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University of Hertfordshire Business School  
College Lane  
Hatfield  
Hertfordshire  
AL10 9AB  
United Kingdom

# **Institutionalism versus Marxism: Perspectives for Social Science**

**A Debate Between Geoffrey Hodgson and Alex Callinicos**

On 30 April 2001 a public debate was held in the Fielder Centre at the University of Hertfordshire, between Alex Callinicos of the University of York and Geoffrey Hodgson of the University of Hertfordshire, on the theme 'Institutionalism versus Marxism'. With the agreement of the two participants in the debate, an edited transcript of the two opening speeches is reproduced here.

## **In Defence of Institutionalism - *Geoffrey Hodgson***

### **This is not primarily a debate about political ideology**

If I say that this is not a debate about political ideology, then my Marxist opponents will immediately quote from Marx's eleventh *Theses on Feuerbach*: 'the philosophers have only interpreted the world, in various ways; the point is to change it' (Marx, 1975, p. 423). Let us accept the importance of this statement. We are all dissatisfied with some aspects of the world and most of us want to change it in some way. But if we are going to change the world then it is important to understand it too. It is the role of social theory and the social sciences to obtain a scientific understanding of social structures and forces, before any attempt to change the world can be effective. Hence, instead of politics and policy, I want to focus primarily on questions of theory.

Institutionalism was a movement that flourished in the United States, particularly from the beginning of the twentieth century through to the Second World War. It has continued since, in a relatively marginalised form. But there have been institutionalist Nobel Laureates such as Gunnar Myrdal and Simon Kuznets.

Another reason why it would be a little embarrassing for an institutional economist to talk just about political ideology concerns the history of that school. Within institutionalism there is a wide diversity of political views – far greater than that found within Marxism. Political viewpoints among institutionalists have ranged from conservative through social democratic to socialist and anarcho-syndicalist. So this is another reason why I am not going to focus so much on politics as on social theory and social science.

I would like also to recognise the theoretical achievements of Marxism. Marxism is one of the great systematic social theories. *Capital* is one of the social science classics of the last two hundred years. Other great works that could be mentioned include Mill's *Principles*, Walras's *Elements*, Marshall's *Principles*, Pareto's volumes on economics and sociology, and so on. These are some of the classics, in both economics and sociology. *Capital* ranks as one if not the best of these. There is no equivalent great tome in institutionalism. Against a Marxist, this puts an institutionalist at a disadvantage. Above all, Marxism has an impressive historical scope and a

powerful analysis of the capitalist system, which I think we should acknowledge as being relevant even today. However, while within institutionalism there is a lack of a consensus over a number of issues, I will try and draw out some unifying points.

### **Where institutionalism and Marxism agree**

So, in theoretical terms, where do institutionalism and Marxism agree? Both institutionalism and Marxism recognise the problem of structure and agency. This I think is one of the central problems of social theory. My opponent Alex Callinicos will acknowledge this, because he has published several articles and books on the key question of agency and structure (Callinicos, 1999). The question concerns the relationship between the individual and social structure and how this relationship is to be theorised. Both institutionalism and Marxism share this concern, and both schools of thought see agency and structure as irreducible to one another. They are both against the extreme positions, where everything becomes explicable simply in terms of structure, or simply in terms of individuals. (Although some institutionalists and some Marxists have sometimes veered too much towards one or other of these extremes.)

Both institutionalists and Marxists agree on another issue. This is one of the underestimated problems of social science, which nevertheless in my view is extremely important. This is the recognition of historical specificity. Unlike much in the physical world, the socio-economic world changes dramatically and structurally through time. Accordingly it may be necessary to change the theory to deal with the changes in social reality. This is not true for the physical sciences, because the laws of physics have been constant since a few milliseconds after the Big Bang. But the social sciences deal with a changing subject matter. One theory may not adequately fit all social forms. This is strongly recognised in Marxism and explicitly in *Capital*, which focuses just on capitalism. It is recognised also in Marx's methodological writings in the *Grundrisse* and in his *Contribution to the Critique of Political Economy*. The same point is also recognised by institutionalism and the German historical school.

### **A critique of the Marxist theory of human agency**

Now I come to some points of disagreement. I focus first of all on the question of agency. What I don't want to do is to slip in to a standard critique of Marxism as being deterministic. I am not trying to caricature Marxism or to replace it with some of its versions, like the Marxism that prevailed in the Second International, which has been criticised for being deterministic or overly structuralist. Louis Althusser would be another example of an overly structuralist version of Marxism. I do wish to deal with neither extremes nor caricatures. I want to deal with Marx. I could quote you many similar statements, but I think that this is quite a symptomatic passage from the *Resultat*, published in the first volume of *Capital*:

The capitalist functions *only* as personified capital, capital as a person, just as the worker is *no more* than labour personified. (Marx, 1976a, p. 989, emphasis added)

I think that there are problems with this statement. Marx recognises the individual. Marx also sees the capitalist system as a set of structured relations. But what is doing the work analytically here is the structure alone. Capitalists and workers are seen as simply expressions of social structure. Thorstein Veblen, the founder of American institutionalism, reacted to this aspect of Marxism with the following words:

The materialistic [or Marxist] theory conceives of man as exclusively a social being, who counts in the process solely as a medium for the transmission and

expression of social laws and changes; whereas he is, in fact, also an individual, acting out his own life as such. Hereby is indicated not only the weakness of the materialistic theory, but also the means of remedying the defect pointed out. With the amendment so indicated, it becomes not only a theory of the method of social and economic change, but a theory of social process considered as a substantial unfolding of life as well. (Veblen, 1897, p. 137)

For Veblen, in contrast to the above statement from Marx, both the individual and the social relations and structures and his interact and interpenetrate and mutually constitute each other. By contrast, in Marxism, the supreme analytical work is done by the structure. Marxists try to explain individual agency by a notion of the structure acting as a constraint. People try to do the best they can, but within structural limits. Within these they try to work out certain outcomes. The individual is subsumed within a structural explanation. In Marxism, the connection between social structure and individual action is made by the presumption of rational reflection upon individual interests acting under the constraints of social structures. Individuals act rationally in the sense they try and do their best they can to achieve their own objectives, but the structures bear down upon them and force them to do certain things. The capitalist is forced to be greedy, the worker is forced to struggle for higher wages, and so on.

Accordingly, in Marxism we find the notion that once the working class realises their true situation, once they are no longer duped by ideology or religion, or 'false consciousness', and once they reflect rationally on their situation, then they will struggle for outcomes which lead to revolution. They will strive for better working conditions, a shorter working day and higher wages. These struggles, unsatisfied within capitalism, will lead to a revolutionary outcome. Veblen took a very different view. He wrote that

the sentiment which animates men, singly or collectively, is as much, or more, an outcome of habit and native propensity as of calculated material interest. There is, for instance, no warrant in the Darwinian scheme of things for asserting *a priori* that the class interest of the working class will bring them to take a stand against the propertied class. (Veblen, 1919, p. 441)

Veblen argues that what is required is a theory of what animates people, including why they take up particular objectives. This would be a cultural theory of their circumstances. One cannot assume that material interests, the basic class relations, always impel people towards certain outcomes. As Veblen put it, nothing *a priori* leads the working class to take a stand against the propertied class. They can go in another direction: they can be racist by seeing other ethnic groups as the source of their problem; they can be nationalistic and seek salvation in national symbols or adventures; they can become fascists. We see many tragic examples of these developments in the history of the working class movement. Repression is not turned into a revolt against the system but into some other ideology. The missing link in Marxism is a theory of what impels people to do specific things. This theory has to be in part a cultural theory. It has to take on board the cultural circumstances as well as the basic material relationships.

The mention of Darwinism in the above passage might be perplexing. Veblen believed very strongly in the importance of Darwinism for social science: I will address later some of his reasons. But Veblen did not propose a biological reductionism. He did not argue that the social sciences had to be reduced to biology. He actually criticised those that relied exclusively on biological explanations of social

behaviour. Veblen was not following a sociobiological line. What he believed is that Darwinism provided a theory of change and a philosophical conception about the world, which had enormous implications for the social sciences.

### **Teleology versus evolution**

Concerning the issue of teleology versus evolution, there is a contrast between Veblen's Darwinian conception, on the one hand, and the Marxian notion, on the other. If you believe that the circumstances in which people are placed will inevitably lead them to struggle against their oppression, whatever the cultural circumstances, or the ideology, or the political mediations involved, then you harbour a notion of an immanent, teleological development of society. Due to perceived mechanisms and constraints, society is impelled down a particular road towards a particular outcome. Marx also argues that the development of the 'productive forces' at any point of time is consistent with a particular set of social relations. For him, highly developed productive forces imply communism, and communism only. History may not be rigidly determined but it has an ultimate destination, whether or not the destination is actually achieved.

This teleological theme in Marxism is evident, for instance, in the notion that capitalism is the last class society, and that after a revolution (which is not necessarily regarded as inevitable) the next stage will be socialism and then communism. Implicit here is the idea of a perceived destination to history. History is driving (not necessarily with certainty or inevitability but) towards an immanent end which is itself pre-ordained.

This type of teleological thinking is totally alien to Veblen's absorption and interpretation of Darwinian evolution. The whole point of Darwinism, which even today is not fully understood, is that evolution has no destination or goal. Darwinism is neither essentially about progress nor about the perfectability of society. At the deepest theoretical level, it is about evolutionary mechanisms and detailed causal explanations. Evolution is a sequence of particular, connected causes. In Darwinism there is no particular endpoint, and no finality. Veblen rejected the idea that the Marxian process of class struggle had an immanent end. Veblen (1919, p. 416) favoured 'the unteleological Darwinian concept of natural selection' against 'the Marxian notion of a conscious class struggle as the one necessary method of social progress'. Veblen (1919, pp. 416-17) rejected the idea of

the assumed goal of the Marxian process of class struggle, which is conceived to cease in the classless economic structure of the socialistic final term. In Darwinism there is no such final or perfect term, and no definitive equilibrium.

An evolutionary process is continually at risk of being upset by external events or internal contradictions. It can lead in principle in all sorts of different directions. It can be path dependent and locked into particular lines of development. Such tracks of evolution are sometimes highly sensitive to initial conditions. At some crucial points, the path can be disturbed and evolution can go in one of many different directions. Against the idea that history has a (perhaps not inevitable but nevertheless) pre-ordained goal, evolution can go in an infinite number of possible directions. There is a great contrast between these two conceptions.

### **Non-deliberative action and tacit knowledge**

Another important issue I want to raise here is the conception of knowledge. One of the greatest contributions that Veblen made – which in fact has a highly modern ring

– is the importance of knowledge to economic growth and development. It is not simply that knowledge and information are important. Veblen also emphasised that habitual knowledge is crucial. He wrote about the importance, in economic development, of ‘the accumulated, habitual knowledge of the ways and means involved ... the outcome of long experience and experimentation’ (Veblen, 1919, pp. 185-6).

This is the kind of knowledge which takes a long time to build up, much of which is tacit in individual habits like learning languages or learning to ride a bicycle. This is not codifiable knowledge that is written down in books. Economic development is very much about building up this knowledge in individuals, and also building up routines that inter-lock this knowledge between individuals, to unlock it in appropriate circumstances. To give you a flavour of this kind of argument, here is a longer quotation:

The complement of technological knowledge ... is, of course, made up out of the experience of individuals. Experience, experimentation, habit, knowledge, initiative, are phenomena of individual life, and it is necessarily from this source that the community’s common stock is all derived. The possibility of growth lies in the feasibility of accumulating knowledge gained by individual experience and initiative, and therefore it lies in the feasibility of one individual’s learning from the experience of another. (Veblen, 1919, p. 328)

So knowledge is also social. But notice the emphasis here on circumstance, experience, ongoing process, acquiring knowledge by doing. These are things which are very much context dependent. This is not knowledge in the sense of books or information on the Internet. It is knowledge that is actually highly contextualised, highly specific to circumstance and indeed highly localised in its nature despite the fact that it is also social. Consider another quotation:

the body of knowledge (facts) turned to account in workmanship, the facts made use of in devising technological processes and applications, are of the nature of habits of thought. (Veblen, 1914, p. 176)

Hence engrained habits in individuals are the stuff of knowledge and the stuff of economic skills and potentialities. We find a contrast here with Marx. But I do not want to isolate or accuse Marx in particular here, because Veblen’s notion of knowledge as habitual adaptations is so modern that very few people in the history of ideas in the last two hundred years have made similar points. Looking at most writers in the social sciences in the nineteenth century, including Marx, they had a very limited notion of knowledge. They had a sort of post-Enlightenment view that knowledge is made up of ideas. These ideas are transmitted and enter people’s heads. Ideas are communicated and ideas drive action.

What this post-Enlightenment view ignores is that ideas come out of, and are constrained by practice, as much as practice comes out of ideas. Furthermore, as Veblen and others emphasised, habit is essentially the basis of knowledge and belief. In particular, ingrained habits are the springs of technological knowledge and of economic activity.

By contrast, there is no developed concept of habit in Marx. In a famous passage in *The German Ideology*, Marx and Engels extolled the possibility under communism of switching readily from one skilled activity to another: hunting in the morning, fishing in the afternoon and criticising after dinner. What is neglected here is the immense

amount of learning that is required to acquire any developed skill and the impossibility of being competent in anything more than a few of them. Because skills are made up of ingrained habits, Marx's idea of the dissolution of the division of labour is untenable.

Another expression of the consequences of his nineteenth century view of knowledge is his discussion of deskilling in *Capital*, volume one. This deskilling idea was latter developed by Harry Braverman in *Labor and Monopoly Capital* (1974). Marx wrote:

the development of the capitalist mode of production ... enables the capitalist ... to set in motion more labour ... as he progressively replaces skilled workers by less skilled, mature labour-power by immature, male by female, that of adults by that of young persons or children. (Marx, 1976a, p. 788)

For the progressive replacement of the skilled by the unskilled in the above manner, Marx has to assume implicitly that the kind of benefit that labour is giving is largely mechanical and physical. There is very little recognition here of embodied knowledge and habits, which is trained up in individuals, and in teams. Also Marx doesn't explain why the skilled workers are going to be replaced by less skilled. After all, it would seem obvious that if machines were going to take over some of the jobs, then it would be the less skilled jobs that would be more easily taken over by machines. Furthermore, activities that involve tacit skills would be the activities that are more difficult to replace by programmable machines. In all, Marx's deskilling argument is highly problematic and to some extent it reflects a different conception of knowledge from that held by Veblen.

### **The impossibility of comprehensive economic planning**

This discussion of knowledge has important implications concerning Marx's and Engels's discussions of comprehensive planning. Marx and Engels did actually want to centralise ownership and control of the means of production in the hands of some kind of nation state. A number of quotations show this. In the *Communist Manifesto* Marx and Engels welcomed efforts 'to centralize all instruments of production in the hands of the state' and a time when 'all production has been concentrated in the hands of a vast association of the whole nation' (Marx, 1973a, pp. 86-7). In a late manuscript, written in 1880, Marx (1976b, p. 207) proposed that 'the "social-state" will draw up production from the very beginning ... The scope of production ... is subject in such a state to rational regulation.'

Marx believed that it would be possible to plan everything from the centre, through the organs of this 'vast association' or 'social-state'. Of course, Marx wanted this 'state' to be democratic and believed that it would be different from a capitalist state. But the key problem here lies in Marx's belief that some kind of comprehensive planning is possible.

But this option disappears once we adopt a Veblenian view of knowledge. If much knowledge is tacit and bound up with activities, then it cannot be gathered together by the central planners. Although he held this conception of knowledge, Veblen himself did not develop this critique of central planning. Veblen himself seemed to believe in some vague form of anarcho-syndicalism. However, from a very different political point of view, a very similar conception of knowledge formed the basis of the famous critique of central planning by Friedrich Hayek (1988). Whatever our political

viewpoint, we have to take this criticism seriously. There is an insurmountable problem of centralising relevant knowledge.

How can the state (or some other similar body) control all these things when the knowledge involved in production is contextualised, localised, particularistic and idiosyncratic? All these problematic aspects of knowledge were emphasised by both Hayek and Veblen. It is impossible to gather together all that knowledge into some rational planning central apparatus because of the nature of knowledge itself.

We have to draw a distinction between, on the one hand, completely centralised and comprehensive planning and, on the other hand, other forms of partial planning, such as indicative planning, or planning of some core productive activities. While Hayek was antagonistic to all forms of planning, many institutionalists have traditionally been in favour of some form of partial planning. The idea of getting all knowledge and making rational decisions about the whole of society from the centre is rendered impossible as long as you accept the Veblenian conception of knowledge that I outlined earlier. But, contrary to Hayek, some form of partial planning, such as within a mixed economy, is not ruled out by this conception of knowledge.

However, in the *Communist Manifesto*, Marx and Engels seemed to rule out any kind of mixed economy, in which planning, markets and some private ownership were combined. There they applauded unreservedly the 'abolition of private property'. They were not inclined to reinstate even 'the property of the petty and of the small peasant' on the spurious ethical grounds that 'to a great extent' it was 'already destroyed'. But it is not an ethical justification to fail to reinstate something simply because it has already gone. If the peasantry has lost their property then perhaps the argument should be that it should be restored. They wished for an order in which 'capital is converted into common property, into the property of all members of society'. This is an unqualified, unlimited, unbounded notion of common ownership of capital that is difficult to reconcile with a modern complex economy. They advocated the abolition of 'bourgeois freedom' including the 'free selling and buying' of commodities (Marx, 1973a, p. 80-1). This statement seems to exclude all forms of market or trade. Perhaps with the benefit of hindsight, this is all economically as well as politically naïve. These statements in the *Communist Manifesto* do not stand up to critical examination. They are inconsistent with an institutionalist understanding of the necessary role of markets.

We can argue about whether markets should be dominant or subordinate. Those that take a relatively *laissez-faire* view and want a relatively free market system would advocate a wider role for markets. Others, like myself, would suggest a more limited role for markets. There are all sorts of possibilities and combinations. But the essential point is this: to some extent markets are always necessary to deal with conflicting individual plans and economic complexity. Particularly in a modern economy, it is impossible to bring all knowledge together in one central planning agency, and make that (democratic or undemocratic institution) do the main work of planning the economy. No agency can cope with all the knowledge, and centralise it all together. Marxists have never really shown how such a centralisation of knowledge involved in complete social planning is possible. Elsewhere I have criticised some relatively recent attempts to describe the workings of such a socialised economy as lacking in viability (Hodgson, 1999).

Finally, I would like to tie in another thread. As argued above, Marxism reinforces its teleological view of history by seeing its destination as some kind of completely



socialised planning. I have argued that this an impossible outcome. An institutionalist would also respond from a Darwinian view by arguing that history has multiple possible outcomes. The goal of complete socialisation is not viable, but there is an infinite variety of possible routes to take.

This is not only true for the grand sweep of history. It is also true for the here and now. This is extremely important in terms of one's attitude to political developments. For example, I can remember in the late 1970s and early 1980s there was a debate on the left about Thatcherism. Many (but not all) Marxists took the view that Thatcherism was the only possible outcome for British capitalism. Thatcherism was seen by many Marxists as the only rational response by the capitalists to the crises of the 1970s. Hence the viable choices were either Thatcherism or a worker's revolution to overthrow capitalism.

This view was profoundly anti-institutionalist. An institutionalist would argue that there is no reason to presume that Thatcherism is (or was in Britain at that time) the only viable version of capitalism. There are other versions of capitalism, and these can begin to develop at any point in time. After all, there are manifest varieties of capitalism throughout the world. The consequence is that we do face very real choices, even within capitalism. We are not confined to these rather narrow political alternatives proposed by many Marxists: either socialist revolution or accept an extreme and exploitative version of capitalism.

In contrast, there is the possibility of a politics that engages with the present more directly. It talks about real, immediate alternatives and opens up areas for discussion. These areas would include, for example, about different kinds of market, different degrees to which the market may operate, different kinds of central planning, the role and limits of the state, different planning agencies, a pluralism of structures and agencies operating at the economic level, different types of mixed economy and so on. This debate becomes possible once you escape from the false dichotomy of either accept the most rapacious version of capitalism or socialist revolution. This dichotomy disables serious discussion and analysis about what is possible in the present. On this practical issue the difference between institutionalism and Marxism is illustrated most clearly.

## **In Defence of Marxism – *Alex Callinicos***

### **Some points of agreement**

In some ways I feel a bit embarrassed because I'm not an economist and I should disclaim any pretensions to expertise on the subject of economics. By intellectual training I am a philosopher and I am also a political activist, so I try both to interpret and to change the world. Probably not very well at either, but I am going to talk more about economics than Geoff did, which is odd.

Let me start with what I think are the most important points of agreement between Marxism and institutionalism. A key point of agreement is that both Marxism and institutionalism recognise the bankruptcy of neoclassical economic orthodoxy. Concretely, what that means is both Marxism and institutionalists agree that it is

impossible to construct an adequate economic theory on the basis of the idealised rational actor. We agree that every form of economy depends crucially on institutional conditions, which are partly to do with culture and partly to do with forms of political organisation, and so on and so forth. We also agree that the economy must be understood as part of an evolving historical process. This is common ground between more than just Marxism and institutionalists; it would also be common ground (if there were any remaining) with any supporters of the nineteenth century German historical school, whose most important product was Max Weber. It is also implicit in Keynes, although his training in neoclassical economics obscures it.

I also think important points of agreement are the importance of disequilibrium, chaos (in the scientific sense) and complexity, in understanding how capitalist economies work. A lot of what we find in contemporary analyses of complex systems in nature and society, someone who espouses Marx's historical dialectic can take on board with great comfort. And all this I think is not just a matter of relatively obtuse philosophical and methodological arguments. It is of critical political importance in the modern world.

Inasmuch as there is an ideology that in practical terms rules the world today, it is the so-called Washington consensus: the neo-liberal orthodoxy of de-regulation, privatisation, spending cuts and so on. Imposed on large parts of the world via the IMF and the World Bank, it is also what governs the general approach to managing the economy of Gordon Brown, however much he may try and distance himself from it, from time to time to suit his political career.

So I am going to take for granted that Marxism and institutionalism are part of a common critique of the neoclassical orthodoxy, that is really important politically. That seems to me the critical points of agreement, but I think that Marxism has much more to offer than institutionalism does. Critically it involves a general historical theory of modes of production and in particular it has a very rich and developed analysis of the capitalist mode of production.

### **The logic of capitalism**

Just let me remind you very briefly. I am sure you all know that according to Marx's general theory of history we have in the course of human history, in a more or less rapid more or less slow way, the development of the productive forces, that is to say humanity's productive powers. From time to time, however, this development of the productive forces runs into conflict with the prevailing relations of production, where these relations of production are critically the relations of effective control over those productive forces. So we have a conflict, this is putting it extremely crudely, between the prevailing state of technology and the prevailing social relations of production that produces a crisis in the economic system, what Marx calls the mode of production. At this point, to which I want to return to because it is very important, we have either the transformation of the economic system, what Marx calls the social revolution or we have stagnation or retrogression.

Now let me note in passing that, since I have been reading up what Geoff says about Marx in one of his voluminous writings, Geoff says that Marx doesn't explain why the productive forces tend to develop over time. Now I don't think there's a general answer to that question but I think Marx does have a very clearly stated explanation of why the productive forces develop under capitalism. Its competition between capitals, it's the competitive struggle between rival capitalists each seeking

to maximise their share of the market and maximise profit which leads to technological innovation and the development of productive forces.

This leads me then in to Marx's theory of capitalism. Now I think this is really the most important issue. I am going to deal with some of the broader philosophical and methodological points that Geoff made, but I think a lot of those involve misunderstandings and misrepresentations. I think they are in some ways less interesting than the critical question of Marx's analysis of capitalism, so bear with me if I say a certain amount about that.

For Marx the peculiar thing about capitalism is that it is abstract; it is driven by a logic that is independent of any particular human or natural characteristics. Marx does not regard this as a virtue. He does not claim that this kind of peculiar logic is inherent in human history or society or whatever. It is one of the key defining characteristics of capitalism as an economic system that the workings of the economy, the great variety of economies that exist say in the contemporary world, is subject to this remorseless abstract logic, a logic that is based upon two key features.

First of all the exploitation of wage labour: again this is something that I am sure you are all familiar with and I do not need to waste your time elaborating any more. The central claim that Marx makes that the profits of capital are dependent upon a process of exploitation of workers variously organised within different kinds of processes of production. The second key feature is the competitive accumulation of capital, that individual capitalist actors (as Marx puts it, individual capitals) are caught up in a process of competition in which they are presented or confronted with a series of choices, all of which turn around the necessity of accumulating or re-investing the bulk of the profits that they have extracted from workers in further and generally more technologically advanced production, which will allow them to keep up in the competitive game. So capitalism is essentially a remorseless process of the self-expansion of capital, what Marx calls the self-expansion of capital. Capitalism is capital constantly adding to itself through the extraction of profits, constantly seeking to expand itself.

Marx says that the purist form of this process is what it calls a circuit of money capital, what we these days call financial markets, which reduces capitalism to its barest structure, which is simply money seeking to expand itself without going through the intermediary, or apparently not going through the intermediary, of involvement in any kind of productive process. I think it is quite striking, if one reads Marx's analysis of the circuit of money capital in volume three of *Capital*, it is amazing how much light it throws on reality. One has a sense of instant recognition of the world of derivatives, long term capital management and the whole Wall Street bubble, that is slowly and potentially catastrophically deflating.

Of course, this abstract logic is dependent on various institutional conditions, the process of what is commonly known as economic globalisation, that is going on at the present time. It is critically dependent upon state policies of financial deregulation in countries such as the United States and Britain, which dramatically altered the institutional context in which financial markets operated. Without this, the whole process of economic globalisation would have been a non-starter.

I think that this is a common point, between Marxism and institutionalism to insist on the institutional context that enables certain economic processes to develop in the form in which they actually do. So this abstract logic of capitalism is interwoven with specific institutional contexts and state policies. Nevertheless capitalism as an

economic system cannot be equated with any specific institutional complex. If we look at the history of capitalism over the last two hundred years we see a variety of different sets of institutions that sustain different types of capitalism, involving for example greater or lesser degrees of laissez-faire, greater or lesser degrees of state intervention. In the major capitalist countries today we see a variety of arrangements inter-connecting, for example, the state corporations and the banking system.

But what it is also important to see, is that the logic of capitalism can break up any of these existing institutional complexes. What we are seeing at the present time is a very dramatic, long drawn out, crisis-ridden process, in which some of the major more nationally organised capitalisms are being re-structured. We can see this happening in different forms, in fact more or less catastrophic forms. In the case of Japan and Germany at the present time under the pressure of global competition so that capitalism cannot be identified with any specific set of institutional conditions. It co-exists with but also destroys a whole variety of different institutional complexes.

Now, Veblen (as Geoff says) stresses the inertia, the resistance to change, that is generated by specific institutional conditions. Looking at the very complex process through which, say, Japanese capitalism is being re-structured at the present time, it is necessary to understand that fact of institutional inertia. But simply to focus upon that the way in which certain structured habits filter the pressures of global competition would be to miss out on the dynamic forces operating these days on a world scale to drive economic change. I think as Geoff touched on towards the end of his presentation, here again we run into political implications. Globalisation which is crucially a matter of political not just economic forces, its not just an economic juggernaut that operates like a natural force independent of institutions and political actions, not at all.

Nevertheless globalisation is bringing into existence a particular pure form of capitalism, the new economy. On this topic there is much nonsense and ideological noise. But inasmuch as the idea of the new economy has any economic reality, it represents a form of capitalism in which the dependence of the capitalism economic system on production and exploitation are systematically accounted.

This is then related to a political diagnosis. Institutionalism, as Geoff put it very clearly, can lead us to seek reforms that will try and bring into existence and perhaps in a British context one might say bring back into existence, a more benevolent form of capitalism. Geoff's references to a mixed economy seem to me to involve precisely that sort of claim. Marx by contrast locates the source of the problem in, as I've tried to bring out, in the logic of capital itself and therefore the solution and the achievement of a different kind of social logic based upon the democratic organisation of the economy in order to meet human need.

### **Planning, socialism and the state**

This then takes us to the question of planning. There is clearly an enormous scope for debate about planning. I have to say, I am a very loyal Marxist, but I don't think that Marx himself is a great help in this debate. I think Geoff was being a bit counter-Marx when he attributed to Marx a theory of centralised planning: I do not think there is very much discussion of planning, full stop, in Marx. He reads too much into some passages in the *Communist Manifesto*, which were written before Marx developed his mature economic theory through a systematic engagement, in particular, with Ricardo's version of classical political economy. But it seems to me that whatever the case then we are on our own. I mean that the classics of socialism are not of any

particular help. But there is an important debate to be had about the extent to which democratic collective regulation of the economy can supplant the kind of abstract logic of competitive accumulation that I have sought briefly to outline and which I think is central to Marx's analysis.

There is work that has been written on this subject. There is an interesting book for example by Pat Devine called *Democracy and Economic Planning* (1988) in which he tries to outline in some detail what kind of institutions would be required to organise a democratically planned economy. Much of this discussion unfortunately has been cut short by the kind of despair induced in many left intellectuals by the collapse of the Soviet Union. I think happily now that this mood, that there could be no alternative to pro-market capitalism, is beginning to evaporate. But this is an important area where debate, discussion and analysis need to continue.

I don't think it will do in that context however to misrepresent Marx's conception of socialism. I mean I do think it's just nonsense to attribute to Marx theory of state socialism. He is very explicit about this in the *Critique of the Gotha Programme*. In this, one of his last major theoretical texts, Marx (1974, p. 354) wrote in 1875: 'Freedom consists in converting the state from an organ superimposed on society into one thoroughly subordinate to it.' Marx's conception of socialism is about partly liberating people from the imperious logic of capitalism but it's also about liberating people from the oppression of the centralised bureaucratic state. These are the two kinds of requirements that any Marxist conception of socialism would have to meet.

### **Teleology and political action**

Let me now move on to what Geoff said about teleology and agency and so on. I have to say I didn't recognise much of Marx in all that. I mean I thought the passages that he cited from Veblen were very interesting. I can point to very important passages in Marx, which say more or less the same thing. For example, the very famous beginning of the *Eighteenth Brumaire of Louis Bonaparte*, Marx (1973b, p. 146) wrote in 1852:

Men make their own history, but not of their own free will; not under circumstances they themselves have chosen but under the given and inherited circumstances with which they are directly confronted. The tradition of the dead generations weighs like a nightmare on the minds of the living.

So I think Marx knew a bit about the power of tradition and didn't simply treat structures as the sole explanatory fountain in accounting for society. I think it is true in *Capital* his explanations involve referring both to the structures of capitalism and to the strategies of individual agents. It is true that he does tend to concede economic actors in *Capital* as rational actors – that is a kind of simplifying assumption that he makes to continue to get the argument going. But it is absolutely wrong to say that Marx had no understanding of tradition, tacit knowledge and all that.

There is a very interesting discussion of what Marx calls practical consciousness and language in the *German Ideology* – only a series of undeveloped hints but nevertheless a discussion which points towards the kind of analysis of language and consciousness that we find for example in the later Wittgenstein. So I simply do not think that this is a set of issues of which Marx is unaware.

Marx's conception of history is one that posits a constant interaction between human beings and social structures in which human beings both derive power from but are also constrained by those structures and in this interaction, what Geoff calls

cultural circumstances, are clearly tremendously important. Key Marxist thinking in this respect is by Antonio Gramsci, where the whole project of transforming the working class into a self-conscious political subject involves very careful analysis of institutions, organisations, ideologies and so on. Where both the institutions, organisation and ideologies which inhibit the working class developing into a self-conscious subject but also those that could help it to become such subject. So I think Geoff is wrong about all that.

Equally wrong is this idea that Marxism is committed to a teleological conception of history striving towards a pre-ordained end. It is true that Marx has a different conception of evolution from Darwin's. Critically for Marx it's the contradictions inherent in particular sets of social structures that form the context in which historical change develops. Darwin has quite a different conception of evolution. It does not follow that Marx's conception of history is a teleological one.

Again if I cite Geoff's writings rather than anything he said here today he attributes to Marx the view that the communist society that Marx hopes will replace capitalism eventually involves harmony and the absence of variety. Now I think this is completely untrue. In the *Communist Manifesto*, Marx says that a communist society is one where the free development of each will be the condition of the free development of all. In other words a communist society is one that will be governed by the goal of individual self-realisation. Now why make this, the quite self-conscious goal, in a non-problematic way I think, of a communist society if individuals are all the same, if there's no variety, it would be quite nonsensical. Elsewhere Marx says that a socialist revolution will bring the end of social antagonism, in other words antagonism routed in exploitative relations of production but not of individual antagonism. In other words, surprise, surprise, even in a communist society individuals, thank God, will differ. There may be conflicts among them and it is precisely, it seems to me, the differences between and sometimes the conflicts among individuals and groups of individuals that will be a critical driving force of progress in a communist society.

Unfortunately the workings of a communist society aren't the most immediate and urgent political question confronting the left of the present time. But what is a critical issue is whether human beings can change history. I think here is an area where Marx is ambiguous but nevertheless I want to insist that his theory of history does not require any notion of historical inevitability. A teleological conception of history requires that change will occur in order to bring about the final goal. Marx's theory of history does not commit him to any such thesis of historical inevitability. In the *Communist Manifesto*, in the famous opening paragraphs, we have Marx and Engels explicitly offering a picture of human history as involving alternative solutions to great crises. They say that each past crisis of a major production involves 'either in a revolutionary reconstruction of society at large, or in the common ruin of the contending classes' (Marx (1973a, p. 68). In other words each great historical crisis involves either the over-throw of the old mode of production, the establishment of a new mode of production which will permit further development and productive forces and so on and so forth or if change doesn't occur, if the old classes remain locked in a conflict with neither side able to decisively beat the other then what we have is stagnation or retrogression.

In other words, what Geoff talked about, multiple alternative outcomes, is built into Marx's theory of history, and it has to be if Marx's theory of history is to found a coherent view of political action. Because if history is simply about the iron workings

of certain historical laws operating according to natural necessity, then what is the point of political action, what is the point of changing the world, what is the point of all the effort that Marx and other great Marxists put into building political organisation, engaging in great historical struggles, leading revolutions and so on? What is the point of all that, if it is all going to happen anyway? And therefore Marx's conception of history as a theory of alternatives of great historical junctures is the necessary foundation for any socialist political practice that is to take its inspiration from Marx.

So to conclude, what I would say is that I do not think that the kind of philosophical and methodological criticisms that Geoff has made actually hit the core of the Marxist tradition. Secondly that there's lots of scope for debate about alternatives to capitalism. Since the mass demonstrations in Seattle in 1999, we now are in a political context in which there is a willingness to debate the question of alternatives to capitalism. But finally if we want to understand capitalism itself, if we want to understand the nature of the beast under which we currently live, then we cannot do without Marx.

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