

POST LARGE-SCALE INDUSTRY AND NEOLIBERALISM

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1. Introduction

These days a close connection is made between neoliberalism and internationalization of capitalism (*mondialisation du capitalisme* in French, which, in a particularly superficial way, is also called globalization). Internationalization is commonly understood as the unification of the world market under the aegis of international and financial capital. Neoliberalism is seen as the political concept, as well as the practice of governance and restructuring of the State at the global level growing out of the predominance of financial capital in relation to productive capital. This vision will be criticized here to a certain degree, making use of a condensation of the ideas put forward by Duménil and Lévy in *Économie Marxiste du Capitalisme*. These authors define internationalization as both a continuance and a rupture in the historical process of the development of capitalism:

“Internationalization is a very old process that Marx identified as a great tendency of capitalism (the construction of a world market). The progression of trade, the flow of capital and global exploitation (of the world) are not inventions of neoliberalism. The current phase is characterized by the growth of exchange operations and international capital flows, the expansion of multinational companies and a new role of international financial institutions (International Monetary Fund, etc.)” (Duménil and Lévy, 2003, p. 28-29).

In describing neoliberalism, they refer to the new modes in which capitalism operates due to this internationalization:

“Neoliberalism alludes to the new ways capitalism functions, both at the center and the periphery: a new discipline of labor and of management of the gains of creditors and of shareholders; the retraction of government intervention in matters of development or social protection; the spectacular growth of financial institutions; the creation of new relationships between the non-financial and financial sectors to the advantage of the latter; a new attitude in favor of mergers and acquisitions; a great trend toward financial deregulation; a strengthening of the power and autonomy of central banks whose actions focus on the stability of prices; the determination to drain the resources of the periphery to the center. Neoliberalism gives new forms to internationalization, especially those of the indebtedness of the third world and the havoc wreaked by the unfettered mobility of capital. The main characteristic of the current phase is its gradual extension to all

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corners of the planet, its very internationalization.” (Duménil and Lévy, 2003, p. 29).

It must be noted that this entire characterization, which is certainly of interest in understanding the question, concentrates on pointing to ruptures in the forms of contemporaneous capitalism. The assumption here is that questions about the nature of internationalization and neoliberalism can only be clarified by investigating the changes that are occurring at the base of the capitalist mode of production, i.e., in the way it subjects labor to capital, or what can be called the discipline of capital. I do not seek to address contemporary phenomena starting from an analysis of the distribution of wealth and income, which in the ultimate analysis harks directly to the struggle of classes. Contrastingly, I aim to focus on their structural economic fundamentals. The question of the historical mode by which neoliberalism imposes itself and spreads around the world must certainly be faced, but at a later moment – which, moreover, is not the aim here.

I sustain here that capitalism is emerging from the phase of large industry and passing to another phase, and that the essence of the relationship of capital – which only exists by way of its forms – is changing. If previously the material par excellence of capital was the system of machines, now it is becoming what Marx called the general intellect – in other words, a productive social force inherently non-territorial that can, in principle, be everywhere at once. If previously productive capital appeared mainly in its physical embodiment (machinery, factories, etc.), now it is configured particularly in intangible form (information, knowledge, etc.). The consequences of this transformation of the mode of production are diverse: among them, what stands out is that capitalism is finally exposed for what it really is². In particular, this reveals capital as draining the lifeblood from labor, *prima facie* proof, considering the world as a whole, of Marx’s theses of ruthless exploitation and impoverishment.

The argumentation here comes from a critical appropriation of the thesis of Wallerstein, according to which between 1968 and 1989 liberalism collapsed (Wallerstein, 2002). I consider this thesis important because it points to a fundamental historical shift. It will be appropriated and absorbed in this text, however, not as the death of liberal thought properly put, but rather as its dialectical transformation. The advent of neoliberalism will not be treated here as what follows the end of liberalism, but as the inversion of liberalism itself. After deriving liberalism, following Marx, from the contradictions of capitalism itself, I seek to show that it is the bottom of liberalism that appears in neoliberalism.

Hence, it will be necessary to show that the roots of liberalism lie in the contradiction between the appearance and the essence of the capitalist mode of production. To show the particularity of neoliberalism, a distinction is necessary between two previous moments of liberalism, classical liberalism and social liberalism – this last one reflects a

² Perry Anderson notes that the defenders of private property in the past avoided “*proposing an expressly capitalist ideology*,” but now with the arrival of neoliberalism, “*for the first time, capitalism proclaims itself as such, in an ideology that announces the arrival at an endpoint in social development, an ideal construction of a social order based on free markets, beyond which any substantial improvement would be unimaginable*.” (Anderson, 2003, p. 84 and p. 87). However, he says nothing about the historical material conditions that have made this ideology possible.

change in liberalism that comes from its historical confluence with social democracy, itself an outgrowth of socialism. Social liberalism is a first challenge to original liberal thinking³. Neoliberalism is then taken as a third instance, consisting of a second negation, i.e., as that which denies liberalism as liberalism.

To develop this thesis, it is necessary first to distinguish among three moments of the mode of production: competitive large industry; monopolistic large industry; and post large-scale industry⁴. Even though the historical periods characteristic of the forms of capital discipline do not coincide exactly with the periods characteristic of these forms of liberalism⁵, I will establish a logical relationship among them. The succession of the forms of liberalism, just as the forms of the capitalist State (classic, interventionist and neoliberal) are related – are registered as possibilities – to the ways labor is subject to capital. They are possibilities, moreover, that only manage to impose themselves, in fits and starts, by way of political struggles over the course of history. I do not intend here, then, to explain the superstructure from the economic structure of society.

Classical liberalism is related to the real subsumption (formal and material) of labor under capital that marks competitive large industry, social liberalism to the real subsumption (formal, material and organizational) of modern monopolistic large-scale industry, and finally, neoliberalism to the real subsumption (formal, intellectual and societal) of post large-scale industry. I treat the first moment as that of appearance, the second as that of essence, and the third as the moment of inversion when the contradiction appears.

2. Three moments of capitalism

As is known, Marx distinguished between the merely formal subsumption and the real subsumption of labor under capital. For him, labor is an activity oriented to the realization of a particular end; capital is dead labor that sucks living labor, a value that valorizes, and thus that has in itself a general purpose, unique and absolute. Subsumption,

³ Wallerstein also identifies this first change, but not as a negation. As a result, he only can discern neoliberalism, erroneously, as a return: “*What is important to perceive is that this ‘counterattack’ is a reversal of strategy by the ruling classes, or even a return to the pre-1848 strategy, in which the discontent of labor was dealt with through a combination of indifference and repression. After 1848, until 1968, the privileged classes tried to appease the working class through the institution of the liberal State in combination with dollops of economic concessions. The strategy was politically victorious. They only reverted this strategy when the cost became very dear, which only occurred recently.*” (Wallerstein, 1995).

⁴ According to Dobb, the manufacturing period goes from the mid sixteenth century to the last quarter of the eighteenth, when the large industry age emerged (Dobb, 1963, p. 15). For reasons that will be discussed later, I believe that the large industry period only ends in the 1970s, whence begins the post large-scale industry age.

⁵ The formative period of classical liberalism goes from the mid eighteenth century to the nineteenth (physiocracy and classical economics – Quesnay and Adam Smith are the great names). The period of social liberalism runs from the end of the nineteenth century until the thirty years after the Second World War (John Stuart Mill and John Maynard Keynes are the main sources). After Second War, we are in the period of neoliberalism (F. A. Hayek and L. Von Mises are the keystone thinkers). The predominance of these ideologies, however, has a very complex history. See for example Polanyi (1980) and Yergin and Stanislaw (2002).

then, means the subsumption of the particular to the general, of the plural to the singular, and of the relative to the absolute.

To grasp this question in its entirety, then, one must start with the concept of the process of labor, whose elements are work itself, its objective and its means. The object of labor is simply the material world (land), whether in its raw form or already modified by the intervention of labor. The means of work are the special objects that transmit the activity, give force to the productive effort of labor and through which workers attain the objectives of labor. Inherent in the labor process as such, then, is the subjective determination of the worker, because the object molded by his labor must have existed beforehand in his imagination. As a consequence, there can be no subordination of labor to an outside power when work remains private, individual and isolated. So, the subsumption of labor under capital can only occur in a collective situation, in which the worker loses his independence, individuality and privacy. Put another way, the subordination of labor to capital is in counterpoint to the very process of labor.

If there is subordination, then, the work process has to take place within a productive process that transcends the interest, the willingness and the imagination of the worker and that above all is at the same time a process of valorization. Labor now produces not only a product that has *“use value, but a commodity also; not only use value, but value; not only value, but at the same time surplus-value”* (Marx, 1967, p. 186). The process of capitalist production is configured as such when the worker begins to labor under the control of the capitalist by temporarily selling his effort. The latter has virtually all the conditions necessary for the production to take place: the means of production, the raw materials and the instruments of labor, as well as the money that can buy the labor force, money the worker receives as wages to buy his very survival in society. Work now belongs to a movement, a process of production administered by the capitalist. The capitalist exercises overall control, as well as the destination of the product, which belongs to him as merchandise. However, he cannot possess the worker himself, who potentially or effectively continues to have adverse interests.

At the origin of the new mode of production, however, the agent of its historic constitution, the capitalist, could only hire the existing workforce, in the form it had already developed. Those who originally made themselves available to sell their labor in the market had been instructed in artisanal and campestral work practices, which were characterized as authentic. At this first moment, therefore, there could be no real subsumption of labor under capital, since this only occurs when the purposes pursued by the worker cease to prevail in the practice of work, in the process of generating the products. Put in another way, real submission requires a progressive restriction of the subjectivity of the worker, the subordination of his ends to those of capitalist production. At the start, then, there could only be formal submission of labor to capital, whose legal expression is the individual labor contract. As conceived by Marx, formal subsumption of labor under capital means that the labor process, while still authentic, is converted into an instrument of the process of valorization.

Thence from a logical point of view, formal subsumption is compatible only with the extraction of absolute surplus value, i.e., from the extra labor that is wrested from the

worker by lengthening the work shift. The extraction of relative surplus value can only come to pass when capital revolutionizes not only the relations among various workers, but also the nature of work and the modes of working, by transforming the productive process via conscious application of science and technology. Now, the workers become materially subordinated to capital, i.e., become appendices of a production process whose core is a system of machines. When this occurs, it is no longer the worker that interposes the means of labor between himself and the object of labor, but he himself that is placed between the latter and the embodiment of capital (the system of machines). If beforehand the modes of work were determined by a subjective principle, that is, by the ability and creativity of the workers themselves, now they are determined by an objective principle, a systematic logic of production oriented by the accumulation that determines the particular ends pursued by the workers. The result, then, is a first negation of the process of labor.

From a historical standpoint, the formal subsumption of labor under capital is associated with the period of cooperation and manufacturing, when the extraction of absolute surplus value predominated. Under these conditions of production, the possibility of obtaining relative surplus value was limited. It is only with the advent of modern industry, when real subsumption of labor under capital became effective and generalized, that the relative mode of extracting surplus value came to predominate over the absolute form, a form, however, that has never disappeared. When capital comes to control the mode of working, it manages to obtain increased productivity from labor that reduces the cost of reproducing the workforce, in consequence diminishing the need for variable capital to generate a determined amount of surplus value, which translates in the final accounting into an increase in surplus value.

One must distinguish two periods in the two centuries that modern industry held sway: that of competition and that of monopoly. Scientific management, the control of time and movement (Taylor), the production line and mass output (Ford), all this belongs to the modern industrial mode of production, but marks the advent of a new period characterized by the predominance of huge monopolistic companies in the dynamic of capitalist accumulation. This not only involves new techniques of organizing production, but also procedures that mold and control workers. These procedures spread, perfect and enable the systems of production centered on machines, leading to a higher degree of suppression of work processes, with the concomitant establishment of gigantic macro-subject objectives capable of producing huge volumes of goods. They come to be, then, the effective outcome of objective production logics that appear as realizations of capital, but that are in reality in service to its accelerated accumulation. The factories created by the first industrial revolution now have been transformed into great companies with complex organizations consisting of many hierarchical levels. Real subsumption becomes more perfect on the shop floor, and at the same time extends to the offices⁶. Really it becomes organizational too.

It is important to note that with the advent of monopolistic capitalism, the generation of surplus profits takes on a special importance in the dynamic of capitalistic accumulation. It is certainly inherent in the process of expanded reproduction.

⁶ See on this Braverman (1974, p. 293-358).

Nevertheless, as Mandel points out, the lasting maintenance of above average profit rates by the most powerful capitals only becomes a norm when competitive capitalism is replaced by monopolistic capitalism⁷. It is the monopoly – whether of land, reserve of labor or technology – that permits obtaining surplus profits. These arise, but in various manners: from private ownership of the soil, from the productive advantage detained by certain capitals, from the lowering of the price paid to the workforce, from the purchase of cheap raw materials, etc. In relations between the capitalist center and periphery, they occur because of the different profit rates in the metropolis versus the colonies, by means of unequal trade and charging for technology.

This last form of extracting surplus value by great capital assumes a decisive character when modern industry begins to be gradually replaced by post large-scale industry. With the previous forms, relative and absolute, still present, this extraordinary surplus value, in the form of technological income (coming from rights to reproduction, trademarks and intellectual property) now becomes a privileged means of obtaining monopolistic gains.

According to Marx, from the very development of modern industry should emerge a third moment of the mode of capitalistic production, which, employing here the term suggested by Fausto, is denominated post large-scale industry (Fausto, 2002, 128-140). The author of *Capital* wrote in his *Manuscripts of 1857-1858*: “to the degree that large industry develops, the creation of real wealth comes to depend less on labor time and on the amount of labor employed than on the power of the agencies set in motion during labor time, whose ‘powerful effectiveness’ is itself in turn out of all proportion to the direct labor time spent on their production, but depends rather on the general state of science and on the progress of technology, or the application of this science to production” (Marx, 1973, p. 704-705). Put in another way, value is no longer only a quantum of labor time, but is influenced qualitatively by the scientific and technological knowledge that is mobilized in the productive process, with the necessary concurrence of the workers. The social productive force now becomes fully materialized, not only in machines, systems of machines and systematic companies, but also in what Marx called “*understanding of nature*” or “*general intellect*”. When this transformation occurs, the systems of production become more and more automated by using computers that materialize this comprehension, and the function of the worker changes. To use the terms of Marx, one can say that, “*labor no longer appears so much to be included within the production process; rather, the human being comes to relate more as watchman and regulator to the production process itself*” (Marx, 1973, p. 705).

The worker in post large-scale industry, which begins in approximately the last quarter of the twentieth century, thus becomes guardian and regulator of the process of production. This is crucial, since it marks, according to Fausto, a second negation of the process of labor. Within the limits of capitalism, the worker continues not determining the purposes of his activity, not subject to his own productive activity, but ceases to be inserted as a mere cog in the production process. In this condition, however, he is kept subordinated in real form to capital. He is now called on to exercise an active and co-responsible role in

⁷ See on this Mandel (1978, p. 75-107).

the productive process. As a consequence, his greater or lesser understanding of the process has to be in service of this process. Hence, if he ceases to be inserted, even if materially free of the productive process⁸, the system of production that materializes extremely advanced scientific and technological knowledge, begins to demand of him a subjective commitment, one of permanent attention, an intellectual involvement with its proper functioning. Hence, post large-scale industry is characterized by the formal, intellectual and societal subsumption of labor under capital.

In post large-scale industry, the material par excellence of capital – the principal material that gives support to its forms – is no longer the machine, or system of machinery, the factory or plantation in its corporeal materiality. The privileged material of capital, that on which befalls the great investment, because it is the location of the frontier of accumulation and the dynamic source of profits, is now scientific and technological knowledge. In this way capital no longer associates mainly with tangible assets, but instead with intangible or non-material assets – objects of a new fetishistic quid pro quo. This is the reason why the use of expressions like “knowledge capital”, “human capital” and “intellectual capital” becomes generalized. And for this, so-called intellectual property rights, as well as their technological rent, assume growing importance in contemporaneous capitalism (Perelman, 2003). Moreover, this is why the systems of patents enlarges its domain in production, whether taking in new areas, establishing rights over ideas in themselves, or extending the period of protection (Andersen, 2002, p. 36). Many go so far as to claim that any “new idea of doing business” should be patentable, as long as “useful and concrete”!

Science and technology are social or public goods, but come to be subject of capitalistic private property. Therefore they are transformed in sources of monopolistic rents. On the other side, the production of technologies becomes an economic activity more and more separated from the production of commodities. In this way an important part of productive capital mixes with financial capital that has become internationally unrestricted since 1970. As the rise of international capital mobility was itself a condition for the institutionalization of a new capital rule mainly after 1980 – that is, post large-scale industry –, comes the perception that neoliberalism is the regime of financial capital.

3. Roots of the forms of liberalism

Wallerstein points out that liberal thinking was always contradictory: it claimed that all individuals and all peoples have equal rights, but gave support to a system characterized, both at the national and international level, by glaring inequalities (Wallerstein, 2002, p. 167). Liberalism, however, did not discern any contradiction at all: it only saw differences among individuals that mirrored and stimulated free competition. Such differences are, then, the necessary result of a progressive social process based on personal free initiative.

⁸ Coriat distinguishes in this respect between those industries with continuous processes in which workers, now versatile, act in reality as supervisors and external controllers of the production process, and series-production industries, intensive users of robotics, in which workers continue to be subject to the pace of output. In this case, he says, workers act as close companions of the production process. This shows that the new productive forces, at least within the discipline of capital, show little potential for liberation. See Coriat (1994).

Hence – as Wallerstein also points out – emphasis was always placed on the process. The market economy, then, supposedly gives rise to a dynamic society that in the short run favors some – i.e., those who work more, save more, are more competent, etc. – in relation to others, and in the long run favors all because the great majority benefit. For this reason, according to liberal theory, rational improvement of the system by social engineering gradually corrects the distortions and opens new opportunities, tending, at least in theory, to generate a just society.

But this is no longer on the horizon. Moreover, the negation of this premise marks the negation of liberalism as such. To understand this and other contradictions so characteristic of capitalism, it is first necessary to understand liberalism in general, and in particular, its classical form.

The contradiction of liberal thinking is rooted in capitalism itself. Just like the State⁹, this political thinking must be derived from the contradiction between mercantile circulation, a plane where men appear as individuals, equal possessors of property, free and rational, and its essence in which men are members of social classes, inherently unequal and acting as supports of social relationships that reproduce blindly and infinitely. On the surface of the circulation, workers and capitalists exchange equivalents, but below this surface the contrary happens; the reiterated reproduction of the social relationship of production reveals the true heart of the system, i.e., that dead labor feeds off living labor, and that the relationship was all along one of unequals, a relationship through which the capitalist class appropriates the wealth produced by the working class. In a well-known passage, Marx says:

“This sphere that we are deserting, within whose boundaries the sale and purchase of labour-power goes on, is in fact a very Eden of the innate rights of man. There alone rule Freedom, Equality, Property and Bentham. (...) On leaving this sphere of simple circulation or of exchange of commodities, which furnishes the ‘Free-trader Vulgaris’ with his view and ideas, and with the standard by which he judges a society based on capital and wages, we think we can perceive a change in the physiognomy of our dramatis personae. He, who before was the money owner, now strides in front as capitalist; the possessor of labor power follows as his labourer (...)” (Marx, 1967, p. 176).

Only by relying on this superficial understanding of capitalism, in which it is taken as a system constituted essentially of markets, can an author like Adam Smith establish one of the most fundamental arguments of economic liberalism, namely that of the hidden hand. This is not only a conception regarding the homeostatic character of a decentralized system, based on locally informed individual decisions, but also an affirmation of the spontaneously beneficent character of the capitalist economic system. The invisible hand assures that there is coincidence of individual interest with the general interest, and on this rests justification to restrict the action of the State as much as possible (it should provide only infrastructure, defense, safety and justice), leaving full freedom of action to private

⁹ On the derivation of the State from *Capital*, consult “*Sobre o Estado*” by Ruy Fausto (Fausto, 1987, p. 287-329).

interests. It is clear that classic liberalism is tied to the formal moment of the relationship between wage labor and capital.

Classical liberalism is characterized by the defense of free trade, of the free market – especially in the purchase and sale of labor – and of a stable monetary standard. It is, then, an ideology that affirms and accentuates the positive and superficial aspect of the mode of capitalist production (its first moment), blocking out a deeper comprehension of its nature (or its second moment). *“It negates the second moment in the level of ideas, exactly for it to be placed at the level of the ‘material’ base.”* Said in another way, as an ideology, it *“guards only the moment of the equality of the contracting parties, denying the inequality of class, so that, contradictorily, the equality of the parties can be denied and the inequality of the classes be posited.”* (Fausto, 1987, p. 299-300). Just as the State, ideological political thinking is essential for the preservation of capitalism, both – the first in the plane of concentrated collective action and preventive and repressive violence, and the second in the plane of impeding the formation of critical awareness – have the job of conserving the identity of a contradictory social totality.

Precisely because they are forces of conservation, the capitalist State and liberal ideology must keep up with the contradictory development of the mode of capitalist production, adapting to the deepest changes in productive forces, and hence in the relations of production and in the correlation of force between the classes. Fausto argues that the laws of development of capitalism (the tendency to falling profit rates, for example) and the social and historical struggles of the working class impose new priorities on the capitalist State, forcing changes that are also reflected in liberal thinking. Faced with the challenges of monopoly capitalism and the perturbations and threats represented by worsening social conflict, the State had to start acting, especially in the twentieth century, as a compensatory force, one trying to balance the system. This is how classical liberalism came to be modified by social liberalism, which is characterized above all by the prudent defense of State regulation of economic activity.

There can be no doubt that the intervention of the State is a constant in the history of capitalism¹⁰. The intervention defended by social liberalism and practiced by the regulatory State, then, stands out for being balancing, or better, re-balancing. It concerns itself with the regulating competition (to impede the permanence of extraordinary profits), with balancing the forces between capitalists and laborers (to moderate class conflicts and redistribute the benefits of growth), with supplementing the economic functions exercised by private capitals (the State transforms itself into an agent of economic undertaking). The guiding principle of social liberalism is that the self-regulating market, if left to itself, is self-destructive, and that for this reason it needs regulation by the State. The historical result of this form of intervention was the establishment of what has come to be called the social welfare state. In counties on the periphery, where the material conditions for

¹⁰ No-one better than Polanyi has criticized the idea that capitalism prescind State intervention. *“Economic history shows”* – he said – *“that the emergence of national markets was in no way the result of the gradual and spontaneous emancipation of the economic sphere from governmental control. On the contrary, the market was the consequence of a conscious, and at times violent, intervention by the government to impose the organization of the market on society, for non-economic purposes”* (Polanyi, 1980, p. 244).

development were lacking, in order to quickly achieve some softening of class struggles, the State has become developmentist.

Social liberalism arises historically when the appearance of the mode of production is denied in its social practice, when it becomes dangerous for the capitalists to adhere to the mere form of the social relationship of production, when conservation of the system comes under threat by the radicalism of the social struggles and by the economic crises that make them even more radical. At that point ideology can no longer sustain itself only in the appearance of the social relationship; it now needs, in a certain way, to take account of the very essence of this relationship. The formula that emerges consists of presenting the essence not as an essence, but as a difference: there are two social forces in confrontation and they are distinct; one of them is weaker than the other; one of them consumes insufficiently and the other saves too much; one of them cannot find employment and the other is creating jobs in sufficient number to maintain the social peace. In this perspective, it is realized that it is suitable for the State to act as a balancing force; Keynesian economic policy and social democracy, from the 1940s on, then came to the fore. It is no longer the identity, but the difference that conceals the contradiction.

Social liberalism was the appropriate ideology for the period of modern industry while the crises of the end of the nineteenth century lasted and when capitalism became monopolistic. In the history of economic thought, however, it already appears in the theses of John Stuart Mill. According to him, the phenomena of production are subject to natural laws, characterized by a determinism that cannot be changed by man. The division of output, however, can be the object of human legislation, and this can promote a better conciliation of the general interest with private interests. The essence of capitalism does not appear in this political vision as exploitation, but as an inadequate division of income and wealth, as a difference and inequality that reformism can modify. “*Society*” – said Mill – *can subject the distribution of wealth to whatever rules it thinks best*” (Mill, 1968, p. 200).

From a logical standpoint, social liberalism corresponds to a mystified recognition of the real subordination of labor to capital. With modern industry – note initially – the productive social forces of labor appear as a force of capital, in a form so that the contribution of workers becomes only a supplementary collective force. Marx himself emphasized that for this reason the mode of production becomes specifically capitalistic, not only because the subordination becomes material – the machine is the adequate material to the form of capital and the force of massified labor becomes increasingly more adequate to the exploitation of capital – but also because of the real figure of the mode of production.

“This development of the productive power of socialized labor, as opposed to the more or less isolated labor of the individual, etc., and, alongside it, the application of science, that general product of social development, to the direct production process, has the appearance of a productive power of capital, not of labor; (...) The mystification which lies in the capital-relation in general is now much more developed than it was, or could be, in the case of the merely formal subsumption of labor under capital. On the other hand, the historical significance of capitalist production first emerges here in striking fashion (and specifically),

precisely through (...) the development of the social productive powers of labor” (Marx, 1993).

Nevertheless, it is the reality of modern monopolistic industry that mines the isonomic appearance of society. On the one hand, capitals, invested in colossal mechanical corpuses, i.e., in factories that produce on an immense scale, figure as huge productive potentials; on the other hand, the workers, the true producers, appear as cooperating productive masses that live in poverty and insecurity. Social struggles become more threatening. This raises social changes. The form of the labor contract, for example, ceases to be individual and becomes collective, intermediated to some extent by the State. This amendment, then, reflects in the legal sphere the negation of the equality of the parties assumed in a merely formal relationship between capitalists and wage laborers. Due to the very characteristics of the material subsumption, the essence of the mode of production appears to a certain point, and exactly for this it must appear in an attenuated form, not as a contradiction, but as an asymmetric relationship of a strong element – capital – with a weak one – labor – that requires the compensatory intervention of the State.

Classical liberal optimism turns into wary social liberalism: the invisible hand of the market – it is acknowledged – needs the strong arm of the State to a certain extent. Nevertheless, some liberal economists (said also to be libertarians!), already in the 1930s, and mainly after World War II, started to fear the consequences of these economic, social and political arrangements which can be said social democratic. According to them, these arrangements were mining capitalism. The essence of the argument of Hayek, for example, does not lie in identifying capitalist production with a natural order that is imposed by iron laws, but consists of saying that this order comes to be moral, that it was constituted spontaneously, but that it is politically fragile, and for this reason must be preserved intentionally, since only it is consistent with the freedom of private enterprise. With the crisis of the 1970s – falling profit margins, stagflation, etc. – neoliberalism emerged from the small circle of right-wing intellectuals to gain command of the world political stage.¹¹ Hence, bit by bit the policy of relative conciliation offered by capital to wage labor ends.

4. Finally, Neoliberalism

For classical liberalism, the State should be economically passive (*laissez faire*); for social liberalism, it should actively regulate economic activity; now, for neoliberalism it should be an actively passive economic agent. In the words of an author who follows this current of thought (Louis Baudin), “*the State should be a sovereign that prepares its own abdication*” (cited in Hugon, 1972, p. 152). It should thus be a State that actively creates the conditions for the accumulation of capital, that protects monopolies from economic crises, that weakens the power of labor unions, that deprives workers of social security, that privatizes government companies, that transforms the supply of public goods (such as roads, ports, etc.) into paid services; finally, that not only removes the obstacles to the functioning of markets and companies, but is capable of creating the conditions for them to operate profitably.

¹¹ This history is recounted as a great conquest, from the neoliberal point of view, by Yergin and Stanislaw (Yergin and Stanislaw, 2002).

Neoliberalism cannot be understood if it is seen as a return to classical liberalism – or as its rebirth – since by the classical doctrine the State may not appear as an economic agent. Instead, under the ideological cover of social liberalism and faced with the concrete historical needs brought by the development of the mode of capitalist production, the State wound up directly assuming complementary economic functions to those of private enterprise. For example, it instituted development banks and in this manner associated with private capital. It came to be the owner of companies, responsible for production in basic or strategic sectors, to complete the industrial structure of nations. It came to regulate the flow of money and credit through central banks.

Neoliberalism is not a doctrine of a minimalist State¹². It does not exclude the State from complementary economic activities. On the contrary, for it the State should actively fill in the holes in the productive and financial cloth, but it should do so not through State companies, but preferably by adjudicating the complementary economic activities, by means of management contracts, of private companies. Nevertheless, when this is not possible, as in the case of monetary management, neoliberalism defends functional privatization (i.e., management is placed in the hands of a technocratic elite that acts as a de facto agent of the private sector). With neoliberalism, the State becomes directly committed to the recovery and maintenance of the profit rate at a level adequate for the continuity of capitalism.

Neoliberalism – as said in the introduction to this work – comes to be a second negation of liberalism. If social liberalism in a certain way represents a neutralized conscience that capital exploits labor, hence the hidden essence of capitalism – and in this sense, comes to be a first negation – neoliberalism comes to express the recognition of the contradiction between labor and capital, even if in a mystified way as well. This contradiction is assumed as a social disposition whose development must be obstructed and whose nature must be contested. For neoliberalism, it must be hindered by means of class unification. Now, it is the very contradiction of capitalism that must be objectively neutralized.

Under post large-scale industry, capital must maintain the labor discipline in a new ways. Then, for one side, neoliberalism promotes social Darwinism in all spheres of society. For the other side, it demands cooperative behavior of all member of the population. By synthesis: it fosters a cooperative rate race! In the presence of increasing anomy, corruption and violence, when all sort of troubles emerge in the surface of society, it reinforces once more the policing and punitive character of private property and the State powers.

¹² A quote from the president of the World Bank, James D. Wolfensohn, is very illustrative. According to him, “far from supporting a minimalist approach do the state, [the world’s development success stories] have shown that development requires an effective state, one that plays a catalytic, facilitating role, encouraging and complementing the activities of private business and individual” (cited in Hildyard, 1997, p. 5).

To a certain extent, then, one can say that with the advent post large industry, capitalism has to appear as naked capitalism, almost frankly as a system based on class domination. It arises as a system of asymmetric and polarized social relations that inherently generates exclusion, but with which it is necessary to conform since it is the only one that permits individual freedom and representative democracy. For present-day defenders of private ownership of the means of production, this system is constantly under threat of usurpation of the profits of private owners by unions, by corrupt governments, by tax policies created by demagogic legislators, by the revolt of the beaten, etc. The contradiction between labor and capital is no longer hidden; it appears to a certain fashion, but is presented as a type of perpetual-motion economic machine, necessary for the social good, for which – according to neoliberalism – there is no alternative.

It is necessary to see, unlike as occurred with modern industry, that the productive social force of labor no longer appears as the productive force of capital, but rather as an attribute of human collective and social activity. But this productive force does not present itself as an immediate result of the activity of the laborer, but as something that is mediated by him and that comes from the general intellect:

“(...) In this transformation, it is neither the direct human labor he himself performs, nor the time he works, but rather the appropriation of his own general productive power, his understanding of nature and his mastery over it by virtue of his presence as a social body – it is, in a word, the development of the social individual which appears as the great foundation-stone of production and of wealth.” (Marx, 1973, p. 705).

The old fetish of capital, i.e., the identification of the form of the relationship of capital with the machine, the system of machines and the materiality of the factory, loses force in society. It is certain that capital can seize control of knowledge applicable to production, for example, by means of patents, but the patents reveal themselves clearly as a form of capital whose existence depends on direct legal protection, for just this reason being considered intellectual property rights. On the other hand, the complex totality constituted by information, by scientific and technological knowledge, gains expression as a productive force. This collective intelligence is a force that cannot be appropriated as a whole, it necessarily exists in decentralized form; it forms an extremely complicated system and is in a permanent process of reconstruction.

Marx – it is worth remembering – calls this productive capacity “*comprehension of nature*”, distinguishing it as a source par excellence of the productivity of social man at the advanced stage of production developed by capitalism. This productive force is both a source of material and immaterial wealth and, along with social labor, of value and surplus value. Being something that has an immaterial existence and that exists diffused throughout society, it nevertheless appears, together with labor, as a historical realization of man in general, no longer as an inherent attribute of capital. This, however, does not keep popular economic thought from calling it “human capital” and “intellectual capital”. And it does so because the capitalists, as a class and as individuals, continue to be the owners of the means of production in general, and hence of the conditions of labor, even when these are found in the heads of the workers. The enigma of these two expressions reveals itself when one

perceives that the form of the relationship of capital appears on the side of the propertied class, but that the material that this form harnesses emerges as property inherent in the productive force of the dispossessed class.

Note additionally, on the one hand, that there is no longer harmony between the material that gives support to the form of capital, i.e., knowledge, and this same form, and on the other hand that the labor force that mobilizes the knowledge and keeps production going, that pawns its own subjectivity in the process of production, is no longer perfectly suited to the exploitation of capital. And this is exactly why the domination of capital, far from being softened, has to become intransigent and totalizing, extending its reach not only over the time at work, but beyond this, to the worker's life as a whole. This latter, then, must become a laborer in hock body and soul to the capitalist company. But in this way, capital now has lost a large part of its appearance as a material productive force, and reveals its essence, because it represents a way of sucking the wealth generated by social activity – an activity that indissolubly unites social labor with the knowledge about the processes of production (knowledge this that transforms itself, more and more, into an instrument of appropriating nature in its capacity to comprehensively reorganize nature).

Neoliberalism is a totalitarian political form that imposes social unification by means of a comprehensive ideology (patriotic education, “voluntary” alignment, propaganda, and spectacle) if possible and by means of force (administration of fear, big brother vigilance, military actions, and State terror) if necessary.

According to neoliberalism, the State should act, without shame, as an agent to promote capitalist interests. It represents the conservative option faced with the historical exhaustion of both social liberalism and socialisms centered on the action of the State. It becomes the ideology that defends the capitalist system when the relation of capital turns potentially superfluous and when self-management of the productive processes by the workers themselves begins to appear as an effective option, more productive even than the management option and that permits a greater degree of self-realization. Post large-scale industry, says Fausto, can be characterized as “*a negation of capitalism within capitalism*”¹³. Now an author like Melman can write, with exaggerated optimism when considering the current historical moment, but also with a certain capacity of foresight, that “*capitalism is in a process of transformation, heading to an economy based on democracy in the workplace.*” (Melman, 2001, p. 585).

While this fails to occur, the social and ecological irrationality of capitalism grows every greater. Bensaïd is correct, then, in affirming based on the same text of the *Grundrisse* mentioned before that humanity has reached a crossroads:

“Just as Marx foresaw in his Manuscripts of 1857-1858, ‘the theft of alien labor time, on which the present wealth is based, appears a miserable foundation

¹³ A book that perceptively apprehends the recent change of capitalism, even if without rigor and abjuring dialectics, is Hardt and Negri's *Empire* (Hardt and Negri, 2000). As a consequence, their critique does not go far enough because at heart it understands merchandise only as value of use and labor only as concrete labor (Prado, 2003).

*(...)', because 'as soon as labor in the direct form has ceased to be the great well-spring of wealth, labor time ceases to be and must cease to be its measure, and hence exchange value must cease to be the measure of use value.'*¹⁴ *The exacerbation of this contradiction constitutive of the process of capitalistic accumulation is at the root of the disorder of the world, of its growing irrationality, of the social and ecological damages.*" (Bensaïd, 2003, p. 33).

¹⁴ See Marx's Grundrisse (Marx, 1973, p. 705).

6. References

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