

GEOFF MANN

COLLETTI ON
THE CREDIT CRUNCH

A Response to Robin Blackburn

IN A 1974 INTERVIEW with *New Left Review*, the Italian philosopher Lucio Colletti rued the chasms that had opened between the work of Marxist intellectuals in the West and the practice of workers' movements:

The only way in which Marxism can be revived is if no more books like [Colletti's] *Marxism and Hegel* are published, and instead books like Hilferding's *Finance Capital* and Luxemburg's *Accumulation of Capital*—or even Lenin's *Imperialism*, which was a popular pamphlet—are once again written. In short, either Marxism has the capacity—I certainly do not—to produce at that level, or it will survive as merely the foible of a few university professors. But in that case, it will be well and truly dead, and the professors might as well invent a new name for their clerisy.¹

Robin Blackburn was an important figure on the British New Left at the time of Colletti's strictures. More than thirty years later, an emphasis on the practical possibilities for social change continues to animate his work, including his recent analysis of the credit crunch, "The Subprime Crisis".² Blackburn's account of the causes of the crisis—which both untangles the technical failures of the financial instruments in question, and embeds them in longer historical processes of financialization and credit-driven capitalization—is likely to be widely read. It may therefore be useful to think through his analysis to consider what else might be at stake in the credit crisis that could identify political opportunity, or complicate the regulatory mode of redistribution he recommends.

Blackburn concludes his exposition of credit-market malfunction with a social-democratic call for sound state and international financial management, focused on social wealth: ‘The solution to the huge problems outlined above is not to abandon money or finance but to embed them in a properly regulated system; to progressively transform the very nature of corporations and banks in terms of both ownership and functioning; and to create a global network of social funds . . . and a global system of financial regulation.’ He continues:

The actual and potential costs of the credit crunch are already huge, but they must be seen as part of a wider distemper of financialized capitalism, with its yawning inequalities, stagnant wages and loss of social protection . . . The prestige of capitalist institutions has already suffered a damaging blow and will suffer further as the crisis hurts those in the real economy. But only practical, radical and transformative actions to tackle the wrenching consequences of the crisis can ward off stiff doses of capitalist medicine, which for many will be worse than the financial malady they will be designed to cure.

Blackburn’s ‘practical, radical and transformative’ solutions—a global network of publicly owned derivatives boards, transparency in the over-the-counter market, capital levies, even something like a ‘World Financial Authority’—are well-considered, and backed by an array of commentators on financial markets, before and during the current meltdown. The realization of any of these measures would be welcome. What merits concern, however, is what falls out of his account, or is perhaps even disavowed by it: the larger categorical questions that have historically animated critique in the Marxian tradition. This is why it is worth re-engaging with Colletti’s work, even, it seems, against Colletti’s own wishes. For he was among the sharpest critics of what he called the ‘pillars’ of the Marxist ‘theoretical edifice’—the analysis of value, money and capital.³ These concepts are not a part of Blackburn’s discussion, but they remain an essential part of the political-economic stakes.

¹ Lucio Colletti, ‘A Political and Philosophical Interview’, NLR 1/86, July–August 1974, p. 28. That these reflections were steps along a path that led Colletti, at the end of his life, to Berlusconi’s Forza Italia is commonly known—and as yet curiously unexamined in English. In contrast to some well-known reactionary ‘conversions’ to conservatism, Colletti clearly and rigorously *thought* himself out of the Left, all the while as concerned as ever with the political implications of his intellectual practice.

² Blackburn, ‘The Subprime Crisis’, NLR 50, March–April 2008.

³ Colletti, ‘Interview’, p. 21.

It is of course possible that Blackburn would agree, the ‘practical’ emphasis of his contribution being just one of several responses the crisis demands. But his insistence that the solution is definitely not to ‘abandon money or finance’ hints at an impatience with the ‘impractical’ sorts of questions that sometimes operate under the guise of theory. Certainly no one could accuse his work of avoiding the ‘big issues’. But the current crisis opens a window on the nature of value, and on the operation of capital as a social form—begging, precisely, the categorical questions that challenge the presumed coherence of concepts like ‘regulated capitalism’. We can advocate the radical institutional reconfigurations Blackburn outlines while simultaneously asking about the work of pernicious reinscription those institutions might carry out. A world beyond the rule of value remains a possibility that matters.

Grounding financialization

In 1857, as a financial panic steamed across the Atlantic, Marx wrote to Engels that ‘the stock exchange is the only place where my present dullness turns into elasticity and bouncing’. Blackburn’s explanation of the credit crisis of 2007–09 does not communicate the same cheerfulness, but its emphasis on historico-structural movement contrasts sharply with the dominant explanations currently in circulation. These address only historically ‘proximate causes’: various financial practices, instruments, institutions, and the aspects of ‘market psychology’ that ‘enabled’ the asset-price bubble and make the ‘crunch’ so uncomfortable. Analytical energy has been focused on the technical mechanics of the crisis, on the assumption that this is where the problem lies. This is not to say that these mechanics are unimportant. Elaborate packaging of asset-backed securities and creative evasion of liquidity requirements have become fundamental to the way investment banks (and, increasingly, commercial banks) have made money; the processes of ‘securitization’ through which finance capital ‘originates’ credit-backed securities involve mystifications so marvelous Marx would have been bug-eyed.

Blackburn performs the difficult job of explaining all this with admirable clarity, and arrives—like most commentators—at a call for regulation. An important difference in his account, however, is its refusal to reduce the problem to ‘moral hazard’. Instead, he interprets the credit crunch, ‘the climax of a long period of gravity-defying global

imbalances and asset bubbles', as a crisis of 'financialization—otherwise put, a crisis of that venturesome “new world” of leverage, deregulation and “financial innovation”.’ ‘In order to grasp today’s capitalism we need financial analysis, but the phenomenon of financialization sucks oxygen from the atmosphere’.⁴ It is this emphasis on the processes of financialization—which, as Blackburn notes, are not only twenty-first-century phenomena—that suggests these mechanisms are usefully understood as part of a crisis in the value-form of capital. Arguably, if paradoxically, these processes operate value in more ‘transparent’ ways than ever before. There is no need, in the financialized world Blackburn describes, to make the ‘mortal leap’ from commodity to money (C–M). Finance capital comes on stage after the leap has been made. By the time its role is important, it is all money: M'–M''–M'''.

Refocusing some attention on the problem of value can help us understand the deeper dynamics that continue to serve as the ground upon which capital moves. The first thing it suggests is that perhaps the most common critique of financialization and the realm of finance capital is a dead-end. This idea—to which Blackburn never succumbs—is that they are not based in ‘reality’, that they rest on ‘imaginary’ or ‘fictional’ commodities, capital or values. We are told these values do not ‘really’ exist as value; like Wile E. Coyote, when it becomes apparent they are running in mid-air, they will plummet to the ground. But if we try to examine the workings of securitization and financial capital on the terms of the value-form, these claims are analytically inadequate. Finance capital does not imagine these values into existence; securities, as values, are as real as any value ever is. Marx writes in the *Grundrisse* that value is ‘generic existence’, while the real commodity is ‘particular or specific existence’. ‘Value’, he says, ‘is a *separate form of existence which [accompanies] the commodity itself*’; as such, ‘money is the form into which all commodities dissolve themselves; that which dissolves itself into all commodities’.⁵

Real abstraction

For his part, Colletti emphasizes that the key process here is not imagination, nor fictionalization, but abstraction: the abstraction of commodities into exchange-values happens first ‘in the head and in

⁴ Blackburn, ‘Subprime Crisis’, pp. 65, 91. ⁵ *Grundrisse*, London 1973, pp. 141–2.

speech', since relations 'in general' 'can be established as existing only by being *thought*'. He reminds us that Marx uses the term 'abstraction' in two senses: 'as totality or mental *generalization*, and as one aspect or analytic feature of the *particular* object under consideration'; in other words, 'as abstraction from the point of view of logic and as abstraction from the point of view of reality'.⁶

The abstraction at work in the operation of finance capital is very much like that at work in the analysis of the bourgeois economists Marx targeted: the substitution of the generic for the specific or determinate. Finance capital 'mystifies', but that is not synonymous with 'fabricates' or 'fictionalizes'; 'metaphysical subtleties and theological niceties', as Marx said, are what a commodity is 'in reality'. The work of finance capital, in processes like securitization, in no way violates or overcomes conditions in the real world. As with Marx's famous metaphor for Hegel's philosophy, that it is 'upside down', and must be placed upon its feet, we can say that finance capital operates 'successfully': that logic has been substituted for reality by capital is not a flaw, but a 'true' vision of an 'upside-down' world. 'What is upside down is not Hegel's image of reality, but the very reality it tries to reflect.' Marx's critique of capital's mystification, and of economists' analytical fortifications, is not that it is a 'lie', or that it expresses a fiction. Far from it. His critique is that mystification is the very mode of being of capital; the 'fog of financialization' has historical precedent. Bourgeois economists give us an analysis that 'connives with and repeats' the 'inverted logic' of the 'upside-down world' capital produces.⁷

In so doing, capital, in this case finance capital, abstracts 'from the point of view of logic', operating in the 'generic', 'along-side' world of value, and then 'hypostatizes', or embodies, that abstraction. The moment of unity or equivalence achieved in value *must* be abstract. And the hypostatization of value—upon which we build a real world, in which securities are as real as anything else—is the crucial dynamic of modern capitalism. In this inverted reality, 'paradox reigns'. Private property, as Colletti pointed out, 'is consecrated in the name of a universal principle':

The general will is invoked in order to confer absolute value on individual caprice; society is invoked in order to render asocial interests sacred and

⁶ Colletti, *Marxism and Hegel*, London 1973, p. 123.

⁷ Colletti, 'Introduction', in Karl Marx, *Early Writings*, London 1975, p. 33.

intangible; the cause of equality among men is defended, so that the cause of inequality among men (private property) can be acknowledged as fundamental and absolute. Everything is upside down.⁸

The process underlying the theory of value, Colletti goes on, 'is a process of *real abstraction*, something which actually goes on in reality itself. Useful or concrete work is transformed into the abstraction of 'equal or abstract human labour', and 'use-value' into the abstraction of 'exchange-value': 'This is not a generalizing operation performed by thinkers, but something occurring within the machinery of the social order, in reality.'

The idea that value is a mere convenient fiction ironically resonates not with Marx's critique, but with one of the principal orthodox critiques of his theory of value—that he never understood that value is only 'relative', that there is no such thing as real or absolute value (Schumpeter, Robinson, Sraffa, Myrdal, Samuelson, etc.). Marx's conviction that there is indeed real, if non-material value, was an important part of his critique of Ricardo and Bailey. The 'perverted appearance' of social labour within the commodity form is a 'mystification', but it is 'prosaically real, and by no means imaginary'.⁹ Value is really abstracted from the world of living labour in the operation of capital as process—a 'process whereby *forces alienated and estranged* from mankind become present and real'.¹⁰ That is how capital accumulates as capital. Yet that accumulation, rendered possible by the force of abstraction, is by no means unreal. How else, for example, could the problem of 'liquidity' arise? The current liquidity crisis is not, primarily, a crisis of quantity—in absolute terms there is no lack of funds. On the contrary, it is a crisis of quality for finance capital: the problem is not too little liquidity *qua* cash, but too little liquidity *qua* cash-ness; a crisis not of the subject, but of the predicate.

Capital's time and space

Financial instruments such as asset-backed securities (ABSS) begin their life in the abstraction of value—even if it can be hard to trace their M' back to some C (or their S back to some A)—in a no less real way than in the sphere of what we might call 'material' production and exchange.

⁸ Colletti, 'Introduction', pp. 36–7.

⁹ Karl Marx, *Contribution to the Critique of Political Economy*, Moscow 1959, p. 51.

¹⁰ Colletti, *Marxism and Hegel*, p. 271.

Securitization, structuring and tranching, debt or credit obligations—these abstractions are as real as real can be in our ‘upside-down’ world. One of their fundamental abstractions is geographical: the substitution of logical time and space for specific time and space. It is not that finance capital has ‘superseded’ geography. Instead, it has abstracted the geography of capital from the geography of labour, and rendered labour conditional upon it. The scalar innovation performed by the construction of the ‘global marketplace’, for example, is far from illusory. On the contrary, it represents an abstracted spatiality whose power resides in the fact that it is not somewhere in particular, nor is it merely an aggregate of all the ‘somewheres’ that constitute the market. Indeed, geographers have struggled, and failed, to specify that space as anything other than ‘extralocal’.¹¹ In this abstract geography, capital’s immeasurable advantage, and labour’s structural subordination, are perfectly captured by the very real problem of ‘factor mobility’.

So what an analysis of value can tell us is that, in capitalism, it is not that the abstracted time and space of capital is ‘really’ determined by the geography of living labour, if only we could see it. In the world of capital, living labour is a condition of abstracted time and space, of value. This is why when the geography of capital is in crisis, so are we, down here in the land of ‘living labour’. If it were mere fiction, then we would need to worry considerably less. Regulation might suffice. Liberalism might work.

This also suggests that the criticism often levelled against economics by radical political economy—that it ignores space—is inaccurate. Economics does not ignore space or time; it abstracts from them, creating a world of economic unity in geographical difference. Take the following, from Gerard Debreu’s seminal *Theory of Value*, perhaps the founding text of neoclassical general-equilibrium theory:

The concept of a commodity can now be introduced by means of examples. The simplest is that of an economic *good* like wheat; it will be discussed in detail. There are indeed many kinds of wheat, and to have a well-defined good one must describe completely the wheat about which one is talking, and specify in particular its grade, e.g. No. 2 Red Winter Wheat. Furthermore wheat available now and wheat available in a week play entirely different

¹¹ Jamie Peck and Adam Tickell, ‘Neoliberalizing Space’, *Antipode*, vol. 34, no. 3, July 2002.

economic roles for a flour mill which is to use them. Thus a good at a certain date and the same good at a later date are *different* economic objects, and the specification of the date at which it will be available is essential. Finally, wheat available in Minneapolis and wheat available in Chicago play also entirely different economic roles for a flour mill which is to use them. Again, a good at a certain location and the same good at another location are *different* economic objects, and the specification of the location at which it will be available is essential.¹²

This framing poses some acute theoretical and political challenges, for the unity in difference of economists like Debreu is, according to Colletti, precisely the logic of Hegel's bourgeois world.

Practical transformations?

There remains the question of an adequate analysis and response to the crisis of capital presently unfolding. Blackburn points out, 'it is worth recalling that financialization was born in a quite heavily regulated world'.¹³ Moreover, the shadow banking system is concrete evidence of a 'pervasive regulatory problem that dominates the world economy today: any nation's financial controls appear to be made for the sole purpose of being evaded'.¹⁴ Marx's answer to the 'will regulation be enough?' question was unequivocal. Even if we overlook the way in which 'regulation' has thus far played out—i.e. state and international institutions rushing to the aid of financiers the world over with Temporary Lending Facilities, billions in bargain-priced liquidity and sugar-coated bank nationalizations by-another-name—the essence of Marx's critique is that regulation cannot be enough. That was his reason for bouncing at the stock exchange. Turning over our upside-down world requires not the taming or grounding or redistribution of value, but its destruction. The overthrow of capital's rule is literally the only way out.

In short, it is the acceptance of the necessity, not the inevitability, of revolution that makes a Marxist adequate to Marx's analysis. Blackburn clearly disagrees, or at least believes much work must be done before we need ponder a call to the barricades. Indeed, he writes that 'we should not expect a generalized rejection of all options and derivatives';

¹² Gerard Debreu, *Theory of Value*, New Haven 1959, pp. 29–30.

¹³ Blackburn, 'Subprime Crisis', p. 92.

¹⁴ Lance Taylor, *Reconstructing Macroeconomics*, Cambridge 2004, p. 263.

the “shadow” banking system must be brought under control and new principles observed by all those who offer derivatives for sale. The latter are a product of human ingenuity and should not be feared as an alien force’.¹⁵ He may be right; perhaps that is all we can expect or hope for. There is some evidence that future financial regulatory regimes will have more power than at present, perhaps even at the international level. The Financial Stability Forum’s recommendations, based on an orthodox diagnosis of the crisis, contain weaker versions of some of Blackburn’s suggestions, notably in accountancy; and Timothy Geithner, the new US Treasury Secretary, has called for a globally ‘unified framework that provides a stronger form of consolidated supervision, with appropriate requirements for capital and liquidity’.¹⁶ None of these mainstream analyses, of course, put socialized finance and redistribution front and centre, as Blackburn does.

What he does seem to share with the mainstream, though, is an impatience with the kinds of questions that Colletti, and Marx, were more than willing to consider at length. Can finance survive in a new world? Can money? The analytics that enabled Colletti, *avant la lettre*, to see into the fog of financialization are precisely those that put these categorical questions on the table, demanding that we examine the value–money–capital triad in a manner that takes none of its elements as ‘given’. Such analysis is essential to the intellectual work of the left. This is certainly not to say that it must be prior to, or is more important than, the work Blackburn and others continue to do, but it is not clear whether or not it falls under his rubric of ‘practical, radical and transformative actions’. It should. Certainly Blackburn would agree that the future should not be determined by the derivative contract that unfortunately shares its name.

¹⁵ Blackburn, ‘Subprime Crisis’, pp. 92, 106.

¹⁶ Financial Stability Forum, *Report of the Financial Stability Forum on Enhancing Market and Institutional Resilience*, Rome, 8 April 2008; Timothy Geithner, ‘We Can Reduce Risk in the Financial System’, *Financial Times*, 8 June 2008.