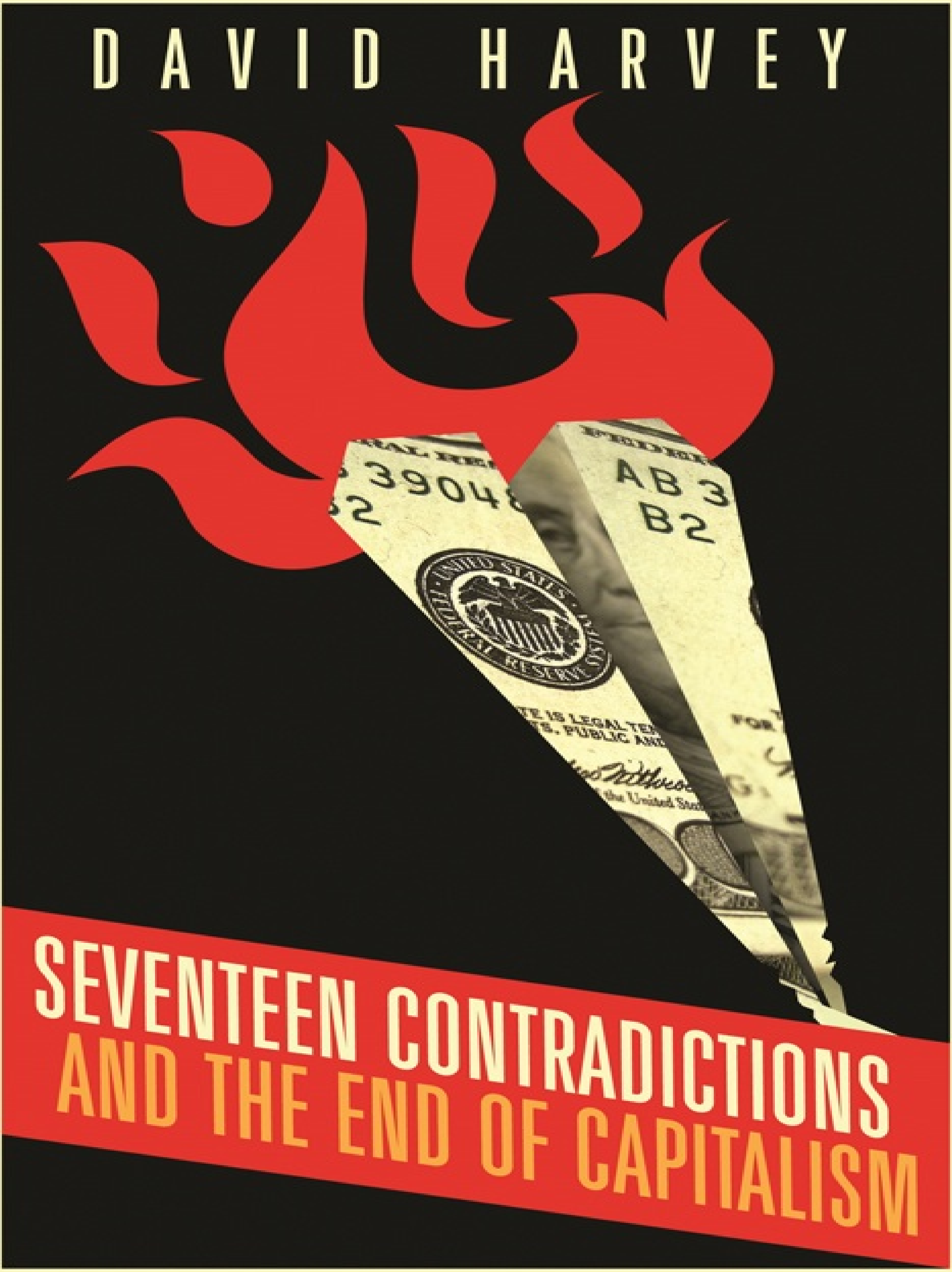
DAVID HARVEY
SEVENTEEN CONTRADICTIONS
AND THE END OF CAPITALISM

Seventeen Contradictions and the End of Capitalism

DAVID HARVEY is Distinguished Professor of Anthropology at the City University of New Yor Graduate School where he has taught since 2001. His course on Marx's *Capital*, developed wi students over forty years, has been downloaded by over two million people since appearing on tl CUNY website in mid-2008. His book *The Enigma of Capital* was published by Profile in 2010 international acclaim.

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To John Davey

In recognition of his wise counsel and support for almost everything I have ever published

Contents

Prologue

The Crisis of Capitalism This Time Around

Crises are essential to the reproduction of capitalism. It is in the course of crises that the instabiliti of capitalism are confronted, reshaped and re-engineered to create a new version of what capitalism about. Much gets torn down and laid waste to make way for the new. Once-productive landscapes a turned into industrial waste-lands, old factories are torn down or converted to new uses, working-cla neighbourhoods get gentrified. Elsewhere, small farms and peasant holdings are displaced by larg scale industrialised agriculture or by sleek new factories. Business parks, R&D and wholesa warehousing and distribution centres sprawl across the land in the midst of suburban tract housin linked together with clover-leafed highways. Central cities compete with how tall and glamorous the office towers and iconic cultural buildings might be, mega-shopping malls galore proliferate in ci and suburb alike, some even doubling as airports through which hordes of tourists and busine executives ceaselessly pass in a world gone cosmopolitan by default. Golf courses and gate communities pioneered in the USA can now be seen in China, Chile and India, contrasting wi sprawling squatter and self-built settlements officially designated as slums, favelas or *barrios pobre*

But what is so striking about crises is not so much the wholesale reconfiguration of physic landscapes, but dramatic changes in ways of thought and understanding, of institutions and domina ideologies, of political allegiances and processes, of political subjectivities, of technologies a organisational forms, of social relations, of the cultural customs and tastes that inform daily lif Crises shake our mental conceptions of the world and of our place in it to the very core. And we, restless participants and inhabitants of this new emerging world, have to adapt, through coercion consent, to the new state of things, even as we, by virtue of what we do and how we think and behav add our two cents' worth to the messy qualities of this world.

In the midst of a crisis it is hard to see where the exit might be. Crises are not singular event While they have their obvious triggers, the tectonic shifts they represent take many years to work ou The long-drawn-out crisis that began with the stock market crash of 1929 was not finally resolve until the 1950s, after the world had passed through the Depression of the 1930s and the global war the 1940s. Likewise, the crisis whose existence was signalled by turbulence in international curren markets in the late 1960s and the events of 1968 on the streets of many cities (from Paris and Chica to Mexico City and Bangkok) was not resolved until the mid-1980s, having passed through the ear 1970s collapse of the Bretton Woods international monetary system set up in 1944, a turbulent deca of labour struggles in the 1970s and the rise and consolidation of the politics of neoliberalisati under Reagan, Thatcher, Kohl, Pinochet and, ultimately, Deng in China.

With the benefit of hindsight it is not hard to spot abundant signs of problems to come well befo a crisis explodes into full view. The surging inequalities in monetary wealth and incomes of the 192 and the property market asset bubble that popped in 1928 in the USA presaged the collapse of 192 for example. Indeed, the manner of exit from one crisis contains within itself the seeds of crises come. The debt-saturated and increasingly deregulated global financialisation that began in the 198 as a way to solve conflicts with labour by facilitating geographical mobility and dispersal produced i denouement in the fall of the investment bank of Lehman Brothers on 15 September 2008.

It is, at the time of writing, more than five years since that event, which triggered the cascadin fina~~ncial collapses that followed. If the past is any guide, it would be churlish to expect at this~~ poi any clear indications of what a revivified capitalism – if such is possible – might look like. But the should by now be competing diagnoses of what is wrong and a proliferation of proposals for puttin things right. What is astonishing is the paucity of new thinking or policies. The world is broad polarised between a continuation (as in Europe and the United States) if not a deepening of neolibera supply-side and monetarist remedies that emphasise austerity as the proper medicine to cure our ill and the revival of some version, usually watered down, of a Keynesian demand-side and debt-finance expansion (as in China) that ignores Keynes's emphasis upon the redistribution of income to the low classes as one of its key components. No matter which policy is being followed, the result is to favo the billionaires club that now constitutes an increasingly powerful plutocracy both within countri and (like Rupert Murdoch) upon the world stage. Everywhere, the rich are getting richer by th minute. The top 100 billionaires in the world (from China, Russia, India, Mexico and Indonesia well as from the traditional centres of wealth in North America and Europe) added $240 billion t their coffers in 2012 alone (enough, calculates Oxfam, to end world poverty overnight). By contras the well-being of the masses at best stagnates or more likely undergoes an accelerating if n catastrophic (as in Greece and Spain) degradation.

The one big institutional difference this time around seems to be the role of the central banks, wi the Federal Reserve of the United States playing a leading if not domineering role on the world stag But ever since the inception of central banks (back in 1694 in the British case), their role has been protect and bail out the bankers and not to take care of the well-being of the people. The fact that th United States could statistically exit the crisis in the summer of 2009 and that stock markets almo everywhere could recover their losses has had everything to do with the policies of the Feder Reserve. Does this portend a global capitalism managed under the dictatorship of the world's centr bankers whose foremost charge is to protect the power of the banks and the plutocrats? If so, then th seems to offer very little prospect for a solution to current problems of stagnant economies and fallin living standards for the mass of the world's population.

There is also much chatter about the prospects for a technological fix to the current econom malaise. While the bundling of new technologies and organisational forms has always played a important role in facilitating an exit from crises, it has never played a determinate one. The hopef focus these days is on a 'knowledge-based' capitalism (with biomedical and genetic engineering an artificial intelligence at the forefront). But innovation is always a double-edged sword. The 1980 after all, gave us deindustrialisation through automation such that the likes of General Motors (whic employed well-paid unionised labour in the 1960s) have now been supplanted by the likes of Walma (with its vast non-unionised low-wage labour force) as the largest private employers in the Unite States. If the current burst of innovation points in any direction at all, it is towards decreasin employment opportunities for labour and the increasing significance of rents extracted fro intellectual property rights for capital. But if everyone tries to live off rents and nobody invests making anything, then plainly capitalism is headed towards a crisis of an entirely different sort.

It is not only the capitalist elites and their intellectual and academic acolytes who seem incapab of making any radical break with their past or defining a viable exit from the grumbling crisis of lo growth, stagnation, high unemployment and the loss of state sovereignty to the power of bondholder The forces of the traditional left (political parties and trade unions) are plainly incapable of mountin any solid opposition to the power of capital. They have been beaten down by thirty years ideological and political assault from the right, while democratic socialism has been discredited. Th stigmatised collapse of actually existing communism and the 'death of Marxism' after 1989 mad matters worse. What remains of the radical left now operates largely outside of any institutional organised oppositional channels, in the hope that small-scale actions and local activism can ultimate add ~~up to some kind of satisfactory macro alternative. This left, which strangely echoes a liber~~taria and even neoliberal ethic of anti-statism, is nurtured intellectually by thinkers such as Mich Foucault and all those who have reassembled postmodern fragmentations under the banner of a large incomprehensible post-structuralism that favours identity politics and eschews class analysi Autonomist, anarchist and localist perspectives and actions are everywhere in evidence. But to th degree that this left seeks to change the world without taking power, so an increasingly consolidate plutocratic capitalist class remains unchallenged in its ability to dominate the world witho constraint. This new ruling class is aided by a security and surveillance state that is by no means loa to use its police powers to quell all forms of dissent in the name of anti-terrorism.

It is in this context that I have written this book. The mode of approach I have adopted somewhat unconventional in that it follows Marx's method but not necessarily his prescriptions and is to be feared that readers will be deterred by this from assiduously taking up the arguments here la out. But something different in the way of investigative methods and mental conceptions is plain needed in these barren intellectual times if we are to escape the current hiatus in economic thinkin policies and politics. After all, the economic engine of capitalism is plainly in much difficulty. lurches between just sputtering along and threatening to grind to a halt or exploding episodical hither and thither without warning. Signs of danger abound at every turn in the midst of prospects of plentiful life for everyone somewhere down the road. Nobody seems to have a coherent understandin of how, let alone why, capitalism is so troubled. But it has always been so. World crises have alway been, as Marx once put it, 'the real concentration and forcible adjustment of all the contradictions bourgeois economy'.[1] Unravelling those contradictions should reveal a great deal about the econom problems that so ail us. Surely that is worth a serious try.

It also seemed right to sketch in the likely outcomes and possible political consequences that flo from the application of this distinctive mode of thought to an understanding of capitalism's politic economy. These consequences may not seem, at first blush, to be likely, let alone practicable politically palatable. But it is vital that alternatives be broached, however foreign they may seem, an if necessary, seized upon if conditions so dictate. In this way a window can be opened on to a who field of untapped and unconsidered possibilities. We need an open forum – a global assembly, as were – to consider where capital is, where it might be going and what should be done about it. I hop that this brief book will contribute something to the debate.

New York Cit
January 20

Introduction
On Contradiction

> 'There must be a way of scanning or X-raying the present which shows up a certain future as a potential within it. Otherwise, you will simply succeed in making people desire fruitlessly …'
>
> Terry Eagleton, *Why Marx Was Right*, p. 69

> 'In the crises of the world market, the contradictions and antagonisms of bourgeois production are strikingly revealed. Instead of investigating the nature of the conflicting elements which erupt in the catastrophe, the apologists content themselves with denying the catastrophe itself and insisting, in the face of their regular and periodic recurrence, that if production were carried on according to the textbooks, crises would never occur.'
>
> Karl Marx, *Theories of Surplus Value*, Part 2, p. 500

There are two basic ways in which the concept of contradiction is used in the English language. Th commonest and most obvious derives from Aristotle's logic, in which two statements are held to be s totally at odds that both cannot possibly be true. The statement 'All blackbirds are black' contradic the statement that 'All blackbirds are white.' If one statement is true, then the other is not.

The other mode of usage arises when two seemingly opposed forces are simultaneously prese within a particular situation, an entity, a process or an event. Many of us experience, for example, tension between the demands of working at a job and constructing a satisfying personal life at hom Women in particular are perpetually being advised on how they might better balance career objective with family obligations. We are surrounded with such tensions at every turn. For the most part w manage them on a daily basis so that we don't get too stressed out and frazzled by them. We may eve dream of eliminating them by internalising them. In the case of living and working, for example, v may locate these two competing activities in the same space and not segregate them in time. But th does not necessarily help, as someone glued to their computer screen struggling to meet a deadli while the kids are playing with matches in the kitchen soon enough has to recognise (for this reason often turns out to be easier to clearly separate living and working spaces and times).

Tensions between the competing demands of organised production and the need to reproduce dai life have always existed. But they are often latent rather than overt and as such remain unnoticed people go about their daily business. Furthermore, the oppositions are not always starkly define They can be porous and bleed into each other. The distinction between working and living, fo example, often gets blurred (I have this problem a lot). In much the same way that the distinctio between inside and outside rests on clear borders and boundaries when there may be none, so there a many situations where clear oppositions are hard to identify.

Situations arise, however, in which the contradictions become more obvious. They sharpen an then get to the point where the stress between opposing desires feels unbearable. In the case of care objectives and a satisfying family life, external circumstances can change and turn what was once manageable tension into a crisis: the demands of the job may shift (change of hours or locatio Circumstances on the home front may be disrupted (a sudden illness, the mother-in-law who took ca of the kids after school retires to Florida). People's feelings on the inside can change also: someon experiences an epiphany, concludes ‘this is no way to live a life’ and throws up their job in disgus ~~Newly acquired ethical or religious principles may demand a different mode of being in the~~ worl Different groups in a population (for example, men and women) or different individuals may feel ar react to similar contradictions in very different ways. There is a powerful subjective element defining and feeling the power of contradictions. What is unmanageable for one may mean nothin special for another. While the reasons may vary and conditions may differ, latent contradictions ma suddenly intensify to create violent crises. Once resolved, then the contradictions can just as sudden subside (though rarely without leaving marks and sometimes scars from their passage). The genie i as it were, temporarily stuffed back into the bottle, usually by way of some radical readjustme between the opposing forces that lie at the root of the contradiction.

Contradictions are by no means all bad and I certainly don’t mean to imply any automatic negativ connotation. They can be a fecund source of both personal and social change from which peop emerge far better off than before. We do not always succumb to and get lost in them. We can use the creatively. One of the ways out of a contradiction is innovation. We can adapt our ideas and practice to new circumstances and learn to be a far better and more tolerant person from the experienc Partners who had drifted apart may rediscover each other’s virtues as they get together to manage crisis between work and family. Or they may find a solution through forming new and enduring bon of mutual support and caring with others in the neighbourhood where they live. This kind adaptation can happen at a macroeconomic scale as well as to individuals. Britain, for example, foun itself in a contradictory situation in the early eighteenth century. The land was needed for biofue (charcoal in particular) and for food production, and, at a time when the capacity for internation trade in energy and foodstuffs was limited, the development of capitalism in Britain threatened grind to a halt because of intensifying competition on the land between the two uses. The answer la in going underground to mine coal as a source of energy so the land could be used to grow food alon Later on, the invention of the steam engine helped revolutionise what capitalism was about as foss fuel sources became general. A contradiction can often be the ‘mother of invention’. But notic something important here: resort to fossil fuels relieved one contradiction but now, centuries later, anchors another contradiction between fossil fuel use and climate change. Contradictions have th nasty habit of not being resolved but merely moved around. Mark this principle well, for we will com back to it many times in what follows.

The contradictions of capital have often spawned innovations, many of which have improved th qualities of daily life. Contradictions when they erupt into a crisis of capital generate moments ‘creative destruction’. Rarely is it the case that what is created and what is destroyed is predetermine and rarely is it the case that everything that is created is bad and everything that was good w destroyed. And rarely are the contradictions totally resolved. Crises are moments of transformation which capital typically reinvents itself and morphs into something else. And the ‘something else’ ma be better or worse for the people even as it stabilises the reproduction of capital. But crises are als moments of danger when the reproduction of capital is threatened by the underlying contradictions.

In this study I rely on the dialectical rather than the logical Aristotelian conception contradiction.[1] I do not mean to imply by this that the Aristotelian definition is wrong. The tw definitions – seemingly in contradiction – are autonomous and compatible. It is just that they refer very different circumstances. I find that the dialectical conception is rich in possibilities and not at a difficult to work with.

At the outset, however, I must first open up what is perhaps the most important contradiction all: that between reality and appearance in the world in which we live.

Marx famously advised that our task should be to change the world rather than to understand But when I look at the corpus of his writings I have to say that he spent an inordinate amount of tin seated in the library of the British Museum seeking to understand the world. This was so, I think, f one ~~very simple reason. That reason is best captured by the term 'fetishism'. By fetishism, Ma~~rx w referring to the various masks, disguises and distortions of what is really going on around us. ' everything were as it appeared on the surface,' he wrote, 'there would be no need for science.' W need to get behind the surface appearances if we are to act coherently in the world. Otherwise, actir in response to misleading surface signals typically produces disastrous outcomes. Scientists long ag taught us, for example, that the sun does not actually go around the earth, as it appears to do (thoug in a recent survey in the USA it seems 20 per cent of the population still believe it does!). Medic practitioners likewise recognise that there is a big difference between symptoms and underlyir causes. At their best, they have transformed their understanding of the differences betwee appearances and realities into a fine art of medical diagnosis. I had a sharp pain in my chest and w convinced it was a heart problem, but it turned out to be referred pain from a pinched nerve in m neck and a few physical exercises put it right. Marx wanted to generate the same sorts of insigh when it came to understanding the circulation and accumulation of capital. There are, he argue surface appearances that disguise underlying realities. Whether or not we agree with his specif diagnoses does not matter at this point (though it would be foolish not to take note of his findings What matters is that we recognise the general possibility that we are often encountering sympton rather than underlying causes and that we need to unmask what is truly happening underneath a welt of often mystifying surface appearances.

Let me give some examples. I put $100 in a savings account at a 3 per cent annual compound ra of interest and after twenty years it has grown to $180.61. Money seems to have the magical power increase itself at a compounding rate. I do nothing but my savings account grows. Money seems have the magical capacity to lay its own golden eggs. But where does the increase of money (th interest) really come from?

This is not the only kind of fetish around. The supermarket is riddled with fetishistic signs ar disguises. The lettuce costs half as much as half a pound of tomatoes. But where did the lettuce ar the tomatoes come from and who was it that worked to produce them and who brought them to th supermarket? And why does one item cost so much more than another? Moreover, who has the right t attach some kabbalistic sign like $ or € or £ over the items for sale and who puts a number on them like $1 a pound or €2 a kilo? Commodities magically appear in the supermarkets with a price ta attached such that customers with money can satisfy their wants and needs depending upon how muc money they have in their pockets. We get used to all this, but we don't notice that we have no ide where most of the items come from, how they were produced, by whom and under what conditions, why, exactly, they exchange in the ratios they do and what the money we use is really all abou (particularly when we read that the Federal Reserve has just created another $1 trillion of it at the dro of a hat!).

The contradiction between reality and appearance which all this produces is by far the mo general and pervasive contradiction that we have to confront in trying to unravel the more specif contradictions of capital. The fetish understood in this way is not a crazy belief, a mere illusion or hall of mirrors (though it will sometimes seem that way). It really is the case that money can be use to buy commodities and that we can live out our lives without much concern about anything other tha how much money we have and how much that money will buy in the supermarket. And the money my savings account really does grow. But ask the question 'What is money?' and the answer is usuall a baffled silence. Mystifications and masks surround us at every turn, though occasionally, of cours we get shocked when we read that the thousand or so workers who died when a factory buildir collapsed in Bangladesh were making the shirts we are wearing. For the most part we know nothin about the people who produce the goods that support our daily life.

We can live perfectly well within a fetish world of surface signals, signs and appearances withou ~~needing to know all that much about how it works (in much the same way that we can turn on a~~ swit and have light without knowing anything about electricity generation). It is only when somethin dramatic happens – the supermarket shelves are bare, the prices in the supermarket go haywire, th money in our pocket suddenly becomes worthless (or the light does not go on) – that we typically as the bigger and broader questions as to why and how things are happening ‘out there’, beyond the doo and unloading bays of the supermarket, that can so dramatically affect daily life and sustenance.

In this book I will try to get behind the fetishism and identify the contradictory forces that bes the economic engine that powers capitalism. I do so because I believe that most of the accounts what is happening currently available to us are profoundly misleading: they replicate the fetishism an do nothing to disperse the fog of misunderstanding.

I here make, however, a clear distinction between *capitalism* and *capital*. This investigatio focuses on capital and not on capitalism. So what does this distinction entail? By capitalism I mea any social formation in which processes of capital circulation and accumulation are hegemonic an dominant in providing and shaping the material, social and intellectual bases for social lif Capitalism is rife with innumerable contradictions, many of which, though, have nothing in particul to do directly with capital accumulation. These contradictions transcend the specificities of capitali social formations. For example, gender relations such as patriarchy underpin contradictions to b found in ancient Greece and Rome, in ancient China, in Inner Mongolia or in Ruanda. The sam applies to racial distinctions, understood as any claim to biological superiority on the part of som subgroup in the population vis-à-vis the rest (race is not, therefore, defined in terms of phenotype: th working and peasant classes in France in the mid-nineteenth century were openly and widely regarde as biologically inferior beings – a view that was perpetuated in many of Zola’s novels). Racialisatio and gender discriminations have been around for a very long time and there is no question that th history of capitalism is an intensely racialised and gendered history. The question then arises: why d I not include the contradictions of race and gender (along with many others, such as nationalism ethnicity and religion) as foundational in this study of the contradictions of capital?

The short answer is that I exclude them because although they are omnipresent within capitalis they are not specific to the form of circulation and accumulation that constitutes the economic engin of capitalism. This in no way implies that they have no impact on capital accumulation or that capit accumulation does not equally affect (‘infect’ might be a better word) or make active use of them Capitalism clearly has in various times and places pushed racialisation, for example, to extrem (including the horrors of genocide and holocausts). Contemporary capitalism plainly feeds off gend discriminations and violence as well as upon the frequent dehumanisation of people of colour. Th intersections and interactions between racialisation and capital accumulation are both highly visib and powerfully present. But an examination of these tells me nothing particular about how th economic engine of capital works, even as it identifies one source from where it plainly draws i energy.

The longer answer requires a better understanding of my purpose and of the method I have chose to pursue. In the same way that a biologist might isolate a distinctive ecosystem whose dynamics (an contradictions!) need to be analysed as if it is isolated from the rest of the world, so I seek to isola capital circulation and accumulation from everything else that is going on. I treat it as a ‘close system’ in order to identify its major internal contradictions. I use, in short, the power of abstractio to build a model of how the economic engine of capitalism works. I use this model to explore why an how periodic crises occur and whether, in the long run, there are certain contradictions that may prov fatal to the perpetuation of capitalism as we now know it.

In the same way that the biologist will readily admit that external forces and disruptio (hurricanes, global warming and sea-level rise, noxious pollutants in the air or contamination of th ~~water) will often overwhelm the 'normal' dynamics of ecological reproduction in the area~~ she ha isolated for study, so the same is true in my case: wars, nationalism, geopolitical struggles, disaste of various kinds all enter into the dynamics of capitalism, along with hefty doses of racism an gender, sexual, religious and ethnic hatreds and discriminations. It would take only one nucle holocaust to end it all well before any potentially fatal internal contradictions of capital have dor their work.

I am not saying, therefore, that everything that happens under capitalism is driven by th contradictions of capital. But I do want to identify those internal contradictions of capital that hav produced the recent crises and made it seem as if there is no clear exit without destroying the lives an livelihoods of millions of people around the world.

Let me use a different metaphor to explain my method. A vast cruise ship sailing the ocean is particular and complicated physical site for divergent activities, social relations and interaction Different classes, genders, ethnicities and races will interact in sometimes friendly and at other tim violently oppositional ways as the cruise progresses. The employees, from the captain on down, wi be hierarchically organised and some strata (for example, the cabin stewards) may be at loggerhea with their overseers as well as with the demanding people they are required to serve. We could aspi to describe in detail what happens on the decks and in the cabins of this cruise ship and wh Revolutions may break out between decks. The ultra rich may isolate themselves on the upper deck playing an infinite game of poker which redistributes wealth among them, while paying no mir whatsoever to what transpires below. But it is not my interest here to get into all of this. In the bowe of this ship there is an economic engine that pounds away day and night supplying energy to it an powering it across the ocean. Everything that happens on this ship is contingent on this engi continuing to function. If it breaks down or blows up, then the ship is dysfunctional.

Plainly, the engine we have has been stuttering and grumbling of late. It appears peculiar vulnerable. In this inquiry I shall try to establish why. If it does break down and the ship lies listle and powerless in the water, then we will all be in deep trouble. The engine will have to be eith repaired or replaced with an engine of a different design. If the latter, then this poses the question how to redesign the economic engine and to what specifications. In so doing it is helpful to know wh did or did not work well in the old engine so we can emulate its qualities without replicating its fault

There are, however, a number of key points where the contradictions of capitalism affect th economic engine of capital with potentially disruptive force. If the engine gets flooded because external events (such as a nuclear war, a global infectious disease pandemic that halts all trade, revolutionary movement from above that attacks the engineers below or a negligent captain who stee the boat on to the rocks), then plainly the engine of capital stops for reasons other than its own intern contradictions. I will, in what follows, duly note the primary points where the engine of capit accumulation might be particularly vulnerable to such external influences. But I shall not pursue the consequences in any detail, for, as I began by insisting, my aim here is to isolate and analyse th *internal* contradictions of capital rather than the contradictions of capitalism taken as a whole.

In certain circles it is fashionable to derogatorily dismiss studies such as this as 'capitalo-centric Not only do I see nothing wrong with such studies, provided, of course, that the interpretive clain that arise from them are not pressed too far and in the wrong direction, but I also think it imperativ that we have much more sophisticated and profound capitalo-centric studies to hand to facilitate better understanding of the recent problems that capital accumulation has encountered. How else ca we interpret the persistent contemporary problems of mass unemployment, the downward spiral economic development in Europe and Japan, the unstable lurches forward of China, India and th other so-called BRIC countries? Without a ready guide to the contradictions underpinning suc phenomena we will be lost. It is surely myopic, if not dangerous and ridiculous, to dismiss ‘~~capitalo-centric’ interpretations and theories of how the economic engine of capital accumu~~latio works in relation to the present conjuncture. Without such studies we will likely misread an misinterpret the events that are occurring around us. Erroneous interpretations will almost certain lead to erroneous politics whose likely outcome will be to deepen rather than to alleviate crises accumulation and the social misery that derives from them. This is, I believe, a serious proble throughout much of the contemporary capitalist world: erroneous policies based in erroneo theorising are compounding the economic difficulties and exacerbating the social disruption an misery that result. For the putative ‘anti-capitalist’ movement now in formation it is even mo crucial not only to better understand what exactly it is that it might be opposed to, but also articulate a clear argument as to why an anti-capitalist movement makes sense in our times and wh such a movement is so imperative if the mass of humanity is to live a decent life in the difficult yea to come.

So what I am seeking here is a better understanding of the contradictions of *capital*, not *capitalism*. I want to know how the economic engine of *capitalism* works the way it does, and why might stutter and stall and sometimes appear to be on the verge of collapse. I also want to show wh this economic engine should be replaced and with what.

Part One

The Foundational Contradictions

The first seven contradictions are foundational because capital simply could not function witho them. ~~Furthermore, they all hang together in such a way as to make it impossible to substantial~~ modify, let alone abolish, any one of them without seriously modifying or abolishing the other Challenging the dominant role of exchange value in the provision of a use value like housing, fo example, implies changes in the form and role of money and modifying, if not abolishing, the priva property rights regime with which we are all too familiar. The search for an anti-capitalist alternativ consequently appears a rather tall order. Simultaneous transformations would have to occur on man fronts. Difficulties on one front have also often been contained by strong resistances elsewhere suc that general crises are avoided. But the interlinkages between the contradictions on occasion tur toxic. An intensification of a contradiction of one sort can become contagious. When contagion multiply and magnify (as clearly happened in 2007–9), then a general crisis ensues. This is dangerou for capital and creates opportunities for systemic anti-capitalist struggle. This is why an analysis the contradictions that produce such general crises is so important. If oppositional and anti-capitali movements in particular know what broadly to expect as the contradictions unfold, then they will b better positioned to take advantage of, rather than being surprised and stymied by, the way th contradictions move around and deepen (both geographically and sectorally) in the course of cris formation and resolution. If crises are transitional and disruptive phases in which capital reconstituted in a new form, then they are also phases in which deep questions can be posed and acte upon by those social movements seeking to remake the world in a different image.

Contradiction 1

Use Value and Exchange Value

Nothing could be simpler. I walk into a supermarket with money in my pocket and exchange it fo some food items. I cannot eat the money but I can eat the food. So the food is useful to me in wa that the money is not. The food is shortly thereafter used up and consumed away, while the bits o paper and coins that are accepted as money continue to circulate. Some of the money taken in by th supermarket is paid out in the form of wages to a cashier who uses the money to buy more food. Son of the earnings go to owners in the form of profit and they spend it on all sorts of things. Some of goes to the middlemen and eventually to the direct producers of the food, who all also spend it. And s it goes on and on. In a capitalist society millions of transactions of this sort take place every da Commodities like food, clothing and cellphones come and go, while the money just keeps o circulating through people's (or institutions') pockets. This is how daily life is currently lived b much of the world's population.

All the commodities we buy in a capitalist society have a use value and an exchange value. Th difference between the two forms of value is significant. To the degree they are often at odds wi each other they constitute a contradiction, which can, on occasion, give rise to a crisis. The use valu are infinitely varied (even for the same item), while the exchange value (under normal conditions) uniform and qualitatively identical (a dollar is a dollar is a dollar, and even when it is a euro it has known exchange rate with the dollar).

Consider, as an example, the use value and the exchange value of a house. As a use value, th house provides shelter; it is a place where people can build a home and an affective life; it is a site daily and biological reproduction (where we cook, make love, have arguments and raise children); offers privacy and security in an unstable world. It can also function as a symbol of status or soci belonging to some subgroup, as a sign of wealth and power, as a mnemonic of historical memor (both personal and social), as a thing of architectural significance; or it simply stands to be admire and visited by tourists as a creation of elegance and beauty (like Frank Lloyd Wright's Falling Water It can become a workshop for an aspiring innovator (like the famous garage that was the epicentre what became Silicon Valley). I can hide a sweatshop in the basement or use it as a safe house fo persecuted immigrants or as a base for trafficking sex slaves. We could go on to list a whole raft o different uses to which the house can be put. Its potential uses are, in short, myriad, seemingly infini and very often purely idiosyncratic.

But what of its exchange value? In much of the contemporary world we have to buy the hous lease it or rent it in order to have the privilege of using it. We have to lay out money for it. Th question is: how much exchange value is required to procure its uses and how does this 'how much affect our ability to command the particular uses we want and need? It sounds a simple question b actually its answer is rather complicated.

Once upon a time, frontier pioneers built their own houses for almost no monetary cost: the lan was free, they used their own labour (or procured the collective help of neighbours on a reciproc basis – you help me now with my roof and I will help you next week with your foundations) an acquired many of the raw materials (timber, adobe etc.) from all around them. The only monetar transactions would have been those concerned with the acquisition of axes, saws, nails, hammer ~~knives, harnesses for the horses and suchlike. Systems of housing production of this sort can~~ still b found in the informal settlements constituting the so-called slums of many cities in developin countries. This is how the favelas of Brazil get built. The promotion of ‘self-help housing’ by th World Bank from the 1970s onwards formally identified this system of housing provision a appropriate for low-income populations in many parts of the world. The exchange values involved a relatively limited.

Houses can also be ‘built to order’. Someone has land and pays architects, contractors and builde to construct a house according to a given design. The exchange value is fixed by the cost of ra materials, the wages of labour and payment for the services required to build the house. The exchang value does not dominate. But it can limit the possibilities of creating use values (there is not enoug money to build a garage or a whole wing of the aristocratic mansion does not get built because th funding runs out). In advanced capitalist societies many people add to the existing use values of house in this way (building an extension or a deck, for example).

In much of the advanced capitalist world, however, housing is built speculatively as a commodi to be sold on the market to whoever can afford it and whoever needs it. Housing provision of this so has long been evident in capitalist societies. This is the way in which the famous Georgian terraces Bath, Bristol, London and the like were built at the end of the eighteenth century. Later on, suc speculative building practices were harnessed to erect the tenement blocks of New York City, th terraced housing for the working classes in industrial cities such as Philadelphia, Lille and Leeds, an the tract housing of the typical American suburb. The exchange value is fixed by the basic costs of th house’s production (labour and raw materials), but in this case there are two other costs added in: firs the profit mark-up of the speculative builder, who lays out the initial necessary capital and pays th interest on any loans involved, and, second, the cost of acquiring, renting or leasing the land fro property owners. The exchange value is set by the actual costs of production plus profit, interest o loans and capitalised rent (land price). The aim of the producers is to procure exchange values not u values. The creation of use values for others is a means to that end. The speculative quality of th activity means, however, that it is *potential* exchange value that matters. The builders of the housin actually stand to lose as well as to gain. Obviously, they try to orchestrate things, particularly housin purchases, to ensure that this does not happen. But there is always a risk. Exchange value moves in the driver’s seat of housing provision.

Seeing the need for adequate use values going unmet, a variety of social forces, ranging fro employers anxious to keep their labour force domesticated and to hand (like Cadbury) to radical an utopian believers (like Robert Owen, the Fourierists and George Peabody) and the local and nation state, have from time to time launched a variety of housing programmes with public, philanthropic paternalistic funding to provide for the needs of the lower classes at a minimum cost. If it is wide accepted that everyone has a right to ‘a decent home and a suitable living environment’ (as stated the preamble to the US Housing Act of 1949), then, obviously, use value considerations are broug back to the forefront of struggles over housing provision. This political stance very much affecte housing policies in the social democratic era in Europe and had spillover effects in North America an in selected parts of the developing world. The involvement of the state in housing provision ha obviously, waxed and waned over the years, as has the interest in social housing. But exchange valu considerations often creep back in as the fiscal capacities of the state are put to the test by the need subsidise affordable housing out of shrinking public coffers.

There have been, then, a variety of ways in which the tension between use values and exchang values in housing production has been managed. But there have also been phases when the system h broken down to produce a crisis of the sort that occurred in the housing markets of the United State

Ireland and Spain in 2007–9. This crisis was not unprecedented. The Savings and Loan Crisis in th ~~USA from 1986 on, the collapse of the Scandinavian property market in 1992 and the end~~ of th Japanese economic boom of the 1980s in the land market crash of 1990 are other examples.[1]

In the private market system that now dominates in much of the capitalist world, there a additional issues that need to be addressed. To begin with, the house is a ‘big ticket item’ that will b consumed over many years and not, like food, be instantaneously used up. Private individuals may n have the money up front to buy the house outright. If I cannot buy it with cash, I have two bas choices. Either I can rent or lease from an intermediary – a landlord – who specialises in buyin speculatively built housing in order to live off the rents. Or I can borrow to buy, either getting loan from friends and relatives or taking out a mortgage with a financial institution. In the case of mortgage, I have to pay the full exchange value of the house plus the monthly interest over th lifetime of the mortgage. I end up owning the house outright after, say, thirty years. Consequently, th house becomes a form of saving, an asset whose value (or at least that part of the value that I hav acquired through my monthly payments) I can cash in at any time. Some of that asset value will hav been sucked up by the costs of maintenance (for example, painting) and the need to renew deteriorate items (for example, a roof). But I can still hope to increase the net value I command as time goes o by paying off my mortgage.

The mortgage finance of a housing purchase is, however, a very peculiar transaction. The tot paid out on a $100,000 mortgage over thirty years at 5 per cent is around $195,000, so the mortgage in effect pays a premium of $95,000 extra in order to acquire an asset valued at $100,000. Th transaction hardly makes sense. Why would I do this? The answer, of course, is that I need the us value of the house as somewhere to live and I pay $95,000 to live in the house until I take fu ownership. It is the same as paying $95,000 rent to a landlord over thirty years except in this case ultimately secure the exchange value of the whole house. The house becomes, in effect, a form saving, a repository of exchange value for me.

The exchange value of housing is not, however, fixed. It fluctuates over time according to a varie of social conditions and forces. To begin with, it is not independent of the exchange values o surrounding houses. If all the houses around me are deteriorating or people of ‘the wrong sort’ a moving in, then my house value is very likely to fall even though I keep it in tip-top shap Conversely, ‘improvements’ in the neighbourhood (for example, gentrification) will increase th value of my house even though I myself have invested nothing. The housing market is characterise by what economists call ‘externality’ effects. Homeowners often take action, both individual an collective, to control such externalities. Propose building a halfway house for released criminals in ‘respectable’ neighbourhood of homeowners and see what happens! The result is a lot of ‘not in m back yard’ politics, exclusions of unwanted populations and activities, and neighbourhoo organisations whose missions are almost exclusively oriented to the maintenance and improvement neighbourhood housing values (good neighbourhood schools have a big effect, for example). Peop act to protect the value of their savings. But people can also lose their savings when the state investors take over housing in a neighbourhood destined for redevelopment and let that housin deteriorate, thus destroying the market value of the housing that remains.

If I do invest in improvements, then I might want to be careful to do only those that clearly add the house’s exchange value. There are lots of ‘advice books’ for homeowners on this topic (building new state-of-the-art kitchen adds value but mirrors on all the ceilings or an aviary in the back ya does not).

Home ownership has become important for larger and larger segments of the population in man parts of the world. The maintenance and improvement of housing asset values have become importa political objectives for larger and larger segments of the population and a major political issu because the exchange value for consumers is as important as the exchange value earned by producers

~~But over the last thirty years or so, housing has become an object of speculation. I buy a hou~~se f $300,000 and three years later its value has appreciated to $400,000. I can then capitalise upon th extra value by refinancing for $400,000 and walk away with the extra $100,000, which I can use as wish. The enhanced exchange value of housing becomes a hot item. The house becomes a convenie cash cow, a personal ATM machine, thus boosting aggregate demand, including, of course, the furthe demand for housing. Michael Lewis in *The Big Short* explains the sort of thing that happened durin the run-up to the crash of 2008. The childminder of one of his lead informants ended up owning, wi her sister, six houses in Queens in New York City. ‘After they bought the first one, and its value rose the lenders came and suggested they refinance and take out $250,000 – which they used to bu another.’ Then the price of that one rose too and they repeated the experiment. ‘By the time they wer done they owned five of them and the market was falling and they couldn’t make any of th payments.’[2]

Speculation in housing market asset values became rife. But speculation of this sort always has ‘Ponzi’ element attached. I buy a house on borrowed money and the prices go up. More people a then attracted to the idea of buying into housing because of rising property values. They borrow ev more money (easy to do when lenders are flush with money) to buy into a good thing. Housing pric go up even more, so even more people and institutions get into the game. The result is a ‘proper bubble’ which eventually pops. How and why such bubbles in asset values like housing form, how b or small they are and what happens when they pop depends on the configurations of differe conditions and forces. For the moment all we have to accept, on the evidence of the historical reco (from the property market crashes of 1928, 1973, 1987 and 2008 in the United States, for example), that such manias and bubbles are part and parcel of what capitalist history is about. As China ha moved closer to adopting the ways of capital, so it has also become increasingly subject to speculati booms and bubbles in its housing markets. We will revisit the question why in what follows.

In the recent property market crash in the United States, about 4 million people lost their hom through foreclosure. For them, the pursuit of exchange value destroyed access to housing as a u value. An untold number of people are still ‘under water’ in their mortgage finance. This refers to situation in which someone who purchased a house at the height of the boom now owes a financi institution more money than the house is worth on the market. Owners cannot get out of ownersh and move without taking a substantial loss. At the height of the boom, housing prices were so hig that many could not get access to use values without assuming a debt that would ultimately prov unpayable. After the crash, the financial drain of being stuck with a certain bundle of use values ha had remarkably dire effects. The reckless pursuit of exchange value destroyed, in short, the capaci for many to acquire and afterwards sustain their access to housing use values.

Similar problems have occurred in rental markets. In New York City, where some 60 per cent o the population are renters, many large rental complexes were bought out at the height of the boom b private equity funds looking to make a killing by raising rents (even in the face of strong regulato laws). The funds deliberately ran down the current use values to justify their plans for reinvestmen but then themselves went bankrupt in the financial crash, leaving tenants with deteriorated use valu and higher rents living in fore-closed properties whose ownership obligations were often unclear (wh you call to fix a non-functioning furnace in a housing complex in foreclosure is not at all obvious Nearly 10 per cent of the rental housing stock has suffered from these sorts of problems. The ruthle pursuit of maximising exchange values has diminished access to housing use values for a larg segment of the population. And to top it all, of course, the housing market crash triggered a glob crisis from which it has proved very difficult to recover.

Housing provision under capitalism has moved, we can conclude, from a situation in which th pursuit of use values dominated to one where exchange values moved to the fore. In a weird reversa the ~~use value of housing increasingly became, first, a means of saving and, second, an instrument~~ speculation for consumers as well as producers, financiers and all the others (real estate brokers, lo officers, lawyers, insurance agents etc.) who stood to gain from boom conditions in housing market The provision of adequate housing use values (in the conventional consumption sense) for the mass the population has increasingly been held hostage to these ever-deepening exchange valu considerations. The consequences for the provision of adequate and affordable housing for a increasing segment of the population have been disastrous.

In the background to all this has been the shifting terrain of public opinion and public policy o the proper role of the state in the provision of adequate use values and basic needs to population Since the 1970s, a 'neoliberal consensus' has emerged (or been imposed) in which the state withdrav from obligations for public provision in fields as diverse as housing, health care, educatio transportation and public utilities (water, energy, even infrastructures). It does so in the interests o opening up these arenas to private capital accumulation and exchange value consideration Everything that happened in the housing field has been affected by these shifts. Why this shift privatisation occurred is a particular question we are not at this point concerned to answer. All that think it is important to record at this point is that shifts of this sort have occurred such that sta involvement in housing provision (with its particular implication for how the use value–exchang value contradiction has been managed) has been radically transformed throughout much (though n all) of the capitalist world over the last forty years.

Obviously, I have chosen this case of the use value and exchange value of housing because it is perfect example of how a simple difference, between the use value and the exchange value of commodity in the market, can evolve into an opposition and an antagonism before becoming s heightened into an absolute contradiction as to produce a crisis not only in housing but throughout th whole financial and economic system. It did not, presumably, have to evolve that way (or did it? – th is a crucial question we must ultimately answer). But that it did evolve that way in the United Stat and in Ireland, Spain and to some degree Britain, as well as in various other parts of the world, aft 2000 or so to produce the macroeconomic crisis of 2008 (a crisis not yet resolved) is unquestionabl And that it was a crisis in the exchange value side that denied more and more people adequate u values in housing in addition to a decent standard of life is also undeniable.

The same thing happens to health care and education (higher education in particular) as exchang value considerations increasingly dominate the use value aspects of social life. The story we he everywhere repeated, from our classrooms to throughout virtually all the media, is that the cheapes best and most efficient way to procure use values is through unleashing the animal spirits of th entrepreneur hungry for profit to participate in the market system. For this reason, many categories use values that were hitherto supplied free of charge by the state have been privatised an commodified – housing, education, health care and public utilities have all gone in this direction many parts of the world. The World Bank insists that this should be the global norm. But it is a syster that works for the entrepreneurs, who by and large make hefty profits, and for the affluent, but penalises almost everyone else to the point of somewhere between 4 and 6 million foreclosures in th case of housing in the USA (and countless more in Spain and many other countries). The politic choice is between a commodified system that serves the rich well enough and a system that focuses o the production and democratic provision of use values for all without any mediations of the market.

So let us reflect, then, in a more abstract theoretical way on the nature of this contradictio Exchange of use values between individuals, organisations (such as businesses and corporations) an social groups is plainly important in any complex social order characterised by intricate divisions labour and extensive trade networks. Barter in such situations has limited utility because of th problem of the ‘double coincidence of wants and needs’. You have to have a commodity I want and have ~~to have a commodity you want in order for simple barter to take place. Barter chains~~ can b constructed but they are limited and cumbersome. Therefore some independent measure of the valu of all commodities on the market – a single metric of value – becomes not only advantageous b necessary. I can then sell my commodity for some general equivalent of value and use that gener equivalent to buy whatever I want or need from elsewhere. The general equivalent is, of cours money. But this takes us on to the field of the second contradiction of capital. What is money?