Stavros Tombazos and the Discordance of Times

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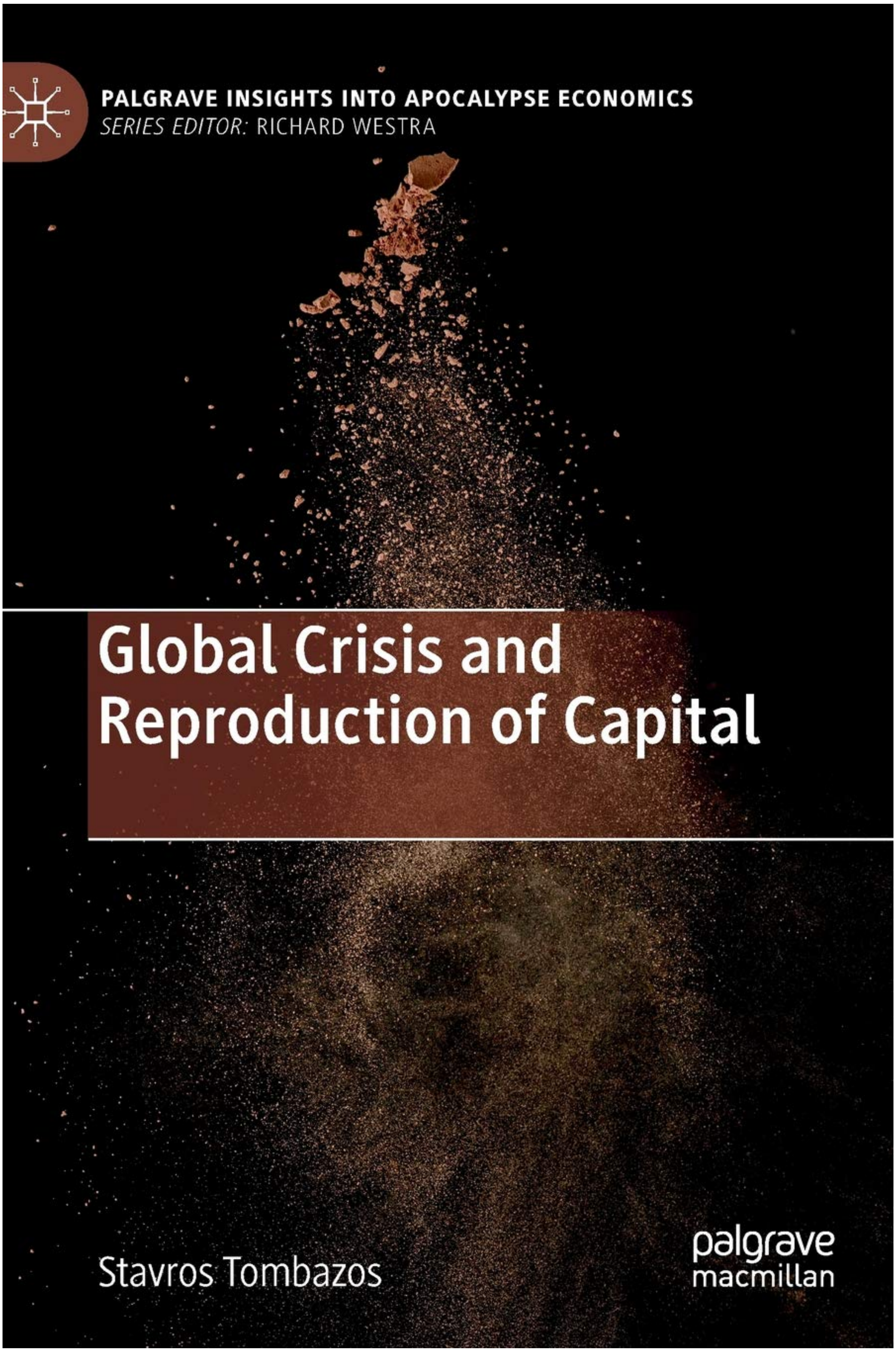

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Abstract

In the book under review, Stavros Tombazos deals with the reproduction of capital in its neoliberal phase. It is based on a theoretical schema inspired by Marx, with a particular emphasis on the different rhythms of capital. This allows him to identify the specific discordances of neoliberal capitalism, notably between profit and accumulation or between exploitation and outlets. Tombazos rejects any monocausal theory of the crisis based, for example, on the law of the tendency of the rate of profit to fall, and he insists on the role of credit in the realisation of value. Informed by a review of the Greek crisis based on his experience with the Greek Truth Committee on Public Debt, Tombazos concludes by showing that the reproduction of the system is possible only through severe periodic recessions, social regression, and political crises. The principal merit of Tombazos's book is that it combines a rigorous theoretical framework with an equally rigorous statistical analysis.

Keywords

Tombazos – temporalities – rhythms – neoliberalism – fictitious capital – credit – tendency of the rate of profit to fall

Stavros Tombazos, (2019) *Global Crisis and Reproduction of Capital*, Basingstoke: Palgrave Macmillan.

In 1994, Stavros Tombazos published a book entitled *Le temps dans l'analyse économique. Les catégories du temps dans le Capital.*[1] His most recent book, *Global Crisis and Reproduction of Capital*, was published in 2019.

The 1994 book has stood the test of time: twenty years after its initial appearance, it was translated into English and published under the title *Time in Marx: The Categories of Time in Marx's Capital*. In this book, Tombazos proposed a new reading of *Capital* as the articulation of three temporalities:

> The categories of the three theoretical volumes of *Capital* fit differently in time. The categories of Volume I obey a linear and abstract temporality, homogeneous, a time that is supposed to be calculable, measurable. We call the latter 'the time of production'. The determinations of Volume II fit into a cyclical temporality. The various categories of 'the time of circulation' concern the turnover of value. Finally, Volume III is the volume of capital's 'organic time', the unity of the time of production and the time of circulation.[2]

This reading guide is mobilised to confront the logic of Marx and Hegel, while offering methodological tools for understanding contemporary capitalism. In this regard Tombazos points out that it is necessary to know how to conceive the '"immobility" of change'. To Michel Aglietta, who proposes that we avoid using the term 'reproduction', Tombazos retorts that 'value' and 'capital' are invariant elements of capitalism.

Already in *Time in Marx*, analysing the notion of interest-bearing capital, he underlines the absurdity of 'financialist' theories that schematically oppose industrial profit and financial profit. According to Tombazos,

> industrial profit is first, logically, 'one and indivisible'; then it is really or ideally distributed between lenders and borrowers, interest and company profit. These last two categories, considered as two parts of the surplus value, have nothing mysterious about them. They are like profit, at the same time both phenomenal forms of surplus-value and moments of the social imaginary, or moments of what Marx calls 'fetishism'.3

Beyond these methodological observations, which today retain all their relevance, the essential proposal of the 1994 book is that the functioning of capital is based on an 'autonomous organisation of rhythms'. It thus provides a key to reading the 'crisis of the social organism' as a kind of 'arrhythmia', i.e., a conjunctural disruption of the coherence of the system. It is basically the same pattern that is used in Tombazos's last book to analyse the recent crisis.

First Discordance: Profit and Accumulation

It is quite fascinating to see how the relatively abstract categories developed by Tombazos in his first book are used in his latest contribution: he applies them to the study of the recent crisis and, through the use of these categories, he is able to provide a coherent analysis.

The first chapter of the latest book is devoted to the time of production, i.e. the relationship between profitability and capital accumulation. In his introduction, Tombazos summarises his general method:

> The very concept of capital refers to an articulation of three fundamental economic rhythms: the rhythm of valorisation, the rhythm of accumulation and the rhythm of realisation of value. Capitalist growth presupposes a relative compatibility between these three rhythms, while economic crises arise due to the excessive divergence of one of these rhythms in relation to the others. Every economic crisis can be described as an 'organic arrhythmia' of the system. (p. 13.)

Once again, it is striking to see that this problem is similar to that of the 1994 book.

Tombazos analyses in detail the first discordance, between profit and accumulation:

> During the neoliberal period, the rate of profit (valorisation of value) recovers, but the rate of accumulation does not track the recovery in profitability: A divergence between the curve of the rate of profit and the curve of the rate of accumulation arises. The ratio Surplus Value (or Profit)/Accumulation grows. (p. 13.)

This first discordance led to a debate among Marxists regarding the delicate question of how capital stock should be measured in order to calculate the profit rate and the accumulation rate. Tombazos avoids getting lost in the details of these debates. Instead, he relies on available empirical data about the accumulated part of the surplus value, and shows that this part is decreasing.

Another debate concerns the role of finance. According to a fairly widespread vulgate, predatory finance, by taking a growing share of surplus value, would prevent the 'good' capitalism from fulfilling its purpose, namely to accumulate capital. Tombazos clearly rejects this interpretation: 'It is a mistake to explain the growing divergence between the rate of profit and the rate of accumulation, or the increase in the ratio Surplus Value/Net Investment, through the increase of the share of surplus value appropriated by money capital' (p. 58).

He proposes a different interpretation (which we share):

> The productive capitalist invests less and less in productive activities because there are no new productive activities that promise an 'acceptable' rate of profit. This is why he invests a large share of 'his' surplus value in other industries' shares, in bank shares, in investment funds and so forth. The rise of interests and dividends as a share of surplus value is the symptom and not the cause of the above-mentioned divergence. (p. 58.)

Tombazos returns again (p. 26) to Marx and in particular to the chapter of *Capital* Volume II entitled 'The Metamorphoses of Capital and their Circuits'. He quotes this relevant passage:

> The total circuit presents itself for each functional form of capital as its own specific circuit, and indeed each of these circuits conditions the continuity of the overall process; the circular course of one functional form determines that of the others. It is a necessary condition for the overall production process, in other words ['*besonders*'in the original German: this means 'especially' and not 'in other words']4 for the social capital, that this is at the same time a process of reproduction, and hence the circuit of each of its moments. Different fractions of the capital successively pass through the different stages and functional forms. Each functional form thus passes through its circuit simultaneously with the others, though it is always a different part of the capital that presents itself in it. A part of the capital exists as commodity capital that is being transformed into money, but this is an ever-changing part, and is constantly being reproduced; another part exists as money capital that is being transformed into productive capital; a third part as productive capital being transformed into commodity capital. The constant presence of all three forms is mediated by the circuit of the total capital through precisely these three phases.5

The lesson Tombazos draws from this is methodologically important: 'we must read the three circuits of each individual capital, and certainly of social capital, not only horizontally (as a transformation or metamorphosis of each functional form) but also vertically (as the simultaneous coexistence of each functional form)' (p. 26).

Second Discordance: Exploitation and Outlets

The link between chapters 2 and 3 is based on an observation, which constitutes a second main feature of the neoliberal era: 'Private consumption as a share of GDP seems to change independently of the wage share in GDP. Hence, since the 1980s, the ratio Private Consumption/Wage Share is increasing in all the major regions of the developed world' (p. 27).

How can this new discordance be explained? Tombazos envisages several possible mechanisms: the entry of capital into a country; a decrease in the household savings rate; an increase in capitalist private consumption. None of these three factors seems sufficient, and he therefore concentrates on a fourth: 'the increase in the share of industrial profit transferred to the middle- or lower-income strata (self-employed, workers, etc.) in the form of consumer credit' (p. 32).

Tombazos then establishes again the link between empirical data and theoretical patterns. After recalling the logic of Marx's schemas of reproduction, he proposes a modification of the latter, which takes into account his central hypothesis. In a way, it takes up Costas Lapavitsas's concept of 'direct exploitation'6 through wage-earners' debt, but investigates this concept in the context of a rigorous framework.

Marx's schemas of reproduction are sometimes interpreted as a model of 'balanced growth'. In fact, these schemas were used by Marx to show that, on the contrary, crises are inevitable. The same is true for Tombazos, who reinterprets them in the context of his temporal logic.

It is one thing to build a schema of reproduction that includes the specificities of neoliberal capitalism. It is another thing entirely to deduce that it is sustainable. In other words, this unbalanced schema has a limited lifetime: It 'will exhaust its absolute time horizon as soon as the proportion of disposable wages shrinks to such an extent that the reproduction of labour power is no longer compatible with debt service' (p. 42).

And this time-horizon is approaching along with the following factors:

1. Increase in the rate of surplus value; 2. Increase in the ratio Glw-Surplus Value/Surplus Value [the glw-surplus value is the surplus value granted to the workers as a loan]; 3. Increase in the interest rate; 4. Reduction in the debt service period. (p. 42.)

However, this schema collapsed before reaching its absolute time-horizon, when the markets 'start to doubt whether the accumulated rights on future wages will be redeemed' (p. 42). This analysis leads to a reading of the crisis that attributes to household debt a predominant role. Initially, private debt supported demand in a context of wage-freezes. However, it gradually led to the reduction in household disposable income, which provoked the collapse of the schema. Thus, the neoliberal reproduction schema had 'an expiration date from the outset'. Its crisis 'manifests itself initially in its financial dimension, as an accumulation of unsustainable private debts' (p. 29).

Third Discordance: Orthodox Marxism and Dialectical Marxism

Tombazos repeatedly points out that the on-going crisis, unlike that of the mid-1970s, does not stem from the law of the tendency of the rate of profit to fall. Instead, he argues that there is a link between the two, insofar as 'the current crisis derives from the policies implemented to deal with the fall of profitability in the 1970s' (p. 62). In short, it is 'the crisis of the neoliberal response to the crisis of the 1970s'.

Should we then consider Tombazos as a supporter of the 'under-consumption' theory? This is generally the criticism that 'orthodox' Marxists address to those who refuse to explain the crisis directly in terms of the fall in the rate of profit. They are considered as disciples of Rosa Luxemburg (at best), or perhaps even Keynesian reformists. However, this is tantamount to a misunderstanding of the very logic of the reproduction schemas, the basic idea of which Tombazos summarises as follows: 'a schema of reproduction of capital can perpetuate itself only if the supply of commodity values of the various productive departments corresponds to a distribution of social incomes that more or less ensures the realisation of the commodity values' (pp. 36–7).

He gives this example, which clearly shows how his reading of Marx is articulated with the different temporalities of capital:

> if the value of commodities for working-class consumption cannot be socially realised or recognised because the social distribution of income does not allow their purchase at their value, the rhythm of realization of value decelerates. The three rhythms of capital are not compatible with each other. The economic crisis is nothing else than this 'arrhythmia'. (p. 37.)

In the tradition of Ernest Mandel (to whom his book is dedicated), Tombazos refuses any mono-causal theory of crises. And all its elaboration, around the notion of 'arrhythmia', tends to show that the reproduction schema, even if it, *a priori*, appears as the most coherent, can go wrong at any point in the process. In this case, the cause of the on-going crisis is for him 'the structural slowdown in the rhythm of realisation of value in comparison to the rhythm of valorisation of value'.

Fourth Discordance: Surplus Value and Fictitious Capital

Faithful to its methodology of moving from the abstract to the concrete, seeking 'to approach reality by introducing gradually in[to] the analysis the difficulties that its understanding raises' (p. 11), Tombazos devotes the second half of his book to the instruments that made the financial crisis possible.

The description of the various financial instruments (derivative products, securitisation, etc.) is, after all, well known, but Tombazos perfectly restores their foundation, which is a form of ideological, even metaphysical blindness. He writes:

> the financial derivative products obfuscate reality to such an extent that every attempt at a scientific understanding easily degenerated into a kind of metaphysical geometry, in which even the squaring of the circle seemed feasible. More specifically, the dominant (highly mathematical but ultimately metaphysical) approach's fragmentary understanding of reality led to the illusion that the shifting around of financial risk was tantamount to its disappearance. (pp. 45–6.)

The evolution of finance was indeed based on an foundational illusion, quite silly if one thinks about it, according to which it is enough to shift the risk around that it may be forgotten. The various institutions used to shift the risk to one another, but 'this continuous shifting of risk to the Generalised Other,7 instead of being rational risk-management, transforms this risk from individual to social, from private to systemic, from local to national and global. The Generalised Other is all of us that is the global system' (p. 50).

More fundamentally, everything was based on another illusion, namely that money can create money without going through the exploitation process. To dissipate this phantasmagorical representation that capitalist finance has of itself, it is necessary to have a theory of value, a Marxist theory more specifically, which makes it possible to understand why real income from finance can only be a part of the surplus value, as Tombazos already makes clear in his 1994 book.

Forgetting this reality allows for the development of fictitious capital, to use Marx's term, which presents itself as a huge accumulation of drawing rights on a capital gain that has not yet been created. The crisis comes when the markets realise that it would never be created. Therefore, Tombazos only paraphrases Marx when he writes that 'money capital is part of industrial capital according to Marx, not an independent entity. From the point of view of the owner of money capital, however, the money (m) which he lent to the industrialist appears to exhibit the "(meta)physical" property to multiply itself over time' (p. 51).

The fictitious capital gives rise to virtual drawing rights, what Tombazos calls a 'toxic value', whose volume 'is not given in advance. It is the object of social conflict' (p. 9). This is an essential dimension for the analysis of the post-crisis period: one of the objectives of the policies pursued is, to a large extent, to prevent 'the depreciation of this "toxic capital"' (p. 9), in short, to defend fictitious capital.

Fifth Discordance: The Eurozone and Greece

Stavros Tombazos (who is a Cypriot) was a member of the Greek Truth Committee on Public Debt. It is therefore not surprising that the crisis in the euro system is largely examined through the Greek prism. Tombazos rejects the responsibility of an excessive public debt in the outbreak of the Greek disaster. The perverse mechanism has in fact been as follows: the homogenisation of nominal interest rates has led to a massive decline in real interest rates in peripheral countries, due to their higher inflation rates. This decline triggered a real-estate bubble, which swelled until the incoming flow of foreign capital financing the trade deficits was suddenly terminated. It was the rescue of private banks that then led to the explosion of public debt.

We can only agree with this analysis, but it is probably incomplete because it does not take into account one of the main flaws of the euro system. It was foreseeable that the catching-up of peripheral countries (which did indeed occur at first, as Tombazos points out) would lead to a widening of their trade deficits. In the optimistic version, capital inflows should be invested in the economy and generate productivity gains that would allow real convergence. But, also due to the fall in real interest rates, capital has been invested in sectors with low productivity potential, before being withdrawn.

This question of productivity is undoubtedly the obscure point of the book. It is only in his conclusion that Tombazos refers to the slowdown in productivity gains: ‘and, of course, labour productivity is growing at an unprecedentedly low rate at all three major poles of the advanced economies’ (p. 70).

But this phenomenon did not appear with the recent crisis. One of the essential features of the neoliberal capitalist period is indeed a downward trend in productivity gains. The latter is an essential element of the dynamic of the profit rate. And if, as Tombazos points out, there has been no downward trend in the profit rate, it is because all the measures put in place (globalisation, financialisation, increased exploitation, inequalities, debt, etc.) were necessary to guarantee the profit rate despite declining productivity gains.

Sixth Discordance: Capitalism and the End of the Crisis

In the concluding chapter, Tombazos summarises the main theses of his book and applies them to the future trajectory of capitalism. He argues that the way out of the crisis cannot be achieved by deepening neoliberalism, and even less with a more efficient supervision of the banking system. Tombazos notes that the profit rate has recovered since the Great Recession to levels higher than before the crisis, but that the gap between profit-rate and accumulation-rate has widened further. This means that the neoliberal schema of reproduction is working, but at a slower pace: stricter regulation of banks and stabilisation of the household debt ratio are contributing to the slowdown in accumulation.

But, as there is no alternative model for capitalism,

> the neoliberal reproduction of capital survives with the support of economic policies that create new ‘bubbles’ on the one hand, and social disasters on the other. We live in the impasse of a schema of reproduction in which money capital prevails, whose existence is only possible through severe periodic recessions, social regression and political crises. (p. 79.)

Postscript

Stavros is a friend, even more so since our joint participation in the work of the Truth Committee on Greek debt. But we had been in intellectual connivance for a long time. The reading of his 1994 book influenced my thinking, perhaps in a subliminal way, as is often the case within a collective process of thought. We share the same debt to Ernest Mandel, whose trace can be found in many of our works, as well as to the other dedicatees of Stavros’s books: Daniel Bensaïd, Georges Labica and Jean-Marie Vincent.

Our informal exchanges in Athens (where Stavros tried – in vain – to introduce me to Hegel’s logic) probably helped to bring our points of view a little closer together. This is the reason for this small addendum that explains why this review is uncritical and could even be suspected of being complacent. It just so happens that I share most of the book’s insights. However, the last section of this article shows that there are still differences in approach, perhaps because Stavros is probably at least as much a philosopher as an economist. It seems to me that it is possible to articulate a reading of contemporary capitalism with the evolution of productivity, in other words to insist on its growing inability to achieve productivity gains. There is another temporality here that should be combined with the times of capital highlighted by Stavros.

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- 1. One may refer here to two reviews, that of Daniel Bensaïd, 'Le sens des rythmes' (Bensaïd 1994), and that of Maxime Durand, 'Les temps du capital' (Durand 1995).
- 2. Tombazos 2014, p. 3.
- 3. Tombazos 2014, p. 253.
- 4. Tombazos clarifies: 'The "circular course of one functional form determines that of the others. It is a necessary condition for the overall production process" not only for the social capital but also for the individual capital' (Tombazos 2019, p. 27, n. 5).
- 5. Marx 1992, p. 184.
- 6. Lapavitsas 2013.
- 7. Here, Tombazos refers to the notion of 'Generalised Other' developed by George H. Mead in Mind, Self and Society (Mead 1972).