Social Economy

The logic of capitalist development

Clark Everling

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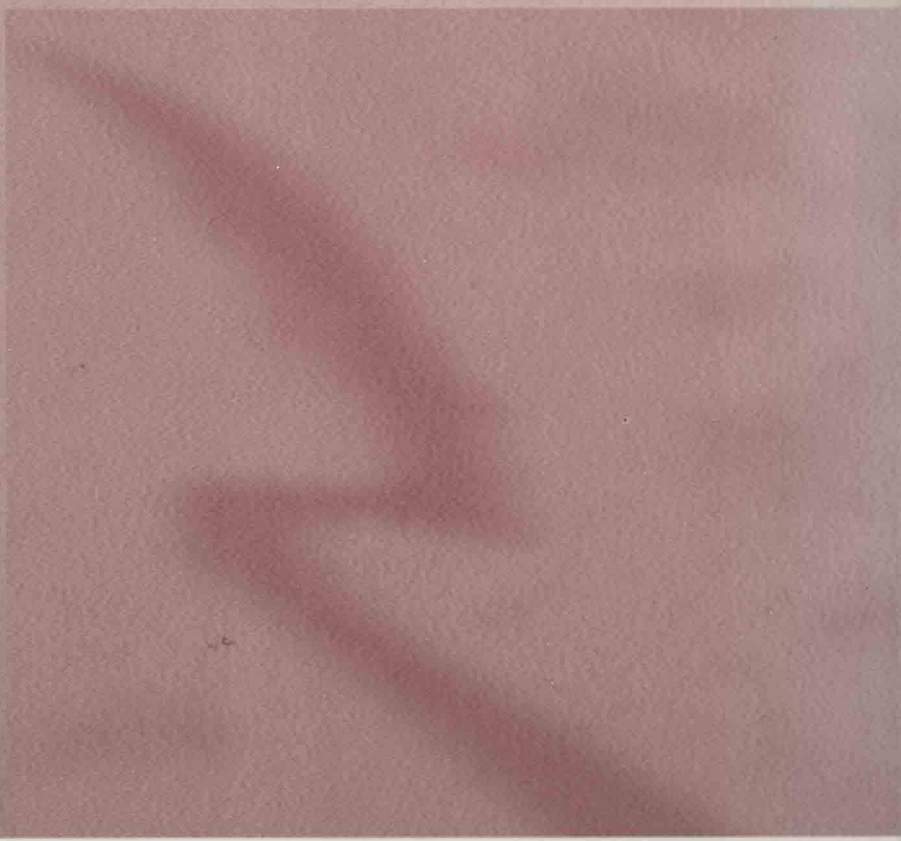

SOCIAL ECONOMY

Is socialism the antithesis of capitalism, or does it arise through the process of capitalism itself?

Contrary to much Marxist thought, Everling does not view socialism as the antithesis of capitalism and argues that socialism is, among other things, an objective development of capitalism. As capitalism develops, it creates the premises for social development which are also the bases for a socialist and democratic construction of society.

Drawing on economics, urban geography, political theory, and Marxism, *Social Economy*:

- examines the evolution of capitalism from its early industrial form to its present urban and global ones;
- shows how Marx understood the economy as a unity of production, distribution, exchange, and consumption engaged in social reproduction;
- explores the contradictory evolution of US corporations and urban development from 1945 to the present;
- argues that urban space involves requirements for social and individual reproduction which extend well beyond limits inherent in transnational corporate private appropriation.

Using his unique arguments, Everling makes the case that economic expansion can now best be secured by forms of development that take us beyond the limits of capitalism and point towards a democratic and socialist society.

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1

A THEORY OF THE SOCIAL ECONOMY

The whole question of socialism, and a central one for Marx, is the question of its origins. From where and under what circumstances does socialism arise? Does it arise through the processes of capitalism itself, and, if so, how? Or is capitalism entirely antithetical to socialism so that we must think of socialism as proceeding only through the creation of social relations entirely alien and opposed to capitalism, outside of and subsequent to capitalism? If we affirm this second approach, as has most of Western Marxism during the twentieth century, then socialism today, in this era of global capitalism, must seem very far away indeed (Eagleton 1991: 146).[1] Yet if we take the first approach, then where and how can socialism come to exist? How can the politics for socialist democracy, which Marx envisioned in his writings, be said to have any foundations within the present processes of capitalist development?

I argue throughout this book that socialism is, among other things, an objective development of capitalism. That is, as capitalism develops it creates the premises for social reproduction which are also the bases for a socialist and democratic construction of society. Because capitalist private appropriation is more and more antithetical to social requirements, even as it extends them in its own reproduction, capitalism makes socialism both possible and necessary. Socialism requires the reproduction of social relations according to developed human requirements in their own right, independent of the requirements of private appropriation. The creation of common social requirements is the promise of capitalism, what Marx called its "historical task" (Marx 1986b, vol. III: 250). At the same time, however, because of its opposition to the very social requirements which its own concentration and centralization presuppose, capitalism becomes more reliant upon social exclusion and repression for its reproduction. This, in its most essential form, is capitalism's threat to the human future. In this regard, the tasks of building socialism require a recognition that we, as human beings, are the creators of both sides of this opposition. The increasingly social character of

capitalism requires the complicity of all of us in the political and social relations necessary to its reproduction.

It is not my purpose in this book to discuss the details of a socialist economy or to present a "plan" for socialism. Nor will I elaborate here the social and political organization for achieving socialism or the role of the working class in this regard. Rather, my purpose is to show how the basis for socialism emerges, and is emerging, within the capitalist economy. I do this by examining the capitalist economy as a relation of social practical activities in the processes of human social reproduction. This, at least, has the virtue of assailing some of the notions that capitalists, the market, profit, and supply-side determined investment are at the core of economic development.

It is my thesis in this book that economic development happens as a process of social development, through social reproduction as determined within a certain mode of existence. Capital and its priorities determine this mode of existence. But capital does this only by establishing a series of social relationships which form themselves as the bases for human social and individual reproduction. These social relationships form the bases for the organization of urban space which capital creates as the universal form of social reproduction. As capital develops its economy, and most especially its urban forms, the social content of that economy expresses itself in three major ways. First, the capitalist economy forms itself as a unity of production, distribution, exchange, and consumption. These are mutually created unities which arise and develop through the social interactions involved in urban development. Second, these unities are expressed in economies of scale, scope, and transaction costs. These economies arise from the social unities of production, distribution, exchange, and consumption. Corporations appropriate and build upon these social unities for their own cost advantages and seek to limit them to capital's own forms of accumulation and appropriation. But seen from a social perspective, corporations and capital are themselves social products and have social requirements increasingly for their own content. Third, the social expansion of capital and urban space create universal forms of social requirements for human social and individual reproduction, including neighborhoods, housing, education, health care, recreation, and leisure. The more capital extends social requirements as it makes urban space universal in its forms, the less capital can develop these forms for all those who depend upon them. It is for this reason that capital becomes more and more antithetical to its own social requirements and to social reproduction as a whole, even as capital itself builds upon these forms. But it is for this reason, also, that the social economies and requirements for human social and individual reproduction which emerge through capitalism represent the objective bases for the creation of socialism.

Social requirements under capitalism, of course, appear primarily in the form of commodities. To state that social relations carried on as commodity relations are irrational and vacuous, as do Paul Baran and Paul Sweezy (1966: 336–67), among many others, is also captured in Marx's concept of the fetishism of commodities. This perspective is correct, but it is also tautological since fetishism is the nature of commodity relations. More important, this perspective misses Marx's other, and larger, concept of socialization. Understanding socialization means understanding the social requirements and developments which make commodities possible in given forms. Commodities are always a form of social organization involving ever wider connections among people.

Marx argues that capitalist socialization develops as production, distribution, exchange, and consumption form ever deeper social unities through one another; as activities within each of these are subject and object for one another in the reproduction of human existence. These are subject as objective bases for human activities, i.e. for human subjective activities in our reproduction as human subjects in this form. And they are object as capital is the condition for those activities, i.e. as capital organizes human subjective activities in the processes of its own reproduction. I will summarize that unity of production, distribution, exchange, and consumption as it develops under capitalism and unifies urban social space as the bases for human individual and social reproduction. Capitalism makes urban space the primary condition for the reproduction of commodities and for the reproduction of human individual and social existence.[2]

Each level of development of commodity production and exchange involves new forms and levels of social reproduction. Capitalism develops through the exchange and production of commodities. But, as it does so, it develops also as a system of social reproduction. Capital in its development toward its early industrial forms defined urban social space as a relationship between the production and exchange of commodities. As capital developed commodified labor power to produce those commodities it also, consequently, created that urban space as a place for residence as well as for employment and work. Dependence of workers upon commodities made their needs an object for production and defined production as social production, increasingly industrial in its forms. Urban residential space required the development of housing and the production of physical infrastructure. Urban housing developed into a particular form as neighborhoods. By the beginning of the twentieth century, neighborhoods were themselves produced as large units for development within urban and suburban space. Production for urban infrastructure, neighborhoods and households then came to define the objects for capitalist production. Throughout the twentieth century,

capitalist production, services, and technologies have more and more integrated themselves within, and defined, urban space.

Urban space develops as the basis for capitalist reproduction and for human individual and social reproduction. Urban space forms unities with production as it furnishes the objects for production. These objects include the production of commodities for social and personal consumption, infrastructure, houses, household needs, whole neighborhoods, and social requirements beyond the household such as education, health care, recreation, and leisure. Urban space defines the products for production as conditions for its own reproduction. Each of these products and social requirements mentioned develops because it responds to certain needs of people within that common space for their social and individual reproduction. Capital defines the conditions for the development of urban space at all of its stages, but social and individual reproduction within that space increasingly cannot take place except on the basis of the conditions for life within urban space.

As capital builds urban social space, it increasingly integrates itself within that space. Repeated production for urban space redefines production because it allows a concentration and centralization of the processes of production and corresponding technologies. At the turn of the twentieth century, this took the form of mass production assembly line technologies. Late in this century, this takes the form of computer-based technologies. Each of these reflected its development as a further refinement of production technologies in response to further refinements in products and further unities of production, distribution, exchange, and consumption.

These unities are formed as economies of scale, scope, and transaction costs. Scale economies are achieved through the ability to lower the production or distribution costs of a single item through the increased capacities of processes within a single facility. These economies may be accomplished through increased output or a decrease in unit costs. Scope economies result from the reduction of costs among a variety of related items or multiple phases of production or distribution processes, through the increased capacities of a single facility. Scope economies presuppose scale economies because the former are the result of varieties which arise through the increased capacities of processes creating scale economies. Monopoly corporate assembly lines are a classic example of scale economies, such as in the automobile industry during most of the twentieth century. Varieties of products utilizing the internal combustion engine and assembly line processes, such as automobiles, trucks, buses, and tanks, are examples of scope economies (see Chandler 1990).

Transaction costs arise in the transfer of goods or services from one operating unit to another (see Williamson 1985). Reductions of costs in production, such as through corporate internalization of supplies of raw

materials or the movement of production into a single facility which achieves scale and/or scope economies, means that transaction costs move beyond the production processes themselves (i.e. where lowered transaction costs have already been attained) and into distribution where, for example, the ability to distribute large volumes of products must then be achieved. Lower transaction costs in distribution are accomplished, also, in part, by improvements in the abilities of consumers to exchange (e.g. money and credit facilities), and consume (e.g. the existence of a socially identified need, such as an automobile for urban transportation). Successive reductions of the costs of transactions in all these connections inform, modify, and redefine production in its ability to produce greater volumes and varieties. Computer-based production technologies achieve increased scale, scope, and transaction cost economies simultaneously through the ability to use single processes to produce almost any desired volume at low costs and in several varieties and through the ability to reduce the times involved in relations between production, distribution, exchange, and consumption. In the average chain clothing store, such as the Gap or the Limited, for example, the turnover time between customer purchase, computer communication of a re-order, manufacture, and resupply to the store is one week.

These economies exist as bases for capitalist concentration and centralization because they are formed as a result of ever closer unities among production, distribution, exchange, and consumption. But those economies and those unities are also results of the development of urban space as the condition for human individual and social reproduction. Scale economies arise from repeated production for use within urban space, which refines both products and technologies. Scope economies arise from the interrelations of products and processes according to developed requirements within urban social existence. Transaction cost economies arise from the unities of production, distribution, exchange, and consumption as these develop through one another as the development of urban social space reflects ever more definite identities between production and consumption.

These identities between production and consumption exist because urban space becomes ever more standard in its forms of reproduction of individual and social existence. By the late twentieth century, the forms for that reproduction are standardized within neighborhoods which include housing, education, health care, recreation, and leisure. But the more urban space multiplies its requirements for individual and social reproduction, the less capital in its concentrated and centralized forms provides within that common environment. Capital builds its concentration and centralization upon these requirements for human social and individual reproduction. But for capital these are

relations of commodities, money, and profit. Conversely, the more urban space develops standard forms for human individual and social reproduction, the more economies of scale, scope, and transaction costs arise through unified relationships of production, distribution, exchange, and consumption, and the more technologies of production and communication create relations of direct production for direct consumption, the more these are only commodity relations in the final analysis. They are ever more transparently social relations among people within a human-made environment of shared social space and shared requirements for human individual and social reproduction. They remain commodities because capital uses its economic, political, and social power to make and keep them commodities.

I will first outline the principal elements in the evolution of human productive and social relations, then I will discuss the arguments that I present in this book as to the opposition between capitalist private appropriation and socialization.

THE SOCIAL PRODUCTION OF EXISTENCE

Human existence is always social existence. Production, like language or any other human activity, exists for oneself because it exists for others. Production is always done by social individuals producing in society. Thus, the individual is a historical result rather than a starting point for investigating the development of production and human sociality. Marx calls the isolated individual, "Robinson Crusoe," the unimaginative creation of eighteenth-century economists, who merely substituted the bourgeois individual of their own day for the historical human individual. The individual producing for him or herself in isolation, Marx states, is rare, and its occurrence always presupposes a certain level of human social development. Similarly, the individual of bourgeois society has that individuality as a result of her or his social presuppositions. Individuality is always created through the forms of social production and reproduction which make individuality possible in that way, in that form, at that time (Marx 1986a: 18–19).

Social relations in a given society are created by the ways in which those relations form places and purposes in the production and reproduction of that form of human existence. Human existence depends upon social production. Social relations develop from the general to the particular as they differentiate themselves within the processes of social production. Social divisions of labor, Marx and Engels tell us in *The German Ideology,* are only various forms of possession or ownership. The bases for differentiation between manual and mental labor necessary for expanded social production have also been the bases for the rule of the few over the many. For example, Marx and Engels state:

> The first form of property is tribal property. It corresponds to the undeveloped stage of production, at which a people lives by hunting and fishing, by cattle-raising or, at most, by agriculture. In the latter case it presupposes a great mass of uncultivated stretches of land. The division of labor is at this stage still very elementary and is confined to a further extension of the natural division of labor in the family.
>
> (Marx and Engels 1968: 9)

Agriculture, therefore, represented not only the tilling of the soil, but a division of mental and manual labor which made possible concepts of "cultivated" and "uncultivated" land and the planning for the use of that land as a form of production. Agriculture was not simply farming in general but a specific historical form in which agriculture was created through the family. The patriarchal division within the family was the basis for the division of labor within agriculture. In this particular form, agriculture and the family share direct and mutually creative identities. But agriculture was also the limit to those identities because, as Marx and Engels suggest here, the division of labor necessary to the development of agriculture extended well beyond the family. Agriculture was a means of accumulating wealth for the family and the family was simultaneously a limit to that accumulation. At the same time, agriculture relied upon the division of labor within the family and it was only from within the family and its activities that the division of labor could be further extended. This further division, consequently, was achieved by the social transformation and extension of patriarchy. Patriarchy, as embodied in the slavery already implicit in family relations, became the management, also, of social slavery.

As Marx and Engels summarize these developments: "The slavery latent in the family only develops gradually with the increase of population, the growth of wants, and with the extension of external intercourse, both of war and of barter" (1968: 21–2). The more the family strains at its limits to make agriculture the basis of its existence, the more the land occupied by the society is redefined as a vast preserve of cultivated and uncultivated land. The need for extended land cultivation changed relations with neighboring tribes. Slaves, as prisoners of war, became the bases, simultaneously, for both the extension of agriculture *and* for the further extension of patriarchal social relations. The point is that all of these relations were reproduced as universal and particular relations through one another. Their social reproduction on a new basis was, thus, not only their repetition, but also their extension and development in a new form and content (Marx and Engels 1968: 8–10).[3]

The social division of labor through agriculture and slavery made possible the separation of country and town so that the latter involved

common forms of social and mental independence which allowed reflections upon social and mental activities as themselves, for their own sake. Social relations always depend upon social divisions of labor which are, again, various forms of possession or ownership. Historically, more and more concentrated, standardized, and universal forms of social production support more universal and relatively independent forms of social relations. And, conversely, that concentration of production is made possible by the extent to which those social relations make themselves subjects, as well as objects, for that production, i.e. in the increasingly *social* production and reproduction of human existence.

POLITICAL ECONOMY

The task of political economy, Marx argued, was to understand *all* of the presuppositions within productive and social relations which made social life in a given form and content possible at a particular time. Instead, political economists relied upon one-sided abstractions from which they deduced a few principles, which, in turn, became the bases of their economics:

> It would seem right to start with the real and concrete, with the actual presupposition, e.g. in political economy to start with the population, which forms the basis and the subject of the whole social act of production. Closer consideration shows, however, that this is wrong. Population is an abstraction if, for instance, one disregards the classes of which it is composed. These classes in turn remain an empty phrase if one does not know the elements on which they are based, e.g. wage labour, capital, etc. These presuppose exchange, division of labour, prices, etc. For example, capital is nothing without wage labour, without value, money, price, etc.... [This]... course is the one taken by political economy at its inception. The 17th-century economists, for example, always started with the living whole, the population, the nation, the State, several States, etc., but analysis always led them in the end to the discovery of a few determining abstract, general relations, such as division of labour, money, value, etc. As soon as these individual moments were more or less clearly deduced and abstracted, economic systems were evolved which from the simple [concepts], such as labour, need, exchange value, advanced to the State, international exchange and world market.
>
> (Marx 1986a: 37–8)

Deducing all of the presuppositions of a given form of social production means understanding how certain relations within that production are created as more or less universal relations by the activities of particular

groups of people. This means understanding how those particular social activities within that form of production bear logical and historical relationships to one another in their reproduction of those particular productive and social relations. Production is a meaningful abstraction, Marx states, so long as we understand that we are always discussing a particular form of production within a particular form and historical period of a human society. "If there is no production in general, there is also no general production" (Marx 1986a: 23).

We are always considering particular relations within human social activity as these are historically derived and reproduced through one another. The fact that production is always *social* production means that production and consumption as well as distribution and exchange are always subject and object for one another within the creation of social totality. Understanding how a given social totality expresses within itself the logical and historical relations of all its parts means understanding each of those parts as particular social activities, as they exist in relation to themselves, one another, and the totality, that is, their existence and development within human social practice. In general, as I have indicated, more and more concentrated production supports ever wider social relations (Marx and Engels 1968: 16–26). Social relations, within Marx's method, are not understood one-sidedly as, for example, simply reflections of a particular form of production. Rather, it is a question of how productive and social relations are created through one another according to the logic and history of their own development.

THE UNITY OF PRODUCTION, DISTRIBUTION, EXCHANGE, AND CONSUMPTION

Throughout this book, my primary task is to detail the ways in which production, consumption, distribution, and exchange are subject and object for one another in the development of capitalist private appropriation and in the social requirements and conditions for human individuals. My goals are to demonstrate the fundamental opposition between private appropriation and socialization and to show that the developed requirements of human social relations increasingly posit themselves for their own development as relations of production and consumption in ever deeper contradiction to the requirements of developed capitalist private appropriation.

Marx demonstrated in his introduction to the *Grundrisse*, as well as in his other writings, that human production and consumption, and their attendant processes, are always subject and object for one another in some form. They mutually define one another as social relationships, as particular social practices made through one another. As I have just indicated, there is no production in general but only particular historical

forms of production. Production furnishes the object for consumption, but there is no production without consumption:

> Production is thus directly consumption, consumption is directly production. Each is immediately its opposite. At the same time, however, a mediating movement takes place between the two. Production mediates consumption, for which it provides the material; consumption without production would have no object. But consumption also mediates production, by providing for the product the subject for whom they are products. The product only attains its final FINISH [*sic*] in consumption. A railway on which no one travels, which is therefore not used up, not consumed is only a railway [potentially], not in reality. Without production there is no consumption, but without consumption there is no production either, since in that case production would be useless.
>
> (Marx 1986a: 28–9)

Distribution, like production and consumption, involves mutually created social and historical relationships. In society, Marx states, "the relation of the producer to his [her] product, once it has been completed, is extrinsic, and the return of the product to the subject depends on his relations to other individuals" (1986a: 31–2). Distribution depends upon the division of labor and is thus determined by production. Distribution is, therefore, a product of production because the mode of participation in production determines the specific forms of distribution, the ways in which one shares in the products of production. Under capitalism, Marx states:

> To the single individual distribution naturally appears as a social law which determines his [her] position within [the system of] production in which he produces; distribution thus being antecedent to production. The individual starts out with neither capital nor landed property. He is dependent by birth on wage labour as a consequence of social distribution. But this dependence is itself the result of the existence of capital and landed property as independent agents of production.
>
> (1986a: 31–2)

Exchange, as Marx demonstrates, appears to be an independent relation, indifferent to production, and to exist only in the last stage, when the product is exchanged for consumption. But, Marx says, there is no exchange without a division of labor; private exchange presupposes private production; and the intensity of exchange, its extent and nature, depends upon the development and structure of production (e.g. the extent to which exchange relations are developed between town and country and within town and country). "Thus exchange in all of its

moments appears either to be directly comprised in production, or else determined by it" (1986a: 36).

In considering all of these moments of production and consumption together, Marx states:

> The result at which we arrive is, not that production, distribution, exchange, and consumption are identical, but that they are all elements of a totality, differences within a unity. Production is the dominant moment, both with regard to itself in the contradictory determination of production and with regard to the other moments. The process always starts afresh with production. That exchange and consumption cannot be the dominant moments is self-evident, and the same applies to distribution as the distribution of products. As distribution of the agents of production, however, it is itself a moment of production. A definite [mode of] production thus determines a definite [mode of] consumption, distribution, exchange, and *definite relations of these different moments to one another.* Production, *in its one-sided form,* however, is in turn also determined by the other moments. For example, if the market, i.e. the sphere of exchange, expands, production grows in volume, and becomes more differentiated. Changes in distribution, e.g. concentration of capital, different distribution of the population in town and country, and the like, entail changes in production. Lastly, production is determined by the needs of consumption. There is an interaction between the different moments. This is the case with any organic unity.
>
> (1986a: 36–7; his emphasis)

Production, distribution, exchange, and consumption always represent historically concrete and particular forms within an organic unity. As they develop through one another, they become universal in those particular forms which satisfy their requirements for one another and, therefore, also the social relationships which they reproduce. The more these forms posit themselves for extensive social development, the more they become universal social conditions.

Based upon my discussion so far in this book and having elaborated the unity of production, distribution, exchange, and consumption which Marx defines, it is possible to summarize that unity as it exists under capitalism and as it will unfold in my discussion throughout this book. Capitalism is, of course, first and always a system of private production and private exchange. It establishes its social connections among people on the basis of money. Also, of course, capitalism's system of distribution is the distribution of commodities. Early capitalist commodity exchange was established by "arm's length" transactions, the relative anonymity of sellers and buyers. Early industrial capitalism was characterized by

banking panics in which money suddenly lost value for no apparent reason other than the mysteries of exchange. It was only later, as industrialization expanded, that it became evident to all that these were really industrial crises arising from an excess supply of goods rather than something peculiar to the money commodity. Overproduction and underconsumption plague capitalism throughout its history, up to and including the present time, and are fundamental to its system of production and not simply to its depressions and recessions.

But despite the persistence of the commodity form and its essentially private character, capitalism, in fact, develops social space as a unity of production, distribution, exchange, and consumption, and, therefore, as a unity of the social relationships required by these social forms. Every form of production, as Marx states above, is always somehow a form of consumption, and, similarly with exchange and distribution, each of these somehow implies the others in its form. Capitalism first steps most considerably beyond the anonymity and "arm's length" character of commodity production and exchange with the formation of the working class. Once the working class exists as an empirical group of people who must sell their labor power for wages in order to live, then it is necessary for them to satisfy their necessities for the reproduction of their ability to labor through their purchase of commodities. Working-class consumption, as Marx demonstrates in *Capital* and I discuss in Chapter 2, then redefines production on a wide social scale. Industrial production becomes, above all in its initial stages, the production of commodities for workers, primarily apparel. Industrial production then redefines urban social space as a place for production and residence and it is on this basis that an urban distribution system becomes refined as an essential link between producers and consumers. Exchange is already less anonymous at this stage as consumer choice begins to distinguish the kinds and qualities of commodities that consumers prefer and thus helps decide the forms of products as well as the fates of some producers. Moreover, distributors at this point are able to modify the system of production by the alliances that they form with some producers as against others.

Once capital has defined itself as an urban system of commodity production and exchange, it then becomes primarily a producer of urban space and its social relations. This includes the establishment of a transportation system, which is initially in the form of railroads, and the establishment of a system of urban housing. Both of these together, as I also discuss in Chapter 2, absorbed the lion's share of investment capital throughout the second half of the nineteenth century. The development of urban space for production and residence increasingly required the creation of urban infrastructure and the development of materials, like iron and steel, necessary to that task. Industrial processes as machine processes not only made labor interchangeable in its various forms and