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The Microfoundations of Marxian
Crisis Theory: a Critique and
Reformulation

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Introduction

Marxian crisis theory, as the term is used in this paper, is a theory of the 'dialectical' or 'contradictory' laws of motion of capital. In its various forms crisis theory demonstrates that in a capitalist economy the accumulation of capital is a necessary, all important process that periodically, or secularly, undermines its own conditions of existence. Crisis theories have a two-fold importance for Marxists. They are important theoretically for their analysis of the logic of capitalist development through their demonstration that the accumulation process is objectively self-frustrating and crisis prone. They are also important politically through their conceptualization of the crisis period (the period of frustrated accumulation) as a privileged moment for the effective intervention of political forces to restructure or revolutionize the economic realm.

This is the first of a proposed series of papers on crisis theory. Future papers will focus on the theorization of the crisis phase and its resolution. The focus of this introductory paper is the theorization of the accumulation process as a necessary, law-governed motion of capital. In other words, this paper is about the alleged necessity of accumulation in capitalist economies, and not about its contradictory characteristics. A further restriction of the present paper is its limitation to a critique of the theoretical aspects of crisis theory. It should also be pointed out that we will not concentrate our

critique on any particular version of crisis theory or author. Instead, we intend to critique the underlying logic which is common to a variety of different crisis theories. We recognize that such an approach will inevitably oversimplify the detailed argumentation of particular crisis theories, but our concern here is to throw into question the broad theoretical terrain on which the vast majority of crisis theories are debated, rather than critique any particular type of crisis theory. The terrain which we wish to critique is one which sees capitalism as a system which is governed by the laws of motion and crisis tendencies deriving from the accumulation process.

Some crisis theories simply ascribe to capital a primal (albeit historically determined) and incessant urge to accumulate. They then deduce the laws of motion of the capitalist system, including its crisis tendencies, by calculating the effect of various amounts or rates of accumulation on the profit rate, and the effect of the profit rate on further accumulation. This approach, with its obvious Hegelian roots, tends to see all aspects of capitalism as serving the basic needs, or resulting from, the contradictory primal urge of capital to accumulate. Other crisis theorists argue that such an approach is functionalist and teleological and lacks an explicit mechanism which can explain why capitalists accumulate. They argue that Marxism needs an explicit microfoundation in order to avoid functionalist and teleological reasoning.

Much recent effort and debate within Marxian theory has been devoted to providing non-functionalist and non-teleological explanations of the crisis tendencies of the capitalist system. The typical approach is to theorize the nature of the capitalist economy in such a way that capitalists are forced to behave as profit maximizers who minimize their costs by ever increasing investments in innovations of the production process. This approach, which we call the Structural Imperative Argument (SIA), is offered as an improvement over the 'traditional' approach which sees crises as emanating from the contradictory nature of capital's primal urge to accumulate. However, as we will argue in this paper, the SIA is based on a series of essentialist reductions which when recognized as such undermine much of its persuasiveness.

In opposition to these essentialist reductions we will argue that each capitalist enterprise is unique, and as a result of this uniqueness there can be no specific behavior enforced on the capitalist enterprise by the logic of the capitalist system. In particular, we will argue that competition cannot enforce capitalists to minimize costs, maximize profits, accumulate more capital, nor subordinate the multiplicity of their personal and social concerns to the 'bottom line' of profit and accumulation.

For us, the implication of these arguments seriously undermines the theoretical project of Marxian crisis theories, namely the attempt by crisis theories to demonstrate that

capitalism is governed by a logic or law of motion, even a logic that is objectively self-frustrating, and crisis prone. A more worthwhile way for Marxists to analyze the potential for change and transition in contemporary capitalism would be for Marxists to begin to analyze overdetermined contradictions through which the class structures of specific enterprises, industries, and national economies and their political and cultural conditions of existence mutually constitute and change each other. Such an analysis would have salutary consequences for political strategy and organization, we would argue.

This paper is organized as follows. Section I outlines the 'stylized facts' of Marxian crisis theory, what we call the structural imperative argument approach. Section II examines the complex motives and contradictions specific to each specific capitalist qua individual. Section III outlines a multi-class model of the enterprise and thereby throws into question any unique measure of profit and costs across capitalist enterprises. Finally, section IV argues that capitalist enterprises cannot be enforced to follow any particular behavior by the 'laws' of competition if each capitalist enterprise is uniquely and differently organized with respect to its internal class structure.

I. The Structural Imperative Argument: The Microfoundations of Marxian Crisis Theory

Marxists frequently argue that the laws of motion of capitalism are in no way dependent on a theory of individual agency, let alone an account of the political and cultural differences between capitalists. There is no need to understand the intentions of particular capitalists, it is argued, because capitalists who fail to act in specific ways cease to be capitalists. For example, it is frequently argued that a behavior structurally required of capitalists is that they must cost minimize. The mechanism which enforces this behavior is competition. The argument for this structural necessity runs somewhat as follows. Assume one capitalist in an industry were to innovate a new technique of production that lowers per unit production costs and therefore at the existing output price increases profits. If the innovating capitalist were to lower selling price and expand output this would decrease the profits of other capitalist enterprises in the industry, who without having lowered costs would be forced to lower their price and therefore realize lower profits.

This however only proves that aggressive competition may decrease the profits of the non-innovating capitalist enterprises. It does not demonstrate that they must either match the cost-cutting innovation or go out of business. It is this stronger conclusion that Marxian crisis theory wishes to prove. To reach this conclusion it is argued that the pace of accumulation is a function of the profit rate and that the ability of capitalist enterprises to expand production and innovate cost-cutting techniques is a function of accumulation. This means the cost advantage of the innovating enterprise and its ability to aggressively attack other enterprises

by expanding into their markets increases over time. Hence, eventually enterprises that do not cost-minimize and accumulate will perish. While it will readily be admitted that this scenario does not apply to every case, it is held to be the typical or normal case, and therefore it is legitimate to deduce the laws of motion of the capitalist system from considering the macro consequences of the normal micro case.

There are a number of assumptions on which the SIA rests. These are usually only implicitly assumed but are critical for the validity of the SIA and all crisis theories based on this approach. These assumptions are worth stating explicitly as they will form the basis of our critique of the SIA.

The general underlying assumption of the SIA and crisis theory is that capitalism is a system with a principle of order, a principle which both determines the basic decisions and behavior of the agents and enables us, the theorists, with a rational insight into the essence of the system to know and predict that behavior and thereby deduce the law of motion of the system. The ordering principle of the SIA is that capitalists as organizers of production are determined by their class position to minimize their costs of production and maximize their profits.

This is understood as class behavior. The knowledge of it is understood as the knowledge of the basic antagonism structuring life in capitalist society. This is most clearly seen in the two class models (on which SIA are based) in which total revenue is divided into wages and profits, where the costs that the capitalist is attempting to reduce are the wages or 'life-blood'

of the workers. The contradiction that structures the capitalist system is then expressed by the polar opposite treatment that the capitalist accords to profits and wages, struggling to push the one up and the other down.

Operationalizing this broad assumption are three more specific assumptions.

(1) The model of capitalist motivation and behavior: the SIA model disclaims the need to understand the intentions of the capitalist, yet the argument about the logic of capitalist development and its crisis tendencies implicitly assumes a gain seeking model of capitalist behavior.

(2) The model of the capitalist enterprise: the SIA account abstracts from the diversity of class and non-class positions within the capitalist enterprise, thereby imposing a bi-polar model of conflict expressed in the struggle to minimize one set of income payments called costs and to maximize another set called profits.

(3) The model of capitalist competition: the SIA essentializes price-cutting competition as the fundamental threat (the only one endogenous to the system) to the viability of capitalist enterprises. Cost minimizing accumulation is in turn essentialized as the necessary means by which capitalist enterprises survive the challenge of competition and thereby maintain their viability.

We will criticize these assumptions in the next three sections of this paper. The critique which we will make is based on an understanding of Marxian social theory which is non-essentialist. We will show that the differences which characterize every individual and every capitalist enterprise matter and such differences make

it impossible to deduce a particular behavior for the capitalist enterprise or the capitalist individual. As a result there are no eternal laws of motion or crisis tendencies endemic to capitalism.

The next section will critique the theory of capitalist behavior implicit in the SIA approach to crisis theory.

II. On the Theory of Capitalist Behavior: The Struggle within the Soul of the Capitalist

It is frequently claimed that the desires and values of individual capitalists are irrelevant to a 'scientific' understanding of the laws of motion of the capitalist system. Although these laws exist only insofar as individuals (capitalists and workers) behave in certain ways, their behavior is explained not by their motivations but by the logic of the system. Marxism, according to this interpretation, is a theory of structurally necessary behavior.

This claim is in part disingenuous and in part naive. Disingenuous, because Marxist analysis is replete with references to the motivations of capitalists. Capitalists are described not only as receiving but also as desiring the power and benefits that adhere to their class position, as unwilling to give up their unearned and disproportionately large incomes, etc.

It is naive if, and insofar as, it is assumed that capitalism, conceived as a structure of social relations, can determine certain forms of behavior or results (such as the choice of cost-minimizing production methods) regardless of the goals, values, etc., of the occupants of the positions defined by the structure. A structure determines at most for individuals a set

of alternatives: if you do such-and-such, this consequence ("reward") will result, otherwise, that consequence ("penalty") results.

But unless we attribute to the individual an assumed or pre-given valuation of the supposedly given consequences of the alternative behaviors (this consequence is always to be desired, that always to be feared, etc.), no behavior can be deduced from the structurally posed alternatives.

Furthermore, in any situation the consequences of doing such-and-such an action depend on others doing so-and-so in reply. Consequences are determined by a structure only insofar as the response pattern of others is similarly determined by that structure. But how others respond also depends on how the alternatives presented to them are mediated by their values, desires, character, etc. In other words, the thesis of structurally necessary capitalist behavior presupposes a structurally determined pattern of motivations governing both individual capitalists and all those others (other capitalists, workers, etc.) whose actions affect either the posing of the behavioral choice set of capitalists or the consequences of their behaving one way rather than another.

The familiar thesis that capitalists are structurally determined to profit maximize therefore presupposes that capitalists desire profits either as an end-in-itself or as a structurally necessary means to some other desired end. Our argument up to this point appears to simply have reached the rather unsurprising conclusion that Marxian arguments about the laws of motion of the capitalist system implicitly assumes that capitalists are motivated by profit-seeking behavior. However, since Marxists freely acknowledge

their belief that capitalists are profit-seekers, we do not seem to have gotten very far. The point of our discussion, however, is to force into the open that the story of capitalist development requires an explicit recognition that the particular motivations of particular capitalists, as well as everyone else, must be taken into account. Therefore, the SIA must assume, either explicitly, or implicitly, a specific behavior on the part of individuals. In particular, the SIA must assume that capitalists in general desire profits as an end in itself, or as a means to an end.

But what are profits and why do capitalists seek them? In the story told by Smith and Ricardo, profits are simply the income of the capitalist class, its share as expressed in money (or exchange value) of the total output of the economy. Profits are the gain or monetary benefit to the capitalist for occupying the capitalist class position. If profits are understood as the goal, telos, or end of capitalist behavior, the thesis that capitalists are profit seekers who always (or normally) make whichever decision leads to the most profits is equivalent to the thesis that monetary gain is the hegemonic benefit derived by capitalists from their class position.

However, in the SIA profits enter the argument not as ends but as means, not as gain but as a reproduction fund (accumulation). Capitalists need profits to maintain the viability of their enterprise.

This then raises the question; why should the viability of the capitalist enterprise depend on how much money a capitalist makes? Although the matter is rarely stated in these terms, the assumption must be that the viability of the enterprise has particular

conditions of existence to secure which requires distribution of shares of the capitalist's money profits. If enterprise viability is an unambiguous function of the amount of money profits, then money payments must be the essence of securing all of its conditions of existence. This can only mean, however, that all providers of the conditions of existence to the capitalist enterprise are likewise gain seekers. For if the securer of a particular condition of existence was more concerned about participation in some social process (which capitalists were differentially able to provide) than with gain, then profits would not be the index of the viability of capitalist enterprises. The underlying assumption behind the SIA therefore must be that capitalism is a gain seeking, cash-nexus society, and that each individual in the society is motivated simply by their expected monetary gain.

It should be pointed out that Marxists theorize capitalist societies dramatically differently from how they theorize non-capitalist societies. For although non-monetary or non-wealth benefits of class position are thought to be very important in non-capitalist societies, it is argued that in a capitalist society the non-income benefits of class positions have been stripped away, and money has become the general or universal equivalent, so that whatever values or goals the capitalist may wish to pursue, the more money he/she makes the better. That is to say, all of the various motivations which a capitalist may have are either reduced to, or hegemonised by, his/her desire to maximize profits. By contrast, in a non-capitalist society money can't buy everything. This cultural argument concerning

the differences between capitalist and non-capitalist societies does capture an important aspect of the trajectory of modern history, but it does not express a necessary aspect of capitalist society nor a tendency law of capitalist development.

Rather this view essentializes gain as the hegemonic motivation in a capitalist society. In fact, 'income maximization' is frequently understood as the behavioral principle or choice criterion that specifically differentiates capitalist from non-capitalist economies. Thus for example in primitive communist, feudal or slave societies, community members, feudal lord, or slave masters respectively are understood to be primarily concerned with a way of life, and wealth is valued as only one aspect of each particular way of life. Thus in making the decisions structurally determined by their class positions, the decision criterion employed is not income maximization for the community member, feudal lord or slave master. Instead, in non-capitalist societies income is only one of the benefits of holding a class position.

But this is equally true of capitalist society we would argue. Whether we focus on the world of the small capitalist farmer, or the world of the small capitalist manufacturer, merchant, or shopkeeper, or the world of the giant corporation, the notion that economic decisions are not as strongly colored by the dynamics of 'class life' (broadly defined), and the desire to preserve that life, (for esteem and honor within it, etc.) as by the desire 'to make a buck' strikes us as ludicrous. The desire for a particular way of life is just as important a determinant of class behavior in capitalist as in non-capitalist society.

More generally, we may say that like everyone else the capitalist participates in many social processes and holds positions in many social sites or institutions (state, family, enterprise, church, professional associations, etc.) as well as participates in many less formally organized, or at least less formally recognized ones (political parties, ethnic community, friendships, private clubs, etc.). Participating in some of these processes may in certain circumstances be conditions of existence for acquiring or continuing to hold the class position of capitalist. For example, acquiring a M.B.A. degree may be the sine qua non of the class position of manager in a capitalist enterprise. In contrast, participating in other processes may adversely affect an individual's ability to acquire or maintain a class position. For example, a membership in the wrong political party or adherence to the wrong religious affiliation may adversely affect promotion and employment opportunities.

In summary, we would like to stress the following points. First, the character and motivation of capitalists is overdetermined by all the social processes in which each participates. Second, and related, the behavior of capitalists in their position qua capitalist is in no way reducible to simply a desire for gain. Each capitalist is concerned with, and motivated by, the effect of their decisions as capitalists on other social processes, as well as their ability to participate in other social processes and on what terms. Third, it is therefore unpersuasive, we would argue, to model a capitalist simply as a monetary gain seeking agent. The gain seeking of capitalists is limited by all their other concerns:

concerns about national policy, religion and morality, personal health, etc., and none of these concerns can be reduced simply to an effect of the others. In this sense we can say that there is a struggle within the soul of the capitalist.

Third, the gain seeking of those who secure for the capitalist the conditions of existence of his/her class position and the viability of the enterprise, and indeed the gain seeking of all individuals in whatever class and non-class positions they occupy is likewise limited by their other concerns.

In conclusion, we believe that the continued adherence by Marxists to the assumption of profit seeking or profit maximizing behavior by capitalists has undesirable political implications. The undesirable consequences which we see stem from the debilitating doctrines of economism. In borrowing the concept of the profit maximizing capitalist from classical political economy, Marxism also borrows the vision of the capitalist economy as self-regulating system, equipped with an internal telos or principle of order, a vision in which cultural and political processes have no significance in themselves, but function on the one hand as mere instrumental means to the acquisition of gain or wealth and on the other hand as the automatic effects of the differential ability of capitalists to distribute gain. Of course, for Marxists to reject this borrowed vision is no minor matter since what is at stake is the understanding of the relationship of capitalist production and exploitation with its conditions of existence as a structured system with laws of motion inherent in its structure.

III. On the Theory of the Capitalist Enterprise: Struggle within the Enterprise

In this section we will develop a theory of the capitalist enterprise (KE) from a class perspective. We will focus on the fundamental and subsumed class processes within the enterprise and their relationship to what is commonly understood as costs and profits. We will show that there is no unique definition of profit or cost which corresponds to a particular subsumed class payment (SCP) or set of subsumed class payments. Therefore, we will argue, there can be no unambiguous meaning across KEs which can be ascribed to the behavioral rule that KEs should or must maximize profits or minimize costs. To simplify our analysis we will assume that all individuals within a KE are solely concerned with the amount of income they receive. In other words, they are gain seeking agents only. Relaxing this assumption would only strengthen our analysis.

A KE produces and sells commodities. We will assume that all enterprises are KE. A class analysis of the KE would begin by recognizing that the production of commodities is simultaneously the production, appropriation and distribution of surplus labor in value form. The production and appropriation of surplus value is the fundamental class process and the first distribution of the already appropriated surplus value is the subsumed class process. We will only consider here these two class processes. Thus we will abstract away from further distributions of the surplus value. This assumption does not change our analysis, it is for simplification only.

We will further assume that all income payments can be

denominated in units of socially necessary abstract labor time, and that value equals exchange value (EV). Again, this assumption is merely for simplification purposes.

Thus the value or exchange value of a commodity can be expressed by the well-known following equation:

$$(1) \quad EV = C + V + S$$

where EV, C, V, S, are per unit magnitudes of exchange value, constant capital, variable capital, and surplus value respectively.

In order for the production and appropriation of surplus value to occur there are many natural, political, cultural and economic conditions of existence which must be secured. Some of these conditions of existence require that shares of the appropriated surplus value be distributed to the individuals who provide these conditions. For example, rents may have to be paid to landlords to secure access to natural resources, fees paid to merchants to secure the selling of commodities, wages to supervisors to ensure that the extraction of labor from labor power occurs, payments to managers for the accumulation of productive capital, etc. These distributions are called subsumed class payments and their recipients occupy subsumed class positions.

We can represent the subsumed class structure of the enterprise as follows;

$$(2) \quad S = \sum_{i=1}^N SCP_i$$

where $\sum_{i=1}^N SCP_i$ is the sum of all of the subsumed class payments which must be made in order to secure the conditions of existence of continued surplus value production. By substituting equation (2) into to equation (1) we get.

$$(3) \quad EV = C + V + \sum_{i=1}^N SCP_i$$

Equation (3) is the enterprise's financial viability condition. This viability condition is the KE's budget constraint. It represents all of the payments for productive capital (C) and productive labor (V), and all of the shares of surplus value which it must distribute in order to continue to produce surplus value at its current rate. If the socially determined EV were to fall this would threaten the KE as the viability condition would be violated. Similarly, if one of the recipients of a SCP were to require a greater share of surplus value in order to continue to provide its specific condition existence the KE would also be threatened. As each KE is uniquely constituted with respect to its subsumed class structure, there can be no uniquely correct way in which a KE must respond to a threat to its financial viability condition. In particular, there is no necessary reason to believe that the KE will respond by increasing SCPs to managers for the purpose of accumulation or technical innovation. We will argue this point at greater length below.

There is of course a more familiar way in which Marxists theorize the distribution of capitalist revenue, namely its division into costs of enterprise and profits of capital. In theories that understand capitalism as a system with a logic, viz., all crisis theories, this division into costs and profits is critical because the conceptualization of the logic of the system requires that capitalists struggle to minimize their costs and maximize their profits. This division of revenue into costs and profits is critical for Marxists in two ways. First, the division provides an explanation of what is understood as the progressive material dynamic of the capitalist system. This

dynamic finds expression in the tendency to revolutionize the forces of production, swell the mass of accumulated means of production, and expand the production of use values. This occurs because in a capitalist system its progressive material dynamic is expressed by the tendency of the accumulation of capital to grow, and accumulation in turn is understood as a positive function of the profit share or profit rate. Second, this division is critical for Marxists because it provides an explanation of the 'objective' basis for class struggle since what are considered costs to the capitalists are considered incomes to other social classes. The division of total revenue into costs and profits is understood as directly expressing the class structure of society, and the cost minimizing, profit maximizing logic of the system expresses the basic class antagonism at the heart of the capitalist system. In understanding the logic then of profits and costs it is understood that there is an inevitable polarization of capitalist society into two classes with opposing interests which is thus the objective basis of class struggle.

We argue that this two-class model seriously undermines the understanding of the KE, and its dynamic in modern capitalist societies. Also, we argue, the two-class model leads to unfortunate political consequences with respect the potentialities of the class struggle.

These problems stem in part from the assumption that the division of revenues into variable capital and surplus value translates in a simple way into a division into costs and profits, and from the further implicit assumption that there is a single, objectively correct way of making the division into costs and profits. To see the difficulty of uniquely dividing the revenue of the KE into costs and profits consider equation (3), $EV = C + V + \sum_{i=1}^N SCP_i$.

It is generally assumed that V is equivalent to wages and that wages are intrinsically costs. We are quite dubious of both assumptions, since on the one hand there is no reason the wage cannot include SCPs, and on the other hand, as we will argue below the ambiguity of how to divide the distribution of the revenue of the KE into costs to be lowered and profits to be raised applies also to wages. However, to simplify our exposition we will accept the classification of V as an element of costs. The problem of dividing revenues into profits and costs then becomes the question of whether all of surplus value, i.e., all the SCPs, are to be considered profits, or whether some are to be considered costs.

The surplus value appropriated in the KE is distributed to individuals for various purposes. Some of these distributions are referred to as costs, others as profits. What is the meaning of this distinction and on what basis is it made? To answer this question, reconsider equation (2), $S = \sum_{i=1}^N SCP_i$. Now, by dividing $\sum_{i=1}^N SCP_i$ into two parts, $\sum_{i=1}^j SCP_i$ (those distributions understood as costs) and $\sum_{i=k}^N SCP_i$ (those distributions understood as profits), we can begin to see the difficulty of assigning a unique measure of profits and costs to particular distributions of SCPs. Which SCPs are to be understood as costs and which are to be understood as profits will vary across KEs as each KE is uniquely organized.

We can now rewrite equation (2) as follows:

$$(4) \quad S = \sum_{i=1}^j SCP_i + \sum_{i=k}^N SCP_i$$

where the first term on the left hand side of the equation measures the costs to the KE and the second term measure profits.

In terms of the traditional understanding of the dynamic of the enterprise, the significance of this distinction is that costs are to be minimized and profits maximized. Crisis theory, and indeed all theories of the logic of capitalism, understand the classification of income distributions as costs or profits as non-problematic. Its understanding of the nature of capitalism, and of the 'objective' class antagonisms that structure it, enable crisis theories to express clearly and distinctly which revenue it is the logic of capitalism to minimize and which to maximize. We deny that there is any such logic or objective line of antagonism. For us, on the one hand the fundamental class process of capitalist exploitation is not the essence of the capitalist subsumed class process of the distribution of the appropriated surplus value. Thus payments to productive labor

cannot simply be treated as costs while SCPs are treated as profits. This is because on the other hand, as each KE is uniquely constituted with respect to its subsumed class structure, each and every subsumed class distribution may in some KEs be treated as costs, while in others it may be treated as profits. By treating a distribution as a cost we mean that the expenditure is treated as a mere means or instrument to secure a specific (set of) effect(s), the goal being to secure the effect(s) as cheaply as possible.

By treating a distribution as a profit we mean that the SCP is to be regarded as the gain of the capitalist, or his allies, in short, of the ruling coalition of the KE. The goal of the ruling coalition is to inflate its gain, or profit, as much as possible. But this division is not pre-given by the structure of the economy or the KE. Each KE is differently organized and, therefore, ^{while} some particular SCPs may be considered profits to be minimized by one KE, the same SCP may be considered a profit to be maximized by another, differently structured KE.

A few examples may clarify our meaning. If the landlord is not a member of the ruling coalition, rents will be regarded as a cost, and the goal of the KE will be to secure access to the required natural resources as cheaply as possible. If, however, the landlord is a member of the ruling coalition, high rents will willingly be paid. For example, in a Ricardian situation in which the expansion of production will lower the return to invested capital but raise rents, it may be in the interests of the landlords (and their coalition) to push for expansion by the KE.

Consider another example. If the owners of the enterprise are members of the ruling coalition, then one of the goals of the enterprise may be to make dividend payments high. However, if the owners are not members of the ruling coalition, dividend payments instead may be regarded simply as the cost of the particular condition of existence of access to equity capital, to be secured as cheaply as possible.

Consider an example important for crisis theories. If the managers responsible for accumulation constitute the ruling coalition (managerial control), they may succeed in arguing that the only way for the KE to remain viable is to grow by distributing more surplus value to the SCP of accumulation. In this case, all other SCPs will be regarded as costs to be minimized.

The attempt by the ruling coalition to minimize any particular SCP or set of SCPs of course will have contradictory effects on the continued viability of the KE. In each case the provider of a condition of existence that is treated as a cost may either struggle to increase his/her cut of surplus value, refuse to secure the condition at the proffered price, take the money and fail to perform, or engage in political and cultural struggles to undermine the enterprise or the ruling coalition. As a result, to treat any SCP as a cost to be minimized is a dangerous course, potentially threatening the viability of the capitalist enterprise and the fundamental and subsumed class positions of those in the ruling coalition.

However, to treat any particular SCP or set of SCPs instead as profit, i.e., as a revenue to be inflated, is also to endanger the viability of the enterprise. By substituting

equation (3) into equation (4) we can see why high profits threaten the KE's viability as much as high costs.

$$(5) \quad EV = C + V + \sum_{i=1}^j SCP_i + \sum_{i=k}^N SCP_i$$

It is clear from looking at this equation that high profits, $(\sum_{i=k}^N SCP_i)$ threaten the financial viability of capitalist enterprises every bit as much as high costs $(\sum_{i=1}^j SCP_i)$. In fact, they may in all likelihood be more threatening, since it is usually the goal of the ruling coalition in the enterprise to keep profits high. As we have argued above there are a variety of ways in which the KE's viability condition can be threatened. How KES define profits will affect how each KE responds to any perceived or real threat. As each KE is unique, there is no unique measure of profits across KES which is the essence of their continued viability. Therefore, we argue, each KE will respond differently to any threat to its viability.

We have argued in this section that the SIA account of the behavior of the KE abstracts from the diversity of class and non-class positions which various individuals occupy in the KE. The SIA account thereby imposes a bipolar model of conflict on the KE expressed in the opposition of income as costs to be minimized and profits to be maximized. In this section we have analyzed a simple gain seeking model which assumes that capitalists use their power exclusively to increase their own gain by attempting to maximize their profits. However, there comes a point when we must drop the pretence that because we know an enterprise is capitalist we automatically know who is dominating whom.

Furthermore, there comes a point when we must drop the

convenient assumption that the lines of coalition and antagonism between occupants of different class and non-class positions within the KE is given by the nature of the system. When gain seekers struggle over income distribution, over whose income is a cost to be minimized and whose is a profit to be maximized, we must stop pretending that costs and profits are concepts that magically provide us with a rational insight into the logic of the struggle.

We have shown in this section that the concepts of 'costs' and 'profits' can have no unambiguous meaning across KEs. Each KE will be constituted by a different set of individuals occupying class and non-class positions within the KE who constantly struggle over shares of income.

The difficulty in assigning a unique measure of profits to a particular distribution of income for each and every capitalist enterprise seriously undermines the crisis theory models which are most prevalent in the Marxist literature. Also undermined by this inability to uniquely define profits, is the popular conceptual device of using models where tendencies for the profit rate to be equalized across sectors are employed.

In response to our analysis in this section, and the previous section, it may be asserted that the struggles within the KE over profits and costs, or gain seeking or non-gain seeking behavior within the 'soul' of the capitalist, is irrelevant because the competitive structure of the economy is such that only profit maximizing firms can survive, thus enforcing de facto a behavior on KEs such that they behave as if there was a unique measure of profit and a hegemonic motivation for monetary gain over all other desires.

The purpose of the next section of this paper is to examine the nature of capitalist competition and the possibility of such a result.

IV. On the Theory of Capitalist Competition: The Struggle Between Capitalist Enterprises

We have argued in the above section that the concepts of profit and cost have no unique definition across KEs. Hence, there can be no unambiguous meaning ascribed to the behavioral rule that KEs should maximize their profits or minimize their costs. It may be objected, however, that the nature of competition may be such that it enforces KEs to behave in such a manner that they become de facto profit maximizers. Such an argument would be tantamount to claiming that there is a 'real' rate of profit within each KE that reflects the health of the KE. We reject this view, and will argue in this section that if KEs are uniquely constituted, competition cannot enforce any particular behavior on all KEs.

We begin by recognizing that each KE is unique. As we have shown above, this means that KEs have a multitude of conditions of existence which must be secured if the production and distribution of the KE's surplus value is to continue. Many of these conditions of existence can be secured only if cuts of appropriated surplus value are distributed. How does the SIA manage to reduce this multitude of conditions of existence to simply one, the accumulation of productive capital?

To answer this question we must recognize that the SIA

approach implicitly reduces the conditions of existence of capitalist exploitation to the status of factors of production, passively available to whoever will pay the going market price. Thus all the important conjunctural questions as to whether specific conditions of existence can be secured at all, and if they can, what the relative role of money or political or cultural power is in effecting their securance, are ignored. Political, ecological and technical problems as to the availability of natural resources, problems in opening up new markets, problems in creating the skills and organizational structure to administer a large KE, and so on, are ignored as irrelevant to the analysis, or alternatively, are seen as a problem whose solution is the automatic effect of the amount of money spent on them.

Unblushingly standing in for all of these problems confronting the KE is the single problem of the KE to accumulate. This reduction of many conditions of existence into one makes sense only if we assume that in the typical or normal case all capitalists stand in the same relation to their conditions of existence with, at most, the exception of a time lag. In other words, only if the complex natural, economic, political and cultural relations of specific capitalists to specific institutions, individuals, resources, etc., are treated as exogenous modifying factors, incapable of altering the essential logic of the system, can this reduction be made. The explicit assumption of the SIA approach is that for capitalist competition, price and the ability to pay are all that matter, and hence in the last instance the unique differences and advantages of specific KEs will tend to

disappear.

For the SIA approach, the budget constraint (equation 5) is typically regarded as a problem only in the case where competition lowers the price at which commodities can be sold. However, we would insist that even in the absence of competition the exchange value or market price of a commodity is socially overdetermined. KEs are always subject to a budget constraint, that is they must remain financially viable. This constraint is tightened not only when the price of a commodity falls, but is also tightened if the price of productive labor or capital rises, or if new or higher SCPs become necessary.

Our emphasis on the uniqueness of KEs requires us to reject the view that KEs are structurally coerced by competition to behave in particular ways. Our alternative approach begins by insisting that the natural, economic, political, and cultural conditions of existence of different KEs are never identical. Among other things, this implies that the subsumed class structure of different KEs is different. The set of SCPs which each KE must make and the size of the different payments to each subsumed class position will be different for each producer of the same commodity.

For us, capitalist competition is not understood as competition between KEs facing identical or duplicable situations. Capitalist competition is competition between differently situated KEs. Insofar as it is socially overdetermined that their various outputs are treated as the same commodity, these differently situated KEs face the same challenge, i.e., the challenge of

satisfying their respective viability conditions (equation 5) in the face of a declining exchange value (EV).

As we argued above in Section III, there are a multitude of ways in which this condition can be met. Thus a lower direct cost of production (better technology, the essence of the alternative view) in one KE can be matched by a lower cost of marketing in another KE, or by a lower cost of capital in a third, or a lower cost of access to state services or a lower cost of access to natural resources in still another KE. The basis of these various lower costs or advantages is itself overdetermined by differential efficiency, the ability to achieve a greater output with the same inputs, or by the different conditions of existence faced by different KEs. For example, different cultural conditions may lead to different needs for supervisory labor, or different geographic location may lead to different transportation costs, different taxes different weather conditions, etc. Different commodities may have different brand reputations which may require different advertising and marketing expenses. KEs may enjoy differential access to the state, differential access to financial institutions, etc. The list is endless. Different strategies pursued by different KEs affect which aspects of their competitive environments they will struggle to modify. For example, should the enterprise expend discretionary funds on research and development, advertising, lawyers, tax accountants, public relations experts, etc.

In other words, we understand competition as precisely the

struggle by KEs to shape their environment. In turn, KEs are shaped by the changed conditions of their environment. For us, competition is a never-ending process of the mutual constitution of KEs, the state, trade unions, etc. KEs have a variety of ways in which to maintain their financial viability and are neither completely passive in their responses to threats to their viability (the way in which neoclassicals theorize perfect competition), or all powerful (the Marxist approach common in crisis theories).

Due to the uniqueness of each KE there can be no general strategy of success dictated by the logic of capitalism, i.e., no competitively enforced behavior. Only if KEs face the same conditions of existence would the crisis theory story be plausible, for in that story what competition consists of is the struggle by KEs to gain a temporal lead in the introduction of new technologies. Since each KE is different with regard to many characteristics and can respond to the advantages of other KEs by attempting to affect changes in many elements of their situation, there can be no 'coercion' of a particular behavior, no general strategy of success, and hence no 'law of motion' deducible from competitive pressure.

So far we have exclusively argued that KEs may respond to competitive price reductions by lowering any of their SCPs (not only accumulation) and hence the KE with lowest cost of direct production (C+V) will not necessarily be the KE with the lowest output price at which financial viability can be maintained.

But KEs may respond to aggressive price-cutting competition in many other ways. Not even when all expenditures are counted as costs is cost minimization competitively decisive. To see this

consider the following three examples.

First, price wars are not always won by the KEs with the lowest costs, but the KE with the deepest 'war chest' may be the one who survives. Suppose a low cost KE were to aggressively lower its price to a point where a high cost KE's financial viability were threatened. If the high cost KE has greater financial assets or greater access to credit, it can lower its price even further than the low cost KE did, i.e., to the point where the low cost KE is also losing money. Although the high cost KE is losing more on average than the low cost KE, the low cost KE may go bankrupt first. In fact, the high cost KE may well be the aggressor, hoping to put the low cost KE out of business before it develops a better financial position. This is hardly an atypical case. Furthermore, which KE has better access to credit may well be a function of differential political and cultural advantages.

Second, the high cost KE may engage in an expensive advertising campaign. This may have the effect of raising the merchanting costs of the low cost KE. If the advertising of the high cost KE is more effective than that of the low cost KE, the total cost rankings of the two KEs may be reversed. In other words, the KE with the more effective advertising ends up with lower total costs, but not because it struggled to lower its costs, but rather because it deliberately increased its costs in an effort to force those of their competitors to rise even faster. There are other ways in which the same objective may be accomplished, such as the harassing of other KEs with lawsuits, lobbying to

impose tariffs on foreign competitors, etc. In each case, SCPs are increased with the express intent of weakening competitors. It may also be the case that direct political and cultural attacks can be mounted against competitors. For example, SCPs can be made to secure a zoning ordinance or an air quality control law that will have differentially adverse effects on competing KEs.

Third, whether or not two use values are considered the same commodity is culturally and legally overdetermined. Thus one way to respond to a low cost competitor is to attempt to distinguish one's product as a different commodity. Again, this may involve greater rather than less subsumed class expenditures. It should be emphasized that ^{this} does not necessarily involve any change in the production process or any physical change in the attributes of the commodity. It may simply involve a new knowledge or a new perception by consumers of the products of the two KEs. For instance, the producer of an agricultural product may make SCPs to scientists to discover ways in which his product differs chemically from the competitor's product and then advertise the differences as beneficial. If successful the costs of producing the agricultural commodity are not lowered, but these costs are no longer socially compared to the costs of what is now a different commodity sold in a different market.

In sum, we have argued in this section that if it is assumed that each KE is unique, then competition cannot enforce KEs to behave in a uniform manner. In particular, capitalist competition cannot enforce a KE to minimize its direct per unit production

costs. Financial viability is consistent with a variety of different competitive strategies. Furthermore, we argued that capitalist competition may very well be characterized by KEs raising their SCPs rather than lowering them in an effort to remain viable.

Conclusion

In this paper we have criticized the implicit assumptions on which crisis theory builds its account of the accumulation process as a law-governed motion of capital. We have argued that different capitalist enterprises face different conditions of existence, have different internal patterns of conflict, and alliances, and are influenced by different sets of political, economic and cultural concerns depending on the particularity of the individuals comprising the enterprise and those which it interacts. And we have argued that because of these differences there is no single behavioral pattern through which enterprises are reproduced. In short we have criticized, (a) the conception of capitalism as a structure that at some essentialist level of response homogenizes the actions of all capitalist enterprises, and (b) the deduction of laws of motion based on this presumed homogeneity.

In a future paper we plan to turn to an important issue we have abstracted from here, namely the exact nature of the theorized 'contradictory' character of capitalism into stages of accumulation (healthy capitalism) and disaccumulation (unhealthy capitalism) and its association with the polarity of political stability and revolutionary potential respectively.