



Capitalism unwrapped

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review of

Coates, D. (2016) *Capitalism: The basics*. London: Routledge. (PB, pp. 210, \$25.95, ISBN 978-0-4158-7092-4).

In a compelling paper that appeared in 2007, Slavoj Žižek recounted the following anecdote, funny and disconcerting at the same time: Italian leftist journalist Marco Cicala had confessed to him that after having submitted an article featuring the word ‘capitalism’, the editor had asked him whether using that term was actually his only choice: in case it wasn’t, why not replacing it with a synonymous, like ‘economy’? Although the Great Crisis that hit the world that same year partially undermined the solidity of this equation, it still takes an act of resistance to the mainstream discursive regime for explicitly disentangling what is *capitalistic* in the economy from what is *economic* in capitalism. This is why David Coates’ ‘Capitalism: the basics’ is so essential: it breaks the aura of ‘inevitability’ which has for a long time surrounded the concept (especially in the academy) and, by unwrapping it, opens up new space for critical scrutiny. In fact, the key starting point of chapter 1 (‘What is capitalism?’) is the following: ‘in the full span of human time, capitalism is an extremely new phenomenon, one that is still even now only in the process of full formation’ (5). Thus, having emerged historically through a contingent succession of disparate events, capitalism is transient: it had an origin, it will have an end (how far are we from that closing is obviously a matter of contention).

In general, Coates – who teaches at the Department of Politics and International Affairs of the Wake Forest University and is author of the recent ‘Flawed capitalism’ (2018) and editor of the influential ‘Varieties of Capitalism, Varieties of Approaches’ (2005) – provides a finely balanced guide to past and present controversies concerning the mode of production we all live in at the moment, and succeeds in the tough tasks of presenting them in a clear and engaging fashion. As a didactic tool for teaching, I found this book extremely thorough and I would like to underline from the very beginning the usefulness of the glossary which closes the volume.

In this review I will critically discuss what I consider the main achievement of the book, the extraordinarily accessible chapter 2, titled ‘Capitalism from above’; and its principal shortcomings, the interpretation of 1968-1973 social unrest in chapter 3 (‘Capitalism from below’) and the excessively linear connection between classical liberalism and neo-liberalism, established in chapter 4 (‘Capitalism in contention’). As a methodological remark: the disagreements I am going to explore are not due to the introductory nature of this book – their roots can be easily found in Coates’ more in-depth research¹. My point is simply that this important introduction to the analysis of capitalism may have benefitted from including some general reference to research agendas which are, instead, not even mentioned.

Before I begin my analysis, however, let me report the very fitting definition of capitalism Coates provides as a starting premise:

Capitalism ... is an economic system in which the vast majority of goods and services produced are produced to be sold – and sold for a profit. People do not go to work in capitalist economies, as they have in many differently organized kinds of economy in the past, in order to produce things they themselves immediately consume. They go to work in capitalist economies in order to make things that are then sold to others. They also go to work because that is the only way in which they can earn the money that they need in order to buy things they require but now no longer make themselves – to buy things, that is, that are made by other people. In an economy run on capitalist lines people sell their own labor power, the better to buy things made by the labor of others. Or to put it more technically: *capitalism, when fully developed, is best understood as a system of generalized commodity production driven by the pursuit of profit and based on free wage labor* (based on labor, that is, that is provided in exchange for a money wage). [4; emphasis in the original]

¹For a comprehensive overview, see <https://www.davidcoates.net/>.

Varieties of capitalism

After having devoted a few detailed pages to the emergence of modern capitalism, Coates explores the internal differentiations of the concept both diachronically, by providing a series of alternative periodizations of capitalist development, and synchronically, by comparing different models of capitalist economies within a single stage (roughly from the the end of WWII to the collapse of the Soviet Union). As for the first point, Coates distinguishes between scholars focussing on the size of companies and the structure of their management – thus, we would have an inceptive ‘proprietary capitalism’ followed initially by ‘managerial capitalism’ and eventually by ‘collective capitalism’ in the 1980s – and scholars privileging the changing nature of the government-business relations – so that a ‘state monopoly capitalism’ in the 1980s would be preceded by ‘monopoly capitalism’ and, further back in time, by ‘liberal capitalism’. One particular stream of thought Coates correctly highlights is the French Regulation school, whose discriminating criterium is labor organization, hence the timeline is split into ‘pre-Fordist’, ‘Fordist’ (1945-1973) and ‘post-Fordist’ forms of capitalism. Here labor is organized according to a semi-automated production system ‘where the viability of firms requires both high productivity and output on the supply side and reliable and growing number of consumers on the demand side’ [170 (Glossary)]. Thus, Fordism is defined by the *assembly line* as fitting metaphor for the whole society: the problem is no longer to produce enough commodities to accommodate all needs, but rather to create markets large enough to allow the full sale of the output. Consequently, higher wages, mass production, social moralization and substantial standardization are the key elements of such a model, as Henry Ford himself clearly explained:

I will build a motor car for the great multitude. It will be large enough for the family but small enough for the individual to run and care for. It will be constructed of the best materials, by the best men to be hired, after the simplest designs that modern engineering can devise. But it will be so low in price that no man making a good salary will be unable to own one – and enjoy with his family the blessing of hours of pleasure in God’s great open spaces ... Any customer can have a car painted any color that he wants so long as it is black. (Ford, 1922: 45)

As for the second point – synchronic variations of capitalism – Coates focuses on the post-WWII period where three paradigmatic models are detectable: market-led; negotiated or consensual; state-led. Unsurprisingly, the United States are the epitome of the first model, in which private companies are free to raise their capital in open financial markets and to decide how to invest it according to short-term profit motives. In this capitalism, workers’ social protection and state involvement in economic management are limited. The negotiated or consensual

model is exemplified by Sweden (and, to a lesser extent, by West Germany), where the state, although not an extremely interventionist one when it comes to controlling capitalist accumulation, entrenches a set of solid workers' rights and welfare provision which entitle official unions to influence the labor market and to have a say in industrial decision-making. Finally, the third model has been historically implemented in Japan, where investment decisions belong on paper to private companies, but are actually only taken under close supervision of public agencies through administrative guidance and bank leadership. Unions are generally excluded from participation to the economic process, but some sectors of the labor force are tied to firms by means of company based welfare provision.

Coates' presentation of these varieties – and others, most notably Esping-Andersen's distinction amongst liberal, social democratic and conservative capitalisms, based on their different degree of commodification of welfare services – is precise, clear and engaging. I particularly appreciated the way he discussed how historical changes (e.g. the dissemination of ICTs as driver of productivity growth and the enhanced international flow of capital) and geopolitical transformation (e.g. the rise of China as the world's leading manufacturing economy) made an updating of such classifications necessary. Conscious that 'there is no automatic fit between economies organized on capitalist lines and political systems organized on democratic ones' [133], Coates aptly conceptualizes a new, hybrid model of capitalism, defined as networked or *guanxi* and experimented in China, that combines in unprecedented fashion communist political rule with capitalist economic practice.

Interpreting the rise and fall of Fordism

After having critically described how capitalism varies over time and space, Coates introduce both point of view and material experience of the working class, conceived of as a social agent who only lives in capitalism and yet constitutively does not share capitalists' interests. Convincingly, Coates frames working class agency according to the historical periodizations discussed above: in early capitalist conditions, laborers' activism responded to an 'agenda of *representation*' [62], namely a set of struggles (rarely victorious) to have their right to claim a specific *class interest* to be counterposed to that of local employing classes. These struggles took two main forms: economically, they aimed at improving wages and working conditions; politically, their main goal was the right to vote (first for white male workers, then also for women and people of color).

From a world-history perspective, Coates argues that the first half of the XX century showed a tripartite trajectory of such agenda of representation: initially a general challenge to capitalism, whose apex was 1920, when ‘the world did literally seem to stand on the threshold of a socialist transformation that would be history’s response to the immiserization caused by capitalist industrialization’ [64]. Subsequently, an isolated revolutionary failure represented by the aftermath of the Bolshevik Revolution, when ‘the defeat of the Russian working class, by the party ostensibly created to lead and represent it, [did] immense damage more generally to the cause of working-class emancipation on a global scale’ [66]. Finally, as a reasonable response to the horrors of Fascism in the 1930s, ‘employing classes in each core capitalism emerged from World War II faced with the need to accommodate working-class demands for industrial recognition, and for political and social rights’ [66-67].

In this new context, which French historians refer to as the ‘glorious thirty years’ (*les trente glorieuses*) and Coates labels ‘golden age of capitalism’ [68], two main tendencies are at play. A negative one: the widening of income inequalities between First World economies and Second and Third World ones; and a positive one: the narrowing of income inequalities within the core of the world system. This means that the controversial notion of the *progressive side of capitalism* is both historically proved and politically partial. That said, Coates is right in affirming that, both in terms of living standards and of social participation, the experience of core indigenous workers’ was significantly improved with regard to the proletarian condition of capitalism’s first generations.

What is less convincing, in my opinion, is the interpretation of the new phase of laborers’ activism, one that we may define as agenda of *implementation* or *use*. In the new situation the key question was no longer how to organize to win rights, but rather ‘how to fully exploit those rights once won’ [71]. It is worth quoting Coates at length:

While the post-war ‘golden age of capitalism’ lasted – and it lasted for each major industrial capitalism until 1973, and then peeled away progressively for each ... – industrial and political moderation was the order of the day. A generation of workers at the core of the system experienced steadily rising living standards, job security and enhanced welfare provision, and responded accordingly. Among those workers, the predominant industrial response was one focused on the local achievement of better wages and conditions, and the predominant political response was one marking a retreat from more grandiose schemes of system change. The predominant overall response, that is, was a combination industrial militancy and growing political conservatism ... At the height of the post-war boom, workers in much of the Western Europe struck for a resetting of the class accord (between 1968 and 1973) – a resetting that called into existence what we

would now recognize a set of fully developed welfare states. But once that new architecture was in place, the pressure of organized workers for its extension weakened and their interest in socialist politics. [72]

Seen from my perspective – that of a person who is Italian and has lived in France for a while – claiming that in 1968-1973 the working class was active in unions but politically conservative is very surprising. Of course it is true that for First World's laborers the wage-form acted not only as an instance of discipline, but also as a driver of citizenship. However, many workers decided to walk the other way and, instead of 'striking a deal' with capital, so to speak, chose to resist the wage-form as such, especially but not exclusively by demanding a shortening of the work day. In Italy, precisely in the 1968-1973 time-window, there was a truly huge amount of industrial strikes, characterized by a new social composition and a growing independence of militants from union bureaucracies. This shift is nicely captured by Harry Cleaver (2012) in relation to the American context:

As time passed a new generation of young workers entered the labor force, a generation that not only expected to see wages continue to rise, but one that wanted more free time in which to make use of higher wages. These kinds of conflicts increasingly ruptured the whole set of mediations that had played a key role in stabilizing capital-labor relations in the Keynesian period. Not only did the demands for less work challenge the ability of the wage relation to reflexively define people as workers, but by fighting and often bypassing the official union structures, these struggles ruptured the carefully crafted syllogistic mediations that had been put in place to control the rank and file of industrial labor. In all of this labor became less malleable, hierarchical divisions based on race and ethnic divisions were overcome and the role of work as social control (abstract labor) was undermined.

So, the reason why in 1968-1973 the working class lost interest in socialist politics is not only to be found in a (neo)liberal counter-attack; most importantly, the new working class realized that the socialist dream – which, just as the capitalist one, was predicated on the *productivist nexus* (Offe, 1992) of higher labor productivity and faster economic growth – was not so seductive after all. These young workers then struggled simultaneously against capitalism and against socialism, which is to say against the centrality of the wage-form as the pillar of societal mediations.

Did they win? Not at all. That the 1968-1973 social movements were defeated is doubtless: none of their ultimate goals (social justice, gender equality, ecological compatibility of production, autonomy from capital's objectives, etc.) was achieved. The collapse of Bretton Woods (1971) and the first Oil Shock (1973) restored the balance of power firmly on the side of capital. Even worse, the wage-growth dyad ended up losing the positive side of its (pale) 'progressivism':

instead of pushing for higher profits, tendential full-employment and rising living standards (though at the expenses of weaker economies), neoliberal capitalism has been growing *by* deepening social inequalities.

All this notwithstanding, it is crucial to acknowledge that revolt for what it was – an *experimentation in life beyond class compromise* – because the way in which one interprets that period deeply influences the definition of what is *politically desirable* today. Assuming no one would disagree, Coates concludes his book by indicating the twofold task before us all: ‘a new social settlement ... and the next technological fix that can stimulate a significant rise in the productivity of labor’ [142]. This formulation takes for granted three elements which do not necessarily go hand in hand: a) that capitalism is the only game in town at the moment; b) that no radical alternative to capitalism is to be looked for or practiced; c) that the wage-form (which once contributed to regulate the capital-labor link) is the only political terrain for the new social pact. That a) is a reasonable postulate, no question. However, both b) and c) would have deserved a more thorough examination, given the unprecedented challenges capitalism is facing today.

Consider, first, the ecological crisis: Coates is hopeful that capitalism can incorporate the environmental limit not as an obstacle but as driver of growth and concludes that ‘if it cannot, the old adage of “don’t drink the water and don’t breathe the air” will become a debilitating reality for more and more of us’ [165]. Regardless of one’s opinion about the compatibility of capitalist accumulation and planet’s health, it remains unclear why the only alternative to green capitalism needs to be a catastrophic scenario. There are now plenty of discussions about degrowth (D’Alisa, Demaria and Kallis, 2015), both in leftist circles and in the academy: acknowledging them would have broadened the scope of the book without harming Coates’ legitimate preference for a newly designed Keynesianism.

A similar reasoning applies to the possibility of a social settlement for the 21st century: is the wage-form really the only way to progressively connect higher labor productivity and faster economic growth? Given the dramatic rise of *working poor* in advanced economies – an unprecedented connection, that is, amongst high unemployment, low wages, labor market deregulation and a longer work-day – many activists and academics are exploring the feasibility of a basic income as the tool for social stabilization (Fumagalli and Lucarelli, 2011). Again: it is absolutely legitimate to prefer a job guarantee, but a mere reference to this issue would have sufficed to make more comprehensive an already detailed introduction to capitalism.

Interpreting the rise of neo-liberalism

In chapter 4 Coates abandons the historical/economic sociology perspective he had previously implemented to assess capitalism from a visual angle based on political theory. He selects and describes three major intellectual traditions: classical liberalism (particular emphasis is devoted to the figure of Adam Smith), Marxism and social reformism (with John Maynard Keynes chosen as leading actor). In order to connect this tripartition with the above-mentioned working-class agenda of representation, it would be possible to see Smith as the challenged theorist of pre-Fordist capitalism, Marx as the inspirer of the eventually failed revolutionary strategy, and Keynes as the champion of social democracy, hence as the key figure to turn to for the implementation of the new social settlement.

I found this historical interlinkage both illuminating and effective. I particularly appreciated the balanced way in which Coates discusses Smith's notion of the invisible hand. What left me much less convinced is the excessively linear connection he established between classical liberalism and neo-liberalism (as advocated by the likes of Hayek and Friedman). Again, a long quote can be useful:

The classical liberal view of the world has a powerful optimism written into it, which has long been part of its appeal. It is an optimism about the rationality of individuals and their basic ability to benefit everyone by simply getting on with their own lives; an optimism that history is the story of wealth creation and cultural progress if people are only left free to do their own thing; and an overwhelming optimism that markets are the great clearers and coordinators of economic life ... Faith in markets was particularly strong in the Victorian period of industrial supremacy; and that faith returned on a grand scale in both the United Kingdom and United States in the decades that followed the stagflation of the 1970s – a stagflation that ended the post-war growth period based on Keynes' writings. Indeed the potency of the 1980s turn in public policy back toward monetarism, privatization and market deregulation – and the associated rediscovery of the writings not just of Smith but of later liberals such as Friedrich Hayek and Milton Friedman – is an important indication of what is undoubtedly a more general truth here. Namely that this classical brand of liberalism needs to be understood not simply as one of the earliest and most coherent responses to the rise of capitalism, but also as one of the most all-pervasive, influential and tenacious of all the responses that were to come later. [88-89]

I believe there is nothing to object about the faith in markets constituting an element of continuity between liberalism and neo-liberalism. An exclusive focus on this particular issue of political economy would actually justify an emphasis on what is *liberal* in neo-liberalism. However, the *neo* part is equally important and, in my opinion, not sufficiently developed in Coates' book. To properly grasp its character of *social experimentation* I think it is necessary to interconnect it with

so-called *governmentality studies*, namely a Foucauldian framework aimed at analyzing neo-liberalism as a political rationality (Burchell, Gordon and Miller, 1991). Such a framework stems from a shift in emphasis from the liberal centrality of the notion of *exchange* to the neoliberal reliance on *competition* as a generalized principle of formalization (Dardot and Laval, 2014). This shift implies a profound modification: whereas liberal governmentality incorporated the social mediation of economic interests as expressed by different actors, neoliberal governmentality engenders the ‘extension of economic analysis into previously unexplored domains’ (Foucault, 2010: 219).

Similarly, and closely linked to the peculiar defeat of 1968-1973 social unrest, the historical form of social mediation changed: whereas liberal governmentality was marked by the centrality of *wage* as a social institution (as a recognition of class alterity and its management through a compromise: the ruling class gains social peace by conceding consumption-based integration to the working class), neoliberal governmentality relies on the putative equality of individuals/enterprises who struggle to better valorize their *human capital*. By highlighting the pervasive nature of such a transformation, Massimiliano Nicoli indicates the kernel of neo-liberalism in the twofold process of ‘companies’ governmentalization and state’s managerialization’ (Nicoli, 2015: 173).

The first aspect concerns neo-liberalism as a specific form of *production of subjectivity*, based on a new approach to productive factors, as developed by the so-called Chicago School in the 1960s and early 1970s. This group of American economists and philosophers (including Milton Friedman and Friedrich Hayek) revolutionized their research field through the notion of *human capital*. Their main goal was the generalization of market relations to the totality of social spheres. This theoretical effort generated significant intellectual innovations, with an economics-based understanding of crime, family, marriage, capital punishment, and so on. However, its main tenet is a *different view of labor*: this is no longer the irreducible ‘other’ of capital, but rather one of its various possible forms. This peculiar human capital is composed of previously overlooked ‘assets’ such as education, professional experience and mobility (but also language, affect, care).

According to Foucault’s reading of Becker, the procedure whereby labor becomes defined as human capital represents a relatively straightforward process: individuals work for a wage and, from their perspective, that wage is income; whenever income gets conceived of as the product or return on capital, then it proves possible to define labor *as* capital; since such labor is inseparable from its bearer, then it is laborers themselves that end up conceived of as enterprises. Thus, from this perspective, ‘the worker himself appears as a sort of enterprise of

himself', or as an 'entrepreneur of himself' (Foucault, 2010: 225-226). Thus, in Foucauldian terms, human capital is not so much an economic category but rather a governmental device attuned to neo-liberalism as a political rationality.

The second relevant effect of the shift in emphasis from exchange to competition derives from the necessity of constant state intervention not *on* the market (to fix negative outcomes or unexpected side-effects), but *within* its conditions of possibility (to structure reality according to its needs). Rather than a detached referee supposed to supervise the rules of the market-game, what is now needed is an *interventionist governmentality*, a proactive political entity whose task requires incessantly re-creating the material conditions of a given society according to competition.

As Foucault summarizes, in neo-liberalism 'one governs for the market, not *because of* the market' (2010: 121). In other words, what needs testing is the capacity of a market economy based on competition to shape the state and reform society. Competition, therefore, becomes a social model centered around inequality (as opposed to the crucial role of formal equivalence in a system structured around contractual exchange). What in classical liberalism was an indirect separation between the political sphere (state) and the economic sphere (market) gets substituted in neo-liberalism by a mutual interference.

Such interference, along with the new approach to productive factors I just discussed, would have obvious impacts on Coates's twofold task of enacting a new social settlement and of boosting labor productivity (or should I add 'human capital' productivity?) in order to regulate capitalism once again. Sure, it is possible – well, let's even say probable – that Coates would consider this Foucauldian approach problematic if not plain wrong. But since the field of governmentality studies has been quite influential in political theory for almost three decades, I still believe that a reference to it would have turned *Capitalism: the basics* into an even better introduction to such a pivotal issue.

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