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Review of Capital as Power

Capital as Power in the 21st Century

A Conversation

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Abstract

On December 3, 2024, Michael Hudson met with capital-as-power researchers Jonathan Nitzan, Tim Di Muzio, and Blair Fix to discuss the intersections between their two lines of research. What follows is a transcript of the conversation. A recording of the discussion is available at https://www.youtube.com/watch?v=tBOU4xBg2pA.

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Tim Di Muzio:

WELCOME to 'Capital as Power in the 21st Century'. We meet today in the midst of what many academics consider a polycrisis to discuss capital as power in the 21st century. As is well known, we confront many challenges such as climate change, growing inequality, and political and military conflict, but they all are related to the dynamics of capital and its accumulation. Today's discussion is aimed at exploring and critiquing how capital functions as a form of organized power rather than simply as a productive economic asset as traditionally viewed in mainstream economics.

This approach, developed by political economists Jonathan Nitzan and Shimshon Bichler, seeks to understand capital not through abstract measures of value or productivity, but through its role in establishing and maintaining social, political, and economic hierarchies.

Today we have with us Jonathan Nitzan, who is a Canadian political economist and professor known for his critical approach to the study of capital as power. He is the co-developer of the capital as power theory, which he introduced with his collaborator Shimshon Bichler. It challenges traditional economic views of capital and value, arguing that capital is not a productive economic asset, but a tool of organized power used to control and shape social relations. This theory shifts the focus from economic growth and productivity to the ways in which power structures maintain and even increase the monetary value of assets. A prolific writer, he is most famous for the groundbreaking work, *Capital as Power: A Study of Order and Creorder*, with Shimshon Bichler. This book eviscerates both neoclassical and Marxist understanding of capital and accumulation and introduces a power theory of value.

Blair Fix is also with us today. He is a Canadian political economist and researcher known for his interdisciplinary work on economic inequality, energy, and the structure of social power. His research builds on heterodox economic theories and the structure of social power. He has published many works on the topic of economic inequality, particularly in terms of growth, productivity, and income distribution.

Fix is especially interested in the links between energy consumption, social hierarchy, and economic inequality, as well as how these factors affect the environment and long-run sustainability. He is renowned for his book, *Rethinking Economic Growth Theory from a Biophysical Perspective*, published in 2015, where he challenges traditional economic theories of growth by highlighting the physical and energetic constraints of economic systems. He also blogs at Economics from the Top Down, where he really bugs a lot of economists. It is a blog space which challenges traditional economic thinking.

Michael Hudson is also with us today. He is an American economist and professor of economics who has become well-known for his critique of modern finance, debt, and the economic structures that perpetuate inequality. Specializing in the history of debt and finance, Hudson examines how debt functions in both ancient and contemporary societies, focusing on his role in wealth redistribution and social control. He is the author of many books and articles including, but not limited to, *Super Imperialism*, *Global Fracture*, *Forgive Them Their Debts*, and *Killing the Host*.

My name is Tim Di Muzio. I am a Canadian political economist working in Australia at the University of Wollongong, where I'm an Associate Professor in International Relations and Political Economy. My major works include *Carbon Capitalism*, *The Tragedy of Human Development*, and with Richard Robbins, my co-author, *Debt as Power* and an *Anthropology of Money*.

I would like now to introduce Professor Jonathan Nitzan to start off our conversation of Capital as Power in the 21st Century.

Jonathan Nitzan:

Thank you very much, Tim. This was a very eloquent introduction.

What I want to do in the next thirty minutes or so, is to present the Capital as Power approach, or 'CasP' as we call it for short. I'll tell you what CasP is; how it relates to political economy more generally; and, most importantly, what it has to offer.

Now, since I suspect that some, if not many viewers, might know little or perhaps even nothing about CasP, I'll try to keep things as simple as I can, while hopefully not simplifying too much.

So, what is CasP?

CasP is a radically different way of understanding and studying political economy. The basic claim is twofold. First, that we should understand capitalism not as a mode of production and consumption as mainstream and Marxist political economists tend to do, but as a mode of power. And second, that capital itself is best seen not as means of production, but as a symbolic quantification of power.

Now, these alternative emphases make our analysis, I believe, totally different from that of existing political economy, and I'll try to explain why. But before I do that, let's address the simple question: why emphasize power? And the answer, also simple, is that *power dominates capitalism*. And let's just give a few examples, beginning with corporations.

Today's business landscape is ruled by very large, state-backed, corporate coalitions. We call them 'dominant capital'; and these coalitions are not only very big, but they also tend to grow bigger over time. If you take the top 100 corporations in the United States and take the average firm in that group, the gross earnings of that firm will be 15,000 times bigger than the gross earnings of a typical, or average, US corporation. Now, to put this number in context, we can go back to 1950, when this number was only 1,000. In other words, the relative power of U. S. dominant capital has grown 15 times over the past 75 years.

Or we can look at the other elephant in the room, the capitalist state (or the government). Over the past half century, government direct spending on goods and services around the world has risen to something like 15, 16, or 17 percent of GDP. And this is just direct spending. If you include transfers, like unemployment insurance payments, welfare payments and interest payments on the public debt, the numbers rise to something like 25, 30, or 35 percent. So, government is huge. And that's just for starters.

Most activities in society are regulated in one way or another by states. One form of regulation that I'm sure everyone listening has heard of is intellectual property rights. And it turns out that anywhere between 50 and 75 percent of the market capitalization of listed corporations around the world is intellectual property rights or other forms of intangible assets, which means that much of the power of those large corporations is power over states.

And these are of course only the most obvious examples, but we can broaden the vista and consider the organized use of force, open violence, and the frequent occurrences of war; or we can consider the fact that advertisement and brainwashing and conditioning are rampant in capitalism; or the fact (that a lot of people ignore) that most people in the world are religious. Now these forms of power are everywhere. They are exerted by states, by corporations, by churches, by criminal organizations, by militias; and they're prevalent domestically as well as internationally.

The problem with political economy

Now you may think, okay, you're right, power is everywhere. But isn't this something that political economists should deal with? Isn't it their responsibility, given the title of the profession? They are 'political economists'.

The answer is, really, yes and no.

Most political economists do not deal with power at all. This is the position of liberal economics, which relies on neoclassical theories of perfectly competitive equilibrium. And in these theories, power comes in — if and when it comes in at all — only from the outside. It comes in as a 'distortion', a non-economic distortion of the pure theory.

Now, there's, of course, a small minority of political economists — and yes, you have guessed right, these are mostly Marxists, or people influenced by Marxism — who do acknowledge power. And they emphasize primarily the class relations of society and the necessity of state as aspects of power. But, in general, they keep these aspects of power external to the process that matters the most — and that is the accumulation of capital proper.

And the question is why? Why do political economists ignore power? And why do they keep it external to accumulation when they do acknowledge it?

I think the answer is two-fold. First, there's the historical baggage. Neoclassical economists and liberalism, more generally, glorify and rest on individual utility, whereas Marxists rely on productive labor. So, in both cases, we already have something at the top, something that is emphasized. So, if power is addressed, it can come only second, because the first place is already occupied. But there is another reason that I think is *more* important, and it is analytical. And that reason is that once neoclassicists and Marxists allow power in, their theories immediately break down.

The historical baggage

So, let's just review these two explanations a little bit more closely and begin with the historical baggage. The liberal worldview, which emphasizes the individual, sees history in some sense as an ongoing progression — a progression toward greater and greater personal freedom. In this vision, the economy becomes more competitive over time; states tend to become weaker; wars become less frequent; and utility and productivity become the main drivers of society. That's the kind of linear — or more-or-less linear — liberal view.

The Marxist perspective on history, of course, is radically different. For the Marxists, history is a dialectical development of modes of production, in which we have, on the one hand, the changing forces of production, and these changes are clashing with the class conflict that is rooted in production, on the other hand. So, from this perspective, power plays a role. But it plays a role mostly as a *derivative* of production in general, and of the labor process in particular.

Now, I think that the modern concepts of the 'individual' and of 'labor' are, of course, very important for understanding capitalism. But in our view — from the CasP perspective — these concepts are too limited to build a broad theory of capitalism on. As we see it, a theory of capitalism should not simply deal with power. It has to *begin* with power, and it has to put power at its *very center*. That's our view.

It seems to us that human history — if we go back all the way to the fourth or third millennium BCE and extend it all the way to the present — is a series of increasingly organized modes of power. The most recent mode of power is capitalism, and when we think of capitalism in those terms, the conventional distinction that is usually made between economy, politics and culture becomes seriously misleading. It's not only because these different realms of society are, in fact, deeply intertwined, but also because all of them, as we see it, get discounted right into capital. So, in some sense, they're part and parcel of capital itself.

The analytical impasse

Now to the second reason, which, as I mentioned, I think is more important. And the question, here, is why do political economists fear power? The reason has to do with the nature of capitalism itself. Capitalism is unlike any other social order in the following sense, I think. It is almost entirely quantified, and its quantification is universal.

You see, capitalism is a system of commodities. It tries to quantify everything and everyone by giving them a price. And once objects and people are commodified and priced, they become comparable to every other commodified object or commodified person. In this sense, the commodity system, I would argue, is inherently universal.

So, to understand capitalism, we must first understand its universal quantification in terms of prices. Which is why every political economy begins with, and rests on, a theory of value. We know that the neoclassicists have their utility theory of value, and that Marxists build on a labor theory of value. Now, the concrete nature of these theories is, of course, very different. But their underlying logic and the way they operate are very much the same. And I'll try to explain how.

First, in both theories, each commodity has a real quantity. In the neoclassical case, the real quantity is the 'utils' that the commodity generates. And in the Marxist case, it's the socially necessary abstract labor, or 'SNALT', that the commodity takes to reproduce.

Second, in both theories, these real quantities are universal and comparable. So, for instance, we might say that the SNALT of a tractor is twice as large as the SNALT of a passenger car. Or that the util of a shirt is half that of a coat.

And the third point is that, in both theories, money prices of commodities are proportionate to the real quantities of those commodities. So, the tractor's price will be, in this case, twice as big as that of a car, and the coat will cost twice as much as the shirt.

Now, how do these real quantities map into money prices? In both approaches, the answer turns out to be the same. Real quantities are mapped into prices through the competitive market forces of supply and demand. So, in the final analysis, what we have is perfect competition forcing powerless individual agents — whether we call them producers and consumers, or workers and capitalists — to obey the underlying reality of commodities. It is the competitive equilibrium of supply and demand that ensures that money prices of commodities are proportionate to their respective utils or respective SNALT, depending on which theory you prefer to follow.

And here there is a big problem. A theory that relies on self-equilibrating perfect competition is *invalidated* by power. Once you bring in oligopolies and monopolies, once you allow government policy into the analysis, the organized use of force and violence, brainwashing, manipulation, organized crime, religion, etc. — once you do those things, the perfectly competitive mapping of utils and SNALT into money prices no longer works. And without a working theory of value, you cannot really have a general theory of capitalism, we argue.

The invisible units

And that's not the end of it. You see, it's not only that political economists cannot explain prices. In fact, they have nothing to explain prices *with*. Utils and SNALT, which are the real linchpins of neoclassical and Marxist political economies, are not some objective, measurable entities. And they're certainly not universal ones. In fact, they are no more than figments of our imagination.

In practice, nobody has ever been able to observe and measure actual supply and demand curves, let alone their equilibrium. And more importantly, no one has ever managed to directly measure utils or SNALT. And why not? Because they are, at least we think, impossible entities to start with.

So how do political economists square the circle? How do they figure out what the real quantities of utils and SNALT are in order to explain prices? And the answer is really simple and embarrassing. They go in reverse. They impute utils and SNALT from *observable prices*.

Now, this is important. Imputation per se is not the problem. Many scientific measurements are imputed. In fact, most scientific measurements are derivatives of other fundamental quantities. The problem here is different. The problem is that political economists take the utils and SNALT — which they just imputed from prices — and then use those imputations to explain the very prices they imputed those values from. (Forgive me for the complicated sentence.) In other words, they offer a tautology. Instead of explaining prices with values, they explain prices with *themselves*.

So let me summarize briefly before we get to CasP. Power is everywhere in capitalism, yet political economists either ignore it or keep it external to their theories. The exclusion happens partly because political economists have traditionally prioritized other drivers — primarily utility and productive labor — but more importantly, because both liberals and Marxists rely on competitive market forces to map the real quantities of commodities into prices. And this perfectly competitive mapping breaks down once you allow power into the picture. And finally, even if we accept the logic of perfect competition, we can't use it, because nobody, including none of the 93 economic Nobelists, has ever been able to objectively measure either utils or SNALT.

Enter CasP

So, how can CasP solve any of these dilemmas and problems? Well, commodities obviously have many different physical properties, and they're associated with many different human emotions. But in our view, none of these characteristics and emotions yield a 'universal quantity', let alone a quantity with which we can explain prices.

In our view, prices are anchored not in the commodities themselves, but in the power relations between their owners. And as it turns out, unlike commodities, relations of power have a quantitative, universal dimension.

According to CasP, in capitalism, the relative price of a commodity represents the organized power of the commodity owners relative to the organized power of other owners.

So, for example, if the price of oil goes up, it means that owners of oil become more powerful relative to other owners. Or, if the relative price of labor — in other words, the wage rate compared to the prices of other commodities — goes down, that means that workers are becoming less powerful relative to owners of those other commodities. Or, if the differential market capitalization of pharmaceutical firms increases, if you are a pharmaceutical owner, that means your power goes up relative to those who do not own pharmaceutical firms. And the purpose of CasP research is to explore and substantiate such claims and to situate them in such a way that we can understand capitalism more broadly from the viewpoint of power.

So, for instance, using CasP, Shimshon and I, as well as other researchers, have tried to theorize and historicize, and also empirically discover, the power processes that cause the relative price of oil — along with the relative income of OPEC and the oil companies — to rise manifold from the early 1970s to 1980, and then oscillate in long historical swings.

[CasP researchers have also studied] the power processes that made the relative wage rate in the rich countries stagnate since the 1980s; or the power processes that pushed US differential pharma prices, along with profits and capitalization, higher since the 70s; or the power processes that allowed the global grain companies to inflate food prices, and in so doing leverage world hunger for their differential gains. And there are many more examples that you might find on our websites if you care to read more.

A different theoretical framework

Now, the theoretical framework that CasP uses for this purpose is radically different than the frameworks employed by mainstream and by Marxist political economists. And I'll try to explain in what way.

The main difference has to do with our *concept of capital*.

Political economists tend to think of capital as a real-material-technological entity. Usually, they conceive it as some sort of sum total of means of production. Now, by contrast, CasP takes the viewpoint of capitalists, and it says that, as investors, capitalists don't give a hoot about material means of production as such. For them, capital is equal to one thing and one thing only, which is market capitalization.

Now, again, you might ask, why is this difference so important? Isn't it true that market capitalization is, in the final analysis, just the consequence of the real capital stock? And the answer, which might surprise you, is *not at all*. They're not at all related. They're totally different entities, in fact.

I'll give you a few reasons why I draw this conclusion. First, the growth rates of these two magnitudes move not together, but inversely. That's the case in the United States, which we investigated, where the growth rate of the real capital stock, measured in replacement cost, moves not together, but inversely with the growth rate of US market capitalization over the past century. And this inverse relation means that real capital, which is the holy grail of economics, is completely irrelevant to capitalists.

Second, if you drill a little deeper into the concepts of these two entities, you realize that real capital is *backward*-looking. It depends on the reinvestment of past profits, whereas market capitalization, which is emphasized by capitalists as well as CasP, is entirely *forward*-looking. It depends not on the bygone past, but on expectations about the unknown future.

And the third and final reason is that, theoretically, the so-called 'real' capital stock is anchored in a single magnitude. It's a simple aggregation, essentially, of invested or reinvested past profits. And market capitalization is a different creature. It depends on four different elements. It depends on the profits to be earned in the future. It depends on the optimism or pessimism of capitalists about those profits. It depends on their risk perceptions. And it depends on the normal rate of return with which they discount this amalgam of elements to its present value.

Now, given these multiple differences, it's no wonder that the real capital stock, which political economists see as the beginning and end of capitalism, has nothing to do with market capitalization, which is the sole god of capitalists.

And now we get closer to the heart of the matter. According to CasP, market capitalization and its components are about power and *only* about power.

So not only do we [CasP researchers] have a different kind of power, but we have a different concept of capital. And our concept is affected not by production, productivity, labor, utility ... all those things ... but by power and *only* power. In fact, we argue that capital *represents* power and only power.

Industry versus business

The basis for this claim begins with a logical separation — which as far as I know, was first offered by Thorstein Veblen — between what he called 'industry' and 'business'. He argued that these are not the same things at all.

In his [Veblen's] view, 'industry', which he used to denote the sum total of production and knowledge in society, is a collaborative societal process. This idea (which, mind you, was recognized, even if only in passing, by Karl Marx in the *Grundrisse*) becomes obvious these days. You just look at AI and you realize how quickly it harvests and mobilizes the entire corpus of human knowledge ... not yet [the entire corpus] ... but it goes in that direction.

Now, from this viewpoint, the common economic notion that there exists some sort of a 'production function' — and I use it ['production function'] in the most general sense ... in other words, a function that combines different factors of production (if we use the neoclassical lingo) or specific labor inputs (if we use the Marxist language), and that each of these elements has a distinct identifiable contribution to the final output — in our view, this notion is not only impossible to concretize in practice, but essentially it's theoretically untenable.

And it's untenable, we think, because when you consider industry in Veblen's totalizing sense, and when you consider it independently of business institutions, you can think about it in hologramic terms. Hologram means the *whole picture*, and in a moment I'll explain what it means. It suggests that every industrial activity — whether it's physical or mental, whether it happened in the past or in the present — spreads like a wave throughout the broad realm of industry. This wave intersects all the other waves that are created by every other industrial activity. And these intersections generate a sort of resonating totality, because the purpose of industry requires collaboration. It requires a reasoned application of agreed-upon logic, science and technology.

And this resonating totality, because of those infinite intersections, gets embedded in every product of industry. Now, this collaborative hologramic nature of integrated industry — namely, the notion that every product or service contains a mirror of the entire collaborative effort of humanity — makes it really impossible to deduce 'distribution', which is *differential*, from 'production', which is *totalizing and integrated*.

So, how is distribution determined? Well, the answer, from a CasP perspective, is that distribution is a consequence not of the productive realm of industry, but of the pecuniary power relations of business.

The institution of business, Veblen argued, is totally different from that of industry as such. It certainly relates to industry, but the relation is not one of production … it's one of power and control. As a resonating totality, industry has no need for business, by definition. The only thing business can do, standing outside of industry, is either nothing, or undermine/threaten to undermine industrial resonance.

Now, of course, in the capitalist mode of power, business controls the direction and the level of operation of industry. And this control occurs not by amplifying industrial resonance and cooperation, but through different forms of dissonance and sabotage. The notion of capital *as* power comes from this latter association between power and redistribution.

Differential accumulation and dominant capital

Now, according to CasP, the driving force of capitalism — just like the driving force of earlier modes of power — is not hedonic pleasure, and it's not the amassment of more and more real means of production. Instead, it's *power for the sake of power*. So, power is the ultimate goal. And this goal (power for the sake of power), CasP argues, manifests itself in two related ways: first, through the process of differential accumulation; and second, through the related institution of dominant capital.

In the actual world of business, capitalists and firms are conditioned and compelled not to maximize profits or net worth, but to 'beat the average' and exceed the 'normal rate of return'. In other words, whether they know it or not, their [the capitalists'] aim is not absolute but relative. It's not absolute accumulation, but differential accumulation that they seek.

And differential accumulation means raising one's capitalization relative to others. That is done by increasing the basic components I mentioned before — or elementary particles — of one's capitalization relative to those of others. So, it's done by raising differential profits relative to others, by raising differential hype relative to others, and by reducing differential risk relative to others.

All of these increases and reductions are *business* activities, and they are achieved by *business* means, not by industrial means. Capitalists achieve them not by boosting production (or by doing things with technology and labor and so on), but by undermining the productive process in various ways through forms of what we call 'strategic sabotage'.

So [here are] just a few examples of what CasP research has examined along those lines. One example is the ways in which the big oil companies, since the 1960s, have used Middle East 'energy conflicts' to boost their differential oil prices, profits and capitalization. And obviously *war* is far removed from production. If anything, it's the most devastating form of sabotage.

CasP research [also] demonstrated how the large grain companies and other food companies engage both hunger and obesity to boost differential prices, profits and assets. Or the ways in which U.S. pharmaceutical firms have actually created, transformed and established the nature of intellectual property rights and spread them around the world to become the world's most powerful, most profitable group of corporations. Or how in Hollywood the big film companies used the technology of blockbusters to decimate creativity in order to reduce differential risk and boost their differential assets — even though their differential earnings were not something to write home about. Another example comes from a comparison between Israel and South Africa, where the leading conglomerates supported a war economy (in Israel) and apartheid (in South Africa) to boost their differential returns — until they weren't differentially profitable anymore, so they turned to reconciliation. And the final example (from more recent studies) is the buildup of dominant capital hierarchies that actually use much of the energy created in the world ... or harnessed in the world ... and in so doing threaten the ecological future of humanity. And again, there are many more examples available on our websites.

Now, the ongoing processes of differential accumulation (and the sabotage that they rely on) have given rise to a tight hierarchical cluster (or clusters) of leading corporations — all intimately tied with state organs and with each other — which we call 'dominant capital'. Over the past century or so, all capitalist countries have become dominated by these increasingly global hierarchical networks of differential capitalized power. And these dominant capital networks are, at least in our opinion, the key agents of the capitalist mode of power.

The new modus operandi

Now, over time, the processes of differential accumulation and the associated consolidation of dominant capital have fundamentally altered the very nature of capitalism. And this is important. Political economists (both mainstream and heterodox) claim that capitalism thrives on economic growth, on the one hand, and on price stability on the other. And [they claim] that it falters under the opposite conditions; in other words, when there's stagnation and/or inflation.

Now, this view was born maybe in the early 19th century or even earlier, and it relies on the notion that capitalists seek absolute gain, and therefore they invest in new capacity, and that the discipline of competition forces them to constantly cut costs and prices.

CasP, by contrast, was born in the late 20th century, so two centuries later. And it has revealed, I think, a totally different reality. It demonstrated, first, that capitalists (particularly dominant capitalists) seek not absolute but *differential* gain; and that the rise of dominant capital and differential accumulation has altered the modus operandi of capitalism.

First, it [CasP] shifted the focus from economic growth to corporate mergers and acquisitions (we have seen that in the US and the UK very, very clearly). And second, it showed that rising concentration enabled dominant capital to orchestrate the use of power and sabotage — both among themselves and with governments — in such a way that helped redistribute income and assets . . . not through competitive price cutting, but on the contrary, through differential inflation . . . and, in fact, differential *stagflation*.

CasP and the 'larger use of credit'

Here I come to my last point, which I think will connect in some way the world of CasP with that of Michael Hudson and others, who have put a lot of emphasis on the power aspect of debt, credit, and money.

I think it was Veblen who first coined the term 'the larger use of credit'. What he meant by this term was that, by the late 19th century and early 20th century, credit had become something much larger than simply a means of buying and selling goods and services. It became the main form of organizing ownership through the issuance and manipulation of forward-looking stocks and bonds.

And from a CasP perspective, this larger use of credit serves to mobilize the new modus operandi of the capitalist mode of power. And it also links, I think, to Michael's perspective. First, it [the larger use of credit] made capital vendible. And making capital vendible enabled mergers and acquisition on a very large scale, and eventually enabled the rise of dominant capital.

The second thing is that, by giving capitalists the right to issue more and more shares and more and more debt instruments, it essentially privatized the creation of money beyond government … and even beyond the financial institutions proper.

And third and lastly, it made it both possible — and more importantly, *necessary* — for dominant capital to orchestrate ongoing inflation in order to validate, or *back*, the capital (namely stocks and bonds) they were issuing at an ever-increasing rate. They needed to inflate their prices in order to — in business jargon — keep their 'P-E ratios' from rising and rising.

And I'll end here. Thank you.

Tim Di Muzio:

Thanks very much, Jonathan. Obviously, quite a complex theory, especially for new initiates. But I think that was a wonderful explanation of the capital as power perspective.

And now I'd like to invite Blair Fix to address some of the comments made by Jonathan Nitzan.

Blair Fix:

Thanks, Tim. Thanks, Jonathan.

So I thought I would talk briefly about the role of theory, as I see it, in political economy. Stepping back a bit, in the wider world of science, scientific progress depends crucially on an interplay between theory and empirical work. Theory can never go it alone. Whenever theorists try, they get lost in dark corners.

I think we're seeing this a little bit in physics right now, where they've exhausted what they can do with particle accelerators. And for the last 50 years, they've been going where their minds take them. In my mind, it never goes well. And that, I think, sadly, summarizes much of the history of political economy.

It, from the start, was divorced from historical evidence and data. And to be fair to the early political economists (like Adam Smith), there *was* no data. They were just going out into the world and doing anecdotal observations. And that's fine. But very quickly, theory got way ahead of evidence. Political economy, from the outset, was a branch of what I would call 'armchair philosophy', where you start with the conclusions that you want to prove, and then you figure out a clever way to deduce them from some starting assumptions. And sadly, I think that's the whole history of the dominant schools in political economy.

So let's start with Marx. He wants to explain capitalist exploitation, which is a great starting point. And Marx the historian, I love reading. But he quickly decided he was going to ground this in 'scientific principles'. And for him, that meant a theory of value. And this theory of value was not "let's go out in the world and try to test some principles and come up with something empirical". It was an *assumption*.

Right from the get-go, [Marx assumed that] labor produces all value. And from there, you can say, well, if laborers get only a portion of the value that they produce, then we have exploitation … and the whole mechanics of capital accumulation. But from the start, these are assumptions, just philosophical assumptions.

Same thing with neoclassical theory, but in the opposite direction. The early neoclassical economists were clearly on the side of the capitalists, the upper classes of society. And they wanted to maintain the present order of things. So John Bates Clark was explicit — when he created his theory of marginal productivity — just explicit that he wanted to justify the status quo. Because if workers, in his words, came to believe that they didn't get the value that they produced, they would have the right to rebellion. Now I'm paraphrasing a bit, but that was explicit in the beginning of his work, in which he outlined the theory of marginal productivity.

So what did he [John Bates Clark] do? He basically came up with a different set of assumptions ... starting points where you can then derive or prove that the distribution of income is *just*: everybody earns in proportion to what they produce, both capitalists and laborers. So what did he do? He basically came up with a moral philosophy: start with some assumptions and prove what you want to prove.

And this has been very effective as an ideological tool ... incredibly effective. If you learn economics in a modern university, you're going to learn neoclassical economics. If for some reason you avoid that fate and you study economic sociology, you're going to learn Marxism. And this, I think, is a tragedy for empirical science, because — and this is what I'm interested in, and why Jonathan and Shimshon's work has been so liberating — because to do good empirical science, you need to be free to ask questions. And the sad part, in my mind, about neoclassical economics and Marxist economics is mostly what they do is *take questions off the table*. They say, "there's no point asking those questions because we know the answer".

So a good example in Marxist theory is the stock market. Marxists, when they talk about the stock market, will frequently just dismiss it and call it 'fictitious' capital, because it's not rooted in real production. It's financial capital. And I think that you can see how they get there from their theory, but it's a huge mistake.

Because if you didn't know anything about the world and just came and observed the way people behave in the 21st century — watching stock tickers go by, [people] obsessing about it, and the fact that businesses are obsessed with capitalization — it seems insane to say that's 'fictitious'. It is clearly important, and we'll get to the reasons why in a second. But Marxists take that off the table and say, there's really nothing to say about the stock market. You're wasting your time, if you dive into it, because we're talking about fictitious capital. Why would you research something that's fictitious?

And likewise, with neoclassical economics, they take the stock market off the table, but somewhat differently. Basically, there's an anecdote from the CEO of General Motors. I think it was in the 60s or the 50s. He was going to work in the US government in a high post, and he was questioned by the Senate about conflicts of interest. And his response [was]: well, isn't what's good for General Motors good for America? And that's kind of neoclassical economics in a nutshell.

When they [neoclassical economists] look at the stock market, they say that it ultimately has to be rooted in production. And production is rooted in giving consumers' utility. So if stocks go up, that has to be, in some sense, an indicator that the wider economy is getting better. And you still see this in the financial press, where liberals especially, celebrate that stocks are going up . . . as if it's good for everybody, and not just the people who own those stocks (not the vast majority of people who earn a wage).

So for me, as a young researcher, what was completely liberating was to have these false (in my mind) answers taken off the table. And suddenly, you're free to research a whole new set of ideas. I think as soon as you see the world in terms of power, it gives you a whole new dimension of analysis.

So back to the stock market. I was very confused in grad school, as soon as I started reading about economics. What is the stock market? What does it mean when stocks go up? You have the standard answers from neoclassical economics, and then the more subversive ones from Marx. But when I started learning about capital as power, there's a whole new answer, or hypothesis, which is that this is about differential power.

So a very concrete indicator: what if you take stock prices — say, of the S&P 500 — and index them against average wages. This is something that Jonathan Nitzan and Shimshon Bichler did. They called this the 'power index'. And it oscillates up and down, up and down. And we're at a high point [today].

This, I think, is a fascinating use of data that's there for everybody. But nobody really thought to do this, because they usually don't think of the stock market in terms of power. And when you do this, it's shocking, because we're at a high point. If you take the US S&P 500 and index it against average American wages, that index has never been higher. I mean, the stock market is just off the charts, whereas normal workers are suffering.

To wrap up — to ground this in what's happening right now — Trump won the election. And liberal Democrats are utterly confused about what went wrong. Because they've got so many indicators [that say] "Look, look, look, the economy is doing great". But the economy is doing great for *some* people, namely the wealthy. And [the fact] that stocks are going up? Great. If you earn the majority of your income from owning stocks, life is good. But if you're working for a wage, life is not good.

So stepping back and looking at the world in a different way, for me, has been super important. In my mind, what's most important about capital as power is not the answers that it gives — although I think it does give some good answers — but the questions that it backs up and puts on the table. And [also] the wrong answers (in my mind) that it takes off the table.

And that's super important, because a big part of the mental block — that Jonathan alluded to in the beginning — is false answers. This is [often] attributed to Mark Twain: "It's not what you know, that gets you into trouble. It's what you think you know, that just ain't so."

That's the problem in political economy, in a nutshell. It's that people have things that they hold to be true, that I now believe are not true. And once you take [these false ideas] off the table, then you're free to do, I think, much more interesting research. But then I'm biased about that. But I think I'll leave it there.

Tim Di Muzio:

Thanks, Blair. That's absolutely excellent. Some very, very prominent points, and certainly a nice summary and critique of existing political economy.

Now, I'd like to introduce Michael Hudson. I think the point of contact here, Michael — between the capital-as-power research agenda and your own work — is obviously the concept of power redistribution and inequality. But Michael's work has arguably been more historical about these power hierarchies, redistribution, and certainly around the concepts of money, finance and debt.

So, Michael, I'd like to invite you to respond to the capital-as-power tradition, in order to speak about your own work, and how you conceive of power. The floor is yours.

Michael Hudson:

Well, I want to talk about Jonathan's work, because we're on a parallel track. But I use a different vocabulary. And as he pointed out, I talk in historical terms.

I used to be an economist. But then, as Jonathan explained, I couldn't fit what the reality I was dealing with into the academic curriculum. So I left to be a 'futurist' in the 1970s. And then I found that the problems of debt and exploitation, and what the things that Jonathan described as 'power', were so fundamental, that I went from being a 'futurist' to become an archaeologist and anthropologist for 25 years at Harvard.

So I want to give a long explanation of how I come to what is a convergence of my ideas with Jonathan's, but using a different vocabulary — largely Marxist, and even more classical political economy that Marx dealt with in [*Capital*] Volumes II and II, that tends not to be looked at by Marxists, but I think explains a lot of what is called 'fictitious capital'. And what to me is simply the capitalization of economic rent, which Jonathan would call the capitalization of power. That sort of is the umbrella approach to us.

Now, I've read in the past (maybe 20 years ago, it seems), articles by Bichler and Nitzan about power, but it seemed to be talking in the general too much, not the specific. And I was very specific and empirically minded, for better or worse.

Ann Pettifor, I think 20 years ago (maybe it's 25 years ago), asked me to write an article on the rise to power of finance. And I wasn't able to write it. So she published something from my *Super Imperialism* instead. But then later, when I wrote my book on modern economics, *Killing the Host*, I had a whole chapter on the rise of the financial sector to power. So I began to realize that, yes, what we're talking about is not simply an economic category of 'rent'. We're talking about 'power'.

And I begin to say, well, what really is power? It's a free lunch. It's getting power over others. It's getting something without working for it, but getting other people to work. And I was writing about power from the point of view, 'what is it used for'? Obviously, it's for the control of assets and income and other people's labor.

Is it used for good or worse? Well, most societies since the Stone Age and the indigenous communities that anthropology has looked at — almost all [these] low surplus economies have sanctions against people who try to acquire power, because it's divisive. Power is achieved by some people by injuring other people, by forcing them into debt, by forcing them into bondage to pay off the debts and ultimately taking their land as a means of support. That's creditor power. And you see it through ancient history.

Well, why isn't this recognized by economists? It's treated, as Jonathan points out, as something external, not as the key element of what the economy is all about. And a large part of that explanation, I think, is that this acquisition of power involves a kind of ideological counter-revolution against classical economics. Power wants to make itself invisible. It wants people to think that power is really all used for the benefit of everybody, that selfishness is good, and that it helps the economy grow.

And as Jonathan wrote (his point 5.3), once you put power into the value theories of neoclassical economics and Marxism, their entire edifice breaks down. Well, I would agree with that statement, simply replacing it [power] with the concept of economic 'rent'.

Once you introduce rent, the whole idea of everything in value [theory] breaks down. I'm sorry he [Jonathan] used the word 'labor theory of value'. Well, of course, that's what Marx used to count value. But the classical discussion of value theory — from the physiocrats, through Adam Smith, through Ricardo, John Stuart Mill, to Marx — was basically a theory of economic rent.

Why did they want to discuss value? In order to explain the difference between *price* and *value*. How do you explain prices in excess of value? The answer is, by definition: economic rent is the excess of market price over value. It's not 'fictitious capital'. It's not 'fictitious income'.

You could call it 'power income', if you wanted, because it's unearned (therefore looked down upon), certainly by the logic of early industrial capitalism that deplored the idea of unnecessary costs (Marx's faux frais of production). The whole idea was to get rid of unnecessary costs, to cut them, and to get rid of the power of the landlord class, inherited from feudalism, because they collected rent in their sleep, without working. Well, that's power: being able to get rent in your sleep, and being able to use the rents that you got to control governments.

Also inherited from feudalism were the monopolies that bankers created in order to help kings (and later parliamentary democracies) extract revenue to pay interest on their war debts. Banking arose to make war loans (from the 13th century, sponsored by the Christian church, leading the church to reject Christianity's original arguments against usury). All the way down through the 20th century, banking was based on war debts, or on rent — increasingly, on rent seeking.

Once you got rid of the landlord class, you didn't get rid of economic rent. Real estate was privatized. Anybody could buy a home, or an office building. You just had to pay the rent to the banks. So, by the 20th century, bankers became the counterparts to the landlords that the classical economists talk about. Marx discussed all of this in Volume II, and especially in Volume III. (Very few Marxists talk about Volumes II and Volume III, which is why I haven't had much to do with Marxist groups for the last half century although I work very closely with Marxists who do read Volume III.)

So, let me summarize my point as a classical economist. They [classical economists] developed their value theory to isolate economic rent as something that should be got rid of, that had been achieved by power, indeed, from outside the economy, as economists talk about it. But it was always something external. Marx is very clear; he divided the economy into the sphere of production and the sphere of circulation. That's very much like what Veblen ended up talking about, the difference between industry and business. That is exactly what today's economic orthodoxy doesn't recognize.

You could state it another way. You could say the wealthiest 10% of the population are creditors holding the rest of the population in debt. If you look at the great polarizing force of inequality, that's debt leverage. That's how Rome's creditor oligarchy ended up reducing the economy to bondage. And it's how today's rentier class is imposing a post-industrial society, imposing austerity, in order to force economies to pay off the debt.

Beginning in the 1980s, I wanted to see, how did all this begin? How did debt and absentee land ownership begin? It couldn't have been that debt began with the intention of people getting together and saying, how can we impoverish society and get power over it?

How did it begin in archaic communities, which couldn't afford power-driven individuals, because most power was achieved by exploiting other people, by lending to them or by force in some cases. Archaic tribes organized their economy basically through gift exchange. Everybody owed food to each other. But it was all in balance.

You could say power enters the equation at the point where it begins to unbalance society, to interject itself into the social balance that's designed to hold people together in a positive relationship into something that becomes more and more predatory, corrosive and destructive by distorting the balance and polarizing. So the aim of seeking power was to get either interest or economic rent; as the classical economists defined it: something for nothing, the free lunch.

You have Milton Friedman saying "there's no such thing as a free lunch". That's the whole problem with academic economics. The economy is all about a free lunch, and that free lunch is what Jonathan calls 'power', basically. That's the sort of convergence between my approach and him. The aim of individuals seeking power was to make other people to think it's not power at all. "I'm helping you" [they say].

And people at first did try to get wealth more than others; but if you look at really indigenous communities (such as the German historian looked at in the late 19th century), you would have individuals trying to get rare foreign objects or hand-me-downs that were the inheritance clothes or goods of leading families. Heinrich Schertz wrote *The Origins of Money* in German in 1890, describing this. But this kind of wealth wasn't really monetary. It wasn't involved with other people's debts.

Other people would, for a long time, either donate their wealth to society and get a claim for being a giver (like John D. Rockefeller, a philanthropist), or if they did get wealth, societies would bury it with them. They [society] didn't want the wealth that was acquired by a few power-driven individuals to be bequeathed to their ancestors to create a family dynasty, which would have lorded it over the rest of society.

So, there were all sorts of personal tendencies to power that were opposed by social sanctions. And you find that in low surplus communities or in communities like Australia, where they say "a nail that stands up will get pounded down". It's considered anti-social to have that power. And there's that's another element of power that's key: it's anti-social behavior, as well as it's exploitative economic behavior.

So how did this power actually develop? It developed partly by evading or disabling public restrictions on power, such as in Babylonia. In Bronze Age Babylonia, the rulers were in charge of preventing what they would call 'economic disorder'. They knew that debts at interest tended to compound and grow beyond the ability of the population to pay.

If there was a flood, the laws of Hammurabi would cancel the debts that were owed by cultivators. If there was a drought, same thing. If there was a war, the same thing. In general, every new ruler of the Sumerian Babylonian dynasty would cancel the debts upon their coronation, which usually was the second full year on the throne.

So the whole idea was to prevent a creditor, landowning, rent-seeking, power-driven oligarchy from developing because they perceived that an oligarchy would try to get rid of the ruler ('get rid of the ruler' as sort of reflecting the divine religion of keeping economic order. This is a very Asiatic idea, unlike that of Western civilization. And they wanted to replace it with an absence of any overarching social or political or royal power.

Well, where this power developed was not really in Asia. It was in the West, in Greece and Rome. And it developed there because there was a dark age from bad weather from about 1200 BC to the 8th century. Gradually, you had Syrian and Phoenician merchants and traders come to Greece, come to Rome, come throughout the Mediterranean, and they spread the idea of interest-bearing debt, of charging interest. That had been completely absent from the Bronze Age Greece and West. No sign of it in the Linear B tablets of Mycenaean Greece.

So you had Greece and Rome grow without any central power. Modern economics would call that 'autocracy'. But what modern days call autocracy is the preservation of relative equality and the prevention of predatory power centers. So wealth began to be obtained in various ways in antiquity through military conquest, insider dealing, bribery, and from taking public property into private hands. That's really what happened throughout the Roman Republic; a privatization, just like it did under Margaret Thatcher's England or Ronald Reagan's the United States.

So I think the big question to me, prior to the discussion of power that Jonathan had, is: how did power institutionalize itself?

Force obviously is needed at some point to prevent resistance, but otherwise, if it was just forced, there would be revolts and walkouts like occurred in Italy. You need an ideological dimension of power that denies that power exists — the very first point that Jonathan made regarding the academic curriculum. You need a political system or ideology to give the illusion that the powerful people are really part of this common mutual aid society, just helping it grow faster. Nothing about power there. They call it just their 'contribution' or 'wealth seeking'.

The whole concept of 'wealth' had developed that ambiguity between 'wealth' in the financial predatory sense of capitalizing rent seeking (which intellectual property is a subdivision), or 'wealth' in the form of actual means of means of production. So in that [ambiguity], power was consolidated by making other people dependent on you and ultimately on a power-driven class, on an oligarchy that claims not to exist as an oligarchy (and to sanctify itself). And by doing so, transforming the whole character of archaic religion, which is based on balance and treating the mercantile class and the creditor class as the *bottom* of the social register, not at the very *top*, as it is today.

So land rent and other forms of economic rent are depicted as a result of how a free market works, as if it's the result of 'choices'; that people 'choose' to pay rent. After all, doesn't the renter sign a lease? And if you have to borrow money from a bank to break even, don't you sign an IOU? So it seems to be all voluntary. Whereas *real* power is to create a system that isn't voluntary at all, that forces dependency on the part of its victims. Debtors will sign the contract.

Well, you had the whole origins of Christianity, being Jesus going to the synagogue, unrolling the scroll of Isaiah, talking about the 'year of the Lord' (meaning the Jubilee year), canceling the debts and said that that was what he had come to proclaim. And there was a large movement already on that in Israel. And it was fought against by the Pharisees and by the rabbinical class that supported the creditors instead of the debtors. So you could look at early Judaism, you had the same fight that was occurring through all of antiquity between the creditor and the debtor class. And I think that if you're going to talk about power, you might as well talk about who has the most power and how is it applied?

And that's the creditor class. You could call it the rentier class because creditors use their power to, first and foremost, take control of the land, of the basic means of support (the subsoil wealth and any kind of rent yielding asset, which meant an asset that enabled you to get income in your sleep without working, actually having to work for). And you can see the traditional social morality expressed over 5,000 years of written records — show that societies through the ages believed that their ethic was to prevent that kind of power.

And what became evil — what was viewed as evil — was the drive to confuse the population into passively permitting the financial sector (and its rent-seeking clients) to abolish public authority, to create its own money, create its own laws, to sanctify the appropriation of property from the community to themselves ... and essentially to call the rulers (who are protecting the indebted population as a whole) what President Biden calls 'autocracy', and to pretend that the creditor class, the exploiters, were what President Biden calls 'democracy' ... when actually it was exactly the opposite. They were, of course, not a democracy, but an oligarchy.

You could look at this in terms of the government budget; once you get some power, enough to challenge the government and take it over, you then begin to privatize what is in the public domain, what was created by other people, transferring it to yourself. And under the slogan of free markets, you say that government activity and regulation to protect debtors, to protect homeowners, to protect consumers and monopoly is "interference with a free market".

Well, that's the opposite of what a free market was for Adam Smith and John Stuart Mill and all of the classical economists. For them, a market was free of economic rent, free from the legacy of feudalism, of rentiers, free from a hereditary landlord class, free from the monopolies that were inherited from the banks and free from a banking system that basically was predatory. The whole idea that what Marx expected was for industrial capitalism to evolve into socialism, and that the role of industrial capitalism was to industrialize banking.

Well, what the last two talks today have shown is that industry was financialized, instead of industrializing industry (just the opposite). You've had the dynamics of rentier income (or the capitalization of power) de-industrializing the economies of the United States and Europe. So without using the word 'power' as such, what I was describing was what it actually was. But instead of using the general term 'power', I wanted to be very specific and focus on the term economic 'rent' as distinguished from 'value', as the unearned element; as was just described, the capitalization of corporate wealth over and above the actual value, cost value. (The book value of the tangible wealth — the socially necessary labor costs, ultimately, necessary to create the means of production.)

That you've had a financialization of the economy, which you could trace this ethic all the way back 2,000 years to the beginning of Western civilization. And you could say that the whole fight of the global majority today (the BRICS countries) to break away, from the US, NATO, West, is a return to this Asiatic concept of a society that minimizes predatory power by devoting itself to the actual increase in material wealth.

Well, that's what the American school of political economy did in the 19th century. America's rise to industrial power was characterized by rising wages, not direct exploitation in principle. Individual companies, of course, would try to minimize and break the strikes of their labor force. But generally, the whole philosophy of industrial capitalism in the United States and in Germany was the economy of high wages. The realization that high wage well-housed labor was more productive than pauper labor.

And if you weren't going to raise the wages (the money wages), how could you actually raise living standards? Well, the solution was to have the government provide more and more of the basic needs of the population, to provide free education, health care, and to provide public utility, public infrastructure at a subsidized rate. Like the Erie Canal, the whole transportation system, the postal system, the communication system, was essentially to enable the economy to work at a low cost basis so that it could undersell rival economies.

To Marx, that's what industrial capitalism was all about: trying to undersell rivals. And the way to do it was essentially to have government playing a larger and larger role, not only as a capital investor in infrastructure, but to regulate the economy; to tax away economic rent, so there wouldn't be any rent to support an idle landlord class; to prevent monopolies in private hands that would have raised the cost of living and doing business for most of the society. That's where capitalism seemed to be.

And it was going in that direction in the United States and in Germany. [But] World War I basically changed everything. You had an evolution from industrial capitalism into finance capitalism, and from industrial capital into finance capital. And essentially, you had a shift from the creation of value into the creation of economic growth. And that shift — from creating cost value to rent as an unearned exploitative revenue — was, I think, what Jonathan has been describing as 'power'.

Tim Di Muzio:

We've just heard from Michael Hudson on several topics, which has to do with the monetization/privatization of society, which requires dispossession, and ultimately the rise of property rights. And what we haven't really discussed is the rise of ownership and the protection of ownership.

As Michael Hudson has suggested, the capital-as-power theory uses a different vocabulary than the critical perspective of Professor Hudson. But there are obviously very big points of contact. I'd like to invite Jonathan to address some of the topics and themes that were discussed by Professor Hudson.

Jonathan Nitzan:

I'd like to focus on capitalism specifically, because you, Michael, broadened the vista considerably, going back all the way to the Bronze Age. And I don't think I know enough, off the top of my head, to engage in this subject. But I think that more pertinent is the question of how we conceptualize capitalism and whether, in fact, there is a parallel (or as big a parallel) as you suggest, between our approaches.

I think your argument can be boiled down to the claim that, if instead of using the term 'power', we'll speak about 'rent', then our approaches will look very much like one another. Not exactly the same, but very similar. And I'm not sure that this is true. The reason we don't emphasize rent, I think, is not semantic, it's theoretical.

The key issue here, I think, is the concept of productivity and how it relates to the distribution of income. Until capitalism, there was very little growth to speak of, and distribution was largely zero sum. Income was usually understood as being determined by the gods and backed by force. But when production started to grow, maybe in the 18th century or so, and conservation laws replaced the church, gradually, the distribution of income shifted from the will of the gods to productivity.

The key question over which everyone bickered was: which class was most productive? This is a subject you [Michael] probably know about as much as I do, and probably much more. The physiocrats were the first who spoke for the nobility, and they claimed that productivity came from the land. And then the classical political economists represented the bourgeoisie, so they argued that productivity was anchored in industry. Marx said, hold on, it's just the working class, and he insisted that all productivity can be traced back to industrial laborers. Then came the neoclassicists who turned out to speak for dominant capital that started to emerge in their time, and they claimed that the most productive agents are those that earn the most, so [going] in a circular way.

Now I think that you and other heterodox theorists (not too many, but some) in some sense continue this line of thinking when you divide — and here you can correct me after if I'm wrong — you divide capital essentially into two types, good and bad. Or at least, this is the way it can be interpreted (and has been interpreted).

So good capital is [the] 'real means of production', which essentially push for technical change. And they [good capitalists] generate growth, because this is how they thrive. Bad capital is finance — or, more generally, rentier capital — which you and others consider to be unproductive and parasitic. And finance and rentiers more generally are seeking to confiscate, in this view, as much surplus as possible, even if they end up suffocating and killing the host on which they latch. (I think this is the title of one of your books.)

Now our own view on the subject, which we explained in many of our books and articles, is rather different. First, in our perspective, productivity isn't something that anyone can observe and measure, let alone assign. Even if we know and can observe all the inputs and outputs of production, the *process* by which the inputs create the outputs is, in fact, within a black box. We don't know what happens inside the box. We theorize, we claim that X determines Y in certain quantities, but this is an outside determination. It's not an inside determination, and that's why the debates are so unresolved.

And that's not the end of it, because in today's complex world, we often don't know all the inputs and outputs of production, because production has become so complex. And if we cannot measure productivity objectively, it's very hard to explain distribution with something we cannot measure.

So, what do we do? (And this is why I tried to explain that [the distinction between productive and unproductive entities], because I think this point — even if you don't mean it in exactly those terms — could be misleading people who don't get exactly your intention.)

We, in capital as power, bypass the problem [of productive versus unproductive entities] completely. First, as I mentioned in my presentation, we see production as a totalizing, collaborative process. So, it's attributed not to separate and individual factors of production (individual agents, individual corporations), but to the process as a whole. And this entire collaboration gradually gets embedded in every product of industry. That's why we call it hologramic, which means that every product contains the whole picture of industry.

And the second point is that we argue that capital, *all of it*, is external to the hologramic definition of industry. So, in its abstract form, capital for us is simply market value. It's finance and only finance. There is no such thing as industrial versus financial capital.

If we look at the capital of JPMorgan Chase, or Allianz (which is the largest insurance company), or Apple, or Toyota, or Lockheed Martin, or Pfizer, or Exxon-Mobil — all of these are giants that are busy doing different things, presumably. But their capital is all the same. In each and every case, it represents the capitalization of risk-adjusted expected future earnings. And that's it. So, in this context, there is no distinction between productive capitalists and financial capitalists and rentiers.

Today, most owners, whether they are big or small, private or institutional, are totally absent from production. And usually, they know not the first thing about it. They just own claims on pecuniary earnings, regardless of where those earnings come from. And I think the same goes for corporations. In our view, there are no 'productive' as opposed to 'unproductive' corporations. It's true that in everyday language, different corporations are associated with different activities. But I don't think this linguistic separation makes GM and Pfizer 'productive', and JPMorgan and Allianz 'unproductive' and 'parasitic'.

I think corporations are not industrial entities, full stop. They are just *legal entities*. And as legal entities, they do not engage in production. They simply control it. They direct it. And as we see it, consequently, corporations stand outside of industry proper. The only way for them to exact earnings, as I suggested earlier — and I just want to repeat it for people who are not familiar with CasP — the only way to exact earnings and reduce their risk is by either doing nothing or by sabotaging and threatening to sabotage industry in general.

And here is the key point. This sabotage of industry, by business, is exercised not only by so-called FIRE corporations. It's exercised by *every* successful corporation. And it *has* to be exercised by every successful corporation, whether we classify it as manufacturing or service or utilities, or if we classify it as banking or insurance or real estate.

From our perspective, this business sabotage is everywhere. It's embedded in the processes of mergers and acquisitions; in the processes of stagflation; in planned product obsolescence; in intellectual property rights that control so much of what goes on; in institutionalized violence; in environmental destruction; imperialism; war; in economic policies or the lack of economic policies; in differential taxation and contracts; in political manipulation and brainwashing. I can go on and on.

Now, if I understand you correctly, your notion of 'killing the host' suggests that eventually, this sabotage — whether it's exercised only by rentiers or by capital in general, as we claim — will decimate capitalism. So, I'm extending your argument more generally. I think that this outcome is certainly possible, and personally, I'm very much apprehensive about it actually happening. And it's not just decimating capitalism, but decimating capitalism and decimating our world with it.

This is a very real possibility. But I think that there is another possibility. And that is that capitalism suffocates industry not completely. It doesn't *seek* to suffocate it completely. It actually makes an *effort* not to do so. Instead, it suffocates industry *strategically*. I think we have shown that empirically in our work — that over the past century, capital has gravitated toward what Veblen nicknamed (very usefully at the turn of the 20th century) as 'business as usual'. So capital is seeking the right amount of sabotage needed to beat the average and exceed the normal rate of return.

And if that is true — in other words, if this experience of the 20th century tells us anything — it's that the long-term trajectory of capitalism isn't preset. So, it's not at all certain that this type of suffocation of the host will end in massive destruction.

Essentially, the long-term trajectory is dependent very much not on the balance between productive and financial capital, but on the broader balance *within* dominant capital (and when I say 'dominant capital', I mean, essentially, the large corporations, but also the large government organs they are intertwined with) *and* between dominant capital and the underlying population. And the outcome is not written in the cards, at least not theoretically.

Tim Di Muzio:

I think that's a very good point, Jonathan. I do want to get to that, because the theme for this conversation is 'capital as power in the 21st century'.

We've talked a lot about the past of power, the rise of hierarchies, and if Michael would allow us, the rise of the 'capitalist mode of power' rather than the 'capitalist mode of production'. But I want to give the floor to Michael to respond to your comments, Jonathan.

And then maybe we can have a think about how — and I know this is difficult to think about —- but there are a lot of Marxists, especially in the literature, proclaiming the death of neoliberalism, the death of capitalism. And, you know, what is the end point of this mode of power? And obviously, this will be highly speculative but based on maybe a trajectory and some empirical evidence. And maybe Blair can speak to this as well when we get back to it. But, Michael, the floor is yours.

Michael Hudson:

Well, I can't disagree with anything that Jonathan has just said. Our narratives are identical, although we talk in a different way. Just as a house is a house; this is where whatever a bank will lend against it, you can say that all capital, which is incorporated in corporations, is worth whatever a bank will lend against it. So in that sense, you could say that all capital has become finance capital.

I can go along with that. It's regarding productivity. Think of what Lloyd Blankfein of Goldman Sachs said: he said [his] employees are the most productive people in America because they make the highest income. This is exactly what the gross domestic product accounts say.

I agree with Jonathan that getting into the nitty gritty of trying to go through any given corporation, or the details, becomes a statistical swamp. What I would avoid, I would abstract the whole process by looking at GDP. Suppose you were to take GDP less the FIRE sector. Well, then you'd have a closer approximation of what the productive economy is. And if you could estimate how much a monopoly [is] charging — [what] a monopoly rent is for all of this — you'd have an even closer approximation. So I can describe, in theory and categories, what things are without spending the rest of my life as an economic statistician trying to spell it all out.

So in that sense, again, I agree with him [Jonathan]. What is the reality of GDP? I think Foreign Secretary Lavrov of Russia said, "well, look at how much larger the GDP of the BRICS countries are compared to the Group of Seven." Well, he said, "not only is it larger than the US and NATO, but it's more [that] the GDP for China means much more than it does in the United States because it doesn't incorporate all of this financialization and rent seeking." He didn't spell out 'financialization'. He just said it's much more production oriented.

If something is a generality that one can understand on the surface of it ... so, suppose I were advising other BRICS countries: how are you going to avoid the kind of power relations that you have in the West? That's where I can discuss the economics of power in the sense of, what is it that you want to avoid?

I think that's what the classical political economists of Adam Smith, John Stuart Mill and Marks Owen were saying. We want to get rid of rent seeking, the landlord class, the monopoly class and the predatory banking class. You know what you want to get rid of.

It's easier to say that than trying to actually describe productivity. But I would assume that we're on the same path there, too. As I said, our narratives are similar. I'm trying to push it ahead as 'where do we go from here'?

Tim Di Muzio:

Very good question, Michael. I'd like to invite Blair to make any further comments related to either Jonathan or Michael's comments.

Blair Fix:

So, first of all, I agree with Jonathan that in a scientific sense, the idea of rent is very difficult to work with. It's great morally. We all have ideas about what type of activity should earn income and what should not. And there's nothing wrong with having those kind of morals. As a scientist, though, it [the concept of rent] becomes very difficult to work with — to start dividing activities into productive and unproductive.

So personally, I just don't do it. And I think that's what the CasP research has decided to do. We just don't do it. We look at differential income. And you can argue, then, that differential income is earned on dubious means. For instance, war. You can then appeal to morals; but you don't need the morals to begin with.

An example of sabotage that is very clear — jump[s] out of the data — is the whole US healthcare system. You can look at what you get out of healthcare — which in broad terms is life expectancy — and what you spend on it. And so if you look at rich countries (Canada, Britain, Japan), and look at how much they spend on healthcare and the life expectancy they get for it … and you contrast that with the US, which has a for-profit privatized system … the US is just an extreme outlier.

And I think that is worthy of the word 'sabotage', because this is a parasite, right? The pharmaceutical, private healthcare system is a parasite that is delivering some healthcare, but is extracting a huge amount of profit for that. We can use moral language for that. But the data, in this case, speaks for itself. So I think that's just a great example of it.

Do you want to add anything, Tim?

Tim Di Muzio:

No, obviously, that's empirically verifiable and true. And I think the theme of this conversation isn't necessarily sabotage, but — and I don't know how Michael thinks about it — but, say you use a different vocabulary … and you do. But what you see is the sabotage as well, in the Veblenian sense, right? … The creation of private property rights, ownership. And that implies — and this goes back to Jonathan and other people's work — exclusion, right?

So, part of power, in the way that we can conceive it, is to create exclusion, right? Because if everyone's included, as you were talking about earlier — societies where the function of the economy is embedded in society and — it's basically reciprocity. Or at least so far as we know, it's based on reciprocity and redistribution, right? Not on a power hierarchy and some trying to gain more than others. And if you did that [seize power], generally, you're ostracized, penalized in some fashion as earlier tribal societies or indigenous societies, if you like, deal with that. So that's my two cents on that.

Over to you, Michael, if you have some comments about how you think of sabotage, ownership, private property, [and] redistribution. I think it's clear from your work. But if you'd like to add anything, please do.

Michael Hudson:

I agree with that — Jonathan's description and Veblen's description. Yes, finance has sabotaged industrial capitalism into the kind of society that he's just describing. I think that's a wonderful word; Veblen often has a sarcastic word that he puts in. I mean, that's exactly what's happened, and what I thought I was describing.

Tim Di Muzio:

So, let's just do final thoughts. Everyone will have, say, four to five minutes and then we'll conclude. Blair, final thoughts?

Blair Fix:

Maybe I'll speak a little bit about my own research that is is influenced by capitalized power. And that's on the topic of hierarchy.

As Michael mentioned, a lot of early human societies actively stopped hierarchy from forming. Christopher Bohm called it 'reverse dominance'. And you can find similar sort of things where the culture of this society is stopping strongmen from taking power, and that kind of thing. And that persists for a long time, until early agriculture. And then you start to get hierarchies.

The interesting thing about these early hierarchies is that they were incredibly despotic, just clearly about endowing the rulers with tremendous power (divine right of kings). And that persists for thousands of years.

When we get to capitalism, something different happens, which is that you have this explosion of hierarchy. And this is empirically true. The size of companies (firms) explodes during capitalism, during the 18th and 19th century. And these are hierarchical institutions. So you have, on the one hand, an explosion in hierarchy throughout capitalism, but a very different means of controlling them.

Instead of inherited wealth and landed aristocracy, people are buying and selling companies. And that's how you come to be at the top of a hierarchy: you buy it. And this is very different [than feudalism] ... much more dynamic. And I think, early on, much less despotic.

One of my hypotheses is that there's this interplay between more hierarchy — in the sense that large companies control, like Walmart, say, with millions of employees — that's a hierarchy. But there's also [the question], how despotic is this hierarchy?

In the language that Michael's using, a hierarchy could be used, in theory, for the public good. Say, a public sector hierarchy; it's a giant hierarchy. Say the US federal government; at least you hope that it's used for the public good, for the betterment of all citizens. And certainly, because it's democratic, the leaders are not billionaires. They're not sucking in resources for themselves. But there's no guarantee that a hierarchy will work that way.

What we've seen, I think, in the last 50 years of capitalism is almost a reversion to older forms of hierarchy, where literally the owners are just trying to enrich themselves. And so we can quibble about why and how that happened. (I'm not convinced it's entirely to do with financialization.) But it's certainly to do with power.

And it's visible now, everywhere we look. Concern for the public good, among the private sector, has just evaporated. And gradually, billionaires and these big corporations want to now completely undermine government public hierarchy.

So that's one way of looking at it, that is not necessarily the same as capital as power. Although I think they're coherent with each other, in the sense that you can believe that capital is power and also that hierarchies have different dynamics. That's what really interests me. That's been a big part of my research, and it's helped inform my view of the world.

Tim Di Muzio:

Yeah, I think that's great. Because I think that even if you do want to study the concept of power, it's intertwined with the rise of hierarchies and how different hierarchies manage themselves, right? So, you could have, instead of a history of capitalism, a history of hierarchies, and Jonathan would probably refer to that as different 'modes of power'.

Michael, any final thoughts?

Michael Hudson:

Well, the reason I spent so much time on ancient history is to find out, what is the source of power? And for me, what I found is throughout history (all ages), the source of power is creditor power — financial power turning itself into land ownership and property . . . property on owning power.

It's easier to discuss this in a chart than it is to actually quantify things. But I think if you want to get power today, if you're a family, and you want your children to get power, you tell them 'go into finance', or else 'go into law' and ride with finance in achieving, one way or other, achieving financial power. That's what I've tried to describe.

We can distill it all into what is the ultimate, most important lever of power. And then we can all work down to how it is that you could have power in financial organizations and bureaucratic power. There are all sorts of powers, but to me, I want to get to the actual center of it. In order to say, how does society deal with power? How have different societies dealt with it through the ages? And is there a better way of dealing with it? Does the world have to be this way? Or how do we get rid of the sabotage that's taken place?

Tim Di Muzio:

Thank you, Michael.

With my work on debt and money (which isn't probably as comprehensive as yours), I would tend to agree that if we look at the root of this — and we haven't really discussed it in any great detail — but the history and the rise of the monetization of society, the power to create money

Obviously, you talk about it through the idea of the creditor class and the relation between debt, debtors and creditors. And we tend to, in Marxist parlance, talk about the working class and the capitalist class, to kind of the detriment of talking about the creditor class and power of finance. And by finance, I mean the commercial banks and their ability to issue loans, versus the debtor class.

I think that's something worthwhile — to think about not only in history, as your work has shown, but also now. Even in the 21st century, we're talking about right now, across pretty much the West, a cost-of-living crisis. [And] there's the rise of inflation. Again, this can be explained in several ways, which we probably can't get into today. And then the housing crisis, right? That the younger generations probably will never come to own a home. Or, if they do, will be paying exorbitant interest rates, and so on.

So, I like, Michael, your trajectory and what you've been doing. And I can kind of see (I don't have a crystal ball … nobody does), but I can see this (unless there's significant resistance) getting worse for ordinary people, for people who are vulnerable and powerless. And, Michael, you've always been an advocate for that group of people. And I appreciate your work.So, thank you for those final thoughts.

Jonathan, if you'd like to add your final thoughts to the discussion.

Jonathan Nitzan:

Yeah, I'd like to pick up on Michael's emphasis, which I very much like on a kind of a long-term historical comparison of different features of power, all the way back to Sumer (as far as we know). I think capitalism introduces something new to the nature of hierarchy.

Today, a lot of people speak about capitalism as if it is some sort of new form of feudalism. You know, Varoufakis speaks about 'techno-feudalism'. And it just echoes discussions from the 1930s, in which Frankfurt School analysts spoke about political capitalism as if suddenly capitalism has been 'politicized'. These terms, I think, all boil down to an inability to introduce power to the *very center* of analysis, and therefore, they [theorists] need to attach new terms to capitalism, as if capitalism has changed.

I think if we take a longer perspective on hierarchy — say, if you compare the nature of hierarchy in capitalism to feudalism — you immediately see that these are very, very different types of hierarchy. Feudalism was a very hierarchical form of organization … the network was hierarchical. But it was really different than capitalism.

First of all, it was religious. Second, it was personal; the hierarchical relations were on a personal level. And thirdly, it was totalizing. So essentially, the fealty was complete. If you had a feodum with the Lord, you had to actually provide all the services to the Lord; you had total commitment.

Now, capitalism has changed the nature of hierarchical relations really dramatically. The relation has become completely secular. So, it's not bound by religion. It is completely impersonal. It really doesn't depend on your personal attribute. Your contract is not at the personal level; it's at the contract level. And it's *partial*. So, you don't have a commitment to any person or any agency that completely binds you.

You know, limited liability is an example of how you can break things down. So, the monetary nexus makes this a very flexible system. And in fact, this is why capitalism is so much more dynamic than other forms of hierarchy. And I think that there's an added element to it: that the hierarchy goes way beyond the actual organization.

So, the hierarchy of ideas, for example, is really very important in capitalism. And it's very hard to exclude it from the discussion, although it doesn't have the same quantitative elements that are very evident in works by Blair Fix, for example; you cannot apply the same kind of empirics to it. But these types of hierarchical relations are really very crucial.

I think that in that respect, capitalism has become more adaptable than other forms of power relations. And maybe some of it — and this is kind of in a footnote, but it is probably pretty much related to Michael's analysis — this explains in some way, the changing role of credit and interest.

Because again, I learned that in part from Michael's work about antiquity, where the rate of interest was sort of hardwired into religious dictates. So it was, if I'm not mistaken, 33 and a third percent. Whereas Rome and Greece, it went down to 12 percent and then, I think, eight and a half percent. And in capitalism, it has been essentially fluctuating.

So, the rate of interest is not what it used to be either in the Bronze Age or in the classical European beginning of Western civilization. It has become flexible. So, in many respects, capitalist hierarchies are dynamic today in ways that other hierarchies were not. And that gives capitalism flexibility and survivability, perhaps, that are greater than in those earlier systems. It's not as rigid and it's not as fragile that, you know, you break those symbols, the whole thing collapses. No.

Of course, capitalism introduces other dangers: total ecological collapse or nuclear war, things that did not exist in antiquity, at least not from the perspective of society. They came from the outside, they came from the gods, from nature. And these things, of course, are as important for the survival of society. But I think in terms of flexibility, capitalism is a different beast altogether. Its hierarchies are really, really dynamic. And in that respect, it is more capable to adapt.

So, I would be very careful not to follow Marx's footsteps and say that we are on the verge of a collapse of the system. It has proven pretty agile in many respects.

Tim Di Muzio:

Thank you very much, Jonathan. And that concludes our discussion. I'd like to thank Professor Jonathan Nitzan, Professor Michael Hudson and Blair Fix for our discussion today. A very fruitful one.

And gentlemen, we probably could be here for another couple hours discussing these topics. There's plenty more to discuss. And hopefully in the future, we can reunite and discuss similar themes and maybe talk a little bit more about future trajectories of capitalism, where we think it's going. And then, and very importantly, what are potential alternatives?

So insofar as we think about this 'mode of power', or 'capitalism', whatever you want to call it ... how do we get out of this cage, if we ever do get out of this cage? Maybe that's just a metaphor for us to think about. Well, let's just end it there, gentlemen.