

Sociology 621
Lecture 3
September 14, 2011

The Critique of Capitalism

Leftover from last lecture

4.3 An ambiguity in the analysis: From profits to Capital accumulation

Now, so far all that we have shown is that where you have competitive markets and capital/labor class relations, there will be pressures on firms to innovate in order to survive. Capitalist firms need net profits – i.e. a surplus after all existing expenses are paid -- in order to innovate. But this is not yet sufficient to explain the relentless drive to accumulate capital. What is it that forces firms not merely to make profits and use them to stay competitive, but actually forces them to accumulate capital – to grow, to produce more and more, to expand?

Harvey gives what I think is not a very compelling answer:

Why do capitalists reinvest in expansion rather than consume away their profits in pleasures? This is where ‘the coercive laws of competition’ play a decisive role. If I, as a capitalist, do not reinvest in expansion and a rival does, then after a while I am likely to be driven out of business. I need to protect and expand my market share. I have to reinvest to stay a capitalist. This assumes, however, the existence of a competitive environment, which requires that we also explain how competition is perpetuated in the face of tendencies towards monopolisation or other social or customary barriers to competitive behaviour. I will return to this problem shortly.

There is, however, another motivation to reinvest. Money is a form of social power that can be appropriated by private persons. Furthermore, it is a form of social power that has no inherent limit.

The first sentence here is not exhaustive of possibilities: in response to competition firms could reinforce in innovation and productivity without investing in expansion. If a rival invests in expansion and you don’t this will NOT drive you out of business unless by virtue of expansion the costs of your rival are lower. It doesn’t matter if your market share declines; you can perfectly well stay in business so long as the growth of your rivals has the result of expanding the size of the market. So, why does competition not merely force a profit maximizing logic on firms, but a growth logic on individual firms as well? Why does it generate an endless accumulation of capital?

There are three explanations that I know of for the growth dynamic – for why the endless accumulation of capital is a characteristic of capitalism rather than simply profit-seeking:

- Economies of scale

- Aggregate political and economic instability from lack of growth
- Motivations of capitalists, rather than structural imperatives

1) There is, as far as I know, only one compelling explanation for a structural imperative at the level of individual capitalist firms for a growth dynamic (rather than just the profit dynamic): the only reason why growth is an *imperative* for individual units of capital is because economies of scale for various reasons in many sectors and for many dimensions of production. This indeed does mean if you stay small then your costs become stably higher. Economies of scale include things like the costs of credit, and large purchases, as well as technological issues like fixed infrastructure costs of production can make small firms more expensive. Economies of scale also include the ways in which big corporations can bully suppliers, like the way Wal-Mart behaves: the power of large corporations to control the market does generate an imperative for accumulating power.

2) There is a second kind of explanation for the growth dynamic of capitalism, but this one does not make this growth dynamic an outcome of the micro-level imperatives of capitalists to continually invest in expansion. A no growth capitalism becomes politically much less stable. Competition takes on a more intense zero-sum character. This means that collective actors have a stake in trying to create conditions for growth, even if this is not imperative for individual firms. This is the Keynesian logic for growth.

3) Capitalist motivations for power. This is the other argument that Harvey makes: “There is, however, another motivation to reinvest. Money is a form of social power that can be appropriated by private persons. Furthermore, it is a form of social power that has no inherent limit.”

The Critique of Capitalism

There are two distinct, but interconnected, ways in which the critique of capitalism can be framed:

- Capitalism generates *harms* of various sorts.
- Capitalism generates *injustices*.

Of course, one would not care so much about an injustice unless it was also associated with a significant harm, but still these are distinct problems for two reasons.

First, in some conceptions of social justice it is possible to recognize that a social arrangement generates harms without it also being unjust. Many libertarians, for example, insist that strong property rights connected to free markets are just, and nevertheless acknowledge that there are people who lose out and suffer in a free market for no fault of their own. One can argue that national borders and citizenship rules are just, and still admit that this imposes harms on people that excluded by these rules. Identifying the harms generated by capitalism, therefore, can be done without resolving the difficult philosophical problems of justice.

Second, there are some harms that are not easily framed as injustices – or, at least, framing them as an injustice does not add anything to the critique. For example, one of criticisms of capitalism is that it is environmentally destructive. The central thrust of this indictment is not that some people bear the costs of environmental degradation more than others – that is an additional argument discussed under the rubric of environmental justice – but simply that capitalism is irrational in ways that hurt everyone. Or, consider the claim that capitalism undermines a sense of community, and this harms the lives of most people. The issue, again, is not that some people are more harmed than others by this – if everyone were equally harmed it would still be a criticism of capitalism.

Both of these kinds of critiques of capitalism are important, but historically Marxists have emphasized harms more than injustice. Indeed, Marx himself was generally fairly skeptical of arguments about justice believing that theories of justice were generally ideologically grounded rationalizations for interests. Contemporary Marxist philosophers have devoted more attention to questions of justice, believing – I think correctly – that beliefs in the justice or injustice of institutions is critical to struggles to transform those institutions.

The critiques of capitalism can be broadly grouped under four rubrics: exploitation, domination, injustice, and irrationality. Of course, many of the substantive criticisms of capitalism fall under more than one of these labels – still, it will be useful to organize the exploration along these lines.

Exploitation

1. *Capitalist class relations perpetuate eliminable forms of human suffering.*
2. *Capitalism blocks the universalization of conditions for expansive human flourishing.*

Domination

3. *Capitalism perpetuates eliminable deficits in individual freedom and autonomy.*
4. *Capitalism, in a world of nation states, fuels militarism and imperialism.*
5. *Capitalism limits democracy.*

Injustice

6. *Capitalism violates liberal egalitarian principles of social justice.*

Irrationality

7. *Capitalism is inefficient in certain crucial respects.*
8. *Capitalism is environmentally destructive.*
9. *Capitalism has a systematic bias towards consumerism.*
10. *Capitalist commodification threatens important broadly held values.*
11. *Capitalism corrodes community.*