

The Basic Theory of Capitalism: A Critical Review of Itoh and the Uno School

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Makoto Itoh: *The Basic Theory of Capitalism: The Forms and Substance of the Capitalist Economy*, Macmillan, Basingstoke, 1988.

1 The Uno Approach and the Pure Theory of Capitalism

Makoto Itoh's work is well-known to readers of *Capital and Class* through his long-standing involvement in the CSE. He has now brought together his contributions to the debates on the theory of value and the theory of crisis within a systematic exposition of Marxist theory which brings out clearly the roots of his perspective in the work of Uno. The Uno School is one of the major schools of post-war Japanese Marxism, which came to prominence in the 1960s.¹ The Uno approach is marked by a radical neo-Kantian separation of theory from politics, and a fierce opposition to logical-historical interpretations of *Capital* in favour of a sharp distinction between theoretical and historical analysis.

Itoh's book is important in making the Uno approach more accessible to an English speaking readership by relating its perspective directly to the recent English language debates. Although Itoh revises and develops the Uno approach, particularly in his concern to give the theory a greater political and historical relevance, he retains the essential methodological and theoretical foundations of the Uno approach. While Itoh's contribution is of considerable interest in its own right, in this article I intend to focus on these foundations as the basis of a critique of Itoh's book.

The methodological foundations of the Uno school lie in the radical separation of three levels of analysis. The first level defines the basic principles of political economy, the second level defines a stages theory of world capitalist development, the third level defines the empirical analysis of capitalism

as it occurs historically. Itoh's book relates exclusively to the first level of analysis, in providing the basic theory of capitalism.

This methodology should be distinguished from the ahistorical formalism of contemporary 'analytical Marxism', to the extent that the basic theory of capitalism is not developed *a priori*, but is abstracted from the historical tendencies of capitalist society as it actually exists. However the Uno approach remains formalistic, since the basis of this abstraction, and the corresponding division of levels between the basic theory, the stages theory, and historical analysis, is essentially arbitrary. The demarcation and specification of the basic theory is determined by purely analytical criteria, which define which historical tendencies correspond to the inner logic of capitalism, and which correspond to contingent factors introduced at the level of the stages theory or at the level of historical analysis. The result is that the pure theory is insulated from contact with the real world by the stages theory, which provides the link between theory and history. However the stages theory derives neither from the pure theory nor from historical abstraction, but essentially from the need to build a bridge between the two, so that the only escape from a scholastic formalism is provided by a stages theory which is at best undeveloped, and at worst arbitrary. While the attempt to escape from dogmatic reductionism is commendable, the result is that the theory provides no coherent purchase on the historical process of capitalist development, on the one hand, and no political guidance, on the other.

The element of arbitrariness appears both in the theoretical and the political differences within the Uno School, most particularly in the different characterisations of the contemporary stage of capitalist development. For Uno the pure theory is derived by abstracting the historical tendencies of the *laissez-faire* capitalism of mid-nineteenth century Britain. From 1870 to 1914 these historical tendencies were obstructed by the rise of monopoly and state intervention which disrupted the smooth operation of the law of value, and the period since 1917 has been a phase of transition from capitalism. Baba has recently pushed this analysis to its most absurd limits in identifying the Japanese corporation as the pre-figurative form of the new socialist society (Lie, 1987a, 1987b). Itoh, on the other hand, insists that the pure theory has to be derived by abstracting from the historical tendencies common to all three stages of capitalism (mercantilist, liberal and imperialist), which implies that the present stage, far from being transitional, is one in which the contradictions of capitalism, and the class struggle which they generate, are entering into their most antagonistic phase. While Itoh's approach is certainly theoretically and politically more coherent, it is no less arbitrary

than that of Uno to the extent that he retains the radical separation of theory from history which is the basis of the Uno approach.

The substantive originality of Uno's approach, and the basis of Itoh's interpretation of Marx, is his formulation of Marx's theory of value. At the heart of Itoh's book lies his development of Uno's value theory, and its application to the problems of skilled labour, joint production, the transformation problem, the forms of surplus value and the theory of crisis. Most of this discussion has appeared in previously published works, but its appearance in book form enables us to assess Itoh's contribution as a whole. In this review I will concentrate on an assessment of Itoh's discussion of the theory of value and the theory of crisis. My general argument is that although Itoh offers many stimulating and provocative ideas, his analysis suffers from the formalism and arbitrariness which is inherent in the Uno approach.

2 The Form and the Substance of Value

Itoh poses the problem of value by offering Uno's theory as a way of resolving the dilemma presented by the confrontation of Ricardianism with the 'Rubin School'. The Ricardians focus on embodied labour as the substance of value, to the neglect of the central question of the form of value, so obliterating the fundamental distinction between labour-time and value. The Rubin School, on the other hand, brings the form of value to the centre of the stage, but at the risk of losing sight of labour as the substance of value. For the Rubin School the substance of value is not embodied labour but abstract labour. However the amount of abstract labour embodied in a commodity cannot be defined independently of the exchange of commodities through which private labours are reduced to their common social substance. The only measure of abstract labour is correspondingly a monetary evaluation of the products of labour, expressed in their prices. The danger of such an interpretation is that reference to labour as the substance of value is reduced to an empty rhetorical gesture in a theory which never manages to penetrate the appearances of exchange relations because it obliterates the distinction between value and exchange value.²

For Itoh the Uno approach resolves this dilemma by radically separating the theories of the form of value and the substance of value. The pure theory of the forms of value does not make any reference to the substance of value, but only to the quantitative exchangeability of commodities in determinate ratios, which ratios are determined by the social process of reproduction of

commodities lying behind their regular exchange against money. Thus the theory of value is derived from the theory of reproduction. This theory can be applied not only to capitalism, but to all societies in which the systematic exchange of commodities takes place according to the need to reconcile such exchange with economic reproduction. Moreover the theory enables us to develop the pure concept of capital, as self-expanding value, prior to, and independently of, the theory of capitalist production. This allows it to illuminate the limits of the antediluvian forms of merchants' and usurers' capital, and so to establish the necessity of capitalist production as the adequate form of capital.

The substance of value, abstract labour, is equally not confined to the capitalist mode of production. Abstract labour, as the homogeneous expenditure of the human ability to work, measured by time, is a feature of the labour process as a technical process, independently of the social form of production. The amount of labour socially necessary to produce a given product is determined by the technical characteristics of the labour process at a particular stage of its development. The need to allocate the labour-time at the disposal of society is common to all modes of production, regardless of the means by which such an allocation is achieved. Moreover this allocation must, in every form of society, at least establish the conditions for simple reproduction by ensuring that the necessary means of production and subsistence are reproduced. However no such constraint restricts the allocation of surplus labour, and it is this which, for Itoh, underlies the possibility of various forms of class society by enabling ruling classes to appropriate the product of surplus labour and divert it to their own ends.

The capitalist mode of production is not distinguished by the existence of surplus labour, or of abstract labour or the value form, but by the integration of the value form with abstract labour as the substance of value, and of the labour process with the valorisation of capital, as the appropriation and distribution of surplus labour is achieved through the exchange of commodities. The law of value describes the allocation of abstract labour, in accordance with the needs of reproduction, through the form of value.

The separation of the form and substance of value is essential for Itoh because it underlies the relative autonomy of the form of value, which in turn explains how the law of value can regulate the allocation of abstract labour without requiring commodities to exchange in proportion to the amount of labour-time embodied in them. The key to this autonomy, for Itoh, is the distinction noted above between the allocation of necessary labour, which is subject to the minimal requirement of ensuring the reproduction of the

necessary means of production and subsistence, and the allocation of surplus labour, which is subject to no such constraint. Thus it is entirely consistent with the social reproduction of the capitalist mode of production that commodities do not exchange in ratios corresponding to the abstract labour embodied in them as surplus labour is redistributed amongst various branches of production through the value form, and indeed the tendency to the equalisation of the rate of profit dictates that exchange should be unequal in this respect. Thus prices of production are not a ‘transformation’ of values, but are the developed form of value corresponding to capitalist competition. The conclusion is that ‘standard prices, as the form of value, are generally regulated by the labour-substance of value, with such slack in the range of unequal exchange of surplus-labour for the commodity products’ (p. 136), an argument which is developed through an extensive reinterpretation of the reproduction schemes and re-evaluation of the ‘transformation’ problem.

On the basis of this analysis of the law of value Itoh explores the problems of skilled labour and joint production. On both theoretical and political grounds he argues that ‘skill’ is merely one aspect of the differentiated forms of concrete labour, so that from the point of view of abstract labour there is no difference between labours of supposedly different skills, all of which are equally the expenditure of labour-power. The problem of skilled labour therefore relates to the theory of wages, and not to the theory of value.³ He goes on to argue that the problem of joint products can be resolved within the Uno theory. The allocation of abstract labour between joint products cannot be determined technologically, which implies that it can only be determined through the market mechanism of the value form.⁴

3 Formalism and Value Theory

Itoh’s reformulation of the Marxist theory of value certainly addresses the central problem, that of the relation between the form and the substance of value. However the question we have to ask is whether Itoh has succeeded in overcoming the complementary problems which he identifies as those of the Ricardian and Rubin approaches, to provide an integrated theory of value, which can take full account of the determinations imposed through the form of value without losing site of abstract labour as its substance. My own view is that he has not overcome this problem, and I think that this is because of what he regards as the great strength of the Uno approach, the radical

separation of the substance from the form of value, a separation which he shares with the Ricardians and the Rubin School, although he pushes it to its limits. If such a separation is posited in the first place, it is difficult to see how the two can be reintegrated. While the Ricardians may be accused of losing sight of the form of value, and the Rubin school of its substance, Itoh manages to retain both only by holding to a dualistic theory, in which the form of value is detached from its substance.⁵

For Itoh the substance of value, abstract labour, is defined as the labour-time socially necessary for the production of a commodity. This is determined by the technical features of the production process under average conditions. While it is certainly possible to define such a magnitude, the crucial question is that of its social significance. In what sense can it be said that this magnitude is ‘the substantive basis of regulating the values of commodities with social necessity’? Itoh does not regard the theory of the substance of value as being necessary to determine market prices (p. 130). His theory of market prices is based on a quasi-Marshallian theory of market value, which ‘appears as the gravitational centre of market prices’...‘reflecting the dominant conditions of production to meet fluctuating demand’ (pp. 232–3). Market value cannot be determined by abstract labour, because the latter has no social mode of existence: ‘Since there is no direct social means of defining representative conditions of production in various spheres of a commodity economy, the market value corresponding to the representative conditions of production must be sought through the anarchical fluctuations of market price’ (p. 232). Thus Itoh’s position in the end seems to come back to that of the Rubin School which he dismisses.

The role of abstract labour in the regulation of value is not related to the formation of prices, but to the needs of reproduction. As noted above, if the exchange of commodities as values is to secure the reproduction of the system of production it must secure an allocation of abstract labour such as to ensure that each branch of production is able to renew the necessary means of production and subsistence. In this sense the concept of abstract labour defines the limits within which market values and market prices can fluctuate without compromising social reproduction. However even in this restricted sense the concept of abstract labour is by no means necessary to define the conditions of reproduction, which can be more economically specified in price terms, nor does the concept of abstract labour define any social mechanism by which the appropriate allocation of labour-time, and so social reproduction, is assured. In the end it seems that the only role of the concept of abstract labour is the traditionally minimalist one that

it establishes the historical specificity of capitalist society by showing that the capitalist mode of production is only one form in which ‘the general economic rules common to different social formations’ operate (p. 130). The theory of the substance of value is thus a purely formal theory, without any explanatory power.

This formalism runs throughout Itoh’s account of the substance of value, and permeates his analysis of socialism, both in the body of the book and in a special addendum. Since the theory has no substantive significance, the definition of the substance of value is arbitrary. For Itoh it is political criteria which ultimately provide the guide, his insistence on the essential homogeneity of all forms of labour being motivated by a profound and commendable egalitarianism, and his insistence on hanging onto abstract labour as the substance of value being motivated by his desire to provide an objective foundation for such an egalitarianism. His theory of skilled labour, and its application to the question of socialist planning, has challenging implications, and is perhaps the most important feature of his book. But the formalism of his approach prevents him both from setting the theory on a firm foundation and from rigorously developing its implications.

It is certainly true that exchange is not peculiar to capitalist society. However it is only in a capitalist society that the exchange relation is reduced to a quantitative relation between things, and so takes on the value form, as commodities are uniformly reduced to the products of human labour in the abstract. It is certainly true that every mode of social production has to provide some means of regulating the expenditure of human labour-power and the distribution of its products. However it is only in a capitalist society that this regulation is achieved on the basis of the reduction of all concrete human labour to homogeneous abstract labour, a reduction which is only achieved through the alienated form of the exchange of commodities as values. The very notion of labour-time, as a distinct and quantifiable portion of the day, depends on the emergence of wage labour, and so on the distinction between free time, one’s own time, and labour-time, time at the disposal of another. Moreover the reduction of concrete labour to homogeneous abstract labour can only be achieved through the alienated form of the exchange of commodities as values, for value is the only mode of existence of abstract labour.

Although the theory of value is at the heart of Marx’s critique of capitalism, the value debates of the last few years have become ever-more esoteric. Yet Marx’s theory of value is surely very simple, however complex may be its full analytical development. It rests on the observation that labour is

the active principle of all production, and that the expenditure and allocation of labour-power in commodity producing societies is regulated through the exchange of commodities. In a hypothetical society of petty commodity producers commodities would be exchanged as the products of labour, through which the labour-time socially necessary to produce a commodity would appear as an objective constraint on the life activity of the individual unit of production in the form of the price, competition tending to force each producer to meet the norms of productivity in order to achieve the normatively established standard of living.

In the capitalist mode of production labour remains the active principle of production. With a given technology how much is produced depends on the skill and ingenuity of the labourer, the intensity of labour and the length of the working day. However commodities are no longer exchanged as the products of labour, but as the products of capital, and the principle of equilibration is no longer that of the equalisation of prices to exchange values corresponding to socially necessary labour-time, but that of the equalisation of the rate of profit. The equalisation of the rate of profit redistributes surplus value among capitalists, and correspondingly modifies the allocation of social labour among branches of production. However the expenditure of labour power is no less subject to the constraint of the labour-time socially necessary to produce the commodity, the only difference being that this constraint now appears in the transformed form of prices of production. In the face of competitive pressure the capitalist can only increase the mass of surplus value appropriated in the form of profit by intensifying labour, increasing the length of the working day, and revolutionising the forces of production.

It should be clear by now that if we regard the expenditure of labour-power as being determined by the technology, so that the theory of value concerns only the allocation and not the expenditure of social labour, and if we abstract from the dynamics of the capitalist mode of production, to focus only on the equilibrium conditions, the labour theory of value is redundant, and the formal models of bourgeois economics provide a more elegant and economical way of determining the set of equilibrium prices. However this is to abstract from the social processes which determine the development of the capitalist mode of production, and it is these social processes which were the object of *Capital*, and which the labour theory of value alone can illuminate, to develop an analysis of the laws of motion of the capitalist mode of production. Moreover these laws of motion do not define a tendency to equilibrium, but rather define a tendency to overaccumulation and crisis.

4 The Theory of Crisis

The weaknesses of Itoh's formulation of the theory of value reappear in his formulation of the theory of crisis, which again draws heavily on Uno. There is no difficulty in defining the formal possibility of crisis, which is always going to be inherent in a system of commodity production. However a theory of value which emphasises the equilibrating role of commodity exchange in securing social reproduction by regulating the allocation of social labour is clearly going to have some difficulty in establishing the *necessity* of crisis. Far from representing a *development* of the theory of value, the theory of crisis in such a context can only be a theory of the *breakdown* in the operation of the law of value. Thus Itoh requires only that the theory of crisis 'should be consistent with the working of the law of value', insisting that 'crisis theory must clarify how the working of the law of value becomes distorted, destroyed and restored in the course of business cycles' (pp. 292, 293). On these grounds he rejects under-consumption and disproportionality theories because they presuppose the breakdown in the law of value, without explaining such a breakdown. He equally rejects falling rate of profit theories, on the grounds of the counteracting tendencies, of the possibility of accumulation through capital widening, and of the absence of a necessary link between a fall in the rate of profit and the outbreak of a crisis.

For Itoh the key to the theory of crisis is the one commodity whose reproduction is not subject to the law of value, namely labour power. While the law of value provides the means by which an increased supply of any other commodity can be called forth, in response to a temporary increase in its price, the supply of labour power is not regulated by the law of value in this way. Thus the theory of overaccumulation with respect to labour-power provides the only theory of crisis which is fully consistent with the law of value by providing an explanation for the breakdown of that law.

Itoh recognises that Marx explicitly excluded labour shortages as the source of crises.⁶ On the one hand, the accumulation of capital is associated with the creation of a relative surplus population which constantly augments the reserve army of labour. On the other hand, in the event of a rise in wages capitalists will respond by substituting dead for living labour. Moreover, as John Weeks noted in his critique of Itoh's crisis theory (Weeks, 1979), there is no reason why an increase in wages should provoke a crisis, rather than merely a decline in the rate of accumulation, which is, in fact, precisely the reaction Marx depicts (*Capital*, vol 1, p. 770, quoted Itoh, 1988, p. 303).

Itoh recognises the special assumptions required to establish the neces-

sity of a crisis associated with a shortage of labour-power. The necessity of overaccumulation with respect to the supply of labour power is established by the assumption that in the phase of prosperity competition is limited, and so accumulation takes on an extensive form, with little change in the composition of capital, so that employment rises *pari passu* with investment until the reserve army is exhausted.⁷ It is only in the depression that intensified competition leads to the transformation of methods of production and the augmentation of the reserve army of labour to prepare the way for renewed accumulation. However this argument certainly cannot support a theory of the necessity of crisis, since it is a purely contingent hypothesis. Moreover it is a hypothesis which is both counter-intuitive and empirically suspect, if not demonstrably false.

The demonstration of the tendency for accumulation to run head of the reserve army, however tendentious it might be, is still not sufficient to establish the necessity of crisis, rather than a smooth decline in the rate of accumulation, based on a smooth fall in the rate of profit. Itoh fills this gap with an analysis of the impact of a rise in wages on the operation of the law of value. The rise in wages reduces the pace of accumulation and so retards the operation of the law of value by making it more difficult to correct imbalances in supply by the movements of capital. Moreover the rise in wages, which is not counteracted by an increase in the supply of labour power, increases such imbalances by its differential impact on prices. The fluctuations and distortions of prices in turn give rise to growing speculation, much of which is financed by the expansion of credit. However this growing demand for speculative credit comes up against the barrier of a contraction in supply in the face of the decline in profitability, so that interest rates rise. Eventually the fall in the rate of profit and the rise in interest rates lead to a crisis, in which the massive contraction of credit precipitates a cumulative spiral of decline.

5 The Law of Value and the Necessity of Crisis

There can be little doubt that Itoh's theory of overaccumulation with respect to labour power, and his outline of the mechanism of crisis, depicts a possible form of overaccumulation crisis, although its historical relevance might be doubted in a world which has seen a secular expansion in the size of the reserve army on a global scale since the very beginnings of capitalism. However the theory claims much more than this, for it purports to provide a

theory of the *necessity* of crisis, and indeed to provide the only possible such theory, within the basic theory of capitalism. This claim is based not on the historical tendencies of capitalism as it actually exists, but on the inner logic of the theory. As such the theory of crisis, like the theory of value on which it rests, is essentially arbitrary.

The difficulty of establishing the necessity of crisis for Itoh derives from his interpretation of the law of value as the law of equilibrium, ensuring an appropriate allocation of social labour, which immediately implies that crisis will be avoided so long as the law of value operates normally. To establish the necessity of crisis he accordingly has to explain the breakdown in the operation of the law of value. This explains the special role of labour power in his theory of overaccumulation, for the supply of labour power does not respond to changes in demand, so that the emergence of the commodity form of labour power constitutes a barrier to the smooth operation of the law of value. In my view this interpretation is the antithesis of Marx's theory of value, which is not a theory of equilibration, but of the contradictory and crisis-ridden character of capital accumulation.

At the heart of Marx's theory is the contradiction between value and use-value, whose developed form is the contradiction between the capitalist tendency to develop the forces of production without limit, and the need to confine accumulation within the limits of the social relations of capitalist production. The Uno school emphasises this contradiction, but separates the value and use-value aspects. The theory of value is a part of the pure theory of capitalism, while use-value considerations only appear at the levels of the stages theory and historical analysis. In its operation the law of value confronts barriers which derive from the use-value aspects of commodities, which prevent their reproduction from being smoothly regulated by the law of value. However, labour-power is the only commodity whose reproduction is impervious to the law of value at the level of pure theory, and so can provide the only focus for contradiction in the pure theory of capitalism. The stages theory introduces more general use-value considerations, under the guise of historical contingency rather than theoretical necessity, the reproduction of fixed capital, for example, presenting problems in the phase of imperialism.⁸

For Uno's theory of value, as for bourgeois theories of supply and demand, disproportionalities are liquidated by the movement of capitals between branches of production in response to fluctuations in prices and profitability. However this vision of a self-equilibrating system is developed in abstraction from the social form of capitalist production, in which capital-

ists do not simply appropriate profit by adjusting supply in response to the fluctuations of demand, but by extracting and appropriating surplus labour. In the face of competitive pressure the less successful capitalist does not simply give up the struggle and call in the receiver, but seeks to restore profitability by extending the working day, intensifying labour or revolutionising the forces of production. The more successful capitalist does not confine his production within the limits of the market, but seeks to capitalise on his advantage by expanding capacity, intensifying labour and extending the working day. Thus the law of value, imposed on capitalists through the pressure of competition, underlies the tendency for capital constantly to expand the forces of production without regard to the limits of the market. Accumulation does not take the form of the smooth adjustment of supply and demand in response to the movement of prices, but takes the form of a permanent tendency to overaccumulation and crisis, and is achieved only through a permanent class struggle. When accumulation confronts the barriers of the market the liquidation of surplus capital is not achieved by the smooth transfer of capital to new branches of production but by the devaluation of capital, the destruction of productive capacity, and the 'redundancy' of labour.

The tendency to overaccumulation and crisis is common to all branches of production and to all phases of the business cycle. It is not simply a matter of the ignorance and uncertainty that undermines the smooth operation of the market, but of the social form of capitalist production as production for profit, through which competition compels capitals to develop the forces of production without regard to the limits of the market. It is, correspondingly, not a matter of the breakdown of the law of value, but its necessary mode of operation.

The tendency to overaccumulation in a particular branch of production will be reinforced to the extent that opportunities for surplus profit persist, as the result of a rapidly growing market, continued technical advance, and the time taken for the expanded capacity to result in an increased product, and to the extent that less successful capitalists are able to survive by intensifying labour, extending the working day, or securing credit. Thus the tendency to overaccumulation appears in the form of the uneven development of the various branches of production, the resulting disproportionalities being the consequence not of the breakdown of the law of value, but of the development of its contradictory foundation in the production of commodities as values.

Itoh recognises the role of growing disproportionalities in the crisis, but

for Itoh such disproportionalities are a symptom of the breakdown of the law of value provoked by overaccumulation with respect to labour power, rather than of its normal operation. Itoh provides a clear and concise account of the way in which disproportionalities can be absorbed by the expansion of credit, and of the way in which the expansion of credit sustains and encourages the overaccumulation and uneven development of capital, which must eventually culminate in a crisis, which will be the more severe the greater the extent of overaccumulation that it has sustained. However Itoh confines this analysis to the phase of crisis, without realising that credit plays this role throughout the cycle, because he presumes that in the phase of expansion disproportionalities will not emerge because of the smooth operation of the market.

In order to establish the necessity of crisis at the level of the basic theory we have already seen that Itoh has to follow Uno in making arbitrary, and counter-intuitive, assumptions about the form of accumulation so as to establish the progressive exhaustion of the reserve army of labour. However the necessity of crisis also rests on abstraction from the state, and particularly from the ability of the state to regulate the system of money and credit. The shortage of labour and consequent wage increases only precipitate a crisis, in Itoh's theory, because accumulation is sustained, despite the fall in the rate of profit, by the speculative, and increasingly inflationary, overexpansion of credit, which undermines the law of value.

It has been well established, at least since the Bullionist controversy at the beginning of the nineteenth century, that left to their own devices bankers will tend to fuel overaccumulation by overexpanding credit. Since the 1844 Bank Act the need to restrain the growth of credit in order to forestall such an eventuality has been the official basis of the monetary and financial policies of the state, and rising money wages have been seen as a primary indicator that domestic credit expansion needs to be curbed. It would seem that, within Itoh's theory of accumulation, all that is required to stave off crisis, and to regulate the cyclical form of accumulation, is for the state to pursue appropriate fiscal and monetary policies, which will restrict the rate of accumulation to the rate of growth in the supply of labour power.⁹ Itoh justifies his abstraction from the state on the grounds that the state has no place in the pure theory of the capitalist economy. While such an argument is questionable in general, it is particularly inappropriate when considering the system of money and credit, which has increasingly come to rest on the foundation of state money. Be that as it may, the argument for the necessity of crisis offered by Uno and Itoh is peculiarly scholastic,

for the necessity in question is exclusively theoretical, and rests on arbitrary premises. Not only does this not imply the historical necessity of crisis, the introduction of historical considerations makes it clear that the state can, through monetary regulation, overcome the tendency to overaccumulation and crisis and so sustain accumulation indefinitely.¹⁰

6 The Basic Theory of Capitalism and the Historical Tendencies of Accumulation

Itoh's theory is formulated at a high level of abstraction, that of the pure theory of capitalism, and is not intended to be applied directly to the historical development of the capitalist mode of production. For the Uno school the stages theory provides the mediating link between pure theory and historical analysis. On the other hand, Itoh seeks to avoid the charge of formalism by insisting that the pure theory of capitalism is based primarily on the historical tendencies to be observed in the development of the purest form of capitalism, which was essentially that of the middle of the nineteenth century. Thus the implication is that the theory offers an analysis of the historical tendencies of mid-nineteenth century capitalism, but has to be further developed, primarily to take account of the counter-tendencies which have been mobilised since the 1870s, which complicate the picture with more or less contingent political and historical considerations.

Itoh appears to see overaccumulation with respect to labour power as the typical form of crisis in the middle of the nineteenth century, although he does not identify a single crisis in which such overaccumulation played a significant part.¹¹ The concentration and centralisation of capital since the late nineteenth century has weakened the operation of the law of value, and so introduced complicating factors which modify the forms of crisis. For Uno these complicating factors are to be specified by the stages theory. Itoh departs from Uno at this point, and believes that they are amenable to analysis at the level of pure theory, focussed on the growth of fixed capital.

The rise of heavy industry in the late nineteenth century stimulated the enormous concentration and centralisation of capitals. The scale and gestation period of investment in fixed capital gave accumulation a markedly speculative character, leading to growing disproportionalities between the various branches of production, marked particularly by over-investment, with investment-led booms turning to crisis and depression as increased productive capacity confronted the barrier of the limited market. The growth

of credit and financial institutions, the emergence of monopolies, and the rise of the interventionist state further complicate the pattern of overaccumulation and crisis, so that the business cycle becomes irregular and its course uneven, with acute crises often being staved off at the expense of the persistence of surplus capacity, which severely depresses the rate of profit.

The introduction of fixed capital transforms Itoh's crisis theory from a labour-shortage to a disproportionality theory. While overaccumulation with respect to labour-power is always a possibility, the typical form of the modern business cycle is determined by the tendencies to the overaccumulation and uneven development of capital which are associated with the growing importance of fixed capital. However it is not fixed capital as such which determines this theoretical shift, but rather the introduction of use-value considerations in recognising that the accumulation of capital can only be sustained if capital is embodied in the forms of productive and commodity capital, which limits the free mobility of capital between branches of production in the face of fluctuations in the rate of profit, and so the equilibrating tendencies of the law of value. The growing importance of fixed capital, particularly associated with the expansion of the railways from the mid-nineteenth century, certainly gave the tendency to overaccumulation and crisis a particular historical character. However the tendency was no less marked in the first half of the nineteenth century, when poor communications meant that a substantial portion of capital was tied up in the form of commodity capital, and the long gestation period of agricultural investment in particular was a prime source of the uneven development of the principal branches of production. Thus the tendency to overaccumulation and uneven development is not the result of the growing importance of fixed capital in the imperialist stage, but of the underlying contradiction between the production of commodities as values and their production as use-values. It is only the exclusion of use-value considerations from the pure theory that leads Itoh, following Uno, to see this tendency as the result not of the internal contradictions of the law of value, but of a particular historical phase of capitalist development. On the other hand, Itoh's break with Uno, marked by his development of a theory of fixed capital, introduces use-value considerations into the framework of the basic theory, which undermines Uno's entire methodological edifice and shows the way forward to a more adequate theory of value and crisis.

7 Conclusion

In this article I have been concerned to criticise the theoretical and methodological foundations of Itoh's *Basic Theory of Capitalism* in the Uno approach. In conclusion, however, I would like to stress the positive contributions of Itoh's book, which point beyond the arid scholasticism of the Uno School. In his concern to give his analysis historical and political relevance Itoh repeatedly breaks through the formalism of the Uno approach, whether in his analysis of the antediluvian forms of capital, the problem of skilled labour, the functional forms of capital, or the theory of crisis, to provide stimulating and provocative arguments, which make the book essential reading for all those concerned with the development of Marxist theory.

Notes

¹Kozo Uno's *Principles of Political Economy* has been published in English. Robert Albritton (1984, 1986) provides a synthetic reconstruction of the Uno approach, based on the limited literature available in English, and particularly the work of Thomas Sekine, in which the Uno approach is set on rigorously Hegelian foundations.

²Itoh's characterisation of the 'Rubin School' might be disputed: Rubin's own position seems to me to be very close to that of Itoh. The real sinners seem to be Sue Himmelweit and Simon Mohun (1978)

³Itoh does not explore the other dimension of this problem, which is that of the intensity of labour. Although he argues that there is no necessary relationship between the skill and intensity of labour, and notes that it is impossible to provide any objective measure of intensity, this does not make the problem go away. The crunch question is simple: does an increase in production due to an intensification of labour, or to an increased level of 'skill', increase the mass of value produced, or does it immediately devalue the product in accordance with the reduction in the labour-time socially necessary to produce it? This question can only be addressed within a theory of value as a theory of the *dynamics* of capitalism, which Itoh does not provide.

⁴Itoh sees this concession to the Rubin School in allowing values to be determined in the market, within the limits of the total labour-time embodied in the joint products, as being of limited significance. However the centrality of the problem for the Sraffian critics of Marx derives from their treatment of existing fixed capital as a joint product, and it is fixed capital which really creates the problems for embodied labour theories of value, whether of the Ricardian or Uno varieties. Itoh rejects the joint-product approach to fixed capital, but he doesn't develop his own analysis of fixed capital, which is very unfortunate given the central role he ascribes to fixed capital in his theory of crisis.

⁵This same problem can be posed as that of the relation between production and circulation. Cf. Simon Clarke(1980), and especially Diane Elson 'The Value Theory of Labour', in Elson (1979).

⁶Against this he notes the association which Marx emphasised between the course of wages and the course of the business cycle. However there is no evidence that Marx saw fluctuations in the reserve army 'as a basis of a decennial business cycle' (p. 297), rather he saw fluctuations in wages as mirroring the fluctuations of the cycle. In Chapter 15 of Volume 3 of *Capital* he does relate the outbreak of crisis to the exhaustion of the reserve army, but the latter is only an additional factor which compounds a hypothetical overaccumulation crisis in which capitalism has reached its ultimate limits, where 'the expanded capital produces only the same mass of surplus value as before' (p. 360).

⁷This argument sits uneasily alongside the claim that the law of value operates smoothly in the phase of prosperity, which would imply the smooth liquidation of backward capitals, and so the absence of barriers to technological innovation. Itoh also excludes those portions of the reserve army recruited from the destruction of petty production or from the household, on the grounds that such consideration is not relevant to the pure theory of capitalism.

⁸This leads directly to Uno's social democratic diagnosis of contemporary capitalism. The development of monopoly and state intervention, culminating in the transition to socialism, is dictated by the increasing inability of capitalism to subordinate the reproduction of use-values to the law of value. Itoh does not explicitly develop this aspect of

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Uno's theory, but nor does he provide an alternative formulation of the contradiction.

⁹The only crisis which Itoh explicitly attributes to overaccumulation with respect to labour power is that of the late 1960s. Although such an interpretation is widespread (see especially Armstrong, Glyn and Harrison, 1984), it is difficult to justify empirically. Although profits fell while real wages continued to rise, there is no evidence that the profit squeeze was the *result* of rising real wages. The fact that the crisis was a global crisis, despite very different labour supply conditions in different countries, the fact that the crisis led to an enormous augmentation of the reserve army, and the fact that participation rates continued to grow rapidly after the onset of crisis, cast considerable doubt on the hypothesis. However, even if the profit squeeze had been caused by an acceleration in the rate of growth of real wages as accumulation ran ahead of the supply of labour power, the proximate cause of the crisis, according to Itoh's analysis, would lie in the excessively expansionary policies which had permitted such overaccumulation. Far from being necessary, the crisis would merely have been the result of fiscal and monetary mismanagement.

¹⁰The cost, for the Uno school, of such restrictive credit policies would be to remove the technological innovation which supposedly only occurs in the face of intensified competition in the wake of a crisis.

¹¹Of course every crisis is also determined by contingent historical factors. However a theory of the necessity of crisis is of purely scholastic interest if it cannot play a part in explaining the historical development of capitalism. Although money wages rose in the boom, along with all prices, the tendency in the nineteenth century was, if anything, for *real* wages to move contra-cyclically, a feature which plays a central part in Aglietta's theory of the regime of extensive accumulation (Aglietta, 1981). As Itoh recognises (Itoh, 1980, p. 140), the nineteenth century business cycle was marked by the uneven development of the leading branches of production, and was dominated by the movements of commodity prices, not by the course of real wages. I have tried to develop a more adequate historical and theoretical account of the tendency to overaccumulation and crisis in Clarke (1988).

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