A people's guide to capitalism

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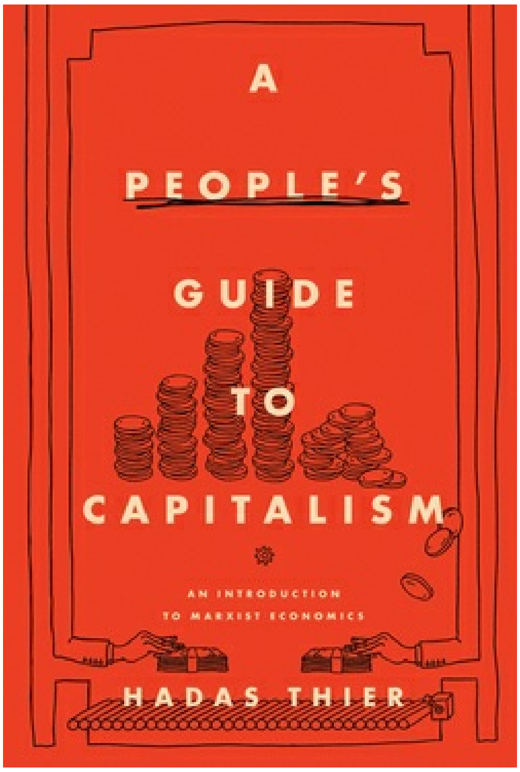
It is not easy explaining relatively complex ideas in a simple and clear manner. Ask any teacher. It's a skill lacking in many. Hadas Thier has brilliantly succeeded in that challenge with her book introducing Marxist economics. She has delivered a clear, straightforward and entertaining explanation of all Marx's basic theoretical insights into the nature and development of capitalism.

And she has done so using modern examples that help the reader to understand why Marxist political economy is so clinical in its analysis of the reality of modern capitalist economies. I would say nobody has done it better – and I ought to know because I have tried to do such in the past, but with nowhere near Thier's success.

I think part of the reason for Thier's achievement is that she is an activist in the labour movement and not an academic economist. In my experience, academic Marxist economists are usually lacking in ability to explain clearly Marxist political economic ideas to others. Thier refers to her own experience: *"when I first picked up a book on economics, I made it about two pages in before I broke down in tears, feeling hopeless that I could ever understand economics. The capitalist system in general, and economics in particular, are purposefully mystified. Analyzing how capitalism works is left to "the experts," and if things look a little askew to you, well, that must be because you don't know any better. This is doubly and triply so for working-class people, women, people of color, and other oppressed constituencies who are daily barraged with the message that we cannot hope to comprehend complex systems and ideas, let alone hope to impact."*

So Thier sets out to turn this round: *"I do my best to offer enough concrete examples and jargon-free descriptions to clarify the points, which will help you keep climbing with minimal huffing and puffing."* She succeeds admirably. This book is aptly named A People's Guide to Capitalism.

Thier says that her book *"aims to follow the content and arc of Marx's Capital. Capital's three volumes were written to provide a theoretical arsenal to a workers' movement for the revolutionary overthrow of the system—and to do so on the most scientific foundation possible."* But Thier rightly starts with the history of the emergence of capitalism before moving onto theory (the opposite of Marx's approach in Capital). She deftly outlines the main concepts of Marxist economic theory, interspersed with excellent box insets on various key issues that stand on their own as insightful explanations. The subjects in these insets include: Marx on nature; the theory of marginal utility versus Marx's value theory; how capitalism wastes so much resources; what is a bitcoin?; capitalism as a mode of production and so on.



After the chapter on how capitalism emerged from previous human social organisations, Thier then has two chapters on the *"juicy questions of where profits come from and capitalism's particular form of exploitation"*. In these, she *"unpack(s) the vital concepts of capital, labor, and class society*", so that *"we'll be able to see the system's driving tendencies of competition and accumulation*". There is no room in this review to go over in detail the narrative presented by Thier; after all, the reader can do that. But in brief, Thier covers the myth of so-called free markets and the superiority of Marx's value theory that only labour creates value for society as opposed to the 'vulgar economics' of 'utility' and 'scarcity' theories of value.

She also deals with the role of money in modern economies as *"a universal equivalent"* of exchange of commodities. In contrast to the currently fashionable modern monetary theory that claims money is the product of the state, she argues that money *"necessarily crystalizes out of the process of exchange."* (Marx). And Thier deals clearly with fiat money which has replaced gold and silver in modern economies and with rising role of digital or cryptocurrencies like bitcoin.

She points out that Marx argued that price is not the same thing as value. As Marx explained, *"The values of necessaries. . . might remain the same, but a change might occur in their money prices, consequent upon a previous change in the value of money. Nothing would have changed except the money names of those values"* A change in the exchange-value of a particular currency does not change the value imbued in a commodity, but it will change the price. Thus, we have the kernel of a theory of inflation.

Thier also shows how capitalists must incessantly accumulate capital (value appropriated from labour power), leading to increased concentration and centralisation of assets with a few at the expense of the many. There is a trend towards monopoly on the one hand but *"capitalism still maintains its dynamism through the constant jostling for market positioning by large and small companies. In some cases, a newer business, not so deeply entrenched in outmoded methods, could come out ahead."* If this were not the case, *"we would see the economy increasingly dominated by fewer and fewer companies, until one day we found ourselves with a single McGoogleAmazon."*

The concept of imperialism is also taken up by Thier. It may not have been specifically analysed in Marx's Capital but, as Thier notes, Marx and Engels wrote: *"The need of a constantly expanding market for its products chases the bourgeoisie over the whole surface of the globe. It must nestle everywhere, settle everywhere, establish connections everywhere."*

The final chapters of the book look at the contradictions embedded within capitalism: the anarchy of capitalist production along with an unceasing impulse to accumulate gives way to regular crises in production and financial markets,*"which so thoroughly and grotesquely score our current economic landscape."*

She exposes the failure of mainstream economic analysis to explain these regular and recurring crises in capitalist production and investment that periodically lead to mass unemployment and loss of livelihoods globally. Mainstream economics cannot explain this because its analysis *"starts and ends at the surface of the economy—price fluctuations, monetary policy, and financial markets. But Marxists argue that crises originate at the system's core and are not imposed on the system from outside."* She points out that, although "*Keynesian economists offer an explanation of crises as inherent to the system, ultimately, since Keynes did not see growth or profits as essential to the system, he assumed regulation could provide a means to reassert the harmony of capitalism."* So Keynesian policy answers have proved inadequate to stop crises.

That brings me to Thier's own view of Marxist crisis theory and here I beg to differ. Thier warns her readers that *"Marxists have differed in which aspects of Marx's writing—falling profitability, overproduction (or in some cases, underproduction), disproportionality among branches, the role of credit—are emphasized, and how these pieces fit together."*

Thier follows Marx and Engels in rightly rejecting the most popular version: underconsumption; namely that workers cannot buy all the goods they have produced and capitalists then try to sell them, causing a slump due to a 'lack of demand'.

Instead, Thier adopts a theory of overproduction. Here she follows closely the work of Bolshevik overproduction theorist, Pavel Maksakovsky, and that of Marxist economist Simon Clarke who wrote: *"capitalists throw an increasing mass of commodities onto* *the market. However, this increase in production has not been motivated by a desire to meet expanding demand, but by a desire to increase the production of surplus value. This compulsion creates a tendency for capitalists to overproduce—for production to run ahead of demand, often way beyond what the market can absorb.*"

Thier concludes that *"the fever pitch of expansion eventually oversaturates the market. Too many goods have been produced to be able to sell at the exaggerated prices produced by the boom, or even at their value. The inflation of prices hits a point at which they threaten effective demand*", and then a slump ensues.

Thier notes that "*The significance and effect of the tendency for the rate of profit to fall, and its role within a broader theory of crisis, is the topic of long-standing and deep debates among Marxists."* But she dismisses this law that Marx outlines in three chapters of Volume 3 of Capital as a theory of crises. For her, this is a long-term theory *"rather than producing regular economic crises, the tendency for the rate of profit to fall creates a long-term drag on capitalism."* Instead she follows Simon Clarke in arguing that *"Marx did not identify the tendency for the rate of profit to fall as a "privileged cause for crises,"* but it nevertheless *"plays the role of a factor which makes crises more likely, primarily because it leads to an intensification of the competitive struggle between capitalists."* So Marx's law of profitability is not an underlying cause of crises although it intensifies competition.

Those who follow this blog and have read my books will know that I do not agree with this interpretation of Marx's crisis theory. In my view, Marx's theory of crisis based on his law of profitability is both cyclical *and* secular. His law of profitability suggests regular and recurring crises of overproduction and slump followed by recovery for a while; but *also* an inexorable decline over decades (and longer) in the profitability of capital accumulation, suggesting an end to capitalism. But I leave the reader to decide.

The book's last chapter also includes a substantive analysis of the Great Recession, the world's previous major economic crisis. In this chapter, Thier offers a lively analysis of the causes of the biggest slump in the 21st century (until the current pandemic slump!). She explains the ins and outs of the Great Recession through the lens of the role of credit ('greasing the wheels of capital') and Marx's concept of 'fictitious capital' (the result of credit speculation). She does not think it was *"primarily a "financial" crisis (as some do argue)"*. For her *"the roots of the Great Recession of 2007 into 2009 run deeper than the world of banking and finance."*

Thier notes the huge rise of the financial sector over the last 50 years that eventually led to the global financial crash of 2008-9, but she correctly downplays the term 'financialisation' which is so prevalent among radical economists now because it assumes "*a divide between the "real" economy of industrial capital, which engages in the production and selling of goods, but has little capital of its own from which to seed this activity, and of finance capital, which plays a purely facilitating role in circulation. In reality, there is no hard line between financial and non-financial firm."*

However, her explanation of the Great Recession falls back on what she calls *"two crises of overproduction"*: China's overproduction making global markets *"incapable of absorbing the increased output";* and rising US debt which *"undergirded a global expansion of production and the realization of extraordinary profits, despite never resolving the worldwide glut of goods."*

Here we have the overproduction theory of crises again, with a whiff of Keynes. Slumps are caused by overproduction delivering a glut of goods. Profitability and profits have disappeared from the causal explanation of crises. For me, 'overproduction' is the *expression* of a capitalist crisis, but not its *cause*; that lies with falling profitability for capital. Instead, Thier adopts a 'secular stagnation' theory favoured by many Keynesians and the 'monopoly finance' school; namely that crises are not the product of falling profitability leading to a collapse in investment, but are caused by capitalism finding it difficult obtain *"additional outlets for investment."* In other words, it's *too much* investment and production rather that *too little* profit that causes crises. Again, I consider this is an inadequate theory of crises, and certainly not Marx's.

Be that as it may, Thier has written an excellent introduction to Marx's analysis of capitalism and one that can be regularly turned to in order to understand the waste, destruction and misery caused by the modern capitalist system of exploitation.