

## Book Review: Jalée, P. (1977). *How capitalism works*. New York: Monthly Review Press.

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This book, *How Capitalism Works* by Pierre Jalée is a short introduction to capitalism and its functioning. The primary purpose of the book is, as explicitly stated, to be accessible to people who may not have background in this field. Therefore, the book does not resort to a complex analysis nor use of academic jargons unless indispensable. The analysis is of a Marxist tradition and thus it primarily draws and is worded accordingly. The major frame of analysis is social class as defined in terms of relation to the means of production. In addition, other essential elements of capitalism are discussed as defined in Marxist conceptualizations. Among these are labor, production, value and surplus value, the nature and role of the state within the capitalist political economic system.

Jalée starts by briefly explaining and analyzing the basic concepts and terminologies that are crucial to the discussion of capitalism, in fact, essentially any other political economic ideology and system. Capitalism, Jalée vaguely defines as a system or regime that represents a specific set of “mode of production” which is determined by “productive forces” and “relations of production.” (Jalée, 1977: 11) It is, therefore, clear that he needed to dissect these seemingly complicated concepts for us to make sense of what capitalism is.

As intelligence and social sophistication increased, human’s needs became more and more complicated forcing mankind to find different ways to employ its skills and time to something more systematic and complex than just gathering and hunting, that is to engage in production of material goods. With increased complexity, production begun to take defined shape and give conscious answers for such questions as “how?” and “with what?”

Jalée’s discussion essentially begins by attempting to address these questions using Marxist tools of analysis. He posits that for human beings to be able to satisfy their needs and master nature, they must have “the whole range of means” which he refers to as “productive forces” which is composed of three elements. First, tools as well as inputs of production collectively called “means of production”; second, labor power which is basically people or workers; and third, indirect labor that includes accumulated knowledge of production, technology and organization (Jalée, 1977: 10).

Until workshops that employ labor power for wage were established by some individuals who accumulated the first capital, individual workers used to be “independent masters of the product of their labor” (Ibid: 10). These first workshops are the impetus that kick start a different set of relations between the productive forces that constitute capitalist mode of production. The capitalist system is, therefore, a term that describes a mode of production with specific level of productive

forces and type of relations of production. The relation of production is the production that exists particularly between the means of production and labor power and its owners, capitalists and working class respectively. While the relation of production in the previous modes of production, namely feudalism and slavery were individual, they are social in capitalist mode of production.

Capitalism, in this sense, has two major characteristics that are “high development of productive forces” and “a means of production owned by small number of capitalists” who employ the workers’ labor power (Ibid: 12). These characteristics have transformed the relations of production and gave rise to two social classes with objectively antagonistic interests. At the center of these antagonisms lies the issue of “ownership of the means of production”. The fundamental contradiction of capitalism is that the means of production is owned privately whereas production as a process is characteristically social. Therefore, the capitalist and working classes are naturally in constant contradiction as they pursue their inherently divergent interests of maintaining and changing the status quo, respectively. To do so, however, these social classes must come to deliberate will and recognition of their respective positions in relation to the mode of production and form solidarity as a social group. This class consciousness coupled with the inevitable intensification of objective realities of exploitation sharpen the confrontation and transform it into class struggle, which lies at the heart of the capitalist system.

In its bid to maintain the status quo and, hence, the upper hand against the working class, the empowered and socially cohesive capitalist class established the state and its illusory façade of bourgeois democracy. The state is, therefore, an instrument of the capitalist class to legitimize its exploitation and oppression of the working class. While demystifying the state, Jalée (Ibid: 92) argues that the bourgeois state has two purposes, first to “establish and operate the means of coercion and repression”; and second to organize bourgeois democracy which is basically a “combination of rules, laws and institutions aimed at disguising the exploitation and present a false front of equality.”

Through its illusive commitment to individual freedoms and the sanctity of private property, the state stands fore to safeguard the interests of the capitalist class. The idea of free enterprise and property right are sanctified and sanctioned by laws and institutions of the state so that the struggle of the working class would be directed away from the capitalist class toward the state which is falsely claimed to be a neutral entity. The state is also at the center of the superstructure built up on the exploitative economic infrastructure. The superstructure which is consisted of the beliefs, political ideology and even

religion is not only the reflection of the economic infrastructure but also its justification. The parallel rise of capitalism and Martin Luther's Protestant movement in the 16<sup>th</sup> C. industrialized centers of Europe to replace the "more feudalistic" Catholicism as dominant religious denomination can attest to this assertion.

Having the economic infrastructure and the superstructure as well as the state as a very powerful agent, the capitalist class continues pursuing its interest which is profit. Profit is the function of surplus value divided by the total cost of production. Even though production is a social process, the capitalist class, as owners of the means of production, gets the power to appropriate the surplus value. Surplus value in reality is, however, nothing but the value of unpaid labor or the value of labor other than necessary labor.

This fundamental motive of the capitalists is the source of their contradiction not only with the working class but also amongst themselves. Hence, capitalists fiercely compete to control and appropriate the maximum surplus value, and profit as possible. These competitions lead to concentration of capital in the hands of the few who will further engage in more aggressive competitions until monopoly is achieved either by absorbing the weak or through mergers and other corporate means.

In the second half of the 19<sup>th</sup> C. the capitalists of Europe reached the highest level of monopolization that the national markets were not able to accommodate the commodities produced. This put pressure on the capitalist interest as the rate of profit begun to decline. Therefore, the European bourgeois states had to engage in acts that can expand the commercial reach of these huge industrial capitalists. There came colonialism which is essentially the bourgeois states' effort to provide their respective monopolies with vast reserved or privileged "economic space". This economic space was created by bringing those areas at the fringes into the capitalist system with unfair terms and as perpetual periphery. This is

what Lenin referred to as imperialism, the highest stage of capitalism. Through these imperialist conquests, the European capitalists were able to save the rate of profit from falling as well as prevent the tense class struggle from bursting. The capitalists and the bourgeois state managed to survive the ensuing working class revolution by substituting the subject of maximum exploitation and transferring fractions of the spoils to the working class. In addition to the betterment of material conditions, the working class was also compelled by the nationalist and patriotic appeals made by the state and the whole of the superstructure.

Even though it is improbable for an industry to have an "absolute" control of an entire market, which is the strict sense of the term monopoly, monopolies remain the very important features of capitalism today, even more so than they were ever before. The current MNCs and TNCs have managed to control very vast portions of their respective markets. This monopoly capitalism lies at the center of the American capitalism in its current iterations.

American capitalism is global and very powerful as it is backed and/or served by the most powerful state ever. With the turn to neoliberalism, which is one of the transmutations of capitalism, the American capital and capitalist class have taken a clear preeminence over labor or the citizenry at large. It is, indeed, safe to say that the military might of the state, which is by far the greatest in the world and in history, is at the service of capital. The invasion of Iraq in 2003, with a stated claim that turned out to be a false alarm of weapons of mass destruction can be taken as an example. In addition to such displays of hard/crude power and numerous covert operations, the American state employs its equally strong soft power in international organizations. Using, particularly the World Bank and the World Trade Organizations, the USA twists hands of other states to open up their economic space for American capital. Furthermore, the government also uses taxpayer money as development aid to developing countries so that it can attach to it conditions that benefit American capital.