transgressors. Yet, by not exploring the connections and transitions, the hybridities and interdependent heterogeneities, the dynamic links between the growth of politically instituted 'free wage labour' (Chapter 4), slavery and other forms of coerced labour, are broken.

The growth of industrial capitalism in the North of North America and in northern Europe mobilised millions of workers in a combined and interdependent growth of slavery and wage labour, succeeded by new combinations and geographical displacements with other forms of coerced labour. The analysis developed here accords slavery, indentured labour, and other forms of coerced labour whose significance stretched well into the twentieth century, a central place in this long-duration trajectory. By taking the perspective of production through to end consumption, whether for labour, sugar, cotton – or indeed other commodities incorporated into the international market sphere – connections vital to any explanation of the great divergence are forged. The Williams thesis of what slavery did for capitalism is expanded by analysing what capitalism did for slavery and indentured labour, the interdiction, forced displacement and exploitation of millions of people across the globe. A multiplicity of crimes against humanity.

Taking a long-duration approach, transitions and reconfigurations explore the different continuities and discontinuities, geographical shifts, which together contributed to the epochal transformation of economies across the globe. Decentring from Britain and Northern European countries, the phenomena of slavery and indentured labour are seen as a process of hybridisation, linking dynamic developments of slave societies in Africa or bonded labour economies in the Indian subcontinent and South–East Asia with the transformations of industrialisation. Escaping from a closed-circuit view of abstract economic models, the interconnections within ecologies of societal economies are seen as mutually transformative, amplifying processes within disparate and heterogeneous societies, economies and cultures. The Atlantic slave trade of the Middle Passage was both a precedent and a conditioning context for the emergence of the Sokoto Caliphate, one of the biggest slave social formations of the nineteenth century.

Finally, whether in the last chapter exploring the slow emergence of the legal form of 'free labour', or, in this chapter, the movements to abolish slavery or indentured labour, a central role is accorded to resistance movements, the state and politics. There was no exclusively economic logic of capitalism that drove in free labour and drove out all forms of coerced labour. Quite the contrary, politics and state power drove them in, and new moralities and resistances, developments of political representation and human rights, drove them out.

And, in the twenty-first century we inhabit a world dominated by free labour, property regimes, fiscal and legal systems, that, in various ways generate new extremes of unjust distribution of the wealth created by labour in all its many forms. The long revolution for justice and equity has a barbaric past and an unfinished future.

6

The Long Road to Democratic Egalitarianism

The idea for this book, shared with Norman Geras, was to go beyond Marx while addressing the fundamental issues of the generation of inequalities in society, and not merely the brute factuality of extreme inequalities but *unjust or illegitimate* inequalities. Norman had already convincingly argued that Marx's concept of exploitation was more than an analysis of the production of surplus value by labour and its appropriation by owners of capital. The concept contains its own moral judgement of illegitimacy. Exploitation of one individual by another, one class by another, one gender by another, one race by another, is unjust. As we said in MEAB, who has what rights to all the wealth produced by labour, including those who by age or infirmity may be unable to work, involves notions of distributional justice.

If Norman had lived to fulfil our ambition to write this book jointly, no doubt his reflections on the moral dimensions of coerced wage labour and slavery would have provided a much richer moral philosophical dimension to the analysis. Nonetheless, by analysing the inequalities of wealth and power in the manner we have done, they are exposed and thereby delegitimised. By showing how economies of labour are instituted, whether by the relatively soft powers of law and fiscal regimes or by the brute force of military power, enslavement and physical coercion in production, the economy can no longer be perceived as a separate sphere, with its own depoliticised, morally neutralised, laws. One of the purposes of the historical chapters on what makes people work for wages and on slave and indentured labour was to show first how these economies of labour were politically, legally, and fiscally instituted, but, just as important, how they were then transformed by political movements and actions imbued with moral concepts and purpose, whether for the decriminalisation of employment contracts or the emancipation of slaves and indentured labour. The abstraction of the economy, the conceptual process of making it appear as if working outside of laws of property, contract, standards, and without states altering prices by imposing taxes for whatever state expenditures, can lead to its reification. And, as we argued earlier, reification leads to a kind of fetishistic worship of the economy, with its quasi-naturalistic laws, in relation to which states are external and interfere at their peril. It is a backhanded way of defending an economic status quo of extreme inequalities as if they were not the consequence of political processes that institute property regimes and rights of a certain kind, but an unintended consequence of the way the economy works.

This book has placed labour at the centre of its analysis: how it is produced and reproduced; how and what is exchanged; how it is distributed (urbanisation or forced global migration or displacement); how it is used (consumed) in production; and how, in turn, the wage is used to purchase market goods for consumption. We share with Marx the view that labour, in all its varieties, is the creator of societal wealth whether in market or in non-market forms. Yet in MEAB, a root and branch critique of Marx's Labour Theory of Value was undertaken with a view to developing the analytical tools for understanding the multiple divisions in rights to societal wealth. Epistemologically, the historical standpoints of today's radically transformed economies and polities provide vantage points which demand radically transformed analyses. To think otherwise amounts to a form of denial.

The significance of knowledge and of knowledge-bearers in production; the emergence and then extensions of mass education to develop and reproduce knowledge and skills; the social divisions stemming from selective educational systems and then intersecting with the asymmetries of power in exchange within labour markets, all challenge Marx's account of capitalism. The existence and development of knowledge as a collective and public good, much of it residing outside marketisation and intellectual property rights, freely shared, was already a phenomenon in the nineteenth century and before, but grew on an unparalleled scale during the nineteenth century. It was critical to capitalist development before, during and after the industrial revolution, and is not, as Mason suggests, only of crucial significance in the internet age with digital technological sharing and copying (Mason, 2016). As argued in MEAB, while the knowledge of knowledge-bearers is essential to capitalist commodity production, its reproduction, development, and use in production breaks the closed-circuit commodity-capital-money conceptualisation of the economy. Capitalisms are multi-modal, in many ways, historically changing, and societally variable. In production, it is used but not used-up; it is not replenished by purchasing a basket of commodities 'socially necessary' for the maintenance of labour-capacities; it is reproduced through a multiplicity of non-market channels, domestic, educational and informal social interactions; much of it is a collective public good. It is a 'means of production', yet is owned neither by individual knowledge-bearers as private property nor by capitalists when hiring their knowledge-bearing workers.

Consequently, the classic dichotomy of owners of the means of production versus workers with nothing but their labour to sell fails to grasp how asymmetries of power in exchange between capital and labour are conditioned by the dynamic dependencies between the capital-asset means of production of capitalists and the knowledge means of production of workers. And this goes to the core of Marx's 'relations of production'. Class is not the only division. The 'nothing' but one's labour to sell is not nothing. The divisions between those with more and those with less knowledge, those with specialised work-functional knowledge and generalised knowledge, those with individually distinctive skills and those with generic skills, are formed outside the commodity circuit. Moreover, these societal divisions of knowledge vary from country to country, and over time, notably with the progressive extension up to a given age of the right to universal education, and its financial support. There is always a cut-off, albeit shifting, between those who have a right to this resource up to a certain age, and those who have more. At one historical period, in the United Kingdom, it was deemed that only certain children had the ability and inclination to be educated beyond the age of 11, or that 'the economy' only needed, or could afford to provide for, higher general levels of education. Then it was 14 years old, then 16, then … Political decisions have continuously been shifting the age at which the cut-off point is set. They both delimit entry into, and hence the potential size of, the labour force and politically institute a division between those now compelled to sell their labour and those with further rights to the public resource of education. These deep societal divisions then combine with other dimensions of asymmetries of power in the wage exchange (gender, ethnicity, migration) to create the systemic inequalities to rights over commodity resources inherent in wage hierarchies.

The multi-modality of capitalist political economies is one of the critical ways in which the market economy cannot be abstracted out, with its own internal dynamics, in order to understand the systemic generation of inequalities. In MEAB and then in the *Note on Profit*, relations of power over resources in production were linked with relations of power in exchange. In MEAB, the analysis focused on the (re)production, exchange and use of labour, and this was then complemented by the analysis of the generation and appropriation of value in production, and the purchase of commodities by the wages of labour. The asymmetries of power in exchange in the first case concerned the sale of labour to capitalist employers; and in the second case the asymmetries of power between sellers of commodities and consumers. In both cases, the social organisation of the parties to the exchange, whether as capitalists, workers or consumers was argued to be critical to the generation of a potential for profit and then its realisation in the market. Overall, this analysis of capital and profit as a major source of inequalities integrates the power relations of production with those of exchange, in contrast to Marx's one-sided analysis of relations of production, or contemporary mainstream economists' equally one-sided analysis of market rents. Exploitation is not of the worker *or* consumer, but of the worker-consumer, first producing quality distinction goods in the market and then paying the price of profit in the shopping bag. The wage, as a consequence of systemic asymmetries of power in exchange, amplified by gender, racialisation and educational disadvantage, does not secure a just distribution of societal market wealth. Rather, the wage is a vehicle for creating inequalities between owners of capital and wage earners on the one hand and the hierarchies of wage inequality dividing wage earners on the other, with a super-salariat at the top and twenty-first century zero-hours contracts at the bottom.

MEAB and the *Note on Profit* provided some conceptual tools for the analysis of historically changing and societally varying generation of inequalities. Then, a substantive analysis was undertaken of how the exchange relation between capital and labour was politically, legally and fiscally instituted in the United Kingdom, at the very heart of emergent industrial capitalism, over the long duration between the late eighteenth century and the mid-twentieth century. The argument was made that this exchange relation changed beyond recognition over this period across its many dimensions: how labour was sold, at what price, under what constraints to perform in production, under what asymmetries of power and under what organisation of capital enterprises. By inference, this entailed evolving and varied ways of how profits were made. Contrary to widely held assumptions, new forms of coercion and criminalisation were developed during the middle of the nineteenth century, instruments for making people work for wages which endured to the last decades of the nineteenth century. There was the threat of the workhouse to force the able-bodied to seek work and confinement in houses of correction to enforce the wage contract once in work, both equipped with treadmills. A form of zero-hours contract far more punitive than its current successors not only failed to guarantee levels of hours or earnings under a contract, but criminally penalised termination of contracts of long duration. Moreover, a form of minimally 'free' labour arising from the decriminalisation of wage contracts and the dismantling of the workhouse emerged in large part as a consequence of political pressures from the labour movement and the extension of the suffrage to the upper layers of skilled workers, rather than from any purely economic dynamic inherent in capitalist production systems.

Only during the early decades of the twentieth century did an institution of waged employment become generalised to cover the whole range of occupations, manual and non-manual, in distinction to working for oneself. Co-evolving with this transformation, the wage became the central fiscal handle for generating state revenues. Income tax, national insurance and sales tax (VAT) pivoted on the wage, as a condition for the educational reproduction of labour, and for the new distinction between unemployment and retirement, as framing conditions for the exchange between capital and labour in the UK. The price of labour was transformed beyond recognition in a developing, and distinctively British, multi-modal political economy. Wages no longer just paid for commodities in a closed-circuit system of exchange and reproduction of labour-power.

In parallel to the new forms of coerced wage labour developing in metropolitan Britain during the nineteenth century, the industrial revolution not only benefited from, and developed with, modern capitalist forms of slavery in its own colonies but drove the massive expansion of slavery in the Deep South of the United States. Without the symbiotic link between finance capital, industrial textile manufacture and commodities markets, plantation slavery could never have emerged and then grown on such a global scale. In different trajectories for sugar and cotton, on emancipation, the thriving plantation economies replaced their labour forces not with 'free wage labour' but either with indentured labour, largely from India, or with debt peonage linked to sharecropping. Indentured labour entailed the migration and long-term contract bondage of nearly one and a half million Indians. With the significant exception of Jamaica amongst British slave plantations, slavery was abolished as a consequence not of economic failure but of resistance and political emancipation, whether in the Caribbean or Deep South America. The same was the case for indentured labour, with Gandhi and Congress leading the political movement to end this economic barbarism.

There are many different ways in which capitalist enterprises can turn a profit, whether from coerced labour in mid-nineteenth-century Britain, slavery in the New World, indenture or debt peonage. There is no natural economic affinity between free wage labour and capitalism. Indeed, it was the very hybridity, openness and heterogeneity of capital and profits flowing and combining across different labour regimes that brought about the 'great transformation'. To this day, global supply chains mobilise labour that ranges from extreme forms of slavery, through debt bondage, forced child labour, to highly insecure and vulnerable wage labour, in which the more regulated labour economies of the advanced and wealthier societies contribute a portion of varying significance. The smart phone can combine slave labour mining the key metal, coltan, in the Congo, with market socialist Chinese labour regimes, and a high-tech Silicon Valley salariat – with profits and capital ownership appropriated and concentrated within advanced-economy property regimes. Economies are not closed, single-model systems, abstracted from law and the exercise of coercive force.

This historical perspective on economic power and inequality, processes of political institution of labour and property regimes, resistance and emancipation, requires a radically different analysis of what constitutes the economy, from that both of Marx and, even more so, of mainstream, even institutional, contemporary economics. More radically historical and socio-spatial, it argues that new processes of generating inequality, over both market commodity resources and public resources, change radically over time, and differ from one country to another. The underlying processes by which profits are made in twenty-first-century Britain are radically different from the wage-slavery industrial combination of the mid-nineteenth century, in part because of legal, fiscal and political institutions conditioning the exchange between labour and capital. As just argued, the same radical differences in profit-making processes are manifest across the socio-political spaces of global supply chains, whether for high-tech commodities or for food and clothing.

Despite a significant degree of political democracy in advanced economies, however, it is now clear that regimes of property, company, contract, employment law are constitutive of systemic and illegitimate levels of inequality, and unjust distribution of wealth. Rights of inheritance combine with profit generation and appropriation, and with powers of self-reward by the managerial elite. There is no plausible justification, either moral or economic, for the levels of concentration of wealth of the top 10 per cent, let alone the top one per cent, where super-salaries of CEOs are combined with even higher income from their capital assets. No one is worth 243 times more than a person they employ, the current ratio of CEO to employee pay (Stiglitz, 2012). In contemporary Britain, 30 per cent of the population, or 19 million people, fall below the Minimum Income Standard (Rowntree Foundation, 2017), in part because the state subsidies of wages through tax credits, the modern form of Speenhamland, have been cut in real terms. In advanced, indeed 'welfare', economies, the top 10 per cent own between 62 per cent and 72 per cent of all market wealth, as against the 2–4 per cent owned by the bottom 50 per cent (Piketty, 2014). Bald facts, stark injustice.

This book limits itself to diagnosis, rather than cure. The potentially transformative social forces, so evident to Marx and Marxists as a liberating proletariat, are hard to identify at this historical conjuncture. The 'We are the 99 per cent' is woefully inadequate, given no more than the facts just stated. Indeed, it would run against the whole grain of the diagnosis developed here to imagine a single pathway, singing to the same revolutionary song-sheet, applicable to all contemporary societies. The immodest claim being made is that the diagnosis of processes generating inequality is both more radical and broader than that of Marx, and certainly than that of those who attribute inequality principally to inheritance or market monopoly positions, however significant these undoubtedly are.

As discussed above, there is a threefold shift of perspective from Marx. First, profit generation and appropriation in production are inherently combined with asymmetries of power in exchange, between capital (e.g.

manufacturers) and capital (e.g. retailers), capital and labour, and capital and consumer. Second, there is the critical intersection between rights to public and private resources, notably through the societal divisions of knowledge and its reproduction. Third, and running throughout the analysis, there is a critique of the abstract economy. Economic processes and organisation – notably in the case of the exchange between capital and labour – are instituted legally and fiscally, through political processes. In the topic given particular attention in this book, exchanges are legal contracts, and legal contracts define what is exchanged and how. Laws of property, company law, combination laws relating to trades unions, educational laws affecting age of entry into the labour market, retirement laws affecting the age of exit … institute economic processes that are involved in the generation of inequalities. Moreover, in this analysis, laws and their transformation have their own distinctive developmental trajectories, co-evolving with fiscal instruments that attach themselves to economic transactions. Frictions between economic, legal and fiscal institutions constantly emerge, to impel further transformations of economic processes and organisation.

The economic division between wage labour and capital is at once both legal and political. So are the asymmetries of power in exchange. Once instituted, economic processes then take on their own specific dynamic, notably in generating inequalities on the extreme scale just discussed. Such consequences can be mitigated to an extent by regulatory adjustments, both legal and fiscal, such as inheritance taxes, progressive income taxation, employment rights or educational expansion. But they remain just that, regulatory adjustments which, as all the evidence presented and referred to in this book suggests, have done little to modify the fundamentals of capitalist property and public resource regimes, whether those of the US, Scandinavia, continental Europe or the UK.

The critique of the abstracted economy developed throughout this book has an important political consequence. Capitalist property and public resource regimes, being legally and fiscally instituted, are legitimated by the political processes that make laws and taxes. In the long-duration perspective, we have seen how slavery was legitimated by slave codes constructing differences between slaves and servants. Laws instituted rights of what could be done to slaves in terms of punishment, sale or coercion in production, so defining property rights over slaves that distinguished them from servants. But subsequently what was once legitimated by the whole paraphernalia of the state was delegitimated, resulting in emancipation. Likewise, the criminalisation of wage labour, the institutions of the houses of correction and workhouses, legitimated forced labour and confinement during the central decades of nineteenth-century Britain. But, politically it was then delegitimated, and new regimes were put in place. Today, there is a widespread recognition that the extremes of inequality generated by contemporary capitalist property and public resource regimes are hard to reconcile with any standards of distributional justice. There is a tension between conceptions of political democratic equality and economic inequalities. An equal political right to vote and universal suffrage have led only to a further instituting of extremely unequal economic rights over societal resources.

This book is a contribution to that process of deligitimation in its diagnosis of the dynamics of inequality, as a necessary condition for political change. The sources of resource inequalities lie in economic power inequalities as they have been politically instituted. The diagnosis points to both the depth and the range of change required to lead to new futures of distributional justice. Transformational politics needs to address asymmetries of economic power of the doubly exploited worker-consumer, intersecting with gender, ethnicity and educational divisions. It implies a vision of a democratic egalitarianism of the citizen, not just the worker. Delegitimation of current regimes of inequality is one step on the way to political transformation, a long road involving imagining of new forms of social ownership and political processes. Democratising the economy is a challenge equally to polity and economy, and their contemporary co-constitution of injustice over societal wealth and well-being.

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