

A New Cosmology for Analyzing Capitalism and the Global Order

Review of *Capital as Power: A Study of Order and Creorder*

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Amazon review: https://www.amazon.com/gp/customer-reviews/R2QQNQYTTZZKI?ref=pf_vv_at_pdctrvw_srp

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Capital as Power is a fascinating book because it dares to challenge conventional wisdom while offering a coherent and persuasive theory as a replacement. This is especially what I liked about this book. It's easy enough to criticize the world and say that things are terrible. That seems to be a favorite pastime for just about everybody nowadays. But it's far more difficult to offer a comprehensive alternative that plausibly explains, through engaging theoretical and empirical analysis, how much of the world works. That's what Nitzan and Bichler have done with this masterpiece.

What is their central thesis?

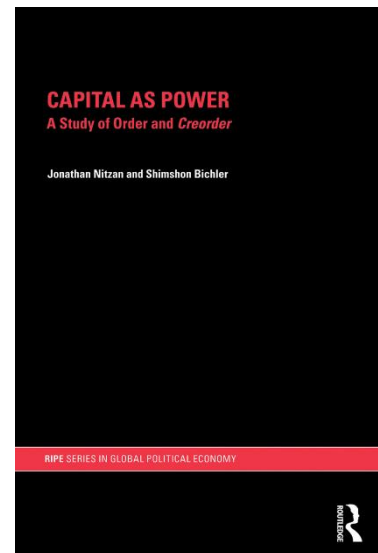
That capitalism should be understood as a mode of power, not as a system of production and consumption. They write that capital is a "symbolic representation of power." Nitzan and Bichler obliterate the traditional division between the real domain of production and the nominal domain of prices, wages, and profits. They take both Marxist and neoclassical economics to task for thinking of the nominal domain as a giant mirror that reflects the activities of the real domain. They argue that concepts like utility and abstract labor are useless because they can neither be measured nor concretely shown to exist, meaning that they cannot provide an explanation for the nominal domain that we see all around us. For Nitzan and Bichler, capital is pure finance.

What is power?

They define power as the ability to impose social order in the face of resistance. The spread of capitalism is a power process focused on capitalization, the act of setting asset prices to the discounted present value of expected future earnings. Because capitalists are forward-looking, their valuation of the present does not take into consideration physical production in the past. Prices, wages, and profits are largely the result of capitalized power, and not of things like risk or productivity.

What does this really mean and how does it work?

When you go to the car dealership and see the MSRP of your favorite car at \$32,500, where did that number come from? It essentially came from a bunch of capitalists sitting around in a corporate boardroom and deciding what profit rates they should target, taking into consideration market expectations and the strategies of peer competitors. Nitzan and Bichler measure power by looking at differential capitalization, which is the market value of top corporations relative to the market value of all other corporations in the economy. They emphasize that social power is a differential process that can be understood by comparing nominal quantities (ie. money not adjusted for inflation). Those who have capitalized power in society try to get even more power by exploiting their differential advantage over other groups. But eventually they run into resistance and it becomes difficult to increase their power even



further, so they try to sabotage the system by inflicting pain on industries and workers, hoping to command obedience and compliance in return. Nitzan and Bichler analyze this power process in the context of stock markets as well as politics and government. They cast their net far and wide, aiming to describe the totality of the social structure through an elegant principle.

How does power relate to history?

Nitzan and Bichler are persuaded by the ideas of historian Lewis Mumford, who argued that society is a kind of "mega-machine" with various compartments working together by using energy and providing resistance. They argue that power comes in different forms throughout history. The mode of power under feudalism, for example, consisted of customary and organized obligations between lords and vassals. Once a mode of power takes hold over society, it dictates the organizational and technological development of society. Nitzan and Bichler refuse to buy the technological determinism of Marxist and neoclassical theories, in which the social, political, and economic features of civilization are purely a byproduct of the tools, animals, and machines that are combined together into a system of production. Nitzan and Bichler invert and subvert this formula with potent effect, arguing that changes in social power are the main drivers of technological and productive change. They trace the story of capitalization from medieval Italy to its current domination all over the world, analyzing the incredible consequences for world history along the way.

In sum, this book contains a bit of everything: philosophy, economics, politics, sociology, and even some psychology to boot. It's not a book that can be easily defined or even described. It's one of those "you'll believe it when you read it" kind of books.

My personal take

This is one of the greatest works in political economy to have come out in this century. I especially like that they analyze economics as a social construct rather than as an objective scientific discipline, which it most certainly is not. Having said that, I don't agree with Nitzan and Bichler on everything. For one, they have a basic causality problem: if all human history simply boils down to a power process, then what explains the power process itself? Where does that come from, what are its causal antecedents? You cannot really answer this question without stepping, one way or another, into the material realm of energy flows and conversions. In other words, you can't explain the causation of a social process by repeatedly invoking some other social process, because that leads to an infinite regress. Eventually there has to be something outside of human society that has a powerful impact on the evolution of society itself. There must be a series of bridges between the ecological realm and human civilization, but Nitzan and Bichler don't really bother with any of that. Their central theory, however persuasive, will always remain provisional and incomplete until a more comprehensive theory comes along that integrates changes in the natural world with changes in human societies.