

8 Differential accumulation and the political economy of power

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The idea that the purpose of political economy is to ‘study the interplay of economics and politics in the world arena’ continues to pervade the field of International Political Economy (IPE). According to a popular textbook of IPE:

Political Economy has a variety of meanings. For some, it refers primarily to the study of the political bias of economic actions, the ways in which government policies affect market operations. For others, the principal preoccupation is the economic basis of political action, the ways in which economic forces mold government policies. The two focuses are in a sense complementary, for politics and markets are in a constant state of mutual interaction. (Frieden and Lake 1995: 1)

Nitzan and Bichler’s book *Capital as Power* (2009) proposes to go beyond this dualistic conception of political economy.¹ At the heart of their approach is the insistence that traditional IPE has failed to integrate properly the concept of power into its analysis of accumulation. This, they argue, has generated logical and methodological problems that continue to undermine the attempt to grasp capitalism from the perspective of analysing power.

The importance of this intervention has often been underestimated in a field which prides itself for bringing politics into the picture, for many believe that they already problematize the world economy from the perspective of power. Yet, as Nitzan and Bichler show, this recognition of power often remains partial. Despite the vast critical literature on the structural power of capital over labour, accumulation continues to be discussed largely from an economic standpoint which emphasises abstract market forces. It is common, for example, to see scholars analyse the advance of capitalism as a process of liberalization setting the stage for the competitive forces of the market to operate. Against this idea, Nitzan and Bichler analyse accumulation through a political economy of control that is fully based on institutional power. Their work constitutes a profound challenge for the field and it merits more attention than it has received for it forces us to radically rethink the traditional categories of economics.

In this chapter, we take up Nitzan and Bichler’s invitation to reflect on the idea of a political economy based on power. We agree with their proposition that the

field of political economy has struggled to analyse accumulation in terms of power. Yet, it is the central thesis of this chapter that the new political economy proposed by Nitzan and Bichler falls short of a proper engagement with the phenomenon of power. For if power is rightly mobilized by the authors in order to explain the dynamics of the world economy, power itself, as a phenomenon, is not properly examined. Instead, power tends to be reduced to an independent variable which is used to explain other phenomena. Rarely subjected to careful social analysis, power is quantified and mostly used, as a concept, for the purpose of developing abstract models. The result is a linear and ahistorical conception of power which undermines the laudable aims of the authors.

The chapter is divided into four sections. First we examine the nature of the challenge set out by Nitzan and Bichler to the field of IPE. We show how their conceptions of sabotage and differential accumulation (see glossary) offer a useful critique of the productivist viewpoint of accumulation that pervades the field of IPE. Both concepts provide an important starting point for placing power at the centre of the analysis of accumulation. However, Nitzan and Bichler stretch these concepts in problematic ways as they elaborate their own framework. In the second section, we examine how the notion of sabotage becomes the template for conceptualizing capitalist power itself. As we show, the outcome is a reductionist conception of power which arbitrarily forecloses a whole set of social dynamics, such as production, which need to be included in the analysis of power under capitalism. In the third section, we expand the argument to discuss finance and the commodification of power. As we demonstrate, Nitzan and Bichler's conception of finance as a market which prices power leads them to reify power and can only offer a superficial solution to the dualistic treatment of politics and economics. Finally, in the fourth section, we delineate the key aspects of a 'relational' concept of power. In contrast to Nitzan and Bichler's emphasis on the unequal nature of capitalist accumulation (a quantitative difference) as the focal point of their concept of differential accumulation, we stress differences in social practices and the role of accumulation in validating certain practices over others. Approaching power relationally highlights the complex, and frequently opaque, operation of power in capitalism. Because social relations under capitalism are often based on contracts, they generally conceal the ways in which power operates. The real challenge for a political economy of power is thus to develop new methodological tools which can allow us to circumvent such obfuscations.

Accumulation and the logic of capitalist power

The fount of Nitzan and Bichler's rethinking of political economy is an extended engagement with neoclassical and Marxian accounts of accumulation (Nitzan 1998; Nitzan and Bichler 2000; 2009). These traditional approaches often referred to production as the objective foundation upon which they could base their analysis of value and profit.² The political economy approaches of the eighteenth and nineteenth centuries had seen production as a good starting point for it represented the initial moment that sets in motion the process of accumulation.

While the neoclassical tradition sought to move away from this emphasis, they were also forced to return to production in order to ground the supply curve and the process of valuation on a solid base. In both cases, the objective was to show the origin of wealth by examining how it was produced. To ground this analysis, both approaches thus traced value back to the factors of production (labour and/or capital), and used this quantifiable reality in order to demonstrate ‘scientifically’ the points they wished to make. The result was a concept of value that was more or less naturalized as an objective substance. But having reified value as the objective measure of wealth, there was no conceptual space to bring the social into an analysis of its production. The social could only come into play when addressing the question of distribution and this is why debates often revolved around a question of exploitation (i.e. were various social forces getting what they deserved).

This idea that the production of wealth can be used to determine where value comes from is the central target of Nitzan and Bichler’s critique. As they convincingly demonstrate, no such objective determinant of value can be convincingly established. They attack more specifically the notion that one can use the amount of capital or labour that is invested in production in order to explain the process of accumulation. Such a focus on production, or more specifically the inputs of production, is limited because it misses the role of power in shaping valuation. Indeed, it is one thing to produce a good, but it is quite another to sell it. If industry operated at maximum capacity everywhere and always, then accumulation would be threatened since an oversupply of goods would result in excessive downward pressures on prices and an inability to make profits. It is thus necessary, Nitzan and Bichler argue, to limit production. To them, limiting market competition is more important to the success of capitalists than producing efficiently.

In attacking the classic productivist perspective, Nitzan and Bichler wish to socialize the production of value itself. For them, wealth is itself a social construction.³ Hence, political economy cannot be satisfied with focusing simply on the distribution of value. One must examine more fundamentally how value is socially produced: how it is generated through the exercise of power. The central idea here is borrowed from Thorstein Veblen’s conception of production as an all-encompassing enterprise to which society as a whole contributes. According to Veblen, the production of wealth requires a whole set of processes which occur outside capitalist firms but nonetheless sustain production: family life, education, health care, transportation – in short the totality of society. Production is, in this respect, simply a dimension of broader processes of social reproduction, all of which contribute to the production of goods and services. However, if capitalist activity depends on this social reproduction, the key to the process of valuation cannot be people’s ‘contribution’ to production, for this would involve everything. Instead, Veblen argues, capitalists can claim profits only because they are able to claim exclusive rights over what others contribute. In this regards, valuation is an issue of ownership.

This ability to profit from social reproduction, to capture a form of rent from its various processes, is represented most powerfully by the idea of industrial sabotage, a concept intended to highlight that value is determined by power rather

than wealth, understood here in the form of goods and services. As they point out, the value of a corporation as reflected in its stocks frequently goes up when production capacities are being scrapped. The lay-off of workers, or the rationalization of industries with the closures of so-called inefficient plants, are often accompanied by rapid increases in stock prices. Similarly, mergers and acquisitions often see the capitalized value of the combined firms go far above the number reached by simply adding their previous respective values on the stock market. These examples illustrate that the ability to accumulate is not primarily dependent on the capacity of production or more specifically on *what is produced*. It depends much more on the power a firm can exert over the market. In other words, Nitzan and Bichler argue that value as measured by overall capitalization is an expression of power rather than efficiency. For them, this inversion is the hallmark of capitalism, a system which has come to rely on the ability of capitalists to contain efficiency and economic progress. From this perspective, power under capitalism is based on sabotage, for the ability to contain and limit production is central to the ability of capitalists to gain a significant margin of profit. By generating artificial conditions of scarcity, capitalists can sell commodities and services at greater prices and garner bigger profits. For this reason, Nitzan and Bichler view the modern corporation as the central figure of capitalism. It is, they argue, an institutional structure which has gained significant leverage to limit competition and mark up prices through the use of mergers and acquisitions, patents and other legal mechanisms.

The notion of sabotage, which highlights the foundations upon which accumulation rests, is tied to a second important concept which is meant to question more fundamentally the process of accumulation itself. Indeed, the problem is not only that political economy scholars have misunderstood the means by which capital is accumulated. They also fail to grasp accumulation itself, for it is not simply a matter of accumulating material wealth. Rather, the process of accumulation itself should be conceived as a struggle for power. To capture this, Nitzan and Bichler propose their concept of differential accumulation, which emphasizes that the objective of capitalists is not to accumulate *per se*, but to accumulate more than others in order to gain power (over others). The concept of differential accumulation thus challenges what we take to be the nature of accumulation. It opens the possibility of not only analysing accumulation as a product of power, but as a logic that is itself defined in terms of power.

These theoretical insights have enabled Nitzan and Bichler to develop a new approach to political economy that places power at the centre of the analysis. Particularly noteworthy are the range of novel quantitative statistical tools which they have developed in order to analyse accumulation from a differential perspective. These promise 'new ways of thinking, new categories, and new measurements' (3) to rescue the project of critical political economy. On this basis, Nitzan and Bichler propose 'a new, disaggregate accounting that reveals the conflictual dynamics of society' (5). It has generated fascinating hypotheses and surprising empirical findings, helping along the way to promote their central claim that profit and accumulation are not the product of competitive markets, but the

outcome of market control. Yet, we argue that the opening provided by Nitzan and Bichler should itself be subjected to examination, for ultimately it fails to deliver on its promise.

An economic conception of power

The limitations in Nitzan and Bichler's work largely stem from a desire to stretch a few key ideas in unwarranted ways. Take the idea of sabotage. It is an important contribution, which points to specific types of practices that are too often neglected. Yet it becomes misleading when Nitzan and Bichler decide to make sabotage the emblem of capitalist power.

As we mentioned, Nitzan and Bichler downplay the role of production in the capitalist process of accumulation. In particular, they minimize the importance of productive innovations as a strategy for empowerment. Profit, they argue, does not stem from efficient production, but from market power that reduces competition. For them, sabotage is the only way that owners can *make a difference*:

Business is a power process carried out through the prerogatives of ownership. Owning per se is an idle act. It has no productivity and therefore no bearing on industry, either positive or negative. Owners of course can impact industry indirectly. But for this impact to be profitable it has to be negative. It is only by steering the development of industry in directions that are wasteful and harmful yet easier to control, or by strategically limiting its pace so that their own discretion doesn't become redundant, that profit can be earned.
(239)

This proposition is justified on the basis that productive innovations, which enable capitalists to produce at lower costs, cannot provide a sustainable strategy for empowerment because they can be easily replicated elsewhere. Competitive imitation is thus bound to erode margins of profit for first movers unless capitalists have the means to stop others from doing the same thing. For this reason, Nitzan and Bichler argue that such innovations can only be used to *meet*, not *beat*, the average level of accumulation (365). They do not represent a strategy of differential accumulation.

However, one may wonder whether this understanding of the power that ownership provides is sufficient or adequate. For it essentially presents ownership as a passive, or at best a restrictive, force in relation to production. In other words, ownership is not *analysed* here as a relationship that is constitutive of capitalist relations of production. Even if Nitzan and Bichler do not deny that power exists at the level of production, this dimension never figures in their analysis.⁴ In fact, one could argue that the notion that changes in production can be easily imitated only holds if one *ignores that power is an integral component of production itself*. While technological improvements can be indeed adopted by others, social relations of production are much tougher to replicate, and rely on complex social synergies that are held together by distinct structures of power. These are based

on a precarious balance which history tells us is difficult to imitate. It took a long time for continental competitors to find a response to the innovations of English industry in the nineteenth century, and more recently, the attempts to replicate 'Toyotism' abroad, let alone in Japan, have shown that borrowing production practices is no simple matter (Streeck 1996). Most of the time, the results are very different from the initial model. The reason for this is that habits, traditions, regulations and other institutions all take part in a complex path-dependent development that is ridden with power relations and which leads producers down different trajectories. To simply transplant a practice to a different organization with its own dynamics of power is bound to produce different outcomes.

We argue that Nitzan and Bichler's neglect of production is not innocuous, for it perpetuates an economistic conception of power that remains surprisingly indebted to the discipline of Economics. After all, sabotage, conceived as the ability to limit competition and/or the 'pace of production', mirrors the classic economic understanding of power as monopoly rent. This concept was developed by economists in order to conceive of power as a function of supply and demand. It defined power as the ability of capitalists to ask for more than something was worth and was essentially the product of attempts by economists to conceptualize power in a way that speaks to their framework of analysis. From this vantage point, power is analysed in a narrow sense as a control over the *output* of production (something which affects the supply curve) rather than a control over the form of production or more precisely *how* commodities are produced (something which cannot be modelled).⁵

In this respect, Nitzan and Bichler's stance represents a step back from Marx because it essentially forecloses the significant field of power relations that is 'production'. Yet this is precisely the kind of abode which needs to be subjected to a political economy of power (Burawoy 1985). The point is not simply to show exploitation, but to grasp what type of power shapes the evolution of socio-economic activity under capitalism. That production should be analysed from the perspective of power, rather than exploitation in a classic sense, is a point well taken (Knafo 2007). However, there is no reason to think that competitive advantages that allow for greater mark-ups cannot be constructed through production. Even if productive innovations only procure short-term advantages, something which remains to be demonstrated, this does not mean that such advantages would be marginal or inconsequential. Otherwise, it would be difficult to account for the significant efforts capitalists put into constantly restructuring the organization of the labour process. It would be interesting, for example, to see how Nitzan and Bichler can explain the rise in the US of Fordism from their perspective.

Ultimately, it is never clear in the work of Nitzan and Bichler why one would have to decide between production and sabotage. One can accept that some limitations on production are necessary for profits to be made. Yet selling at a higher price because of low competition is only one side of the equation. Granted, the ability to mark up prices depends on the level of competition in a given market, yet costs are also significant. Indeed, the more cost effective a capitalist is, the more he or she will be able to generate a mark up and demarcate himself or

herself from others in terms of profits. Hence, even if the overall output must be limited to some extent, the differential capacity of capitalists to succeed within these parameters will differ depending on the organization of their operations. There is no getting away from the fact that production, and more generally the organization of a corporation's activities, is a crucial aspect of valuation and the profits made by capitalists.

In reasserting the importance of production for the project of developing a political economy of power, our goal is not simply to show that Nitzan and Bichler underestimate the significance of production to the process of differential accumulation. *More importantly, we argue that this is vital to problematize what exactly is at stake in battles for the accumulation of power.* When answering the question of what is the goal of accumulation, Nitzan and Bichler come up with the straightforward, yet superficial, answer that it is all about power. Power, in other words, is both the means and the end of differential accumulation. This may be true in a narrow sense, but it provides a very limited and linear perspective on the development of capitalism. For it limits Nitzan and Bichler to a focus on the distribution of power rather than the form it takes.

We agree with Nitzan and Bichler that the objective of a political economy of power is to show how the success of capitalist practices is dependent on power, and not simply efficiency. But this political economy of power is not reducible to a question of distribution of ownership rights, as in the work of Nitzan and Bichler. Rather than focusing on who wins, we are interested in the practices that are promoted by those who succeed in accumulating differentially. In other words, a focus on production and more generally on the organizational structure of capitalist activity opens up the possibility to analyse what norms and practices of capitalist development are being developed and generalized through differential accumulation. For this reason, the nature of power struggles under capitalism cannot simply be reduced to a matter of accumulation. It involves broader conflicts over the types of practices and norms that are valued, legitimized or prohibited.

In this way we follow more closely Nitzan and Bichler's own injunction to conceptualize the production of 'the economy' from within society. From our comparative perspective, the objective is not to highlight how production helps capitalists to accumulate, but rather to invert the focus in order to determine how the ability to accumulate impacts on the forms of production and social activity which become dominant. If we accept that efficiency is not a linear variable, the type of efficiency that becomes valued is itself a contested issue. It depends on the regulations in place, on the forms of social organization in which production is inscribed, on the power relations which structure the activities of production and more generally on the form of capitalist competition. In that respect, capital accumulation is important because it validates specific norms (e.g. concepts of managerialism, norms of labour control) and practices (e.g. Taylorism, assembly lines, 'just-in-time' production) used by capitalists who succeed in their struggles to accumulate differentially (Knafo 2007).

By bringing these concrete considerations, one is not simply adding more details to the story that Nitzan and Bichler seek to flesh out. Rather, the objective

is to redefine what we take to be the object of capitalist struggles. It is interesting, for example, to look back onto the campaign in the 1930s to regulate labour in the US. As Swenson (2004) has shown, big 'Fordist' companies played a significant role at the time in pushing for labour regulations. These companies were often forced to pay workers at a higher rate, partly because of the greater level of unionization amongst them. For this reason, they were keen to level the field by eliminating competitive advantages of smaller companies able to pay lower wages. Through measures to establish a minimum wage, for example, they could eliminate the comparative advantages of these other companies and make their own advantages in terms of productive efficiency count even more. From a narrow perspective, one may conclude that this represents another case of differential accumulation, but everything that is important about this case is simply lost if we make this assumption (i.e. how labour came to be regulated and how a Fordist framework of production was promoted).

One of the objectives of a political economy of power is thus to show how the success of capitalist practices is dependent on power, and not simply efficiency. But this political economy of power is not reducible to the control over output. Because differences in production create different types of advantages and vulnerabilities, capitalists struggle over a much broader range of issues than simply output. Hence, there is no reason to think that differential accumulation should be concerned mainly with output. It is precisely the promise of this conception of differential accumulation that we wish to recover, for this conception opens up political economy to a more radical problematization of power struggles than Nitzan and Bichler realize.

Finance and the commodification of power

This discussion of production and sabotage leads us to the real focus of Nitzan and Bichler's work: finance. Their emphasis on finance stems from the idea that capitalism should be analysed as a totalizing logic of 'capitalisation' (9). Any phenomenon that affects the conditions for capitalization to occur is part and parcel of the capitalist mode of power.⁶ Hence, even if production and finance should be treated as different facets of a single organic mega-machine, along with the state, Nitzan and Bichler deliberately place finance at the apex of this structure. Finance is 'the core of the capitalist regime' (7) because other developments are subordinated to the imperative of capitalization. Hence, the ultimate form of capitalist power is the ability to capture earnings based on ownership and sabotage and this is done primarily through financial assets which capitalize these future earnings.

While there is nothing wrong in itself with this ontological claim about the primacy of finance, it becomes misleading when Nitzan and Bichler use it to assign a distinct analytical role to finance and production. Indeed, each field serves a different purpose in their analysis. When it is time to explain the nature of capitalist power Nitzan and Bichler focus on production and the idea of sabotage. By contrast, finance enters the picture when the authors wish to chart and

measure differential accumulation (accumulation of power). As a result, financial markets are not themselves subjected to the same register of analysis in terms of power. There is in fact little analysis in their work of the power structures that operate within financial markets themselves. Even when finance becomes a participant in the exercise of power, for example through mergers and acquisitions, the power exerted is located at the level of production. Finance itself is presented as a realm where power is valued and commodified, but the way in which power operates within this field (i.e. as something exerted over other financiers) is left unexplored.

In many ways, we should not be surprised by this contradictory treatment of finance because the forms of investments classically associated with finance do not conform to the logic of power as defined by the idea of sabotage. It is difficult to see how a conception of power based on artificially constructed scarcity can be applied in a field which has been awash with liquidity, and where so-called financial bubbles seem to correspond with rapid increases in supply rather than the opposite. *Pace* Nitzan and Bichler, these increases in supply seem to correspond not to the ability of financiers and fund managers to exclude others from claims on ownership. On the contrary, they seem to benefit from their ability to inflate the value of existing claims by *including* more participants (Knafo 2009; cf. Seabrooke 2001). The speculative dimensions that characterize stock markets or housing markets revolve around very different dynamics to sabotage even if one can still find forms of differential accumulation here.

This incongruity may explain why there is little analysis of power within finance. Instead, Nitzan and Bichler present finance as a market which is *most efficient* in pricing and commodifying power established at the level of production. This effectively amounts to a displacement of the ‘economics vs politics’ duality to a new, and no less problematic, location. Politics, or power, is now associated with production, while the logic of market competition depicted in Economics now becomes linked to finance. If there is a ‘solution’ in Nitzan and Bichler’s work to the duality of political economy, it is mostly a matter of definition that is reflected in their decree that capital *is* power. Having conflated both, Nitzan and Bichler can thus proclaim that they overcome the problem because accumulation is now seen as an economic and political process at the same time. In short, the accumulation of wealth is an accumulation of power. Yet this apparent resolution is misleading. For when we break down their template, a similar duality emerges. In the first step of their analysis, which is focused on production, they show how markets are distorted by power and thus that economic competition never operates properly at this level. Yet their second step, now focused on finance, brings back the ideal of the competitive market in the form of efficient financial markets ‘pricing’ power through what is essentially a process of supply and demand. As people trade to get the most profitable financial assets, understood here as the assets most imbued with power, financiers end up comparing various forms of power in terms of capitalization. This represents once more an ‘economic’ moment for it is market competition here which does the valuation and which enables these financial assets to be priced ‘properly’ in terms of the

power they represent. Once more it is market efficiency, this time of financial markets, which becomes the operative concept.⁷

This re-articulation of a market logic at the level of finance is most clearly demonstrated in their key contention that power is now commodified. In many ways, this idea of the commodification of power represents the logical conceptual denouement of their economic conception of power. For having reduced power struggles to an issue of sabotage which can be quantified in terms of its capacity to control output, it is only a small step further to argue that power can be valued and thus sold. Such a thesis may appear alluring at first, for it is difficult to deny that control over financial resources has become a central channel for power. Nonetheless, the concept suffers from a lack of clarity. As is often the case, the notion of commodification creates linear relationships in the way we conceptualize social reality which tend to close off rather than open the conceptual space needed for examining how capitalism is socially constructed. As we will argue, what seems deceptively obvious at first (i.e. financial accumulation has become a source and an expression of power) only conceals questions of greater interest to critical political economists.

Let us breakdown this idea a bit to clarify Nitzan and Bichler's claim. The idea of commodification suggests the production of units that are constructed for the purpose of being sold. On this account, one could make the argument that the rise of the corporation and stock markets has become a means to commodify power, for shares clearly provide a form of power which fits well with Nitzan and Bichler's emphasis on sabotage. Yet it rapidly becomes apparent that they have a broader conception in mind. For their claim is not simply that some forms of power can be purchased as commodities, such as the ownership rights that are associated with shares. More fundamentally, they wish to show that power itself has become a commodity. As financial markets compare different entities and price their respective power (i.e. their ability to create differential accumulation), they are effectively levelling the field. Qualitative differences are thus erased as power becomes commodified in the form of various financial assets which can be compared on a single quantitative scale (expected future earnings). Because power is now reduced to a quantum, they argue, it is made fungible and capitalists can now take part in different forms of value extraction by rapidly moving from one investment to the other, depending on which one is the most profitable/empowering.

This proposition constitutes an ironic twist in their argumentation because the type of reasoning which they dismiss in the works of neoclassical economists and Marxists is now deployed by Nitzan and Bichler themselves to analyse power. As we pointed out, they criticize classical conceptions of capital for failing to specify utility or labour time as variables that can be identified independently from the prices they supposedly determine. According to them, these 'productivist' approaches rely on frameworks of analysis that are impossible to test because they conflate underlying values (utility or labour time) with the prices they are supposed to explain. As Nitzan and Bichler correctly point out, these theories are ultimately based on an act of faith and are irrefutable. Yet in

a curious turnaround, they make the exact same leap of faith when they argue that power is commodified, for here once again we have no way to determine the magnitude of power apart from the very process of valuation that power supposedly determines. In short, Nitzan and Bichler do not hold themselves accountable to the analytical standard they impose on others.⁸

Why do they fall into the same trap? Essentially, Nitzan and Bichler commit the cardinal sin of equating valuation with the quantification of an underlying substratum, in this case power. The conflation stems from a common misunderstanding about prices. Too often, we assume that prices reflect an underlying value that is translated in quantitative terms rather than an outcome of social interactions on markets that can take very different forms. Prices are not a representation of something else or a symbolization of a reality which stands behind them (e.g. 'labour values', 'utils' or 'power'). They are the outcome of the various pricing strategies that people adopt in a competitive context. These strategies are shaped by various considerations defined in terms of power and will reflect a broader institutional and social context. But they are not a reflection of an underlying substratum that would be 're-presented' in quantitative form (i.e. as a price).

This was the problem that beset classical political economy. For in seeking to determine what was expressed in a price, political economists had to fall back on labour as the underlying substratum of value. For neoclassicists, it became utility. Both of these traditions, as demonstrated by Nitzan and Bichler, failed to grasp the radical gap between quality and quantity when they addressed the difficult issue of value (see Knafo 2007). By positing that quality (e.g. labour or subjective preferences) was reduced to quantity (e.g. labour time or utility), they were forced to employ reductionist templates which were bound to be inconclusive for there is no way to trace back a given quantity to such a supposed underlying substrate. Nitzan and Bichler deploy this critique to great effect when discussing the orthodox labour theory of value. As they argue, following Böhm-Bawerk, there are so many variables which influence production that it is not clear why labour time should be singled out as the sole determinant of value (91). Yet, one can apply the same critique to Nitzan and Bichler's conception of the commodification of power. To say that people are willing to pay more for a company which has more power is completely different from saying that the prices are proportionate to this power – a claim that cannot be established precisely because power is not a linear and discrete phenomenon which lends itself to quantification. There is simply no such thing as a basic unit of power.

To illustrate this, one can take the example of government bonds which Nitzan and Bichler take to be the first form of quantified power, one which was underpinned, they argue, by the power of governments to tax (294–5). This power to tax is only one of many aspects which influence the value of bonds. Beyond the ability to raise revenues, there are various other considerations which will impact the ability of a government to manage its public finances: the capacity to have an efficient administration, to cut spending, to create new financial assets which facilitate long-term credit or even the ability to influence people's perception of its own credit. As we start adding these new dimensions, our account appears

increasingly pedestrian for we are bound to conclude that what is valued is simply the perceived ability of a government to meet the terms of the contract. Trying to identify what prices represent is bound to lead us down a trivial path. From this angle, bonds will end up appearing very similar to their conceptualization in mainstream accounts. More important are the forms of socialization which govern these markets, yet this is mostly taken for granted in Nitzan and Bichler's work on finance.

Ultimately, the idea of a 'commodification of power' closes a loop in the reasoning of Nitzan and Bichler which allows them to treat power in quantified terms. It helps to excise a complex social reality on the grounds that power has become quantifiable and fully fungible. According to this logic, one is now licensed to treat power as something that can be accumulated *even if there is a great variety in forms of power*.

Taking power seriously as a social relation

In the previous sections, we have argued that the concepts of sabotage and differential accumulation demonstrate the need for a political economy of power, but that they do not provide in themselves the required framework. These notions constitute a starting point for problematizing power, not a template to analyse it. In this section, we want to highlight more specifically what is at stake in constructing such a political economy of power. At the heart of this question lies the purpose we ascribe to power as an analytical category. In the work of Nitzan and Bichler, the emphasis on power is defended on ontological grounds. Power, they argue, should be the focus because it is the main determinant of capitalism and more specifically of the dynamics of accumulation. By using power as an analytical category, they wish to capture the ontology of capitalism. While we share the concern with power, our aim is different. We see the development of a political economy approach based on power as a *methodological* project. It is meant to highlight ways by which we can analyse power under capitalism, not as a theory of accumulation *per se*. For we see power as a multifaceted phenomenon that is always evolving, and the problem is precisely to grasp how it is socially constructed *in different ways* throughout the history of capitalism.

One way to convey the difference between both projects is to come back to Nitzan and Bichler's assertion that power is both a thing and a social relation. According to them, power has been commodified with the result that the social relation of capital is now embodied in a material form (money or financial assets). This amounts to equating wealth with power. Having done so, they can now refer to capital in its material form *as if it was itself* power. This enables them in turn to quantify power and treat it as an independent variable that can be used to explain other phenomena (crises, wars, etc.). It effectively objectifies power as a tangible reality that we can measure in order to analyse the world economy. But this conflation of power and capital is only effective so long as it closes off the analysis of power itself. At best, the study of differential accumulation charts whether power is becoming more or less unequal, but it says little about what

form power takes and how it evolves. Defined initially through the concept of sabotage, it is subsequently more or less taken for granted.

It is interesting to compare this position with Marx's conception of capital as a social relation, for both arguments are similar in their broader outlook. Indeed, both approaches emphasize that capital is not merely accumulated wealth that is brought to the process of production, but represents a social relation defined in terms of power. By contrast to mainstream theorists who generally treat capital simply *as a thing*, Marx, along with Nitzan and Bichler, seeks to highlight the social relation that lies behind the material embodiment of capital. However, the similarities at this ontological level conceal an opposite methodological approach. For Marx, the point in showing the duality of capital is to demonstrate that the material support of capital (i.e. means of production) has no *significance* apart from the social relations it articulates. For this reason, it is necessary to go beyond capital in its material form in order to understand the significance it has in a given context. Whereas Nitzan and Bichler make the ontological claim that capital represents a relation of power, Marx puts forward the methodological claim that treating capital as a thing is misleading. He exhorts us to look beyond the objective façade of capital in order to problematize the *significance* of what we observe for it is never as obvious as it appears (Knafo 2002: 158–60).

This comparison helps to specify the limitations in Nitzan and Bichler's political economy of power. For they may be aware that power *is a* social relation, but their approach does not allow them to analyse power *as a* social relation. This may appear counterintuitive, especially since Nitzan and Bichler clearly state the importance of the capitalist *nomos* as originating within society, and not from without (150). In contradistinction to orthodox economics and 'value theory' Marxism, both of which identify 'objective laws' of the economy, Nitzan and Bichler expressly articulate the *social* and therefore *relational* nature of economic processes: 'there is ... no obvious reason why human beings would have to obey any "objective" law based on' *utils* or abstract labour. But this relational conception of power is really a singular depiction of the *unequal* nature of accumulation. Consequently, while they are apt in suggesting one *specific* relation of power (in the abstract) they formalize this relation in ways that undermine their aspiration for a non-determinist approach to capitalism.

Missing from this analysis are the concrete agents themselves and the way in which they relate to one another. Nitzan and Bichler's framework is built in such a way as to allow them to abstract from actors and their concrete struggles. Because they are keen to focus on systemic features of capitalism, they simply posit a fundamental divide between so-called dominant capitalists and the rest of society. According to them, it matters little who belongs to each group because capitalism does not depend on the success of specific actors. Instead, it is only important that a group of dominant yet interchangeable capitalists can secure greater rates of accumulation than the rest of society.

In contrast, we argue that differential accumulation cannot be analysed in abstraction of *concrete* actors and their specific context. On its own, the idea of differential accumulation is an empty shell. In fact, if one was to follow it to the

letter, it would lead us to an atomistic conception of capitalism depicted as a struggle of all against all. Yet, of course, this is a conclusion that Nitzan and Bichler do not wish to adopt because it would deprive them of a threshold to ground their social analysis of differential accumulation. After all, for one to measure differential accumulation there must be a reference point to make comparisons possible. And so they have to come up with a loose demarcation of two groups that allows them to ground their study of differential accumulation. But why should one conceive of power struggles under capitalism along these lines? Why argue that it is only the difference between these two groups that matters? This is a difficult question, which Nitzan and Bichler cannot solve easily. As they recognize themselves, there are no clear dividing lines to differentiate the dominant group of capitalists (315). In fact, it would be just as legitimate to draw a number of tranches depending on whether capitalists belong to the 1 per cent, the 5 per cent or 10 per cent richest, or any other demarcation, when analysing differential accumulation. One could also decide to analyse differential accumulation *within* economic sectors. After all, if it is a matter of power, the real concern of capitalists is the power of their competitors not the power of capitalists who operate in a completely different sector. Alternatively, one could posit that differential accumulation gains in intensity towards the upper echelons of the capitalist economy for what is at stake becomes greater as we move towards the top. The bigger the capitalists the more risks they pose for their competitors because they have more means to discard competitors through financial or political means. So one should then look at differential accumulation *within* the 1 per cent or 5 per cent richest. As these examples highlight, it is not clear that we can accept the basic division of society into two groups as the meaningful vantage point to analyse differential accumulation.

To elaborate more concretely on the limitation of this political economy approach to power, it is useful to look at Nitzan and Bichler's work on energy conflicts in the Middle East. This represents an interesting case for there is a real attempt here to discuss the fortune of specific actors (i.e. those of the Weapondollar-Petrodollar coalition) (see for example Bichler and Nitzan 1995 and 2004). For this reason, one finds here more interesting insights into the dynamics of differential accumulation than in their more general discussions of Western capitalism based on dominant capital (see glossary) in general. The strength of this work consists of the way in which it traces the evolution of specific sectors and their historical successes in accumulating differentially. Yet one of the striking features of these contributions is the virtual absence of power as an object of study. This may appear surprising at first because it runs against the claims of the authors, but it becomes apparent once we try to specify what exactly they tell us about the power of the corporations that make up the Weapondollar-Petrodollar coalition. Dissecting the argument, one is left with a general proposition that energy conflicts tend to occur precisely when the Weapondollar-Petrodollar coalition sees its differential accumulation decline. Whether this is true or not, remains debatable (see for example Selby (2005) for an interesting critique of this analysis of energy conflicts). The key point is that

there is no analysis of power. Nitzan and Bichler say nothing about how these corporations use their resources in capital and very little about the strategies they adopt to generate profits (or even more specifically conflicts in the Middle East). How, for example, are they changing the weapon or oil market? What are they doing about their competitors? Are they changing practices of production or even their corporate organization? There is no discussion of how successful they are in achieving their aims beyond the fact that they managed to raise their rate of differential accumulation. Was it of their own making or were they simply beneficiaries of a cycle of violence in the Middle East? Whether it is plausible or not that these corporations are involved in these conflicts is not the issue. The point is that all this remains implicit. Nothing is said about who these companies seek to influence or constrain and what method they use. Ultimately, everything that concerns power *as something that is exercised in the context of a social relation* remains outside of the analysis and is merely suggested by the correlation that Nitzan and Bichler emphasize. At most, Nitzan and Bichler offer circumstantial evidence that suggests that power may have been a motivation behind *whatever it is* that these companies did. But the reader is left with the unenviable task of filling in the blanks.

The power struggles that are involved in the processes of differential accumulation must themselves be subjected to historical analysis. They cannot be taken for granted as a starting point for analysing differential accumulation. There is little for us to gain by theoretically cementing the form capitalist competition takes in advance of historical research. Doing so leads us to miss the qualitative changes in the strategies of the actors involved, and therefore the constantly shifting terrain of politics. Because differential accumulation can be generated in various ways, one can presume that the path taken will impact specific capitalists in different ways. If this is so, it is no longer clear why dominant capitalists should see eye to eye when it comes to governance. On the contrary, differences in organization, strategy and interest will necessarily set capitalists against one another, even if they may all seek differential accumulation. When neglecting the agents involved, we are left with a reductionist template of politics under capitalism. This fails to capture the complex set of political imperatives which shapes capitalism.

Ultimately, the real potential of this notion of differential accumulation cannot be unlocked if we abstract from the concrete practices of power employed by *specific* capitalists. We would be hard-pressed to find capitalists who consider differential accumulation in the abstract. Fund managers, for example, worry much more about the benchmarks set by their competitors, than those established by capitalists who operate in distant fields (e.g. car makers or shipping companies). Nitzan and Bichler make a quantum leap when using specific benchmarks employed by some capitalists – ‘the Scotia McLeod 10 year benchmark,’ or the ‘Reuters/Jefferies CRB Commodity Index’ – in order to assert the existence of a ‘Global Benchmark in the abstract’ (309). They can only do so because they have presupposed the universality of pricing power. However, as we have demonstrated in the previous section, the concept of commodification enabling this proposition is highly problematic.

The template offered by Nitzan and Bichler makes it difficult to account for the relational dimension of power. It casts *struggles between dominant classes outside of the analytical framework and largely underestimates the role that subordinate groups play in the development of capitalism*. Instead, power is treated as a commodity that is possessed rather than a relation that is negotiated. By stating that ‘capital accumulation and the changing power of capitalists are one and the same’ (312) Nitzan and Bichler effect a closure which takes the idea of differential accumulation to a new level. It is no longer simply a proposition which helps to frame the study of accumulation in terms of empowerment (i.e. to highlight how capitalists strive to accumulate more than others in order to gain in power). Differential accumulation becomes a self-referential concept which is not only explained with reference to power, but explains empowerment itself. In this circular logic, people accumulate more to gain power, but this power is nothing else than the ability to accumulate differentially. In their words, power is both the means and the ends.

By insisting that social relations should be taken seriously in any analysis of power, we wish to put the emphasis back on the relational aspect of power. It is one thing to accumulate resources which can be parlayed into relationships of power, and another to gain power. In Nitzan and Bichler’s work, this link is never problematized, as if those with capital are necessarily imbued with agency, or an ability to act and exert power. By conflating wealth and power, they erase the fundamental question of the way in which power relations are constituted. Ultimately, the power that is provided by capital is not something given, it evolves constantly and the terms of this evolution are the real puzzle of political economy. In seeking to develop a political economy of power, we argue that one must radicalize the project initially opened up by Marx. For the real difficulty in a capitalist society which is based on contracts and grounded in an ideology of freedom is to grasp how power operates. To do so, one should not reify this phenomenon by predefining what capitalist power is, but develop the methodological tools to problematize how power evolves and what difference it makes.

Conclusion

Nitzan and Bichler’s ‘power theory of value’ is undoubtedly an advance for political economists. With their meticulous attack on the intellectual foundation of neoclassical economics and the (orthodox) Marxist labour theory of value, they have demonstrated that IPE has generally failed to problematize processes of accumulation from the perspective of power. The promise of Nitzan and Bichler’s account of differential accumulation is partly that it helps reconceptualize accumulation. Not only is it generated by differentiated strategies which allow some capitalists to mark up more than others, but accumulation is pursued in relational terms because of what is at stake in the pursuit of power. By highlighting the fundamentally *relational* nature of accumulation, Nitzan and Bichler open the door for a new form of political economy which transcends the reifying templates of Economics.

However, this important foray remains marred by Nitzan and Bichler's desire to construct power as an independent variable which can be used to explain social processes such as financial crises, wars, etc. This quantitative treatment of power forces them to close off the very opening they provide and makes it impossible to analyse power itself in relational terms. Indeed, such a generalization can only work if the social relations inscribed in capital are assumed to remain fixed and if the agents involved are omitted. Hence, in Nitzan and Bichler's work, the thesis about differential accumulation is a prelude for an overly economic analysis of power which loses sight of its social and historical character. Treated as a *quanta*, power is flattened and decontextualized to the point where the theory has very little to say about it. If Nitzan and Bichler show that accumulation is always about power, their historical analysis of capitalism offers little insights about power itself.

By contrast, we argued that it is necessary to take power as a social rather than economic category for the crucial issue is not that power is accumulated, as if it was an object, but that it establishes social relations imbued with features that are not transparent to the agents involved or to the people who seek to interpret them. In other words it is the significance of these power relations, the features that define them, which is of importance to political economy, not the fact that there is power *per se*. This requires that we take seriously the fact that power is a social relation, for the notion of power loses its significance when it is analysed in abstraction from the concrete agents exerting it. In abstraction of the concrete context in which it operates, power becomes an amorphous force which is conceptualized in a circular way as the cause and effect of the logic of accumulation. To go beyond the trivial conclusion that power breeds power, it is important to flesh out the social relation that is capital as a historical construction, and take seriously the context which frames the pursuit of differential accumulation.

Notes

- 1 Hereafter, all page numbers are from this text unless otherwise noted.
- 2 It is important to highlight here that there is a great diversity of Marxist approaches which are too often conflated in Nitzan and Bichler's critique. While we agree with them that those who use the labour theory of value often fall into a productivist approach which suffers from the problems identified by Nitzan and Bichler, we disagree with the idea that Marx's approach was defined by this identification of labour as originator of value. For more on this see Knafo 2007: 89–90.
- 3 This is evident from the authors' foundational theoretical declarations in relation to their orthodox and radical interlocutors. Nitzan and Bichler argue that their critique of the 'objective determinations' of value:

does not imply social chaos. Far from it. Society is not a formless mass and its history is not a mere collection of accidents. There are rules, patterns and a certain logic to human affairs. But these *socio-historical structures are created, articulated and instituted not from the outside, but by society itself*. They are manifested through religion, the law, science, ideology, conviction, habit and force. Although embedded in the physis, they are all creatures of the *nomos*. Whether imposed by rulers for the

sake of power or crafted by the demos for their own happiness, *they are all made by human beings.*'

(150, emphasis added)

- 4 Nitzan and Bichler do recognize that 'every bit of the industrial process is touched by the hand of power' (223). But if power is important to production, does this not undermine their emphasis on sabotage? For disparities in power will mean that capitalists do not have the same abilities in cutting costs and shaping production.
- 5 See Nitzan and Bichler: '[absentee] ownership, says Veblen, doesn't contribute to industry; it merely controls it for profitable ends. And since the owners are absent from industry, the only way for them to exact their profit is by "sabotaging" industry' (16).
- 6 Cf. Nitzan and Bichler's claim:

As we see it, the legal-organisational entity of the corporation and the network of institutions and organs that make up government are part and parcel of the same encompassing mode of power. We call this mode of power the *state of capital*, and it is the ongoing transformation of this state of capital that constitutes the accumulation of capital.'

(8)

- 7 One of the claims which supports their thesis is their intriguing demonstration that the capitalization of a firm is correlated to the earnings of its shares. This certainly deserves consideration but it does not help to ground power itself as a commodity. In this sense, what exactly earnings represent still remains to be determined.
- 8 This point is raised by Andrew Kliman (2011) in an exchange with Nitzan and Bichler which was published in the *Journal of Critical Globalisation Studies*. For Kliman, who is interested in defending Marx's labour theory of value, this objection serves to show that Nitzan and Bichler proceed in the same manner as Marx. In short, Nitzan and Bichler cannot reject his theory on this ground for they themselves proceed in the same way. However, we believe in contrast to Kliman that this problem is more fundamental and invalidates both the labour theory of value understood in its classical form (see Knafo 2007) and Nitzan and Bichler's quantification of power. Unfortunately, Nitzan and Bichler simply ignore this important critique in their lengthy response to Kliman and have yet to address this crucial issue (Bichler and Nitzan 2011).