2. Economic Capital

2.1 What is Economic Capital and Where Does it Come From?

Capital from a historical perspective

One can make the following assertion: in the history of economic relations in our world, capital not only constitutes the main social form of making profits for the agents involved in exchange and dealing with money and its increase. Rather, the associated pervasive capitalization of all living conditions today has actually come to be an inescapable social relation that has fundamentally encompassed all humans on the planet. In the process, capitalization has itself multiplied, it has expanded in various different spheres, and is permeating human life ever more intensively. For observers, capital has become a fascinating, sometimes propitious, sometimes cruel object. To understand its mechanism, it is a scientific object. For agents, it is a form of action in doing and undergoing.

For Karl Marx and the bourgeois economy that preceded him, capital, labor, and immovable property were still clearly distinguished one from the other. Marx demonstrated in particular how labor and capital were closely interwoven. Today, by contrast, capital is often pluralized: in everyday parlance, we distinguish economic capital, already multilayered, into a range of different forms of property and profit, but often contrast it with still other forms of capital, as introduced in chapter 1. In the present chapter, it is initially important to provide a rough sketch of the development of economic capital.

An essential precondition for this development is simple cooperation, which also existed already prior to the emergence of the capitalist form of production and action. It springs from small-scale production, manifest most particularly in handicraft. For Marx, “Apart from the new power that arises from the fusion of many forces into one single force, mere social contact begets in most industries an emulation and a stimulation of the animal spirits that heighten the efficiency of each individual workman.” (MECW 35, Ch. 13, Section 1). Moreover, a cooperative group of workers produces a social average quality of labor more easily than individual labor, which is more subject to individual deviation and variation. Cooperation makes possible serial labor. In particular, it combines three key advantages: an increase in labor productivity and a concomitant saving of time in the manufacture of a commodity; production within a compact space of a room or workshop, thus utilizing short pathways, and a perfected division of labor; concentration of the means of labor to produce the goods and their efficient utilization.

In accord with the emerging competition in capitalist markets, simple cooperation developed into larger and more complex manufactories and then into large-scale industry. If the use of capital in cooperation was already aimed at producing commodities that yield a profit, it also showed already in embryonic form that is had need of wage laborers who performed sub-operations in accordance with the instructions of the entrepreneur in order to produce commodities in keeping with production demands. It is no accident that parallel with the development of cooperation on up to the level of large-scale industry, there was a total restructuring in society, which included the conscious and goal-oriented education of the broad masses, a strengthening of the justice system (courts and the police), and the establishment of administrative bureaucracies and further state agencies and offices. Cooperation is reflected in discipline, involving physical subjugation under a collective on the one hand and mental subjugation under an ideology of how to live on the other in order to develop this process. Cooperation is from the beginning of human history a form of work and pattern of life that ensures survival. It was transformed in the process of capitalization from a social collective toward being a “private” matter of the entrepreneur: the capitalist invests his personal (private) capital in production facilities in order to generate profit, the wage laborers provide their personal labor under conditions of contract in order to receive their wages and thus ensure their survival. Capitalist ideology says that this is the best form of living for all concerned, both capitalist and wage laborer. Since both prosperity and the levels of freedom continue to increase for individuals in the industrial countries in the historical development of capitalism, in particular from the 19th century down to the present, most individuals scarcely questioned capitalism in the framework of this development as a generally accepted form of life, albeit not without its contradictions.

Economic capital went through several stages in order to adapt its strategies for generating profit to different historical conditions, while at the same time creating the most optimal conditions possible for maximizing profit. One essential intermediate such stage was production in manufactories. “By decomposition of handicrafts, by specialisation of the instruments of labour, by the formation of detail labourers, and by grouping and combining the latter into a single mechanism, division of labour in manufacture creates a qualitative gradation, and a quantitative proportion in the social process of production; it consequently creates a definite organisation of the labour of society, and thereby develops at the same time new productive forces in the society.” (MECW 35, Ch. 14, Section 5). In the process, such manufactories developed internally an organization in which independently prefabricated individual parts were assembled or in which an object of labor went through several stages of production in order to increase the speed of labor so as raise the number of produced commodities per unit of time. The workers here are disciplined and drilled to perform one-sided physical and mental operations in order by increasing the operations to perfect the partial successive operations entailed and in competition in the marketplace to thus produce commodities more cheaply.

In this system of increasing productivity, the weak point was the human being, because the labor tempo could not be arbitrarily raised. Efforts were made to improve the means of labor, but the human workers still played a decisive role in the machinery. They are functionalized according to their partial skills, apportioned, divided up. In one activity they require physical strength, in another dexterity, in still another mental attentiveness, etc.

"For a proper understanding of the division of labour in manufacture, it is essential that the following points be firmly grasped. First, the decomposition of a process of production into its various successive steps coincides, here, strictly with the resolution of a handicraft into its successive manual operations. Whether complex or simple, each operation has to be done by hand, retains the character of a handicraft, and is therefore dependent on the strength, skill, quickness, and sureness, of the individual workman in handling his tools. The handicraft continues to be the basis. This narrow technical basis excludes a really scientific analysis of any definite process of industrial production, since it is still a condition that each detail process gone through by the product must be capable of being done by hand and of forming, in its way, a separate handicraft. It is just because handicraft skill continues, in this way, to be the foundation of the process of production, that each workman becomes exclusively assigned to a partial function, and that for the rest of his life, his labour-power is turned into the organ of this detail function." (MECW 35, Ch. 14, Section 1).

Marx still conceived of these functionally divided workmen as average labor power, because they create a concrete commodity and its value on average, but he did not sufficiently investigate how, already in the early forms of capitalism, workers distanced themselves from one another, becoming mutually alienated, in accord with differing interests and positions in the social field, divided up by better and worse types of labor, which increasingly corresponded likewise to better and worse wages, differing qualifications and attitudes. Even if all workers as a rule do not own any economic capital and do not participate directly in profit, as a result of different qualifications and wages they are nonetheless divided. Over the longer term, by no means will an average labor power emerge that can overcome their selective interests and be seen as one, not divided group, as Marx had still assumed. Today, as a result of historical experience, we see these forms of differentiation far more clearly than Marx was able to.

Elements of the manufactory also extend on into larger-scale industry that underlies classical modernity. Workers as a part of the machinery and later as an appendage to the machine led to rendering their activity ever more one-sided. Here it is being, not consciousness, that determines the living conditions, as Marx and Engels conclude: "It depends not on consciousness, but on being; not on thought, but on life; it depends on the individual's empirical development and manifestation of life, which in turn depends on the conditions obtaining in the world. If the circumstances in which the individual lives allow him only the [one]-sided development of one quality at the expense of all the rest, [If] they give him the material and time to develop only that one quality, then this individual achieves only a one-sided, crippled development. No moral preaching avails here. And the manner in which this one, pre-eminently favoured quality develops depends again, on the one hand, on the material available for its development and, on the other hand, on the degree and manner in which the other qualities are suppressed." (MECW 5, 242 ff.) Elsewhere it is stated: "In principle, a porter differs less from a philosopher than a mastiff from a greyhound. It is the division of labour which has set a gulf between them" (MECW 6, 174 ff.).

Large-scale industry is characterized by a development of machinery connected with scientific-technological progress. Machine production makes possible even greater labor productivity than the lengthening of the working day or its intensification. The manufactory is transformed into a factory, the factories become complex industrial plants, combines, and corporations. Developments in science help to advance industry, and in the process, clearly different qualifications on the part of the workers are ever more needed. Detailed operations, oversight and control, invention and increase in quality, research and management are differentiated from each other and yet function together in ensemble.

"To work at a machine, the workman should be taught from childhood, in order that he may learn to adapt his own movements to the uniform and unceasing motion of an automaton. When the machinery, as a whole, forms a system of manifold machines, working simultaneously and in concert, the co-operation based upon it, requires the distribution of various groups of workmen among the different kinds of machines. But the employment of machinery does away with the necessity of crystallising this distribution after the manner of Manufacture, by the constant annexation of a particular man to a particular function." (MECW 35, Ch. 15, Section 4).

However, Marx could not foresee that these partial machines would constantly be changing as well, so that a new versatility becomes requisite in the sense of an always flexible, available, and also mobile deployment of workmen with differing degrees of skill and competence. What Marx in particular was unable to derive in a comprehensive manner from his own experience at the time were the effects on the workers. On the one hand, they had to become ever more qualified in order to keep pace with scientific-technical development; on the other, they also remained in significant measure with lowered qualifications, deskilled, so as to stand available as much as possible as cheap workers in the labor market. But Marx was an excellent observer of the historical development of capitalism leading to large-scale industry, because in particular he also comprehensively analyzed and referred to the earlier developed theoretical reflections. His explanation of the profits gained by capital had a lasting determining impact on the discussions regarding relations of exploitation and dependence in capitalism.

Use value and exchange value

Karl Marx begins his economic analysis in “Capital” with the following introduction: “The wealth of those societies in which the capitalist mode of production prevails, presents itself as ‘an immense accumulation of commodities,’ its unit being a single commodity” (MECW 35, Ch. 1, Section 1). The reference to how it presents itself points to the human actions in which commodities are used. For Marx, the social character of modern production is characterized by and in the commodity. Here the manner of its functioning is not directly observable; rather, these are abstract relations requiring a theoretical presupposition, what I would term a “construction,” about whose validity in my view there can certainly be controversy and debate. Even if Marx in other contexts appears to make quite absolute statements in the sense of the reflection of external reality in unambiguous laws of action, the descriptive, analytical, and yet quite relativizing definition of the commodity, observing the many and diverse actions by human beings, has, I would argue, remained down to the present highly suitable for designating and determining fundamental ways of economic capital’s manifestations and effects. Yet in my view, we must keep its character qua construction clearly in mind.

Let us look more closely at this elementary form on which Marx’s analysis of capitalism is based. A classic distinction here is that between use form and value form of the commodity.

As use value, the commodity is an external object, a thing that in some way satisfies human needs or wants. These needs can be both of a material nature and can also spring from the wish for symbolic realization, from fantasies and imagination. Services of all kinds as possible commodities are also use values. The utility of the use of a commodity or service can be endlessly diverse. A direct usefulness consists in its direct consumption, while an indirect utility, by contrast, leads to a situation where other objects can be produced, maintained, or changed by means of the commodity. Marx defines this: “In the use value of each commodity there is contained useful labour, *i.e.*, productive activity of a definite kind and exercised with a definite aim. Use values cannot confront each other as commodities, unless the useful labour embodied in them is qualitatively different in each of them. In a community, the produce of which in general takes the form of commodities, *i.e.*, in a community of commodity producers, this qualitative difference between the useful forms of labour that are carried on independently of individual producers, each on their own account, develops into a complex system, a social division of labour” (MECW 35, Ch. 1, Section 2).

Use values forms are direct and indirect wealth, they serve to satisfy and maintain human self-preservation, but they only become a commodity by exchange. Here Marx makes an essential distinction in order to differentiate the action of use from a possible social form of exchange as commodity. He observes:

"From the taste of wheat, it is not possible to tell who produced it, a Russian serf, a French peasant or an English capitalist. Although use values serve social needs and therefore exist within the social framework, they do not express the social relations of production. For instance, let us take as a use value a commodity such as a diamond. We cannot tell by looking at it that the diamond is a commodity. Where it serves as an aesthetic or mechanical use value, on the neck of a courtesan or in the hand of a glass-cutter, it is a diamond and not a commodity. To be a use value is evidently a necessary prerequisite of the commodity, but it is immaterial to the use value whether it is a commodity. Use value as such, since it is independent of the determinate economic form, lies outside the sphere of investigation of political economy. It belongs in this sphere only when it is itself a determinate form. Use value is the immediate physical entity in which a definite economic relationship–exchange value–is expressed" (MECW 29, 269).

If we want to define use values more precisely, that is easier done in accordance with their quantity, but poses certain difficulties based on a distinction that looks at their quality. Amount, weight, number of units can be quite simply distinguished, but the utility of their qualitative properties is far more indeterminate. Every use value has its own quality and utility, so that apples cannot simply be compared with pears. Some use values, such as foodstuffs, appear directly useful, but there are also foods considered harmful or poisonous, that satisfy an addiction or provide a sense of ecstasy. Producers of use values suggest to potential purchasers, particularly through advertising, that the unique quality of their commodity is of direct usefulness, although the truth value of such statements always also appears to be subjectively constructed. The utility of use values, as Marx stresses, is not by any means given by a natural object. Rather, the use form is realized in human actions, in the process always also exhibiting a social character.

In their socialization and education, human beings go to great expense in order initially to develop their own personal use values as abilities and competencies, attitudes and knowledge, ways of behaving and virtues. The value of all these qualities may initially be purely personal, their use private. But when a person enters the labor market in search of employment, then some of these use values are transformed into an exchange value that can be traded as an advantage vis-à-vis competitors in the marketplace.

Political economy or the economic sciences are not interested in the use value. That value can, in regard to its material form, forms of action or in terms of practical needs, be analyzed by all other various and sundry sciences. For economics, all that is important is the social form in which use values circulate. And these use values realize this circulation as exchange values.

Initially, the exchange value means that someone who has produced or employed a use value, such as a service, cannot exclusively make use of this for him/herself. He offers the use value to someone else in order, in exchange for the item, to obtain something else. In earlier times, this other something was generally a use value as well when natural products or services were exchanged or bartered. Today, the act of exchange is regulated by socially constructed means of exchange, mainly money.

If we reconstruct the underlying actions that emerge during exchange, two things are important.

First, the human actions must take place in a division of labor. Different producers produce different use values solely in a form based on the division of labor; these use values are then ready for possible exchange. But a division of labor is not sufficient. Within it, exchange could still take place in the family circle or in the production unit. Some thus regard such direct production communities or communes as the salvation of a humanity liberated from exchange and money. Yet that presupposes that others distinctive features such as origin, age, status in this familial or group-related context are not valid for special modes of exchange—one receives more, the better item, etc. Yet we have no convincing proof for this in human history. Even in collectivist forms of society, principles of distribution based on preference, privilege, and disadvantage can operate if we are guided by exchange relations in the real world and not some utopian ideal.

But of far greater import is the fact that analyses of action down to the present show that private production—i.e. the production of various use values, springing more from egoistic and isolating motives vis-à-vis a community—produced all the commodities and assets that today, we consume in ever greater quantity and quality. Thus, along with the division of labor, property is a second important factor—today also always bound up with legal titles. Certainly, there were past models in human history where such private production was restricted and as a result, it was possible to generate a greater sense of community in certain cultures. But the story of material success goes hand in hand with a society producing goods and services and is based on a division of labor, private production and private property. Only through private labor with the right to ownership was it possible for goods production to unfold in its present scope.

The exchange of commodities as a form of action thus consists in the fact that use values that appear to be useful are not only valuable for the owner. Rather, in and through exchange, they also show their value for others. Only what can actually be exchanged proves to be a use value and is realized as an exchange value.

In the exchange, a two-sided value is exchanged: it has both a dimension of use and an exchange side. Only its mutual value must be comparable. However, the differences in the various use values make it very difficult to determine the proportions they can be exchanged in, if we presuppose that this exchange cannot simply come about only in accordance with accidental patterns. Can the exchange be just? Must it be? And how should a just exchange be measured?

In his studies, Marx concludes that a just exchange will not always occur, but as a rule there is a tendency not to allow the exchange to be merely accidental, arbitrary or unfair. That is the case when we can at least indicate a quantitative basis of comparability in the value of the commodity. But most often use values differ so substantially both quantitatively and qualitatively that it is difficult here to find a bond of commonality. But what is the situation when it comes to exchange values? What is contained in each and every commodity, no matter how much it otherwise may differ from another?

For Marx, that commonality is abstract human labor, i.e. the labor we measure in labor time, even if the quality of this labor produces in each instance quite different use values: “If then we leave out of consideration the use value of commodities, they have only one common property left, that of being products of labour. But even the product of labour itself has undergone a change in our hands. If we make abstraction from its use value, we make abstraction at the same time from the material elements and shapes that make the product a use value; we see in it no longer a table, a house, yarn, or any other useful thing. Its existence as a material thing is put out of sight” (MECW 35, Ch. 1, Section 1).

What then remains for Marx? “Let us now consider the residue of each of these products; it consists of the same unsubstantial reality in each, a mere congelation of homogeneous human labour, of labour power expended without regard to the mode of its expenditure. All that these things now tell us is, that human labour power has been expended in their production, that human labour is embodied in them. When looked at as crystals of this social substance, common to them all, they are—Values” (ibid.).

If use and exchange have a commonality, then it is this third element, the value, that unites the two. It is itself invisible, but it appears in the exchange value and becomes visible as a means of exchange, such as the money we spend on a commodity. How much do we have to give? As a rule, this seems to depend on the value produced by a certain quantity of expended labor time. And no matter how much the use values may differ, in the quantity of the labor time expended for their production they appear to form or constitute a value that is approximately comparable to the values of other commodities produced with an equal labor time so expended.

However, presupposed here is an average value for all labor, i.e. a labor time is presumed that only forms socially behind the back of the producers in the competition between all producers, and that cannot be measured simply in individual labor time. Yet it can only be measured as an average. Otherwise the laziest workman, taking much time, would produce the highest commodity values.

Determination of the value of goods and services

Marx was already heavily criticized in regard to this point, because there are a great many commodities that have a more subjective value, such as luxury items, and others that are scarce and whose value increases especially in response to demand. Marx does not question that, but if the values of the commodities can have a comparable character at all, then that cannot be based on their quality as things, their material reality. Rather, a yardstick for comparison must be found, and the thesis is that this could only lie in the quantity of labor expended.

If we look at the creation of values from the forms of action that can be observed in economic activity, what initially strikes the eye is that even when it comes to simple commodity production, there are different calculations from those that Marx recommends. It is evident that all producers or service providers expend labor time, and it is also clear that the quality of life for a worker can be measured by how long a person has to work in a working day in order to earn a living. But no one keeps an account record in which the hours expended are added up in order then to use a comparative list to determine the produced value of a commodity. This can be illuminated looking at the following example, gold as a commodity.

Gold is a special commodity since it can also be presented directly as a means of exchange, and for a long time has served as a backup security, such as for money in the form of coins or bills. According to Marx, how is the value of gold determined? For example, a firm initially has to obtain rights for prospecting for gold. We have to consider the cost of these rights as already expended labor time, because the value paid to obtain the rights must already contain a high level of time expended, given the high value of the rights. However, this is already difficult to calculate in time units, because it is also a matter of ownership of land, and only the price paid is clear. After obtaining the property rights, the entrepreneur hires workers for wage labor, as well as engineers and others. According to their qualification, they receive different wages, but their contracts stipulate that they must in each case work a designated amount of time for the enterprise. These hours are determined and calculated. Added to this are material costs for machinery, transport, etc. These costs can in turn be conceived as prices, but they also contain a quantity of labor time of those who have contributed to its production and thus have created certain costs. Now what determines the value of this commodity gold? The common average expended labor time of all workers involved in the production of the use value of this commodity is what determines the value. If we then sell the commodity gold in the market, we obtain a price, Marx says, that can deviate quite substantially in some cases from the actual value, as a result of fluctuations in supply and demand and other circumstances.

By contrast, in actual commodity production, calculations are handled differently. Both for the entrepreneur and the wage laborer, it is far too complicated to determine in each case the quantity of labor time that was already expended in the flow of production and is now included via the fluctuation of prices in the commodity value. The calculation is simpler: the entrepreneur has expenses, in our case the costs of acquisition, material costs and costs of wages for labor, and he has a produced commodity, the gold. In the end, this gold must when sold bring in more money than he originally expended, at least over the long term, if the entrepreneur does not wish to use up all his capital (the money invested so as to achieve a profit) and thus head for bankruptcy. Here the entrepreneur deploys resourceful individuals who attempt to reduce his costs and to jack up his price (by means of agreements, advertising, bribery, and other measures). His cost-benefit calculation does not require deduction of labor time as increment value, even if it possibly could be shown that the values of commodities increased by added labor time. However, for the entrepreneur, all that counts in terms of action is that in the end, there is a plus, a profit, and no lasting minus.

As unskilled workers, skilled specialists, engineers or managers, the wage laborers have expenses that differ quite clearly depending on their style of life. All calculate their labor time, but they are less interested here in to what extent they increase the value of a commodity. Rather, their prime interest is what value their own work achieves, its price as wages paid out, or as a bonus, a gratuity, etc. Here people calculate with a social quantity: the necessary expenses they require to produce, maintain and develop (i.e. reproduce) their labor power, and to support and develop their family or entertain a reasonable life. They calculate what they need to live and what they can and wish to afford over and beyond self-preservation, given a certain level of social prosperity. In the course of the development of capitalist society, they formed interest associations, trade unions, which fight for a “just wage.” But this does not mean that they actually receive the value that they add to the commodities during the time of production—but rather a value that corresponds as adequately as possible to the costs of the social living standards, or even better, exceeds this in comparison with others.

When people calculate in a different way in their actions—that is to say, they do not measure precisely the quantity of time added to the commodities in commodity production and what determines their value—then the question arises: why did Marx define the object form of the commodity in a way different from their form of action appearing openly in their way of life? The main reason for that is because Marx wished to show that values of commodities are never formed solely in an arbitrary manner. Rather, they are formed by expended work time, independently from whether we in practical terms calculate it this way or not. If values of commodities were only formed subjectively, as many economists believe, then all values would be regulated more or less arbitrarily through the market. Then an entrepreneur would not likewise not make his profit through and on the backs of his workers, but only in the market. Capitalism then would not be characterized by exploitation, but solely by risk and the "accidental" profits accrued in the market.

If we return to the form of action here, we see that this reversed image of accidental profits would in fact be too simple. Of course, the market is a key component in price formation and acquisition of profit as a result of supply and demand, the guidance of the sale of goods, advertising, and efforts to eliminate competitors. But it is also indisputable that labor time expended is necessary for producing the commodity value, and is thus a precondition for realization of profit. Yet for the form of action, it is completely unimportant whether this actually has to be calculated or not. In the price obtained over against the costs entailed, one can always see much more clearly and directly from the result of all actions whether the actions of creating value and realizing a profit were successful or failed. But if even profit in the market were totally accidental, if the expenses in relation to profit could not be adequately calculated, then all of capitalism would have to be seen as some kind of grand game of chance akin to a casino. This may indeed occur in some individual cases, but it cannot explain the structuring of the total ensemble of action and its course. In this structure, the commodity labor power also evidently plays a decisive role for the capitalists, since its productivity in particular promises a higher profit, as all economic theories concur. That is because along with other costs, in daily practice the costs for wages in particular constitute a main target for economizing in order to increase profit.

Goods and services are use values. They become exchange values only when they enter the market and become part of consumption. But what is the situation with things available in or from nature, for example in their inherent properties? These appear as use values without value or exchange value. They are not gained through labor; thus, no labor time flows into them as an increase of value. Marx had to concede that this seems to hold for land, because it has a price without always possessing a value produced through labor. However, Marx stresses that a ground rent is created only by a capitalist relation of labor and exploitation (see MECW 37, Part 6). It becomes clear here that Marx utilizes a highly ideal-typical construction of labor and value. It would be simpler to say that in human actions, what can be constructed as respective value is what can be exchanged on the basis of property. Human labor may enter into numerous exchange objects as an increase in value. However, in others, it is supply and demand that lead to their own formation of value or price. Yet vice versa, it would not be helpful to derive all increases in value from the dynamics of supply and demand, since that would clearly underestimate the role of labor.

We must take a fundamental aspect here into consideration. In human actions, something can be useful and a product of human labor without being a commodity, as Marx emphasizes in the first chapter of "Capital." Simplifying, one can say that only those use values that are exchanged in the market and transformed there into goods and services—i.e. which can be transformed into money—assume a social form of value.

These distinctions can certainly be grasped looking at human action. Not all use values can be exchanged, transformed into money. Take for example domestic labor in contrast with wage labor. Although both are forms of labor, a person receives for one a wage and a certain degree of recognition through pay deductions that as a rule later are reflected in social benefits and pension payments. For the other, domestic labor, a person obtains at best some recognition in the family, but unfortunately that is problematic for economic subsistence and survival. To that extent then, there is a contradiction inscribed in the unity of use value and value: the use value of the commodity cannot be realized until the value of the commodity is traded in exchange, that is to say, when that value finds a social confirmation in some economic (trans)action in the market. For that reason, people know how in their decisions to distinguish between what brings them some economic benefit and what maybe be fine and good, but useless for their economic betterment and security. The economy of exchange does not intervene here, because for it, only the exchange itself as a form of socialization has validity. At all events, the state could also recognize a person's domestic labor by allotting something as a social benefit for this labor. But this would have to be realized as redistribution beyond the compass of the customary market mechanisms.

If we turn once more to the question touched on in chapter 1—when and to what extent personal qualities and competencies are capitalized—then we can conclude here that such skills, properties, and capabilities of the individual such as social ties, relations and networks, cultural education, skills and competencies learned from special courses, etc. are initially, in regard to the marketplace, always use values. They only become economically relevant values, and thus are capitalized, when they can actually be realized in acts of exchange in a market, and are so utilized with the intention to gain a profit. This distinction will prove important for the further definition of the forms of capital. In regard to their own use values, people thus always initially fear the market in so far as economic action is involved. Their fear can be phrased along these lines: what will happen if we create use values, such as our own qualified labor power, which then confronts exchange in the marketplace, but no buyer can be found, because the use value at the time has no utility? One example of this is the overproduction of use values. Things then are not realized as values, nor can labor power realize itself in wage labor or independent labor.

There is a popular discourse in capitalism about the high risks a capitalist assumes in his/her investment of economic capital. Because the capitalist has to trust that the commodities he or she produces actually will ultimately find a buyer. It is frequently overlooked that all workers also assume a risk: because despite all the qualifications they acquire by their own expense and effort, they cannot be certain they will subsequently find a job, even temporary, to say nothing of more permanent employment. They can live in precarity.

Concrete labor produces use values

The economists who preceded Marx, particularly Adam Smith, were already aware of the distinction between use and exchange value. However, Smith (1904) still conceived of the difference as a natural one. In his view, the natural actions of the human being are definitive for explaining the difference. Marx, by contrast, constructs a social relation, where the exchange value only constitutes the external form of a value relation, which he describes as a concealed social relation. What is hidden is the respective social labor that contributes to value creation as average necessary labor time. That is why it becomes necessary for him to distinguish labor that concretely creates use values from the other side of labor: labor that produces abstract value. He terms this the dual character of labor. In order to grasp economic capital more deeply in a Marxian sense, this twofold nature or dual character as concrete and abstract labor must be investigated more carefully. Because it for Marx is pivotal for the central questions of political economy (cf. MECW 35, Ch. 1, Section 2).

The production of use values takes place in concrete labor. Concrete human labor is labor that occurs in a useful form with products produced in a specific quality. It differs from other labor by the element of differing quality, because and in so far as it creates different use values. The work done by a locksmith, a mechanical engineer or a teacher differs from that of a baker, warehouse worker or manager. The difference in such work is bound up with its purpose, the manner of production and the variety of different instruments employed.

Humanity is characterized by concrete labor right from the beginning, because use values were always important for humans in order to create and satisfy the needs of self-preservation and to distribute those needs. Concrete labor forms use values, it is useful labor, and such labor is a condition of human existence in all specific social forms in human history. It is necessary so humans can survive.

However, one can also critique this universal definition: namely that it springs totally from cultural-social contexts, which are seen as useful. And if we go beyond self-preservation, we may discover very quickly that usefulness is always a construct of social contexts. It becomes very evident here that over the course of history, natural necessity developed and was differentiated ever more, over and beyond self-preservation, into a cultural history of differentiated conceptions of usefulness. That cultural history has to be thought of in a relation of dependence on the cultural forms of society. This can, for example, be documented for cultural labor taking place outside relations of exchange, or for activities in life and language that are initially not conceived at all as labor, even though indirectly they are associated with it. And how should we see discursively conveyed values and norms within the bosom of the family? How should we approach forms of cooperation that arise between family members, in school, in social relations and networks, etc.? Such activities appear to be without any exchange use, although they are always of indirect utility for creating an attitude toward work and the performance of various forms and tasks of labor. Generalization of utility oriented to exchange appears to be necessary in order to secure life and survival through labor, but the cultural differences of such safeguarding and such labor also evinces simultaneously a huge variability in its realizations. In this concretion, there are no universal definitions but only historically variable ones.

Nonetheless, the concrete forms of work manifest the respective material and technological, cultural and social prosperity that was and is historically achieved. We can point to a number of aspects here that help us in distinguishing concrete forms of labor in the development of capitalism:

- The development and differentiation of concrete labor through an increased division of labor also increases the material wealth of a society. This creates opportunities, both qualitatively and quantitatively, to satisfy more human needs. The prerequisite is the development of purposeful, organized, more or less methodical labor, which conditions on the part of the producer his or her own assessment, supervision, evaluation, and self-direction. This not only presupposes professional qualifications in regard to the various different types of work, but also attentiveness, concentration, staying power, time management, and much more, that in each case accompany concrete labor. The development and differentiation of concrete labor in the history of modernity proceed hand in hand down to the present with a constant increase in the levels of qualification of broad strata of the population. Here we can note a clear increase in higher-level qualifications, especially over the course of recent decades (for more precise data, see chapter 6). However, we can see that this concrete side of labor requires its abstract, exchange-based counterpart: forms of concrete labor differentiate most readily where they find a market for exchange and are remunerated by a counter value, in particular wages. Nonetheless, there can also be concrete labor in differentiated forms not oriented to exchange. But then the prerequisite is that the expenditure of such labor should be secured by means of other kinds of available income. Thus, for example, artists who live only for their art must have an inheritance or be given support by others in order to be able to produce their works of art, creations that perhaps prove impossible to sell during their lifetime. In terms of the broader picture, such concrete labor remains the exception.

- Since the beginning of modernity, we observe that the operations involved in concrete work are carried out in a more variegated, complex and networked manner in production organized on the division of labor. This leads to an increase in diversity, complexity, and specialization. Where in the past narrowly limited professions were practiced over the course of a lifetime, today we emphasize for individuals more flexible, dynamic, and mobile profiles based on a broad fundamental education and a broad comprehensive range of personal skills and competencies. The demands for the suitable training that must precede a concrete labor in economic life rise correspondingly. On the side of skilled labor, these are purposeful, methodical, organized, systematic, and analytic activities, which must always be accompanied by elements of cooperation, communication, and self-reflection. The degrees of differentiation of concrete labor are also reflected in the various academic fields that, for example, already appear in an educational biography as school subjects in learners' qualifications at a young age. Concrete labor often demands subjugation under a specific labor process, a form of disciplining, just as in academic disciplines, certain standards are set that have to be maintained. Modes of disciplining mirror subjugations under material things, circumstances, procedures, and individuals. In an objectified form, such behavior appears as a form of commitment to perform and achieve in the framework of an achievement society. Economically, this means to actively conform to concrete labor and its demands (with diligence, orderliness, punctuality, and other such virtues) under conditions of exchange. The motivational prerequisite of a higher-level qualification with the necessary corresponding effort so invested lies in the anticipation of greater monetary compensation that goes with a better qualification.
- The objects of labor in concrete labor are changing. Natural materials are increasingly being supplanted by artificial, synthetic products, and the means of labor, the tools, machines, and processes of production undergo significant transformation. In "Capital," Marx also states that the economic eras are distinguished not by what is made but how it is made, with what means of labor. Various different revolutions in concrete labor become evident in industrialization. These extend from the conveyor belt to team work, from the Taylorization of individual labor via semi-automation leading on to full automation and digitization. Looming in the

background here is a scientification of labor, a process that has contributed substantially to a huge increase in labor productivity and to the creative development of new tools for labor and new procedures. However, this does not mean that the state of development of education and training as a qualification for concrete labor and for the forms and patterns of living can be derived directly from the state of development of the required concrete forms of labor. The conditions of education often appear to clearly lag behind scientific-technical progress and its demands for qualifications. But in all historical eras, certain specific necessary educational prerequisites correspond to a certain level of development of labor. However, those qualifications can be differentially distributed in their breadth and depth among the population. In this connection, concrete labor has an internal contradiction: on the one hand, a large number of concrete labor tasks requires an increasing level of qualification of the workers so as to comply with the associated greater speed, complexity, and technology, as well as forms of cooperation and communication. On the other, there is still a multitude of low-skill forms of concrete labor, which requires only a low level of professional training and knowledge. It is a striking contemporary fact that the industrial countries need ever more qualified personnel because the low-skills jobs are being shifted into the countries with low wages. But this leads in the industrial countries to new contradictions: where earlier on, qualified labor led to a secure income by application of a high level of "learning capital" (this will be discussed in chapter 6), nowadays it can also eventuate in unemployment because of excessive supply. By contrast, low-skill labor, based on under-qualification, is especially critical, because those with poorer grades and diplomas (or their lack) can, already at an early age, face the prospect of permanent unemployment if they never find a job or lose one.

Privacy and economy

The private producer can produce commodities or services of any kind as he or she so chooses. But such producers must, if they don't want to work in vain, try to make sure that they can also realize this effort in the marketplace, i.e. can sell what they produce. Such producers can only work for their own interests if they find corresponding buyers. It is left up to them, if they can find no buyers directly, to advertise their commodity with promises or a certain quantity of illusion. And if that is to no avail, to sell the commodity or service by means of fraud or some ruse. There are many paths available for this in private production, because the disordered, anarchic character of goods production, guided by personal interests, is an integral part of the ways of production itself. It is a private matter whether I produce rolls and buns, shoes, cars or my own labor power with specific qualifications as a commodity. I only have to find a buyer who will offer me a counter value. However, the labor power here is a certain special form. Private labor here is principally manifest as learning labor, it produces the competence of the worker, the learner, whose use value can be utilized later on by a capitalist or a later employer in a relation of wage labor in order to produce a commodity—as an object or a service—which then is offered in the market to find a buyer. The costs of producing use values in all forms of capital also make concrete forms of labor necessary.

If we wish to comprehend why so many theoreticians not only in economics, but in all the social sciences, believe that the economic sector has a decisive influence on how people live and think, we can find an important basis from which to derive this in the presentation above. Because private labor is part of the very core of the modern way of life and economy, it has become important for education, for learning, for our attitudes toward life that we now see happiness, prosperity, achievable satisfaction, and human self-preservation in significant measure both as a private matter and also as a matter of freedom of the individual. All individuals, from the outset, stand in a relation of obligation toward society, within a kind of imaginary social contract: they are obligated, in accordance with one's starting preconditions, to qualify themselves by means of labor, especially initially through one's education and learning labor, in such a way that, based on free decision, they can perform their own private labor or can hire themselves out as wage laborers. Society in modernity has liberated itself from the feudal fetters of personal dependencies in order to make such a "contract" possible for all human beings. That is to say, to grant them socially guaranteed possibilities for participation in order to lead a private and free life. Whoever does not succeed in this fails in the sense of the system and is regarded as a failure, a person in need of help, an outcast. The private character of a free market, where every person supposedly has an equal opportunity, has thus become the ideology of all capitalist societies. But although this ideology is grounded on the right to human dignity, freedom of speech, and free choice of one's style of living, lacking there is the right to work. The result is that those who despite all their efforts cannot gain any regular income—because their background situation for education and training was poor, or the labor market is at the time unfavorable for them, or they have qualifications not in demand or that are deficient—quickly find they enjoy no such "equal" opportunities. This possible threat leads to a situation where every person, from birth on, should be aware how very important as a use value it is to build up one's own competencies and qualifications, i.e. the investment in one's own education. That is essential in order to be able to offer oneself successfully in the labor market if a person does not have their own sizable economic capital. As will be shown in later chapters, personally acquired forms of such capital are necessary to this end. Along with division of labor, privacy, and freedom, all producers also need sociality, because no commodity can be sold alone for itself. Every commodity producer also requires, along with their own commodity, a demand for the good produced. And persons who offer their own labor power as a commodity, that is to say, offer their labor in return for wages in some form or other, see this specifically as a precondition against their own potential unemployment.

The anarchy of production, that is necessarily bound up with the multiplicity of private forms of labor, tends here to endanger every producer. Only success in exchange in the market guarantees that the commodity was not produced in vain. “In vain” in capitalism means that the costs have to be borne by the person who is left stuck with the goods produced unsold, not exchanged in the marketplace. Thus, in the individual case, crises can repeatedly arise between the private and social character of commodity production, to phrase it more abstractly.

If this occurs on a massive scale, it appears as a crisis in commodity circulation, a crisis in the sale of goods in the market. That crisis initially can “destroy” the commodity values and subsequently the producers—the wage laborers on one side and the small to large-size firms on the other.

The Great Depression became the yardstick for such a crisis in the 20th century. One consequence of this global crisis was that the state gained power as a regulatory authority alongside the private businesspersons, endeavoring to limit the anarchy of production or to intervene to channel it in a certain direction. The aim was, at the very least, to avoid the domino effects of economic downturn or broad-scale destruction of capital. This because although capitalist production initially is based on private labor, the social character of exchange shows that it can become dangerous when certain spheres of commodities become impossible to sell and then drag other spheres—that actually are still in some demand—into the maelstrom of cyclical downturn and a subsequent major depression.

Production of surplus value

When we speak of economic capital, today we think mainly of a large sum of money. Money is also a commodity, but this commodity has the specific use value of serving as a general equivalent for all acts of exchange. Money appears in various different money functions. It is the measure of the values that are negotiated in exchange and appear manifest in the price of commodities. At the same time, it is a general means of circulation, and this is especially facilitated by paper money, and was later virtualized by electronic administered money held in account form. Today people can thus possess money without always having it directly in hand and having to pass it on in person. The acts of exchange can be carried out accelerated and on a global scale. In circulation, money can be seen as both a means of payment and of savings, and can be converted into many other forms, such as stocks and bonds, funds, etc. As money, it is a global means to the extent that it can be converted into virtually any other currency.

For Marx, money as the final product of the circulation of commodities is also the first phenomenal manifestation of economic capital. “The commodity that functions as a measure of value, and, either in its own person or by a representative, as the medium of circulation, is money” (MECW 35, Ch.3, Section 3). This money must enter onto the stage of the market in order to allow for any capital to be created. Commodity production is originally oriented to producing a commodity (C), to selling it in the market in exchange for money (M), in order then to invest this money anew in new commodities (C) that in turn are to be sold. The C-M-C formula is typical for a production in which things are sold in order to buy something anew. But there is also a reverse sequence, the circuit M-C-M, i.e. the transformation of money into commodities in order then to make more money. “Now it is evident that the circuit M-C-M would be absurd and without meaning if the intention were to exchange by this means two equal sums of money” (ibid., Ch. 4). An exchange of money for money in the same amount is useless effort, because as a rule such an exchange is made in order to increase money. And this increase plays the decisive motivating role in commodity production and human economic behavior.

Marx explains that the decisive formula for circulation is thus M-C-M', where M' stands for an increased amount of money. Marx terms the increased part of the original sum of money surplus value.

Money that aims for surplus value is capital. Marx calls the movement of this capital boundless, because in his orientation to profit, the capitalist knows no limited measure: “As the conscious representative of this movement, the possessor of money becomes a capitalist. His person, or rather his pocket, is the point from which the money starts and to which it returns. The expansion of value, which is the objective basis or main-spring of the circulation M-C-M, becomes his subjective aim, and it is only in so far as the appropriation of ever more and more wealth in the abstract becomes the sole motive of his operations, that he functions as a capitalist, that is, as capital personified and endowed with consciousness and a will” (ibid.).

For Marx, there is a clear interconnection between commodity and money: “Buying in order to sell, or, more accurately, buying in order to sell dearer, M-C-M', appears certainly to be a form peculiar to one kind of capital alone, namely, merchants' capital. But industrial capital too is money, that is changed into commodities, and by the sale of these commodities, is re-converted into more money. The events that take place outside the sphere of circulation, in the interval between the buying and selling, do not affect the form of this movement. Lastly, in the case of interest-bearing capital, the circulation M-C-M' appears abridged. We have its result without the intermediate stage, in the form M-M', … money that is worth more money, value that is greater than itself” (ibid.). And he goes on: “M-C-M' is therefore in reality the general formula of capital as it appears prima facie within the sphere of circulation" (ibid.).

Alongside the sphere of circulation is production. How is surplus value, and thus additional wealth, created in the interplay of production and circulation?

In political economy, after Marx the thesis was advanced that this comes to pass through subjective value formation in the circulation of commodities. Depending on market situation, supply and demand, and subjective preferences, certain values are allotted to specific commodities, and these values lie above or below the costs that the capitalist producer incurs in production. The surplus gain between costs and sale return would then explain surplus value. Loss over the long term necessarily leads to the abandoning of production or to bankruptcy. This view has the advantage that we do not need to ponder in depth the origin of surplus value, because it represents only a subjective, arbitrary, accidental value that arises in the marketplace. However, this perspective is very unsatisfactory not only from a scientific point of view. For economists who follow Marx's interpretation, surplus value does not arise at all from circulation, even if in the individual case such circulation has an impact again and again on the price of commodities, as for example through supply and demand. But these economists mistrust the purely subjective derivation, because economic actions contain recurrent elements that we should take into account.

First of all, the subjective theory neglects the fact that all producers of commodities rarely are in a position of monopoly in the market. Rather, they are in competition. This means that they are all endeavoring to reduce the costs in commodity production in order to be able to sell their products better and in massive number compared to their competitors. This market mechanism contributes to the objectivizing of the values or prices of commodities, since the profit (surplus value) is not determined solely subjectively, arbitrarily, haphazardly in the markets. If we look at capitalist practice as it appears to the agents in the process of value formation, then it is very evident to the capitalists that they attempt to secure their profit in particular via control of costs incurred and the strategies of marketing. Initially, the costs play here a decisive role. They can be divided into costs for raw materials necessary to produce the commodity, machines and means of labor, storage facilities and transport, as means of production on the one hand (Marx views this as constant capital), and costs for wages (for Marx, part of variable capital). In the case of the portion of constant capital, the capitalist can try in the market to make purchases as cheap or favorable as possible. That also holds for variable capital in the labor market.

In contrast with mere cost accounting, however, Marx analyzes the commodity labor power as variable capital quite differently than the capitalist. For him, it is not only a cost factor; rather, it also bears the use value that labor adds value to this commodity in its production and the work of all labor involved simply form this value. The capitalist exploits this value-creating dimension of labor power, because the remuneration for the commodity labor is not calculated based on the value it creates, but rather on the costs accorded it in view of a certain historical-cultural development toward its own reproduction. Wages thus were and remain within capitalism a battleground for dispute and confrontation, because the more the prosperity in society grew and continues to grow through material wealth, the more wage laborers desire to take part in this growth. In addition, differing wages and difference in wage labor also arose (in particular in terms of workers and office personnel). Here the capitalist remains unperturbed by Marx's explanation that it is the wage laborers who largely create the value that the capitalist acquires as user of the labor time for this commodity. That is because the capitalist is interested solely in the costs in relation to the result achieved. And the capitalist does everything possible to help ensure that this simple view is also adopted by all in society, including his wage laborers, and is regarded as natural, becomes a "naturalized" view.

Analytically, Marx proceeds as follows in explaining the profit quite differently in its individual steps (see chart 2):

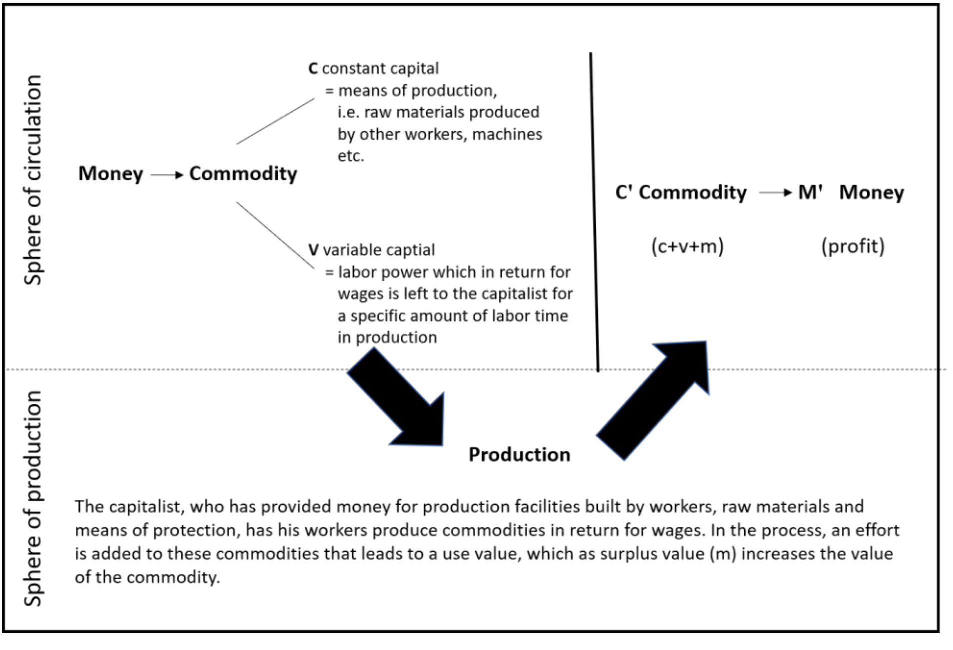

Chart 2. Capital and Surplus Value According to Marx

The owner of money qua capitalist purchases means of production in the sphere of circulation in the commodity market, and buys the commodity labor power in the form of wages in the labor market. The means of production appear as constant capital (c), where however constant designates only that relatively this capital is bound up over the longer term principally with raw materials, material assets, facilities, etc. Wages laborers are engaged with a portion of variable capital; here the relative aspect of this portion of capital consists in the fact that the capitalist, in the event of good sales, employs more workers, in the event of poor sales, fewer. He or she combines both portions of capital in the enterprise in order to produce commodities.

Commodities are produced in the sphere of production. The workers produce commodities on the basis of their respective specific qualifications, using means of production in production facilities. These commodities all belong to the capitalist. The capitalist also owns the production time that is agreed in the contractually regulated labor time of the workers. Use values are produced in this labor time; these are later converted in the market into exchange values and exchanged for money.

The aim of the capitalist is to gain surplus value, because for all the costs and risks he/she incurs, the capitalist expects a profit manifest in the increment value of the commodities produced. Once the commodity is produced, it can also be converted into an exchange value in the market, thus realizing the increment value (c + v + [m = surplus value]). Since in capitalism exchange occurs in terms of money, the value and surplus value of the commodities or services appears in the price achieved. The money in excess of the costs incurred that is then obtained in the market in the price realized is termed profit.

As a result of the private relations of ownership, economic capital remains very strongly in the controlling hands of the respective owners. This offers them a greater freedom of movement and power in society to implement their own interests.

The commodity labor power is also tied to certain conditions. Its owner must, as possessor of this labor power, be able to decide personally on its deployment, so that a legal contractual relation can be established between the seller and buyer of the commodity labor power. Moreover, the owner of the commodity labor power sells that power solely for a specific limited time. This is because if he/she were to sell this labor power outright and completely, then the person qua seller would become a slave. The owner of the commodity labor power must also be free from the means of production, i.e. the individual has no economic capital of his/her own that a person could and might desire to utilize instead of their labor power in order to arrange one's life in economic terms. S/he must be dependent on selling the commodity labor power; at least the life circumstances of the individuals involved must compel them to do so, or serve as a stimulus to sell their labor for a wage in order to live in dignity. However, just how high such a salary can be, is shown by income of managers in current capitalism, because they head firms and can as

CEOs obtain very high incomes without themselves being the owners of these firms.

The commodity labor power has specific costs for production and reproduction. This includes its socialization, education and training, school and professional diplomas earned, as well as cultural, social and physical skills and competencies acquired. The reproduction costs include costs for living expenses, which should be viewed as relative to the achieved level of prosperity in a given society. Wage is a relatively open construction, because a great many factors, likewise variable, flow into it. Thus, for example, the expenses for children and their education must also be considered because they enable the possibility of future wage labor when the children will be adults. Along with historical factors, Marx also sees moral elements that determine the height of the level of the costs of production and reproduction. Here the value accorded to wages depends totally on the circumstances of many factors, like training and education, the cultural habits and what people demand of life. How well organized the workers are themselves (in trade unions, for example) has a strong influence on the wages they can achieve. For that reason, the circle of commodities that falls under these costs can expand or contract differentially depending on the country. The expenses for education and health, the taxes to be paid, facilities of transport, communication and social insurance are always reflected as part of these costs. Marx had to grant that wage labor also differs in the costs expended. But what he could not foresee was the range of differentiation that can develop here between the workers in different professions, and within a given profession—differences across a wide range in the functions of qualification and management—and depending on the country and the respective cultural-social background. Yet basically this changes nothing in the fundamental difference that constitutes the Marxian explanation of surplus value arising from wage costs as an exchange value for the commodity labor power and its utilization in production. That labor power has the use value of adding more (incremental) value to the commodities than it in itself costs. This surplus value is the basis for the profit of the capitalist, which can appear as a surplus after he has sold the produced commodity.

The use value of the commodity labor power is manifested in its real consumption. Even then, Marx argues, when the wage laborer receives a wage that totally covers his costs of reproduction and makes possible for the worker some latitude for life with a certain level of prosperity, he/she is nonetheless exploited by the capitalist because in the labor time involved, the worker produces greater values than he/she receives in wages. That is why Marx is also unconcerned about the question of a just or unjust wage in explaining exploitation. Rather, he stresses the circumstance that even in the case of a wage that appears to be just, a surplus value is still achieved and appropriated by the capitalist. And if one prefers not to explain this using Marx's theory of surplus value, then modern bookkeeping provides a quite similar kind of accounting: all material expenses plus wage costs yield the sum of costs that must be subtracted from the price achieved in order to determine the profit as remainder. This procedure appears justified to the capitalist, since he/she has risked capital to achieve this profit. Yet if the capitalist thinks about it a bit, then it is nevertheless clear to the person that he/she can only make this profit if the workers (and the associated material costs) are kept low as a cost factor—this so as to be able to realize the capitalist's intentions for profit in the most comprehensive manner possible.

Costs and profits

Although Marx's theory of surplus value is readily comprehensible, in economic practice people normally do not calculate in accordance with a notion of surplus value in the Marxian sense. There is a quantifiable expenditure of labor measured in labor time, but its value in exchange is not manifested and realized until it is exchanged as a commodity in the market. It is a commonplace: labor is measured in time, and time is money. But if we shift to an analysis of action, then it is difficult to observe the value produced. Entrepreneurs do not measure abstract labor, because they always want and can only see the costs that arise in actions, not abstractly. In regard to the workers, these are costs for the labor time expended, an expenditure principally manifested in wages. These wage costs differ not only depending on the qualification of the workers, but also additionally depending on the existing contexts. Thus, there are traditional practices in the labor market where even comparable labor in terms of difficulty entailed and labor time expended is nonetheless bound up with clear attributed differences in the wage costs. Prototypical of this is the continuing lower pay granted to female workers even with the same qualifications as their male counterparts. For the capitalist, in the end there are always concrete costs. By contrast, an accounting according to an abstract comparative value expressed in generally expended labor time would only constitute an ideal-typical model. Such a model cannot be employed in concrete analyses of action. That is because in reference to the actions, it is only possible to determine the respective concrete costs actually occurring.

Marx in his construction, calculates according to an abstract conceptual model. Rather, lurking behind the Marxian attempt to reduce abstract labor in its socially necessary form to a multiple common shared factor of simple labor is a philosophical problem. It involves the quest for a generally valid criterion that can indicate logically how in precise terms the value increment comes about. But the social law of exploitation discovered does not only remain on some abstract level. If we engage in an analysis of actions involved in economic processes, this law is also scarcely amenable to concrete calculation. If instead we approach the matter pragmatically, then we discover no social immutable laws. Nonetheless, we do discern probabilities of appearance and specific sequences that embody their own respective types with differences. Let us look more closely at this: in no case did Marx wish to transpose the differences in qualitative labor to the abstract portion of value formation, because then he would have introduced a differing valency between the various workers not only in terms of strength (= complex work is merely simple work exponentially multiplied), but also in terms of difference. Yet precisely these differences between the workers appear in the actions observable, not only in the realm of mental and physical labor, but also, depending on the historical course of development, on a plane where supply and demand play a major role. If a great deal of steel is in demand in society and qualified steel workers are in short supply, then their wages rise. If there is an excess of steel available, or if there is an abundance of steel workers on hand, then initially it is not wages that decline; rather, the tendency is for innumerable workers to be made redundant. In countries everywhere, various different levels of wage compensation for respective professions have arisen. Due to a multitude of diverse influencing factors, these differing levels can scarcely be reduced to a common multiple denominator of simple labor. Thus, in many countries, the wages of public employees in particular have declined in comparison with other professional groups due to budgetary constraints in the public sphere. The costs for wage labor tend to drift rather than to follow clear regularities, a situation where along with hard facts of demand and supply, psychological interpretations regarding the difficulty of the labor or the associated qualification profile and the ascribed importance of living circumstances and style of living often play a role. For this reason, for example in the health sector, medical doctors are paid overproportionate, measured in terms of the costs for their training, while nurses and orderlies appear to be paid too little.

So, to what end should we impute a laboriously abstracted value of a general-abstract labor? This proved impossible in all practical attempts to derive conclusions from this economic explanation. The problem becomes evident through concrete analyses of action: people tend to assess more subjectively or qualitatively the value that a form of labor can produce in terms of exchange value as an “appropriate” wage or income. That is because there is no procedure for finding an actual objective point or index of comparison among different concrete forms of labor. This point of comparison is determined solely via the obtainable wage for labor in the labor market and the associated real labor costs arising from this. The rest remains a constructive fiction. To that extent, it makes sense to compare in particular the costs and return, or in the optimal case the profits, in order to determine surplus values in practical terms as well.

In Marx’s work, we have a conceptual model that seeks to describe and explain capitalism theoretically in a logical causal analysis. Down to the present, many economists have been unable to break free in their own models from the claim for the need to provide a full explanation. My own approach is just the opposite: as I contend, in the actions taken by human beings in the economic sphere, surplus values and profits springing from the multiplicity of the actions themselves become visible. The anarchy of production and circulation, which Marx saw quite correctly, shows that there are different possibilities for gaining surplus value. For the conceptual model that attempts to reconstruct this, that means there will no longer be a complete causal model, but rather a hybrid, multilayered, contradictory model, as I spell out later below.

Departure from a universal explanation of capitalism

No one has done a more intensive historical and theoretical examination of capital as the fundamental form of capitalism than Karl Marx in the 19th century. From his analysis there also sprang at the same time a political movement that interrogated and challenged capitalism itself. Even if Marx was able to build on much previous work in political economy, his analysis was exceptionally far-reaching and novel. This was because he not only provided a comprehensive description and explanation for forms, causes, and modes of action in economy and politics, but also sought at the same time to discover why and to what extent capitalism was based on exploitation and appropriation of surplus value by the capitalist. The political movements that built on these insights, especially the socialist and communist parties, had a decisive influence on world history, particularly in the 20th century, although for their part, they proved unable to completely discard forms of capital in the socialist states they established. Even if in the course of the history of political economy, Marx was successful in plausibly reconstructing the development and unfolding of forms of capital from simple barter to the complex relations of exchange and production of the 19th century, his thesis of the socialization of the means of production, which would distribute all capital fairly and as equitably as possible among all workers, was, in its concrete attempts at "real world" realization, unable to overcome the status of a utopia. Even those states that through socialist revolution invoked such a socialization, and then sought to implement it in reality, failed de facto to establish it.

How did capital become so mighty and powerful that even in the face of its most penetrating critics and anti-capitalist political movements that believed they had grasped its modes of operation, it could not be eliminated?

Often given is a descriptive even if not explanatory answer to this question. It can be summed up as follows: since the experiences of the 20th century if not earlier, capitalism appears historically to be a form of economy and way of life that in any case is not in keeping with human needs in a "natural" universal fashion. On the contrary: this is a form of production of modernity, a specific era in human history, and does not represent any kind of human nature as such. Nevertheless, in social and economic terms, capitalism established itself so broadly and comprehensively that it was not possible to simply eliminate it even by means of radical revolutions. The prospect of its overthrow had indeed appeared conceivable theoretically in the eyes of its critics. To that extent, capitalism and socialism should be seen as different political approaches that always have to take their economic basis into due consideration. In so far as commodity-money relations exist comprehensively, there will necessarily be struggles over distribution of the surplus value or profit gained, no matter whether this surplus value was and is distributed according to the rules of capitalist private property or "socialist" state bureaucracies. Why this is so will become clear when I expand the forms of surplus value in my analysis below, and show that appropriations and redistributions can take place in various different ways.

Before I explore that in the next section on the production of surplus value, I wish to emphasize that Marx's theory, although it pursued intentions other than just a description of capitalism's march of triumph, nonetheless is not without application. It contains important elements that help us to describe the progress of capitalism as well as the inevitable failure of the so-called "socialist" revolutions. But history can teach us that there is a decisive problem in Marx and Marxism, one that remains unsatisfactory in respect to an analysis of concrete action. Like economists before him and the Enlightenment as a whole, to which Marx was beholden, Marx proceeded on the assumption that by means of a profound analysis through research, we can discover the regularities of capitalism, like natural science discovers natural physical laws. This claim, if it could actually be realized, misleads us to political conclusions that would appear to be grounded on solid foundations, contending that they can safely predict what kind of better society founded on other regularities could follow in a life after capitalism. However, history has revealed a different picture, precisely the opposite, especially in the development and dissolution of the "socialist" countries. The analysis of the so-called laws of capitalism was not sufficiently far-reaching and free of contradiction. Nor was it possible to adequately foresee that even under socialism, the socialization of the means of production would not suffice to avoid new claims to power from emerging, hierarchies and forms of appropriation that would continue to be reproduced on the basis of relations of commodities and money. On the contrary: it also became evident that in addition in these experiments in socialization, basic democratic rights were denied, even though the system supposedly claimed to be implementing a full and complete democracy. For example, one of the main occupations of political economists in the former USSR or the GDR was to describe, with clever argumentation, the workings of capital in these societies as "natural" and "pure" (i.e. free from exploitation), even if they must have been well aware of the mechanisms of the new forms of appropriation engaged in by the new classes in these societies. Today in the People's Republic of China, we witness a rigid capitalism on the basis of a supposedly "socialist" state and party doctrine. That doctrine hardly accords people individual rights, although at the same time it is declared to be the ideology of a just society. It is, I would contend, a society in denial about the pressing need to clearly see its own fundamental principles and mechanisms of capitalist dependency, while simultaneously denying its citizens basic democratic rights. Whoever took Marx too seriously and tried to critically examine the purportedly "real existing socialism" in respect to relations of capital using Marx's instruments was, and today still is, quickly silenced and often sent off to a camp or prison for "re-education." Yet viewed from the mechanisms of operation of capitalism, these societies were also part of capitalist development, even if there is a sharp contrast between them and capitalist democracies by dint of their differing social orders. Current developments are leading to a globalized capitalism that has now conquered the planet, although, seen in historical terms, we know full well that this does not spell the "end of history."

Changes in economic capital from the advent of large-scale industry down to the present

Marx viewed large-scale industry as the great opportunity for human beings to see through the employment of economic capital as the exploitation of their labor power, and then through revolution to socialize the means of production. He and Engels believed that this socialization could eliminate the classes of owners and the have-nots, moving toward a classless society. But to exclude the systems of enticement promising more profit or power than another might acquire, socializing the means of production, as history after Marx and Engels teaches, is evidently insufficient. To the extent that commodity-money relations and private property exist at all, we will always be faced with the question of their fair and equitable distribution. The "socialist" experiments had bitter experience here: if wages as equal as possible for all are provided by the state, the general work ethic declines, since there is no longer any reason to exert oneself and work harder than someone else. This can have a negative impact on the intensity and productivity of labor. If special privileges for certain groups deemed essential for maintaining the state are granted, as all such socialist experiments practiced, this leads to the emergence of a new class, which for its part seeks a redistribution in its own favor.

Compared with their beginnings, the industrial societies have achieved a huge level of prosperity. But in respect to the relative distance between the working masses and economic capital, the masses have remained poor; indeed, the gap between them and the rich has become ever greater (cf. Stiglitz, 2012). Nonetheless, for the majority today, capitalism as a universal mode of economy is not a matter open for discussion and debate. The free market guarantees people other freedoms as well. They take economic securities into the bargain. Intriguing here is to juxtapose Marx's assessment of the modes of operations of capital in the 19th century with a comparison in the 21st century:

Economic Capital	
in large-scale industry	**tendencies in the 21st century**
is concentrated in terms of profit performance on the production of commodities	in terms of profit-making, is split more heavily into three spheres: commodity production, the service industry, and financial speculation
is embodied in the capitalist as entrepreneur	is embodied ever more strongly by third parties who administer capital and employ it to generate profit for its owners
massive inclusion of child and female labor in production	views rising wages as the basis for freedom and system stability, engages in child and youth protection measures
requires the state and religion for the maintenance of order	principally requires the agency of the state in order to optimize the conditions for the economy and to organize social security/welfare state sectors (pensions, social welfare, education, health)
limits the opportunities for education of the workers in the framework of their labor activities and living conditions	grants differentially promoted opportunities for education according to country involved and the levels of cultural development
based on long hours in the working day and scant time for recreation	shortens the working day and provides longer periods for recreation
requires an army of workers (many children, migration to open up new labor markets) as a reserve force for economic upswings or downturns, colonializations	has an army of the long-term unemployed and potential migrants as a reserve for economic upswings and downturns, global migration
increases labor intensity and gradually increases labor productivity	increases labor intensity ever further, and most especially heightens labor productivity
differentiates between qualified and low-skilled forms of labor in the plant	differentiates between qualified and low-skilled forms of labor in all forms of working, increases the need for higher skills
reinvests profits in the development of the firm (more longer-term strategies)	is contradictory, strung between constant technological development with high levels of investment, and/or rapid realization of quick profit (medium-term or short-term strategies)
brings initial strategies for commodity marketing into the marketplace	provides very great scope for marketing strategies

Chart 3: Modes of Operation of Economic Capital

Informative in that comparison, which however can only serve to describe rough tendencies in the employment of capital, is that the effects and modes of deployment of economic capital are subject to numerous changes. Even if down to the present, commodity production has remained a core area in capitalism, we must at the same time note that the sectors of the service industry and finance have gained immense power.

"Heavy" capitalism

The era of large-scale industry is described by sociologists such as Zygmunt Bauman (1993a) as a period of the search for order, in which progress must be continually reexamined (see also Neubert & Reich, 2011). This order is not a natural one, it is constructed and produced socially, and forms, as a matter of course, the background of our lives, which we fall back consciously and intentionally (see Bauman, 1993a, 4 ff.). Sociopolitical orders come into being by a process in which we lay down in language and in rules how we should live and evaluate the things in our lives. Instrumental here are the inclusions and exclusions through which we create such an order or system. As owners or have-nots, rich or poor, private or public: these are but a few of these understandings that establish, for example, what constitutes success or merit in a performance society, and what must be rejected as failure. In the age of industrialism and the conceptions of modernity, what is generally seen as successful are the following: clarity regarding one's aims, transparency of the paths toward those aims, controllability of actions to be taken, predictability of envisioned results.

Fordism (derived from automobile manufacturer Henry Ford), heavy industry, and a "heavy" capitalism, in which costs and profits can clearly be checked and reviewed, in order to achieve lasting results, are prototypes of such modernity (see Bauman, 2000, 25 f.). However, in the development of modernity, both in production and in all markets, the incomplete nature of information became ever more evident, a lack of clear positions for observation with unambiguous results. This militates against the expectations of modernity and the hopes for ever more growth and general prosperity.

The upshot is that already in the era of modernity, ever more ambivalences arise, endangering the very project of modernity itself. In many of his works, Bauman makes clear that the more attempts were made in modernity to get all under control and make it "safe" for growth and profits, the more this led to ever stronger contrary phenomena: incompleteness, uncontrollability, and ambivalences that became clearly manifest in repeated crises. He expresses this in an image: modernity endeavors to collect all essential data that appear to provide order, stashed in a kind of filing cabinet. And it pursues the illusion of being safely able to calculate all costs and profits, particularly in the economic realm. But the economic crises point up the impossibility of this venture and the incompleteness of all filing cabinets, so that ambivalence becomes unavoidable (see Bauman, 1993a, 2). And with this ambivalence, modernity turns liquid, fragmenting at the same time into confusing worlds. A discontent with modernity emerges, and with it the transition of this modernity into liquidity—a stage that some also term post-modernity (see Bauman, 1997).

In respect to capital, we can recognize its multiplication in diverse manifestations: in their matrix, people pursue the game of profit and loss across a spectrum of very different variants. Here the classic modern variant is heavy capitalism, where in my view at least five different factors are operative (modified based on Bauman, 2000, 25 ff.):

1) The *Fordist factory* produces in serial functions, creating a form of human labor oriented to simple activities, routines, and predetermined movements and actions, even if it requires qualified professional knowledge to produce these routines. Ford automobile manufacture is considered one of the prototypes of such fabrication, where various different partial workers produce a total end product in an effective division of labor. Spontaneity and creativity are suppressed in these routines, as well as critical thinking and individual initiatives. This side of modernity quickly reduces the human being to a recipient of orders who does his or her labor in the wheelwork of the factory, a small cog alongside others. At the same time, this separates the majority of workers caught up in their routine of labor from the engineers and managers at the factory, who run the show.

2) *Bureaucracy* is a further distinctive feature of modernity. It helps establish the order according to which everything is regulated so as to avoid any unrest, disruptions or delays—these only increase costs of production or circulation. Bureaucracy stands for a realm of constraint that must be internalized in order to operate as a set of rules and regulations governing the behavior of all right from the start, before—in the less favorable case—action must be taken by means of threats or penalties through external compulsion in response to violations of the array of self-imposed constraints. The more the division of labor advances, the more modernity administers itself institutionally, redistributing output achieved, the stronger this bureaucracy becomes in a bid to organize and control the procedures.

3) It is accompanied by a *panopticism* where each can be seen, and can in this way be observed, investigated, and described. Modernity seeks to observe and gather all information about people and events, surrendering to the lure and desire for completeness, even if that is precisely the cause of its failure. Completeness of information is the grand illusion of modernity. That is why Big Brother is the grand narrative fiction and often the frightening reality. Because in modernity, there were repeated attempts to push control and surveillance to an extreme, in a bid to anticipate and guide all processes.

4) Intensified panopticism became clearly visible in phenomena such as the *concentration camp* and Gulag. They carry the desired order in capitalism of control of profits and costs to the extreme, because they assume the most horrifying conceivable form of *a "total" order*. They discipline the subject, objectifying it as the object of an apparatus of power interested solely in implementing its conceptions of order against all that is human—an apparatus for which the freedom of the individual or deviation in behavior becomes a target for destruction. These are not the industrial accidents of modernity. Rather, they are the expressive forms of a capitalist way of life that dramatizes the human being as a cost factor, taking his or her availability for others to the extreme (see Bauman, 1989). In less extreme forms, capitalism drives much of the population into poverty or to the edge of poverty in order to maintain its schedules of costs.

5) However, heavy capitalism with its heavy industry was never an economic model that allows only or best for permanent *maximization of profit*. Thus, this perspective, even if repeatedly invoked down to the present, has often shown itself to be a major obstruction for capitalist development. Heavy capitalism has the disadvantage of being quite immobile, oriented in the main to long-term profit with high levels of investment. That renders it susceptible to all kinds of scenarios of disruption. The increase in service industries, commerce, real estate trade, and financial markets in particular clearly shows tendencies for overcoming and moving beyond heavy capitalism.

For Bauman, the heavy, solid, condensed capitalism of modernity always has a tendency to push people toward uniformity, exaggerated commonalities, extending all the way to totalitarianism, because it exercises a huge pressure toward homogeneity, functionality, and coercion in actions. The Fordist model represents industrialization, the accumulation of large economic capital and a high degree of regulation of life (see Bauman, 2000, 56). It uses machinery on a large scale to produce its profits. The machine age is considered stabile but it is also clumsy, immobile. This capitalism occupies entire landscapes and cities, it transforms the world into industrial landscapes. It promotes an attitude that is fixated on laws, rules, set standards and aims, and it turns all operations into processes in order to make them ever more effective. It requires management personnel and teachers that can do everything better than others, and who should always tell people what they can do better (see ibid., 63). This modernity is an adversary of fortuity and chance, of chaos, variation, anomalies, and ambivalences. It struggled with particular vehemence against individual freedom and autonomy (ibid., 25). In the economic sphere, modernity also depends on wage labor that freely subjugates itself in labor contracts. But this freedom is significantly limited by the expectation of the calculation of costs and profits in the forms of factory labor and its orders. Even if this picture simplifies certain aspects and does not encompass all the kinds of actions in modernity that can be differentiated on closer scrutiny, the five factors I have sketched following Bauman designate significant structural conditions regarding the origin of the forms of capital. Charlie Chaplin provided an impressive cinematic image of this world of Fordism in his movie Modern Times (1936).

Cornerstones of a change in the social patterns and forms for living
In the 19th and 20th century, industrial societies sought to assist in particular in evolving individual self-constraints. These to a certain degree do without constant control by an external, alien pressure or have objectified such pressure through the formation of routines and institutions. That is documented in the changes in behavioral standards that exhibit some of the following aspects (cf. Elias, 1996):

- An enormous increase in the gross national product of the leading advanced industrial nations, with a concomitant improvement in living standards, a mounting decrease in hard physical work in the later phases of the process of industrialization, leading to broader and more active possibilities of action for individuals. The increase in productivity in the process of industrialization, the expanding markets and the always incalculable and often unpredictable relations of exchange, competition, and profit serve to condition an active, independent mode of action in order to exist and survive in society.
- Depending on the perspective, industrial societies are interwoven with emancipatory or apocalyptic movements. Initially the bourgeoisie defeated the aristocracy. It proved possible to defuse the class struggle between the bourgeoisie and the proletariat by improving the material situation of the workers. New balances of power emerged against the backdrop of the scientific-technological revolutions. But the reconciliations achieved are always shaky when the material situation of the workers is unsettled and the prosperity of the masses is endangered. A consciousness has arisen that this process has not reached its endpoint and is continuing.
- The institutionalizing of the division of powers into the executive, legislature, and judiciary, where in particular a relatively independent legal system contributes to behavioral security, consolidates the powers of balance achieved. It also stabilizes relations of rule by means of a democracy-oriented objectification. Personal subjection is supplanted by objectified subordination. This leads to an increase in self-constraints as an insight into objective-rational external constraints, independent of the authority of specific individuals.
- Since the 20th century, the differentials in power between individuals have changed, particularly in the advanced industrial societies:

  - between men and women, as women increasingly occupy professional roles, gaining more scope for action vis-á-vis the patriarchal structure of traditional families;
  - between the older and younger generation as values are reoriented; the ideals of the older generation no longer are imbued with an unquestioned validity. The ideals of youth are espoused by numerous age groups as the appropriate expression of a way of life that is caught up in a vortex of constant change. Authoritarian dependencies are ruptured or at least rendered insecure. The right of the younger generation to self-determination comes to enjoy general social recognition;
  - there are far-reaching changes between the European societies and their former colonies or the rest of the world, as dependencies are shaken off, in part replaced by the role of the world powers;
  - between rulers and the ruled, as democratic customs, especially in the realm of legal bonds, lead to an objectification of power, to the extent that the democratic principles of free choice and division of powers are in place, these customs lead, with limitations, to the control of power.
- But changes in the differentials of power, which dissolved the strict hierarchical structure of feudal or early bourgeois patterns of life, go hand in hand with a growing sense of insecurity in regard to behavior and status. For dynamic industrial societies, the problem of means of socialization that guarantee finding one’s identity represents to a far greater extent a complication in socialization than in largely agrarian societies. There, individuals are able to find their identity in the relatively clear and understandable framework of the family, and this process of identity formation can remain largely limited to this familial framework.
- A problem in consciousness also arises here, one that is typical for the loss of differentials of power: only as a result of the eroding of power were people in the industrial societies now able to recognize the problem of what power previously meant and why its use must be viewed critically. Only as a result of that decomposition of previous power structures could scientific investigations arise that not only question tradition but also recognize themselves, their own approach, as something relative within the unfolding process of civilization.

These developments are intensified in liquid modernity. Where self-constraint served to promote being as capable of action as possible in the sphere of production or enterprise in order to achieve a lasting and calculable success for a long-term perspective, it now appears increasingly fractured and ambivalent in human living conditions. This is because a marked degree of self-constraint may still seem to be essential for planning a career, but it no longer guarantees that career trajectory as a matter of course. The mounting uncertainty and ambivalence that permeate all spheres of social and individual life have certain consequences here for individual attitudes. What appears solid and stable, in keeping with immovable values seemingly set in stone, can today no longer be sold. The new ideal for consumers is change, innovation, constant development, moving ever forward, an ambient of fluidity. For that reason, the image Norbert Elias presented of the advantages of a long-term perspective and the downsides of action geared to the short term and direct gratification of needs changes. Light capitalism and its twin partner, liquid modernity, undermine the traditional virtues (cf. Bauman, 2000). They promise gains in freedom that appear as gains for ever more, ever new consumption. New anxieties surface: “The most acute and stubborn worries that haunt such a life are the fears of being caught napping, of failing to catch up with fast-moving events, of being left behind, of overlooking ‘use by’ dates, of being saddled with possessions that are no longer desirable, of missing the moment that calls for a change of track before crossing the point of no return” (Bauman, 2005, 2).

Capitalism’s dark sides

Although there are still winners and losers in capitalism, the old story of exploitation or class struggle is no longer the only or even main narrative. Many stories are told. Capitalism here too has become “lighter.” These stories, like everything else, also become commodities. In consumption-oriented capitalism, there are de jure a great many forms of new freedoms; but de facto, these often for many individuals remain impossible to achieve (see Bauman, 2000, 31 ff.). That is because the antagonisms and contradictions, such as between rich and poor, between options for freedom and actual possibilities, the ambivalences between what people hope for deep down inside and what is done externally—all this is distributed unequally by the opportunities for freedom and life, the freedom of opportunity in individuals’ existential situations.

In his numerous books and essays, Zygmunt Bauman has repeatedly analyzed such problematic situations, illuminating in particular the dark recesses of economic and social development. For determining and better comprehending economic capital, they are very important, because they sketch a variegated image of the ruptures, contradictions, paradoxes, and ambivalences that today accompany the history of capitalism:

- Capitalist development furthers the emancipation of individuals to the extent that it secures their prosperity and provides them with resources and opportunities to live this emancipation and to experience greater freedom. But economic capital, particularly in its modes of unequal distribution, constantly repudiates such emancipation. It ensures that those better off economically can defend and extend their privileges over against the economically weaker. Thus, the ideology that over the course of time all will be increasingly better off proves itself to be an illusion, in particular of liquid modernity, and also of the many stories we tell ourselves about this, narratives that form our image of the era.

- The unequal distribution of economic capital repeatedly leads to restrictions in emancipatory possibilities. That is particularly true for the increase in outsiders and outcasts (Bauman, 2004), the heroes and victims of liquid modernity (Bauman, 1997), the insecure positions of foreigners and aliens (Bauman, 1993 a, b), the fragility and uncertainty of relations as people experience them (Bauman, 2003, 2005, 2006), the contradictions and paradoxes of assimilation within migration (Bauman, 1997), and the risks and dangers of globalization (Bauman, 1998, 2007 a). The transformation of all needs into consumer experiences renders aspirations for life one-sided—and the opportunities in consumer society form a web of illusions (Bauman 2007 b).
- Capitalism requires free wage labor, free citizenship, free consumption in order to develop in a broad and comprehensive manner. Light and liquid capitalism is heavily oriented to consumption. Here it appears left to each individual to organize their life in such a manner so as to enable as high a level of participation in the opportunities for consumption as possible. Individualism here is marked by several distinctive features:
    - Initially, individualism itself is conceived of as dynamic. It is not limited solely to the human freedom of choice or decision for this or that. Individualism is always accompanied by structures and constraints in society that characterize the conditions for action, and that facilitate or hinder opportunity.
    - Individualism appears most successful where consumption succeeds. The possibilities to participate in consumption have become the principal criterion for social status and individual orientations. The degree of achievable consumption defines the barriers between the haves and the have-nots or those whose who have less, between winners and losers, the heroes and victims of liquid modernity. Abbreviated, this is what Bauman calls “Divided, we shop” (2000, 89).
    - Increase in the degree of individual freedom went hand in hand with an expansion of social security, hard fought for by the trade unions in their extended struggles. Yet the shift from vocation, from a calling to a job that allows a person to participate in consumption today, shifts the burden of responsibility ever more onto the shoulders of the individual for organizing his or her own life, career and possible un- or underemployment. “To put it in a nutshell, ‘individualization’ consists of transforming human ‘identity’ from a ‘given’ into a ‘task’ and

charging the actors with the responsibility for performing that task and for the consequences (also the side-effects) of their performance. In other words, it consists in the establishment of a de jure autonomy (whether or not the de facto autonomy has been established as well)" (Bauman, 2000, 31f.).

- The constraint of developing one's own individual biography is operative not only in the sphere of labor. It extends its tentacles into all social relations, in particular in the family and in the matrix of partnerships. No longer can anything be created to last; everything must be sacrificed to the individual's status and his or her expectations of freedom, even if the freedoms prove illusory.
- Individualization here has morphed into a complicated and complex game, what Bauman (1996) illustrates using the metaphors of the flaneur, the tourist, the gambler, and the vagabond. There he points up the liquid character of human affairs, and the ubiquitous element of ambivalence inherent everywhere in individualization. Thus, for example, the tourist is a prototype of enhanced mobility, flexible forms of consumption, the appropriation and occasional reinterpretation of what is Other and alien, and of different cultures, according to the pattern of taking possession of something and then leaving it. At the same time, in a mode of individualistic aggrandizement, this pattern of behavior gives scant regard to human relations in the country of temporary stay and the consequences for others of his or her being there.
- In individualism, humans cast aside the bonds to tradition and the subjection to authority. Yet conversely, for that very reason, they must constantly seek examples, advice from and guidance by others—this although they continuously think they are acting on the basis of self-determination. In any event, individuals know that if they fail, the responsibility is solely their own, because this appears to be their essential increment of freedom gained.

Bauman's analysis would appear to apply not only to observable human action but also to reflect changes in the social and individual utilization of economic capital or to accurately describe exploitation by such capital. In traditional, solid modernity, heavy capitalism, with its orientation to production—also often termed production capitalism—still required a multitude of rules and institutions in solid channels and calculable ramifications and consequences. But liquid modernity and light capitalism evince a distinct relativizing, likewise of the dependencies associated with economic, social, and cultural relations—and thus a fluidity of the rules and regulations as well. A circulation capitalism emerges, associated to a greater or lesser degree of intensity with very different forms of production. The consequences appear in particular in a liquidity of the features of order. These features impact especially on wage workers: “No jobs are guaranteed, no positions are foolproof, no skills are of lasting utility, experience and know-how turn into liability as soon as they become assets, seductive careers all too often prove to be suicide tracks. In their present rendering, human rights do not entail the acquisition of a right to a job, however well performed, or—more generally—the right to care and consideration for the sake of past merits. Livelihood, social position, acknowledgement of usefulness and the entitlement to self-dignity may all vanish together, overnight and without notice” (Bauman, 1997, 22).

The paradox of industrial production

In regard to economic capital, we can repeatedly observe that just about everyone idealizes it but only few possess it in large quantity. This idealization occurs especially in respect to forms of money. Here, for example, few now consider it an ideal to run a firm, entailing strenuous work on the basis of a strong sense of responsibility toward its employees, because this restricts one’s freedom. Liquid capitalism has become contradictory. It wishes to preserve property as a fundamental right while seeking—where possible—to minimize the responsibilities and obligations of property.

Today economists, quite independently of Marx, also speak about the “paradox of industrial production,” which represents a key dimension of this contradictory character. Joseph Stiglitz (2010, 2012), whose argumentation I repeat here, sees this contradictory element, for example, in the following chain of development. For a long period, industry constituted the high point of a specific stage of development. For the developing countries, it held forth the possibility to overcome the traditional dependency on agriculture, which promised relatively little wealth to the nation. Jobs in industry were paid better than in agriculture and formed the prerequisite for the genesis of a broad middle class in Europe and North America in the 20th century. However, over the course of recent decades, substantial progress in productivity has led to a situation where the number of workers in the manufacturing sector declined while at the same time the GDP[1] rose, and this trend will probably continue. The greater degree of qualification and automation occurring through scientific-technological advance, the more the old job categories are come under threat, because ever fewer workers are needed in production. The smaller the number of available jobs, the less is the amount of commodities that can be consumed more broadly across the economy, since the wages of broad masses to purchase goods are reduced. Capitalism appears to be able to

1 The Gross domestic product (GDP) is a monetary measure of the market value of all final goods and services produced. It is measured quarterly or yearly. It is commonly used to measure the performance of a whole country and to compare countries in the international markets.

solve this dilemma only by means of innovations in goods and services, i.e., it must reinvent itself anew again and again on a higher level in a spiral that is on the constant rise, resulting in ever new commodities and services that are produced and consumed by sufficient numbers of workers.

Some of Marx's predictions, in particular the "law of the tendency of the rate of profit to fall“ (cf. MECW 37, Part III), could not be substantiated. Here we should experience an increasing difficulty of capital to realize a better return and to achieve over the longer term real profits against the rising costs of the machinery at a plant. But this "law" is not working because of counter-strategies as the increasing productivity shows. In addition, the global movements of capital are highly dynamic and ridden with contradictions that accompany capitalist development. Thus, for example, particularly in connection with developments in the People's Republic of China, we can observe that within the course of a few short decades, its industry became a major supplier for the formerly rich industrial countries. The cheaper labor costs led to an upsurge in the number of industrial firms relocating to China, while state regulation sought to ensure that the country was not simply taken over by Western capital. Today, along with China, other countries such as India and states from the now dissolved Eastern socialist bloc have opened up in significant measure to the West. The increase in productivity in the West on the one hand, and the global migration of capital into countries with cheaper production costs on the other, intensify the paradox of industrialization. Given innovations and general scientific-technical progress, we no longer can readily expect a predictable upsurge in all industrial economies. Rather, we can always observe a built-in economic decline with increased unemployment in different regions under the impress of global competition. In the classic industrial economies, given the presence of highly qualified workers and high wage levels, new jobs can only be created by means of top-quality innovations.

Developing countries in particular have become the losers in this system of fierce competition for industrial sites. Here live the poorest of the poor, earning less than a dollar a day, struggle for sheer survival. According to one estimate, they constitute more than a billion human beings, currently approximately one seventh of humanity.

Productive and unproductive labor reassessed

For Marx, the distinction between productive and unproductive labor is decisive in pointing to a dilemma within capitalism. Thus, there are many types of labor that are remunerated or go unpaid. Unpaid labor produces use value, but it has no use of capital and profit, and for that reason is likewise not exchanged with a surplus value in the marketplace. Household labor is a typical example, as well as all forms of work that are paid for directly by the state or by NGOs. They provide no profit for the capitalist in terms of production capital, but they generate costs for society or the individual. Thus, the work of a teacher may be useful for society but is unproductive for direct profit. That is because it generates only costs if remunerated by the state. These costs must be covered by taxes, and they reduce the wages of the workers and the profit of the capitalists, even if the teachers, seen in economic terms, are also an important economic factor by dint of their consumption. This looks quite different if these teachers work at a private school seeking to make a profit. Regarding this, Marx says: “If we may take an example from outside the sphere of production of material objects, a schoolmaster is a productive labourer when, in addition to belabouring the heads of his scholars, he works like a horse to enrich the school proprietor. That the latter has laid out his capital in a teaching factory, instead of in a sausage factory, does not alter the relation” (MECW 35, Ch. 16).

In today’s capitalism, such unproductive forms of labor have increased significantly in the context of profit making: the upshot is that a complicated structure of financing of labor and profit in capitalism has arisen. Ultimately, the teachers paid by the state are also asked to contribute to the state coffers through their taxes, and it makes no direct difference to the workers in their concrete actions how their wages are earned. Nonetheless, the state must always also utilize external sources in order to be able to hire its employees for the purpose of social tasks. Current indebtedness of the government in many countries shows that often more is spent than is taken in, generating huge deficits. This easily leads to a tendency to live far beyond one’s means and to burden subsequent generations with huge debts.

Most current economic theories have abandoned the distinction between productive and unproductive labor. This distinction by Marx only makes sense if a distinction is to be made in strict fashion between capital that derives from productive labor and is oriented to profit, and further costs that arise due to various kinds of unproductive labor. However, contemporary capitalism can no longer be adequately grasped by means of such differences. That is especially because the unproductive forms of labor have long since become an integral component of the production and ensuring of productive forms of labor as well. As a result, it has become ever harder or even meaningless to differentiate between these two prototypes of labor in the individual case. At the same time, there are increasingly other forms of profit making different from the exploitation of productive labor. For that reason, current economic theories stress reciprocal effects and connections between resources, workers, investments in these and output generated (for example, as social and cultural capital discussed in the chapters below). In the process, such theories have become so special in order to emphasize individual aspects that they tend, on the other hand, to repeatedly overlook the basic structure of capitalist economy. Central in this basic structure is always the question as to what costs someone invests, i.e. what capital is used in order to make a profit, surplus value. A central thesis of the present study is that this basic structure is valid not only for the so-called capitalists but for all human beings, since no one can elude or break free from the capitalization of their own person. However, the benefits, profits and risks are distributed in very different ways.

Shareholder value as a departure from entrepreneurial responsibility
In regard to economic capital, there has been a further huge major change from the 19th to the 21st century. Private ownership has transformed fundamentally. Large corporations no longer have only one owner but numerous shareholders. In turn, there are individuals who have substantial economic capital at their disposal and others who (must) invest smaller amounts in pension funds, life insurance, and other shares, for example, to ensure an income in old age in order to protect themselves from social risks. States also appear as shareholders intent to secure a profit. This renders the ways in which the deployment of capital operates more complicated and less transparent. The firm's leadership becomes an action in proxy, as third parties act as managers and administrators of capital. They strive for deregulated markets and the least possible degree of surveillance and control.

The problems arising from this, which are very clearly evident likewise in recurrent speculative bubbles and a profit strategy oriented to short-term gains in global markets without any consideration for longer-term economic effects—especially exemplified in the financial crisis since 2008—call upon the state as a regulator of the capitalist market to maintain the system and avoid economic collapse. Nonetheless, as I discuss in section 2.3, this can under the given conditions only occur in limited fashion with any prospect for success.

Generally, it is unimportant for the capitalist in connection with his or her deployment of capital for profit in what spheres profit is achieved and extracted. That holds particularly for the speculative deals that can be realized in stock markets and elsewhere. In the meantime, speculation comprises a growing segment of profit generation. Stiglitz (2010, 27-57) emphasized that the bloated financial markets in 2007 constituted some 41 percent of corporate profits in this sector. Until today, this has increased even more. This is bound up with the fact that the classic capitalist as a private entrepreneur in his or her own firm increasingly has become an obsolescent model.

Let us examine some key prerequisites. In "big capital" today, there is increasingly a separation between owner and executive power. The concentration of economic capital in large firms and corporations, manifest in stock markets as shares, leads to a situation where capital is administered by third parties, managers, as shareholder value. For their part, these managers no longer have to be owners of this capital. A great deal of economic capital is also generated via a large number of individual investors, for example, who seek to ensure their pensions or revenues. Consequently, a board that has no substantial ownership in the firm can run the firm in its interest. This strengthens the tendency to have short-term success and to neglect the longer-term consolidation of the company. In shareholder value, by means of proxy regulation and corresponding stimuli by premiums, short-term success is strengthened over against lasting and secure investments, even though rating agencies are designed to assist in better evaluating larger-scale risks and thus avoiding them. But personal entrepreneurial responsibility toward the employees has clearly declined. The managers are to be motivated by huge salaries and bonuses to realize a maximum profit. In this connection, a sense of alienation over against direct responsibility for the workforce has also emerged; it can now only be viewed and dealt with exclusively as a factor of cost. Since in some industrial countries the state has also assumed provision of security for joblessness, at least in part, so as to avoid absolute social immiseration, there is at the same time always a moral excuse for action based purely on the profit motive, because the capitalist firm does not have to deal directly with the social consequences.

The state, which is supposed to organize its support for pensions, social welfare, education, health, etc., finances this through tax revenues, especially employment tax, generally clearly less proportionately than the incomes of the owners of capital. The capitalist countries differ in this respect enormously, as I spell out in detail in chap. 2.3.

Contradictions in capitalist action

As we have seen, a special form in the economic system is the commodity labor power, which the state also partially regulates. The more private labor is organized and managed for profit by entrepreneurs (capitalists), the more workers are needed who, more or less qualified, perform such wage labor. But on the one hand, the entrepreneur with his invested capital is not available to pay the costs for qualification of his workers on the free market—that is a private matter of the commodity labor (of the wage laborers themselves). Nor is the entrepreneur willing to cover the costs arising when this worker leaves his firm, is made redundant, falls sick or retires. Due to the private and free constitution of labor in modernity, superordinate organizations are available for this, structures that have emerged in part from the struggles of the workers through trade unions and political parties, differing from country to country. These structures include the state with its range of diverse institutions, such as the labor office, pension schemes, social welfare programs, etc., or private insurance firms to which workers pay in a part of their income. The state then retrieves a portion of its money legally through imposition of taxes in the market, and as a whole through taxation of its citizens—meaning all individuals in a state for the most part, independently of their role in the market. However, entrepreneurs often in turn obtain special tax concessions, since they appear to be the single driving force spurring the economy. Capitalist countries differ in this respect substantially. Some extract more from the profits of the private business people and entrepreneurs in particular, while others take more from the great mass of the working population, and acquire another portion by taxing the inheritance of private property (cf. Piketty, 2014, 471-570).

In earlier times, the bond of classical entrepreneurship to a specific site and the employees there was very strong. The workers could see the prosperity of the boss entrepreneur as it rose or fell, and were able to place their own social situation in relation to this. That was a key comprehensible basis for labor struggles and the trade union organization of the dependent employees. In the transition to shareholder value, the capitalist now offers his or her capital via third parties rather than directly, in order to appear anonymously as stockholder, fund or stock options owner, or makes use of another of the many diverse forms to realize a profit (cf. for example Reich, 2016). Here the process of surplus value generation and formation of profit is disguised through depersonalization. The shareholder value is stockholder value that can be exchanged as market value, corresponding to the equity capital of the investor. Put simply, the combined share values of the investors then correspond to the company value. Money "in itself" appears to go to work and yield profits, depending on the market situation. What recedes into the background and remains incomprehensible is that at the end of chains of commodity production and service industry products, there are always working people who maintain and create value. Actions bound up with earning money appear to be connected ever more tightly to virtual markets at stock exchanges and within funds. In their multiplicity, the non-transparency of the transactions and events involved leads to a situation where it becomes increasingly harder to comprehend the generation of profit, which appears ever more as an ineluctable fate.

In present-day capitalism, the situation seen against this backdrop is already complicated by the fact that there is not just capitalist wage labor. Rather, along with commodity production, which also includes service products oriented to making a profit, there are activities for a wage that are paid for especially by fees and taxes. That was distinguished above as productive and unproductive labor. This wage labor is also paid by the workers in accordance with the historical-cultural and social costs for production and reproduction, but such labor does not contribute directly to profit (non-profit sphere). These modes of labor are paid for by redistribution via taxes or from private funds. The contradictory character inherent in all these movements described is of decisive importance for economic capital in regard to its framing by the state—for example, the creation of favorable frame-conditions by means of infrastructures, education and training, legal system, system of order, etc.—and in the acceptance by individuals—for example, their determination to function as workers, to pay taxes, to undergo further education and to adapt to existing rules. I will now sum up some key contradictions observable in relevant human actions.

1) The private character of commodity production presupposes first that that every private producer’s main interest is to satisfy his or her own needs. The baker is primarily interested in a necessary set of qualifications for hiring a good baker. The service provider is interested in having his or her personnel provide satisfactory services. The agency wants its staff members to function in accordance with regulations. Those persons who do not inherit a company or large sum of money and who must sell their labor in the market in return for a wage also have private needs. But as a rule, such needs have to be broad, since they must at least be wisely oriented so to maintain one’s prospects for productive activity in uncertain markets as great as possible—through a broad level of qualifications and thus the opportunity to leave one job and find another. The first contradiction, arising from the free and private form of production and property, consists in the fact that the capitalist initially has his own interest in a specific sphere of commodity production or other forms of gaining profits. This interest is often contradictory to interests of others or to a general human interest—such as in decent working conditions, comprehensive education and training for all, a high level of prosperity, etc. In people’s actions, this contradiction is manifest in particular in a very different interpretation of the necessary general tasks of the state (or those thought necessary to avoid from the view of the capitalist) for distributing profits from the production of commodities, wage labor and ownership (regulated by taxation in all forms). Democratic tasks are necessary for ensuring that people receive a proper education that increases their range of opportunities, especially for the economically less privileged; and tasks for provision of social security: to deal with unemployment, illness and old age; as well as activities designed to maintain the general conditions of law, life and commerce. As a consequence, different interest and lobby groups arise in the state, and the political parties available to choose from serve their clientele at least in part. This contradiction is evident in the power-games between a furthering of democratic approaches or capitalist gains.
2) From the onset of modernity down to today, the second basic contradiction arising from the modern economy consists in the fact that the private character of interests cannot be harmonized in a neat and simple manner with an increase in the range and level of opportunity for all, or not even as many as possible, in order to be able to participate in the development of social prosperity equally or with social justice. Capitalist development in the advanced industrial countries has led to a situation where the general prosperity levels have risen, but at the same time, the gap between

rich and poor has widened rather than narrowed. The gulf is basically very wide between the poor and rich in all capitalist's countries and then also between poor and rich countries. In actions of individuals, it is marked by the fact that the solidarity of the propertied with those generally without any property, whether voluntary or in part redistributed by a welfare state, is always controversial and a matter of struggle. A democracy that stands against the widening of the gap, calls for a global tax on capital in all forms (Piketty, 2014, 515) to overcome solutions in this area that are inevitably only partial, temporary, ridden with contradiction.

3) The third contradiction is bound up with the fact that the market always generates opposed interests that clash, and are directly connected with the different interests of the entrepreneurs. Some look for highly qualified workers, whose process of qualification over many years is supposed to be managed and financed by the state. These better qualified employees earn more than the average workers, since they produce greater values in production or service. By contrast, others prefer unqualified personnel, making earnings far below the average, hired on more to carry out simple, low-skilled work that is labor-intensive. In an era of the globalization of capital, these contradictory interests are complicated even more as capital seeks to migrate to those countries that practice both conditions at even lower wage levels, thus producing commodities or services that cost less in order to sell them at a greater profit in world markets. In this arena of competition, with all against all, we find a core contradiction: in economic terms, both a high value placed on qualification as a result of education and training, and a certain value placed on quite the opposite, namely de-qualification (unskilled and semi-skilled workforce). Both can appear to be rational and meaningful. In political action, this contradiction is manifested by a situation where some strive for as broad and comprehensive an education for the population as possible, while others suffice with a highly stratified education and training system in various types of schools, vocational and other, or a poorly equipped public-school system, as long as there is sufficient cheap labor available. However, since this contradiction must always be seen against the backdrop of the level of prosperity already achieved through struggle, and thus a certain level of wages, larger firms in particular seek to migrate to countries with low wage levels, and which still employ a large number of low-skilled workers. The upshot is that even in countries that have already reached a high overall level of qualification, jobs are not secure. This even though a highly educated workforce is a favorable prerequisite for workers moving from one job to another, gaining more training, maintaining lower medical costs and lessening costs for social welfare and social expenses due to deviant social behavior (see, for example, Wilkinson/Pickett,

2010). However, economic capital does not suffice simply with high-quality labor and high productivity if it can garner better profits elsewhere.

4) This generates a further, highly problematic contradiction: the less people working in an industrialized country are paid, the more consumption declines or stays flat. As a result, buyers also are lacking for the goods that can be produced more cheaply abroad but must be sold in the country. In economic terms, the state is in an awkward situation. On the one hand, the state, depending on levels of culture and prosperity (also in the framework of social welfare systems), is supposed to facilitate a general education that assures workers their jobs while ensuring future workers an opportunity for obtaining an adequate level of qualification and corresponding jobs. On the other, all efforts do not protect the state from being hard hit by global crises, even if there is a high level of education. Iceland in 2008 is a good illustrative example of this. Although at that time Iceland had the world's highest number of students qualified to study at university and highest number of university graduates proportional to the (small) population, it was especially hard hit in the financial crisis by shifts in global capital. Although the country has best results in school leaving certificates in the OECD, and a disproportionately well-educated population, it was driven to the economic brink by financial speculation, because invested capital exceeded the total GDP by more than factor 11. As a result, the profits were ultimately only speculative and were impossible to realize concretely. After the crash, a bubble in real estate and bank savings was to be paid for by the population, more here a dismayed onlooker than actor, by debt cancellation for the banks that were at great risk. The resolution of the 2008 financial crisis proceeded according to this pattern. Later the attempts to deal with state debts, for example in the U.S. and EU, also followed this pattern (for concrete data see Stiglitz, 2010).

All the contradictions mentioned show that a liberal or neoliberal view, where ultimately the market always regulates everything and over the long term will lead to higher levels of prosperity, principally only describes the economic interest of the already propertied strata—relying here arbitrarily on highly risky market laws, as the neoliberal phase down to the financial crisis of 2008 showed. In more democratic countries the capitalists have at least to come to terms with necessary skills and competencies of their workers. Based on their own interests, entrepreneurs, who require an environment for the private character of production and services, came to understand this: initially they need workers who have not only the necessary professional and technical knowledge, but also possess methodological and social skills in order to be able to participate effectively in the cooperative, communicative, and technical processes in the firm. This also includes behavior aware of aspects of health and hygiene, virtues such as diligence, punctuality, and being well organized, as well as a sense of loyalty to the firm. Then every private production or provision of a service also requires a social space for interaction and legality—a space in which it can take action that is calculable. Needed are health care and pension arrangements that offer protection in case of illness or problems of ageing. A combination of further private and state or organization-related firms and agencies, associations, etc. is necessary: firms, etc. that adhere strictly to the model of private property while seeking to ensure that its anarchic tendencies do not get the upper hand. All these measures are connected to the contradictions mentioned above.

Surplus value based on commodity labor or property?
Not only in Marx but also in the modern economy, the paradigm of exchange plays a decisive role. In very different forms and demarcations, it has a fundamental shaping impact on the mainstream of economic science. That holds less so for the model of the exploitation of the commodity labor as developed by Marx and more for the stress on supply and demand in the market. According to Heinsohn & Steiger (2012), there are always goods with prices in terms of money in the exchange paradigm. A somehow equivalent exchange is presumed in which a human being strives for his own advantage, seeking rationally to achieve that. In this process, money becomes a general means of exchange. Initially it merely facilitates the exchange of goods by lowering the costs of the transaction. But since money also yields interest, the problem arises that the origin of this extra element must be explained. For Marx, this is the surplus value that he derives principally from the appropriation of the commodity labor. By contrast, for mainstream economics, it is a process that appears more or less open and is measured solely in terms of the result. Heinsohn & Steiger chose a different approach: “Ownership economics argues that the existence of interest cannot be explained by the temporary loss of profit (classical economics), the temporary loss of consumption (neoclassical economics) or the temporary loss of money (Keynesian economics).” (Heinsohn & Steiger, 2013, 1) Rather than in exchange, they regard property, which can be debited and mortgaged, as the origin and background, the immaterial basis for the genesis of interest and money. This because the blocking of property by lending is recompensed with a property premium. They argue “that the rate of interest results from the temporary loss that is suffered when the *owner* imposes a burden on his property as part of the money-creation process. This loss is not a temporary loss of *possession* but a loss resulting from the sacrifice of an immaterial yield arising from ownership–the *ownership premium*.” (Ibid.)

This paradigm of property challenges both the exchange paradigm of classic economics (production as the cause of purchase, sale, loan, credit, and profit) and neoclassic economics (exchange in a balanced market with supply and demand as the driving cause). The paradigm of property, be it private or related to a group or of a state form, means the full freedom of disposition that finds its expression in debiting, mortgaging, and sale; this property is simultaneously secured in legal terms. Beyond the production of goods, property appears profitable by means of premiums.

Let us take as an illustration the owner of real estate who builds a house or apartment and then receives a rent from the renter. In this case, we recognize a premium in the form of rent, which arises from the blocking of the property by use by another. Or an existing property is debited by credit, and thus mortgaged and blocked in order to invest the money received as capital with an eye to profit. Since all economic activity in capitalism is based on the property of free individuals acting freely, which includes all rights for disposition of this property, it can be extended likewise to all spheres of economic activity. These are (a) holding of property, (b) debiting of property for monetary creation, (c) demand for interest from the money so created in credit agreement, (d) mortgaging of property in credit agreement, (e) sale of property. To such profits, we can add risk premiums (higher yield during a period of loan on the basis of risks) and liquidity premiums (higher yield during a period of loan on the basis of increased trust) (cf. ibid., 57 ff.).

A key point in the explanation of surplus value or profits is the question: how does interest arise from economic activity? For Marx as well, the formation of interest occurs in the exchange paradigm on the basis of property. Along with private property, this does not exclude that collective forms of property (for example, cooperatives) or the state operate in a capitalistic manner against the backdrop of a property. Regularly, capitalists who rely on the use of means of production (machines and workers) borrow money from a bank for this, repaying this money plus interest—in exchange for the capital loaned. Interest is a necessary part of this exchange process. Only by means of value increase in production or service industries and generation of profit in the market can a profit be achieved that can also service the interest. For Marx, the commodity worker, who produces surplus value, is also the cause for the possibility of formation of interest, which on the side of exchange can take on all possible forms. For Heinsohn & Steiger, by contrast, it is not exchange but the property that counts as the cause of interest. With reference to action, we could argue here that those who have property at their disposal and can debit and mortgage it, receive money for it, and the creditors receive this money plus interest in return. The amount of interest depends mainly on the associated risks. The theory formulated by Heinsohn & Steiger appears to be especially applicable where rent and credits are imposed. Particularly in the case of rental, an exchange process occurs, where for example the commodity apartment was produced at some time or other in the past, but once created then appears as property. It is secured in law in such a way that it can generate an interest as rent. However, for Marx this would not be so easy to construct, since he would regard every apartment as a commodity with a use and exchange value that only must be realized when offered for sale or rental in a market. Consequently, the property without exchange initially would create nothing at all. That indeed is a major weakness of the theory of property, which has excluded to a great extent exchange from its economic model, even though exchange cannot be excluded in the actions of individuals. Conversely, Marx never denied property, but also was unable to imagine that property in the field of supply and demand, stock market speculation, financial transactions, bubbles of all sorts can yield large profits even if it is only available as a virtual property like derivates. Here Marx today seems one-sided in regard to economic practice, because real estate, for example, can, even if it lies fallow, increase substantially in value in keeping with supply and demand. Marx focuses in his theory on labor value, since in his eyes labor and labor alone can create lasting values. He regards supply and demand as secondary, and for that reason they do not create surplus value. But precisely through supply and demand, as I will argue in the following chapter 2.2, we can observe that surplus values are created, which is why I will propose different forms of surplus value.

Heinsohn & Steiger transpose another one-sided view to the Marxian one: in their view, property alone creates everything out of itself, because it can be debited and mortgaged and thus only then can bring forth money or interest at all. The one-sided aspect here is that it is solely a matter of this creation, a causal theoretical explanation. For Marx as well, property is necessary, which both the owner of capital has in order to employ his means of production for use, and also the wage laborer, who sells his commodity labor. But only when such contracts and economic acts have occurred does property act as capital. In Heinsohn & Steiger, a creditor/debtor contract emerges from the surplus value created through wage labor. As creditor, the wage laborer transposes the rights of use of his labor, which constitutes his property, to the entrepreneur for a specific agreed period of time; the entrepreneur gives money for this. He or she must provide this money in advance or as credit; for that he or she has to pay interest. And he or she has to obtain his or her capital or credit plus interest with his or her labor in order not to incur losses. With such a game of ideas, the authors no longer designate the difference between costs and yields as surplus value. Rather, this appears to be merely a credit transaction; only that here, the wage laborer cannot raise a claim to an interest fictively assumed for a service or product. Interest only belongs to the lender of capital.

Such argumentation is not only circuitous but is also at some distance from the imaginable economic actions involved. Labor contracts and credit transactions are two very different actions with different consequences. If the worker is viewed under rights to property and thus a narrow legal title, this clashes with the breadth of human rights, personal civil rights, and also labor and social rights more broadly. To that extent, to declare labor contracts to be some sort of credit transactions is quite odd if only to prove the omnipotence of a theory of property. But in economic practice, economic management in my view means concretely more something else: that I either have sufficient economic capital at least as a possession and invest it, or that I hire myself out in the labor market as a wage laborer. The nub here may be that as an investment banker, I gamble away the funds of investors, and do not even guarantee this with my property. No one in this case will talk about rights of property, but rather will look at the profitable or disastrous exchange involved. In practice, exchange cannot be avoided: supply and demand in particular regulates the actually achievable occupations and incomes in the markets. In order to make profits, actions of buying and selling of all kinds are necessary. Thus, if Heinsohn & Steiger would relate property to actions, it would also always be bound up with activities of exchange. When, for example, they assert that the central banks must always necessarily have property of the borrowers at their disposal when creating cash—property they can debit—this very often does not correspond to economic action in the vortex of supply and demand, with short-term strategies of profit maximization, as appears, for example, in real estate bubbles. Property itself has become a fluid construct and the papers of possession not always hold the market reality. Such bubbles nowadays are no longer some sort of accident. Rather, they appear cyclically, because the possibilities for exchange also render the property relations more fluid. Nonetheless, argumentations like Heinsohn's and Steiger's and many others, have helped to deconstruct the Marxian theory of labor value and to reflect anew in depth on where the profits or interest or surplus values (however this surplus is to be termed) arise from. Marx's model grasps only one side of surplus value, the supply-demand paradigm in economics another side. Property by means of crediting is another phenomenon that at least forces us to expand the Marxian model in certain specific cases. Therefore, I will now expand the theory of surplus value and show that at least four forms of surplus value generation are practiced.

2.2 Surplus Value of Economic Capital

In the following, I will examine the conditions of construction for formation of economic capital, using an 'action analysis' of the use of economic capital and its increase, and will develop a more expanded description of this. Such a description is lacking in Bourdieu's well-wrought description of the forms of capital; as a result, it was relatively easy to repeatedly attack his extension of the concept of capital to apply to other forms. Such critiques were launched mainly from two directions. From one viewpoint, it was not plausible why a shift in the distribution of profits generated in particular should be better than initially establishing in precise terms the function of exploitation through the production of surplus value. In the eyes of these critics, Bourdieu appeared to be too open, he abandoned the dualism of wage labor and capital, because in his expansion, he introduced forms of capital for all human beings, not just the capitalists. On the other hand, economists criticized that he was softening and generalizing the whole concept of capital to an excessive degree. They see the danger that economic laws in the process could be undermined too much by subjective factors and appear arbitrary.

I wish to approach this here in the opposite way, exploring how surplus value can be produced in various different ways. To that extent, it is necessary to look at this more closely in regard to economic capital, and then, in a second step, to utilize my findings for the construction of surplus value in the other different forms of capital as well.

2.2.1 Production of Surplus Value by Wage Labor

In human economic behavior, the production of commodities and surplus value, as Marx conceived it, is basically still comprehensible. Even if modern economics calculates in ways different from Marx, we can see that the difference between wages and the value of labor time that a dependent laborer produces contributes fundamentally to a higher value of the commodity (= surplus value). In the practice of cost accounting, the costs of reproduction of the commodity labor are not retained; they arise, for example, principally from the social context of wages, certain minimum limits of income for survival in dignity, the qualification of the worker and aspects of supply and demand that vary substantially depending on the country and culture circle. But it is clear for the capitalist that no matter where he or she lives, the costs of wages have to be kept as low as possible so as to extract as great a profit as possible through wage labor and worker productivity. If further production costs arise dependent on the market, it is labor power and its utilization in comparison to wages paid that can be entered into the books as economic profit that is readily calculable. That is also clear to the capitalist, even without having to follow Marx. But the capitalist does not like to state this openly, because the difference points up a form of appropriation. By contrast, the capitalist emphasizes his or her risk in uncertain markets and the investment of private wealth at stake, for which any profit appears justified.

The Marxian model for surplus value springing from wage labor is a construction that can assist us in explaining surplus value as a difference. But we can also derive this difference more simply from the actions themselves, within an analysis of action. Then at least four key aspects are necessary in an action analysis of utilizing this difference by appropriation of wage labor in order to grasp essential action elements in dealing with economic capital:

1) Workers can be produced at a specific level of (re)production and are held available socially, with different standards of training and qualification, for production/service industry and other employment based on a division of labor. Necessary is a general market for qualifications and labor.
2) Wage labor is a fundamental condition underlying social action: in the context of large-scale division of labor, there are enough persons available to hire out in wage labor in various different occupations/associated qualifications; these individuals have the freedom and also the necessity for the purpose of earning a livelihood to enter into contracts and to make their labor available.
3) There are laws and rules according to which labor time is exchanged for wages. In this process, the buyer of labor is also the owner of the commodities/service products. Here private property is protected by law and wage labor changes nothing in regard to property relations.
4) Wages are struggled over in a respective historical-cultural context. On the one hand, the amount of such wages must suffice for a minimal social standard of subsistence and (re)production (likewise of future workers), since otherwise the capitalist over the long term also loses employable workers. On the other, wages can rise over time maximally to the level where a profit for the capitalist still appears possible to realize. This is complicated by the fact that wage labor also exists external to direct relations of profit; in this connection, the state or NGOs can also contribute to support and maintenance of the total economic process. The costs arising here play an implicit role in all achievable profits.

These four aspects do not directly reflect the manner of cost accounting in modern economies, but they constitute action-oriented prerequisites for any cost-benefit analyses in capitalist structures. Lurking in this analysis of action are in particular two relations of tension that must always at least be taken into account in generating surplus value:

a) The wage costs for the commodity labor and its various subtypes can fluctuate to a great degree both historically and culturally. In the framework of the globalization of world markets, this generates conditions of competition likewise within wage labor between various labor markets and economies, both locally and globally. These can impact on conditions for capital migration and labor. In capitalist terms, the constant improvement in living conditions of the broad masses as well pursued in modernity cannot be permanently guaranteed equally for all. In the wealthy economies, poverty consequently is always calculated relative to the total remaining wealth of the entire society (see, for example, Stiglitz, 2006).

b) It is true that the capitalist can control value creation in his production/service product creation. But he cannot in equal measure consciously steer and control the realization of the value as a price actually achieved in the market, even if he can undertake all sorts of activities through marketing and advertising to this end. However, here in globalized capitalism, he is subject not only to competition with others, but is at the same time also involved in a constant social struggle for distribution shaped by state and international regulations.

Marx understood his theory of surplus value as a social law for which he worked out clear constant elements and rules. But on the basis of an analysis of action, these do not appear to be universal causal laws. Rather, they are ideal-typical (re)constructions: these posit a difference theoretically that is observable in the actions, and which at least helps to render explainable a large proportion of the actions and their outcomes that we can observe empirically. However, surplus value from wage labor cannot simply be limited to a productive job in capitalist production, since given the interdependence of the economic system, forms of work that may appear unproductive also always make an implicit contribution to the total system and sum of profits. To that extent, for example, teachers indirectly assist generation of profit even if they do not produce this directly. So, it is clear that in my eyes, within an analysis of action, there is no longer any sense in juxtaposing a productive working class over against the capitalists and the additional unproductive workers. The cost-benefit accounting can be radically simplified. In capitalist structures, all people engage in investments (costs) in economic action. Initially these are investments in their own qualifications in order to form a personal use value as a commodity labor for the potential market. Others possess sufficient economic capital in order to hire and employ others, who then as wage labor allow them to achieve profits. To make it simple: the difference between costs and profits is the surplus value from wage labor.

Both sides gain something from the production of surplus value: the wage laborers receive with their wages costs for the (re)production of their way of life and a possible level of prosperity. The capitalists make profits that as a rule are far greater than wages and can be extracted and accumulated as economic capital. But the present-day distribution of economic capital points up just how much the gap between the very rich and relatively poor has widened. That is over the long term and more broadly, the capitalist pocket far more of this difference than all the others. That is true in a double sense:

a) The economic capital in the hands of very few becomes ever larger. "The wealth of high net worth individuals (HNWI)—which Capgemini defines as those with investable assets of $1 million or more, excluding the primary residence, collectibles and consumables—rose 8.2 percent on the year in 2016 and is on track to surpass $100 trillion by 2025."

(worldwealthreport.com) The super-rich display an even more extreme disparity. In Forbes annual list of billionaires for 2017 they say: "It was a record year for the richest people on earth, as the number of billionaires jumped 13% to 2,043 from 1,810 last year, the first time ever that Forbes has pinned down more than 2,000 ten-figure-fortunes. Their total net worth rose by 18% to $7.67 trillion, also a record. The change in the number of billionaires—up 233 since the 2016 list—was the biggest in the 31 years that Forbes has been tracking billionaires globally. Gainers since last year's list outnumbered losers by more than three to one." (forbes.com) And Oxfam reports in 2017: "Eight men own the same wealth as the 3.6 billion people who make up the poorest half of humanity … Oxfam's report shows how our broken economies are funneling wealth to a rich elite at the expense of the poorest in society, the majority of whom are women. The richest are accumulating wealth at such an astonishing rate that the world could see its first trillionaire in just 25 years. To put this figure in perspective–you would need to spend $1 million every day for 2738 years to spend $1 trillion." (oxfam.org).

b) Those who manage supervision of economic capital earn over-proportionately greater amounts than the others and thus rise up into the league of the rich and super-rich. The income of the top managers increased from some 4x the average wages of an employee in the 1970th up to 1000x and more that average salary today.

In capitalism, the produced and appropriated wealth is heavily veiled and disguised. This is especially evident in the standard measured value of the average per capita GDP. The GDP includes all expenses, including even the less productive ones, such as for prisons, the military, real estate bubbles, etc. In all its products and sales, a society can become ever wealthier, but the greater majority of its population may have no benefit from this. For example, Stiglitz (2010, 330-31) notes: "America may have built the mightiest armed forces in the world, but the $4.7 trillion spent on defense during the past decade is money that could have been used to create a stronger economy." The cake has become bigger, but only small thin slices have remained for the broad masses. Thus, according to calculations by Stiglitz (2010, 284), the median household income in 2008 in the U.S., adjusted for inflation, was some four percent lower than in 2000, even though the GDP had risen by ten percent. Up to today this tendency is even getting stronger. We can also calculate along different lines: a shrinking percentage in a society have ever more, while the greater mass has no increment or must even absorb a decline. "The uppermost 20 percent of society," in an affluent society like Germany, "—even taking into account all transfer benefits such as unemployment insurance and social welfare—have today an income 5x as great as the lowest 20 percent" (Hartmann, 2007, 8). A statistically significant increase in income is limited solely to the top 20 percent. “In the EU (and also in Germany),” according to a study in 2004, “16 percent of the population is classified as poor” (ibid., 9). There are similar data for the U.S.: “Another 2.6 million people slipped into poverty in the United States last year, the Census Bureau reported ..., and the number of Americans living below the official poverty line, 46.2 million people, was the highest number in the 52 years the bureau has been publishing figures on it ... The report said the percentage of Americans living below the poverty line last year, 15.1 percent, was the highest level since 1993. (The poverty line in 2010 for a family of four was $22,314.)” (New York Times, 13 Nov. 2011). We can look every year for new statistics, the percentage of the poor is continuously growing in the rich economies. That is likewise reflected in the subjective feelings and narratives of the citizens. In contrast, the GDP continues to rise.

The analysis of action compels us here to describe the developments in capitalism differently in order to avoid presenting illusionary statistics. If we want to look realistically at income relations, the GDP is insufficient as a criterion. Like Stiglitz, I also think that one measure alone cannot suffice to grasp the mass of complexities in a modern society. But the familiar GDP proves in this respect particularly unsuitable. Better if we had measuring criteria that can grasp the individual level of prosperity like measures of medium income. They are far more salient than measures of average income. It would be even better if there were indices for sustainability that would also serve to grasp the exhaustion level of resources, the worsening state of the environment and the increase in indebtedness. In addition, health and education also have to be handled separately. The United Nations Development Program (2009) contains a list of countries that also includes such additional aspects. In 2011, Norway, Australia, and the Netherlands ranked in first place. The life quality becomes clearly more critical as a result of other factors than those measured by GDP (especially inclusion of education, unemployment, and poverty).

The production of surplus value through wage labor shows that the economic form includes objective economic costs, clearly definable, as well as amplifying costs, i.e. costs that can be determined only indirectly or implicitly. But it should be kept in mind that production of surplus value is accompanied by the following co-constructions, and is thus further relativized. In the main, I see here three forms of surplus value that will be described in the following sub-chapters.

2.2.2 Production of Surplus Value through Supply and Demand

The difference between ordinary or existing and unusual or rare commodities/services impairs the attainable price to such an extent that this price can also stand in a space beyond value formation by labor. Even if the entrepreneur employs certain costs that does not mean that he can realize or surpass the costs in every instance. For example, if there are firms that can offer the very same commodity or service more cheaply and can provide it in sufficient quantity, then the entrepreneur producing or selling more expensively is unable, in certain circumstances, to sell any good or service. The greater the competition, the more the price war will reduce the return; the less the competition, the higher the possible prices and returns.

There are economists who believe this aspect is so important that they totally reject the theory of surplus value as developed by Marx and other economists. Instead, each and every profit is due to the more subjective circumstance of the ascription of a value. The rare or special commodity/service is then seen as favorable, good, high quality etc.—and can be sold at a price that provides more profit or less loss. The longer the commodity/service can be sold in a situation devoid of competition, the greater the amount of profits that can be made.

But the generalization of this perspective would lead to a situation where every formation of value would be totally arbitrary, which speaks against all the experience of a capitalistic market. To be sure, there are always commodities or services, from the work of art to the high-class prostitute, which cannot be compared due to their unique character. But due to the competitive pressure of capital, the greater mass of commodities is subject to a comparability as well as a cost-benefit calculation that must contain and surpass the value of the means of production and costs of wage labor comprising it. If very high profits can be made anywhere, capital gravitates to this sphere, intensifying competition as long as there is no situation of monopoly operative over a relatively longer term. And if no profits were left, then no invested capital would any longer be prepared over the longer term to cover the costs. Nonetheless, there are strategies such as formation of monopolies, displacements in competition as a result of patents, establishment of power structures, etc., which shape the mechanism of supply and demand intentionally, also through excluding competition.

Supply and demand always rest on rights of property. The producer as owner of a commodity or service sells his or her product. Through prior sales, further profits can be realized in the circulation of property right in the sense of apportionment of profits. In basic terms, a privately used property, such as an owner-occupied dwelling, has a surplus value when a person offers it in the rental market and rents it out. Here the owner can juxtapose costs and yields. The rent appears like a premium on the property. A great many capital transactions nowadays appear to follow this pattern.

For purposes of simplification, I classify all capital gains based and realized on rights of property together with profits from supply and demand, since they are clearly situated here in order to be able to be actually realized in actions as profits. This is abundantly evident, for example, in the high level of profits manifest in the vortex of supply and demand in market competition with the sale of rental of property or through granting of all sorts and manner of credit. It is important to recognize that supply and demand play a role not only in sales of commodities or services grounded on wage labor; they have also developed their own very distinctive forms on the basis of rights of private property.

In the analysis of action applied to the utilization of difference through supply and demand, at least four aspects are especially significant in looking at economic behavior in the marketplace:

1) There is a market in which needs exist or are generated for commodities or services. There is a demand for the exchange of specific goods or services. And there are clear rights of property grounding a claim to sale, rental, crediting, and payment of interest, etc.
2) There is a supply that can be inspected and assessed by participants in the market. There are options for choice. If none existed, this would be a monopolistic market position that could determine prices arbitrarily. Over the long term, the market acts to dissolve such monopolies.
3) There are means of exchange permitting exchange to be arranged in as simple a way as possible. And there are sufficient quantities of these means of exchange available to buyers, renters, debtors, etc. This makes it necessary for the broader mass of wage earners to possess sufficient means for consumption, i.e. the necessity that wages are not reduced so as to maximize profit, or limited by taxes and social burdens to a point where exchange or the capacity of the market are significantly reduced and restricted (= internal contradictory nature of capitalist individual interests of maximizing profits contra interests of well-being of the whole society).
4) In the competition of the marketplace, trade-offs are actually realized and the market mechanisms are maintained, i.e. prices of commodities fall with a high level of supply and rise with a limited level of supply in relation to demand. If there are external regulations, the mechanism of supply and demand itself is regulated. This becomes necessary in particular when the market fails (for example, in the impoverishment of broad masses) in the hope to overcome contradictions in the markets (here the free market itself may be in danger in the long run).

Modern economists have developed numerous theories about these aspects. Such theories view each of the points mentioned differently in their dynamic interaction. Exchange occurs as a process and is circular, i.e. one's own action in the field of supply and demand necessary for capitalism changes one's own original conditions. Thus, supply and demand relativize the previously described production of surplus value from wage labor. In the individual case, they can even render this inoperative. This is compounded by surplus values springing from the rights to private property, which on average may also include socially expended labor time (for example, in building an apartment). But precisely the example of an apartment shows that the rent very often depends more on supply and demand instead of on the actual costs of production. Speculation with prices of real estate can be grasped against this backdrop. Yet since the precise moment of sale, rental or interest payment is decisive for the capitalist, he calculates his costs here over against the profits. And s/he is fascinated by what can be gained in the market in surplus values or extra profits in excess of previously imagined average profits.

In seeking to find a theoretical explanation for competition, Joseph A. Schumpeter (1942) added an analysis of innovation as a motor of competition to the already existing theories at the time. He proceeded from the observation that the market at certain times is dominated by monopolists who produce in an especially favorable manner. Such a monopolist can be pushed aside only by innovation, which increases productivity, reduces costs, or creates new products. Innovation in scientific-technical progress appears as a major driving force, a spur for continuing further development of the markets. Since Schumpeter, this aspect has long been deemed very important, because a growing struggle over markets is indeed very evident within capitalism. The constantly new waves of goods produced in capitalism and based on innovation appear to confirm Schumpeter. However, in the course of capitalism's development, we can see that both the production of surplus value from wage labor and also from supply and demand were closely interwoven with the state sector. The relation between the state and the market has become essential, as reflected both by periods of prosperity and crises in capitalist development. Ideally, the state, which is supposed to ensure the well-being of society and effectively accompany the functioning of economic development in order to strengthen prosperity in a society, should do justice to various factors:

- It must provide an adequate infrastructure for capitalistic goods production and the service industries (markets, transport, legal security, etc.).
- It must regulate administration and the guidance of the polity both internally and externally (internal law and order, peace, alliances, etc.).
- It must ensure that sufficient qualified workers are educated and trained.
- It must develop a social system responsible for health, old age security, and social welfare, in order to avoid social conflict and unrest and facilitate a life in dignity for all.

The state assumes tasks that are also in the interest of the capitalists but which will not result in direct costs for them. On the other hand, the workers cannot resolve these tasks by themselves. To this end, the state collects tax revenues levied both on the circulating streams of goods and services (VAT) and also especially on profits and wages. The income revenues of the state, which are redistributed in material costs and wages for administration, health, education, etc., are directly dependent on the effectiveness of capitalism. The greater the level of employment and profits, the larger the sum of revenues flowing into the state's coffers. In times of crisis, by contrast, high taxes can be counterproductive, because they reduce demand for goods and services. Yet in globalized capitalism, this classic starting position has become very "complex" and difficult, as I will show in greater detail below (2.3).

2.2.3 Creation of Surplus Value through Illusion, Deception, and Fraud

The two strategies to gain surplus value thus far can be influenced, channeled, and manipulated in at least three different ways in creation and provision of services:

Illusions

Engineered illusions have become so numerous in economic behavior that they appear ubiquitous, present in connection with every commodity and service. Best quality is always the promise, huge amounts are spent on advertising, and tricks are employed based on advertising psychology in order to market virtually all goods and services. All the associated costs are included in the formation of value and seek to stimulate and increase sales.

The commodity labor must also sell itself as an illusionary entity in the labor market. Alongside optimal qualification, it must be sufficiently mobile, flexible, and available in order to stand its ground under conditions of competition. There are, for example, numerous mechanisms to utilize illusions in order to spur demand and realize a profit:

- Projections are the basis of the engineered illusions. In such projections, wishes are awakened or touched on, introduced by suggestion, emotionally linked with stimuli in order to imbue even banal goods or services with a positive element.
- The aesthetics of commodities helps here by means of psychological transference to transform the goods or services into human needs, turning their possession into desire. This and more: it also provides an aesthetic context designed to appeal to specific groups of buyers, demographics, and market segments (including niche markets).
- In the process, status symbols also help to market and sell especially expensive or seemingly unique goods and services: they produce a socially expected form of possession to distinguish an individual from others, they provide forms of "desirable or conspicuous consumption."
- Goods or services then become an object of identification when the name of the firm at the same time becomes a recognized brand name.

Coca Cola or McDonalds, for example, are brand names that designate more clearly the goods or services offered than other descriptors; the name itself says it all.

- A special form of engineered illusion is the suggestion that a customer supposedly has need of a commodity or service that he or she basically does not appear to need at all. The more the commodity or service is shown, mentioned, and offered for sale in public, the more it seems that no one can elude its lure of utility—even if that utility is only first constructed by an engineered illusion. Here it is generally quite difficult for observers to distinguish engineered illusions from "real" needs.
- Goods or services are consumed successfully if sold in large quantities. Part of the illusion is to lead a consumer to believe in the unique character of its possession. For that reason, individualizations are repeatedly typical advertising strategies that offer the buyers their supposed free and individual decision, even against the current of mass taste—this although the target is in fact mass taste and its manipulation.

Against this background, ownership of a multitude of goods or services in capitalism is regarded as wealth and happiness. This happiness is centrally concentrated on the possession of money, which is quite hard to accumulate in larger amounts by labor in a normal working life. Thus, the illusion of happiness as wish becomes a powerful factor: a win in the lottery can lead to the total income of several lifetimes for a worker in one fell swoop. But big capital operates in a space beyond these wishes with far greater, indeed gigantic sums of money. Are those people the happiest who have won by chance, or those who always have stood on the winners' side? Even the winners' side is itself an illusion, since human satisfaction beyond the scourge of poverty is not absolutely dependent on the amount of possessions, even if greater wealth tends perhaps to lead to some forms of greater satisfaction. Thus, for example, richer individuals (the upper 10 percent) are more satisfied with their provisions, opportunities for participation in society, their workplace, income, security, standard of living. But by some surveys, they are by contrast less satisfied than others with their family life, social justice, and the conflicts between the poor and the rich. Here already evident in the mentality of the wealthy is a tendency to disunity and a lack of solidarity, since they often perceive levies on their wealth as conflict and injustice, and thus as misfortune, "unhappiness."

Deceptions

Deceptions are an intentional form of engineered illusion that can be associated with all the above-mentioned aspects. However, deception goes hand in hand with mechanisms that also promise more, objectively, and measurably, than is actually provided. Thus, for example, in order to feign a larger quantity of goods, a big container is offered, inside a disproportionately small content greets the buyer upon opening the package. These are the deceptions of packaging. Or a special promotional offer is alluded to, but it turns out to be a cheating if you later read the small print. Or figures are given claiming an especially favorable promotional price, but if you actually calculate the amount you find you have been deceived. Since such deceptions have in the meantime become part of “good business practice” in capitalism, consumer protection associations have formed in order to counter the phenomenon, in what is always an unequal struggle. A consumer must have a stock of special knowledge in order to be ready and armed against such deceptions in the marketplace. Yet the consumer is never able to be certain whether he or she is sufficiently protected.

The commodity labor likewise tries in competition to appear more than it actually is. Appearances are deceiving. Thus, grades, diplomas, and professional biographies as well as academic theses can be embellished or falsified; what is negative can be excluded, what is positive can be highlighted. Copy & paste as a standard procedure in learning at school is already much overemphasized, and is then transposed to the acquisition of someone’s else’s intellectual property (plagiarism)—and extended on into one’s own term papers, theses, dissertations, and certifications. The transition from deception to fraud has become sweeping and universal.

Fraud

The greater the possible gain, the more is risked. The conscious violation of contracts, regulations, laws or common decency is making inroads where this is not regulated, limited, or prevented by strong counteracting forces. The more economic capital stands on the side of the swindlers, the stronger the attraction to engage in this risky business. An instructive lesson on this was the recent bank and financial crisis. Like in a fraudulent chain letter, for example, home loans were issued in the hope that prices for the property would rise and the loans could thus be paid off in that way. When the bubble burst, the governments jumped in to “bail out” the “drowning” banks with taxpayers’ money in order to intercept the fraud involved. The fraudster made a double profit: initially he gained extra profits through risky deals, and then his risks when materialized were in fact redistributed to the entire population.

Four aspects are likewise essential in the action analysis of the utilization of engineered illusions, deceptions and fraud in order to render these effective in action:

1) There is an at least fictional (often partially also real) production of a good or service involving certain costs, i.e. there is an offer in accordance with manufactured or suggested (and in part also responding) desires that are promoted in an illusionary fashion.

2) The fictionalization of this good or service on offer is described and demonstrated in a manner plausible for “common sense” in order to be credible so as to actually find buyers (employment of fictional strategies and advertising psychology).
3) The exchange is carried out in actions and thus successfully proven via sale, barter, contract, obligation, bonuses, etc.
4) The surplus profit is realized either in addition to an actually existing value or in a purely fraudulent manner, i.e. it increases the already existing normal realization of value and surplus value and strengthens demand, equalizes disadvantages in these two spheres, or generates a profit without any return service.

Economists from all camps have repeatedly asked whether capitalism can build in particular utilizing deception and fraud. Over the longer term, no value and surplus value can be derived solely from deception and fraud. That is the conclusion of most economists. But such mechanisms are always good for extraction of a surplus profit. Many still regard these mechanisms today as occasional deviations of the economic system, which (as observers must increasingly admit) are becoming repeated and lasting phenomena that people in fact expect. Part of the irony of this is that these very expectations increase the likelihood that such mechanisms will appear.

2.2.4 Production of Surplus Value through Parasitic Profits

Inheritances, favorable marriages, and other parasitic gains (such as from gambling, luck in the lottery, or speculative dealings similar to a game of chance) form economic capital but do not spring directly from labor, production, or commerce. The profit is the difference between external accomplishment (often by a relative) and one’s own non-accomplishment or performance, which is paid out in the transition of generations or as a result of sheer chance and good fortune. In the case of gambling and games of chance, the difference between what is bet by many and the winnings of the very few (minus the profit of the lottery society, the casino, or other institutions) is so improbable statistically that here too, it is only illusory to believe in such parasitic participation as a genuine chance for gain. In speculation, there will also be losers along with the winner. A special form is when, for example, banks gamble away the money and then cover the loss by funds from the taxpayers via the state, so-called “bail-outs,” as will be discussed below.

In my view, it is important that the parasitic participation here is not be seen as a moral category. Rather, it is only an expression that serves solely to designate the capitalized effects of the realization or prevention of formation of surplus value. For example, quite aside from love or personal conceptions of value and desire, a marriage is always simply also, at a material level, an expression of participation in the forms of capital of another person. And likewise analyzed here from the perspective of capitalization is an instance of unemployment, a situation that may result more from a social situation than any personal lack or failure. That is because precisely the capitalization of all living conditions defines the social situations of human beings in an essential way. In every social situation, therefore, we can ask about the implications of capitalization. Here, it seems to me that the parasitic surplus value strategies are very genuine to our present living. We often don't like them but live them as well.

The testator and the heir generally do not regard the passing on of an estate as parasitic gain but rather as something quite natural, a matter of course in families. It provides economic security to families and family traditions, and this would seem to appear as a good and natural right. Nonetheless, inheritance has long been a matter of controversy. Jean Jacques Rousseau regarded socializing all inheritances as the only chance for actually making one and all in society eventually equal. But the dominance of handed on property in capitalism went precisely in the opposite direction. Today, amongst the regulatory tasks of the state is to introduce a form of taxation that avoids allowing the gap in society between the propertied with ever greater wealth and the poor with no wealth whatsoever to become bigger and bigger, preventing the starting conditions of people from becoming ever less equal over time. Even in economic terms and beyond moral considerations, inherited wealth appears as parasitic participation. And many a testator might also share the same feeling if they could but behold what occurs after their death.

Favorable marriages strengthen the effect of inheritances because most such marriages occur in the same economic stratum. In chapter 3, I will talk about educational homogamy; it consists in the fact that the wealthier strata tend to gather in those expensive educational establishments, and establish bonds there, which are not accessible at all to the poorer strata (see esp. Blossfeld and Timm 2003).

Under primitive (previous, original) accumulation, Marx discusses the aggregation of capital that can serve to kick start capitalism. In historical terms, that was the phase of transition to modernity in which wealth was initially accumulated in order then to have a subsequent impact on the crystallization and formation of capitalism. For example, Werner Sombart (1967) tried to reconstruct how this primitive accumulation, in particular through the profligate court in France before the Revolution 1789 was promoted by luxury goods. In this way, capital was able to penetrate into the producing artisan crafts, and from there it led to the creation of so-called manufactories and later factories. In various countries, different forms of primitive accumulation arose, i.e. larger sums of monetary assets were played into the hands of small numbers of persons, who were able then to use this wealth as the starting capital for their investments. Down to the present, we can reconstruct the family histories of very rich families that go back to such original or primitive profits. But decisive as a whole was the victory of bourgeois modernity and Europe in its phase of external expansion, thus exporting an economy based on property to the world beyond its shores (cf. Piketty, 2014, 140 ff.). To the extent that an economic system was possible to be established across the world by emigration and colonization, and based on property relations, capitalist accumulation proved possible to promote everywhere. This is bound up with the fact that property, when it appears socially as an economic relation, can be exchanged, debited, pledged, and mortgaged in order to gain capital with which further profits are achieved. Once set in motion, accumulation begins to have an effect, and within its success story, it always divides people again into rich and poor (cf. Atkinson, 2015, 45-81).

In the change of generations, such an accumulation must be carried out anew. Seen in economic terms, inheritances serve to consolidate unequal economic conditions and prerequisites for starting positions on a grand scale. The private property accumulated in this manner is an essential prerequisite in order to be able to act as a lender of capital. The claim still often found in capitalism of rising from rags to riches is highly improbable statistically. Part of the recurrent myths of capitalism is to claim that anyone can achieve everything. By contrast, the great majority shows that the socioeconomic starting position in most cases cannot be significantly surmounted and overcome. For the disadvantaged, the myth even becomes a curse, because it suggests to them that they are the ones responsible for their poverty, their misfortune, they are to blame for their inability to advance up the ladder.

The myth is clearly evident in concrete form in the theme of inheritance. The bequeathing of a large amount of economic capital to the following generation is restricted to a small number of the rich and super-rich. On the one hand, there is the difference between rich and poor countries, on the other hand the growing gap between the moneyed and the poor especially in the rich economies. In respect to the role of inheritances, Piketty argues: “Whenever the rate of return on capital is significantly and durably higher than the growth rate of the economy, it is all but inevitable that the inheritance (of fortunes accumulated in the past) predominates over saving (wealth in the present).” (Piketty, 2014, 377 f.) Against this background, parasitic gains are essential: “wealth originating in the past automatically grows more rapidly, even without labor, than wealth stemming from work, which can be saved.” (Ibid, 378) Piketty shows well informed that the gap between the rich and the poor has a long history and cannot be fought again if we neglect what I call the parasitic gains provided.

Evident as a whole is that the wealthy not only become ever richer but that wealth increasingly is shifting to a small group of the super-rich with super inheritances. In international comparison, all industrial countries have quite similar distributions; although the gap between rich and poor and the general distribution of real estate and possession of capital differ from country to country, the growing gulf between poor and wealthy/super-wealthy evinces a similar pattern everywhere. From this spring different inheritances with different parasitic gains.

Who are the winners of parasitic gains? For some, even support for unemployment or for pensioners appear as a kind of parasitic participation. But such support is as a rule rooted in longer periods of gainful employment and payments previously contributed into pension and welfare funds by the workers as part of normal costs of reproduction. A different situation prevails when it comes to social benefits paid out without a corresponding value of accumulated years of work, such as immediately after finishing school, as support for youth unemployment, and are then continued. Here, depending on the particular benefits paid out in the respective country, we may observe a parasitic participation in the social systems. Generally, in such cases, the parasitic participation also occurs in the familial system, which is obligated to covers the costs or pay a portion. This often leads to negative closed loops of such a participation, which can have disastrous consequences for families. The state frequently withdraws from its obligatory measures to avoid costs. In the process, the capitalistic market, with its tendency to maintain a surplus of workers, strengthens a parasitic participation, which does not record profits and surplus values but rather loss and destruction of value as a result of the lasting exclusion from work and qualification. Just as every surplus value intends to have positive effects, if such intentions are not fulfilled, that can result in the exact opposite. The resulting social costs in the realm of social welfare and health are substantial and are in turn socialized via the state expenses paid for by taxes; and they are levied far too little on those who otherwise extract special profit from the value creation of labor. Here the term of parasitic gains is wrong because these costs handle contradictions of the capitalist markets. They are surviving tools and not even real gains. The real winners of parasitic gains are always people who are better off, the rich at different levels who even become richer by two main strategies: inheritance and marriage.

2.2.5 Summary

If we look at all four cases of profit-generation and the circulation of economic capital—production of value/surplus value, supply and demand including rights of property, engineered illusions, deception and fraud, and parasitic participation—it becomes clear in the analysis of action that surplus is always appropriated from a difference. That is shown in simplified form in chart 4:

	Form of economic capital	Surplus value arises from difference	Realization of profit in action
1	commodity production or services while employing means of production and wage labor	value creation of wage labor in concrete labor on the basis of private property versus paid wages in keeping with the historical-cultural conditions	the value of the goods or services is appropriated over and beyond the costs for producing the commodity or giving services in the market
2	supply and demand	ordinary/available and unusual/rare goods with invested costs/existing property versus yields actually achieved in the market	the market relatives the costs involved and the realizable surplus value through competition and fluctuation in prices
3	illusion deception fraud	the "real" value of the good through its costs versus the "fictional" value through illusion, deceit or fraud	action is taken to affect the market in order to ensure profit and obtain extra profit through overcharging
4	parasitic participation	participation in the money or capital of others versus one's own "minimal" expenditure	relations (for example of inheritance or marriage) ensure relations of possession and profit from the performance by others

Chart 4: Surplus Value of Economic Capital

In contrast with Marx, I have expanded surplus value and softened up the rigid economic construction of capital and labor as only source of surplus value. In economic terms, value also remains a construct even in this softer form. Through this construct, something is considered useful, meaningful, profitable, successful in the chains of action and exchange between human beings. In this context, value is both use value and exchange value. A surplus arises as compared with an original value if there is an increment in elements, aspects, parts of this value (a concrete more or something else in the use value, a monetary more or increment in the exchange value), and if at the same time, the previous value appears to be preserved, maintained, continued, etc.

The growth in the size of the exchange value in the economic capital of the propertied has become an expression for wealth in the history of capitalism. That wealth appears to have no upper limit. But it does still have a lower limit. For orthodox Marxists, money cannot automatically be capital, and external to a propertied class of persons who own the means of production, it would appear that no capital can be earned. This has served to nourish the illusion that exploitation really appears capitalistic only on a grand scale in big industry. That illusion fails to recognize that capitalization has come to pass in all human actions—that capitalization generates surplus value in actions extending into the microsphere of the production of surplus value toward the four sides I have sketched. Money as a means of payment here is not yet capital. But even the small saver who wishes to put something aside for an old-age pension becomes here a capitalist where he earns interest and thus surplus value, even on the smallest scale. For the actions here, it makes no difference where I invest the money if a "more," an increment or profit is yielded over and beyond my costs. The direct and immediately visible limitation of the concept of capital to those investments that purchase the commodity labor for a specific wage in order to siphon off surplus value no longer suffices today to characterize the variety of surplus value produced.

In order to determine what this surplus value is, we form in any case a difference, compare what was before and now after, costs and yields, debt and credit, which are observable in actions and thus can justifiably be asserted. Surplus value is no arbitrary construct; rather, it can describe actions in their effects. It is necessary here to recognize that the process of producing and distributing such capital in developed capitalism occurs today in a far more entangled form than previously. Now for a long period, many capitalists have been making their profits over and beyond wage labor in the sector of distribution or in financial transactions and insurance deals. The transition from hard or heavy industry—with its high constant portions of capital manifest in plots of land, buildings, and machines—to a soft and light capitalism, which makes its profits with a laptop and speculative deals, is so obvious that the theory of surplus value also has to open up and expand. Since I assume that we are dealing here in any event with a construction, a justified assertion in a hybrid explanatory model, it is easy to refer explanations back to observable actions and to reconstitute the model itself. It should be assessed by how plausible it can appear, to what extent it can be justified by observable actions and effects. And its validity can be maintained for as long as this justification is accepted in specific communities of discourse and understanding.

If we look more carefully at the different actions of human beings, then the distribution of the extraction of surplus value in each concrete case (of the four main types described here) may look different. Even if in the previous history of capitalism, most surplus value may well have arisen as a rule through wage labor, the other factors are always likewise involved and at times may even be dominant. But even the capitalist must calculate realistically, which is why he repeatedly will trust in surplus value from the field of labor in order to generate profits in a relatively secure way (see also again chart 1 on page 42).

Since very different interests exist in society, it is not surprising that it is the propertied who will specifically attack an explanatory theory of surplus value, because it raises questions regarding distributive justice. If we want to examine empirically in order to determine exactly how this surplus, this “more,” comes into being and who appropriates it, then in addition we also have methodological problems about how we can precisely measure these events. It is particularly not in the interest of those who wish to extract profits and succeed in doing so to determine precisely where the profits come from. The calculations undertaken serve in everyday capitalism to demonstrate the existing system’s efficiency of costs and utility (profits). Those calculations are not developed to determine, for example, the degrees of appropriation of the values created by wage labor or any further profits that accrue. Nonetheless, precisely this expansion of perspective appears necessary if we want to better understand the social and individual effects of forms of capital. To gain a better and more accurate picture of surplus value protects us from excessive expectations, while sharpening our sights for the opportunities and possibilities that can be taken advantage of from the side of the state and the individual.

However, it is especially difficult to calculate the indirect or implicit costs of the economic system, concealed in particular in the costs of reproduction of the commodity labor. These costs stand in relation to the costs for wages and the general social costs, which also have an impact on profits but never can be unambiguously calculated.

In fundamental terms, my reflections suggest that the dualism of capitalist and proletariat as Marx conceived it simply cannot be maintained in a pure form today. A pure form would be to derive classes and a necessary class character from that, which could indicate a clear direction for action. But unfortunately, history after Marx showed again and again that all attempts of this kind remained superficial and illusionary. Under a purported communism, such as under Stalin or Mao, they produced great misery and suffering, which in many places even exceeded the woes caused by capitalist exploitation. By contrast, when it comes to contemporary globalized capitalism, we can observe that capitalization has penetrated and taken hold of all societies with a breadth and depth that even the exploited worker with his hard-earned money can the next moment transform into someone who wishes and is able to extract a surplus value for himself and against others—for example, even the poorer in low-income countries. A dualism of haves and have-nots appears not only in rich countries but also between rich and poor countries and both can only be mitigated by redistribution of the gains and global taxing (cf. Piketty, 2014, 515 ff.). But it becomes evident to what extent capitalism has also capitalized itself toward the strata below. And proceeding on this insight, it also makes sense, as the present study argues, to distinguish and investigate additional forms of capital that express such capitalization in different forms of action.

Since everyone is confronted everywhere on a daily basis with economic capital, I think it should be part of general economic education to grapple with the four sides of surplus value as described. That is also important in regard to economic knowledge, since economic capital has a repeated shaping impact on the circulation of all forms. It should be part of basic economic knowledge today to reflect on one's own place and opportunities for development in the economic field in order to gain a realistic picture not just of one's own starting position—but also to examine the political options available which a person might wish to espouse or struggle against. In particular, for a society with as great as possible a degree of opportunities for participation of all members and a deep democratic orientation, the question arises: how can the wealth of the owners of capital on the one side and the relative poverty of the greater masses on the other be leveled out and compensated for so that the mutual gap stops widening, and the one-sided power of the wealthy does not become ever greater vis-á-vis all the rest of the people? I also wish to look in depth at another key topic: what can or should the individual in the capitalist system do in order to obtain a sufficient array and spread of opportunities? For that reason, I will also look below in greater depth and detail at the social and individual sides of the possibilities for utilizing economic capital.

2.3 Social Utilization of Economic Capital

The history of the economic sciences is an interesting history of the deployment, opportunities for profit-making, and difficulties of utilizing economic capital. In this connection, it is striking, as is often assumed, that the success of economic capital and the markets can at the same time improve prosperity and generate a social utility for the benefit of all. However, this is clearly not the case everywhere. That is pointed up starkly by various crises. (1) I will discuss some of these for the recent period. (2) They bring us to the very fundamental question pertaining to the relation between the state and the market. This is because in capitalist crises, the state—which otherwise is supposed to keep its distance from the market—as some leading liberal and neoliberal ideologies of capitalism contend, is supposed to assist. The question as to regulation and deregulation clearly permeates the practices in action of economic capital. (3) Finally, I will also look at the basic phenomena of the capitalizing of social opportunities. Here it is decided whether and how the state might contribute to reversing the trend where equity of opportunity, with a growing gap between poor and rich, becomes ever greater.

Crisis phenomena

The Great Depression of the 1930s was a nightmare for economics, because according to the prevailing theory, this could and should not have happened. The market, which with its mechanisms of competition and supply and demand was supposed to be efficient and self-regulating had suddenly failed. First, there was a recession, then a massive depression followed. The trigger was a speculation bubble. Illusions, deceptions, fraud, and parasitic profits through speculation comprehensively engulfed the efforts to extract profits. Chain stores, falsification of balance sheets, frauds—these were some features of the crisis. As a result of the stock market crash, all values plummeted. What could be done? Wait for the market to recover? But what about the multitudes of the jobless, what about state expenditures, far higher than income revenues?

John Maynard Keynes, whose theories remain authoritative down to today, gave different advice. He suggested that the state should go into deeper debt and raise expenditures in order to stimulate the economy. Stiglitz (2010) notes that for those who had a basically skeptical view of the state, that proposal was a red rag. In the U.S., people liked to see this as a kind of socialism that seems especially threatening. But Keynes only wanted to save capitalism from itself. His basic assumption was that capitalism and the free market economy can only survive if it creates jobs.

In this context, Franklin D. Roosevelt tried in the “New Deal” to gain the upper hand over unemployment by a package of economic and social reforms, especially with large-scale investments by the state, coupled with a progressive taxation and a system of social insurance. Adolf Hitler’s response was quite different. He took the role of the state as a pillar of capitalism to such extremes that the upshot was war and mass annihilation. World War II put an end to both developments, and after the war’s end totally new starting conditions for economic upsurge emerged. The concept of a “New Deal” remained, in everyday language meaning something like a reshuffling of the cards so that the masses could also have some part in prosperity. What remained after the economic crisis was the historical insight that capitalism can assume many political faces. Many came to believe that only a democratic constitution could offer protection against its extremely brutal and inhumane forms.

In the era marked by Keynesian approaches, the state was to employ macro-economic interventions in order to ensure that the markets functioned in a regulated manner so that firms could sell their products in a free and stable market. Turnover was to be stimulated, the economy spurred, and as high a level of employment as possible was to be achieved. That would in turn drive mass consumption. This perspective, however, entered its own crisis when in the 1970s the taxation instruments of the state appeared to be too weak or ineffective due to high inflation. Scientific-technological progress spurred innovations in the industrialized economies, and a mounting global competitive struggle emerged. Over and beyond the local macro-economic interventions, the markets appeared to be able to regulate themselves. At the same time, the link of money to gold and thus the Bretton Woods agreement (the last attempt to introduce a gold standard to ensure monetary stability) was unilaterally abandoned by President Richard Nixon. This was the entry into a new monetary policy that freed the volume of currency from its limitations. It made it possible with government bonds for states to incur great indebtedness on the basis of trust in the markets. This was a fateful development: it led, right down to the present, to a huge volume of money in the hands of the owners of capital and staggeringly high state debts and deficits, coupled with a crisis-ridden monetary policy. This initiated a radical turn to a so-called neoliberal economic policy that gave priority to the market.

Since then the economy has exercised an enormous pressure on politics in order to rigidly achieve its chief objective: as highly profitable a development of capital as possible (see esp. Crouch, 2004). Economic capital liquifies in its forms of deployment, it migrates from less profitable regions or companies into more promising areas or commodities. But on the whole, it also distances itself from its workforces and local sites, reducing solidarity with staff and community. Nonetheless, despite this surge of liquefaction, two constants remain in the development of capital (cf. ibid.):

1) The important investors of economic capital are a small group of the heavily propertied, real owners of capital who continue to increase the volume of their capital in ever new constellations, invested to generate maximum profit. In a drastic manner, this increases the widening gap between the unpropertied masses, the slightly better off income groups that also possess relatively little and the truly rich.
2) Even if capital becomes ever more fugitive in its strategies of maximizing profit, on the other hand it concentrates in global corporations, transnationals (TNCs) that seek as institutions to exert strong political influence.

In the neoliberal conjuncture, the state comes under extreme pressure. On the one hand, it has to continue to finance its long-standing functions and services in administration, law, social welfare, education and training, etc., which yield no direct profit. On the other, its expenses rise when it is expected to do ever more in these spheres, although economic capital is not asked to cover the added costs, since this contradicts the neoliberal conception of the market. In part, the state covers its increased expenses by privatizing a substantial segment of its responsibilities. Yet over the longer term, this also deprives the state of opportunities for revenue (especially in connection with nationalization of energy, the railroads, communication). Or in the ideology of the market, the state incurs ever greater debt. That is in keeping with the market's desire for safe returns, but over the longer terms leads to a debt spiral that is unending. Crouch concludes correctly that against this backdrop, the governments descend into a crisis of self-confidence. Politics and especially governments think that nothing ultimately can succeed unless the private sector is involved as a compass. They thus become the victims of the market, because their previously much vaunted function of raising the general well-being of the society and democracy (in the neoliberal sense), over and beyond the narrower economic interests, is now integrated into calculations wedded to economic dependency. Governments previously marked by Keynesian thinking or a social-democratic outlook, increasingly bid adieu to investment in non-profit NGOs and their projects; increasingly they privatize activities designed for cultural and social ends. Non-profit organizations in particular are dependent on private support and sponsorship, because the state is withdrawing from its own projects and no longer allocates sufficient support for such organizations. Such sponsors, who represent economic power and its elites, obtain even greater influence in society. This is very significant for the compensatory function of the state in leveling out inequalities, because this process lends support to an attitude that seeks to strengthen relations of possession and wealth in all social spheres—instead of embarking on a broad offensive for comprehensive programs to promote the interests of the underprivileged and marginalized. In the realm of higher education, for example, ranking positions in the economy have lasting impacts on the development of research, where we can observe shifts from critical thinking about fundamental problems toward research that is largely applied, market-oriented (see chapter 6).

The crises in the financial markets have not only shaken the neoliberal model to its foundations but have also unmasked the sheer absurdity of its simplistic conceptions. The crisis in the financial markets, which has rocked the capitalist world in particular since 2008, and is still ongoing, reminds many economists of the Great Depression of the 1930s. Even if Charles Kindleberger and Aliber (2005) argue that over the last 400 years of capitalism, there has been a crisis roughly every 10 years, it is on the other hand striking how different these crises actually are. Allen and Gale (2009) show that after World War II, there were hardly any crises, this because the economy was more strictly regulated than later on. Stiglitz (2010) argues that market deregulation down to the present has led to a situation where the danger of economic crisis has increased. He stresses that the day that Lehmann Bros. collapsed, 15 September 2009, was for adherents of market fundamentalism (the view that markets themselves secure economic prosperity and growth) akin to what the fall of the Berlin Wall meant for the communist bloc, an iconic watershed. Moreover, the mechanisms operating in the background between the crises are nowhere near as different as they may externally appear.

What is the nature of such crises? According to Stiglitz (2010) and Harvey (2010, 1 ff.), several characteristics of the financial crisis are the following:

A financial bubble forms, promoted by foolish, non-solid granting of credit by the banks. A deregulated market with a flood of liquidity and low interest, a global property bubble, and the surging volume of second-class home loans are a poisonous cocktail. The security offered are objects that have only emerged as wealth assets through the bubble (in the real estate crisis, through the continuously rising value of houses, which at some point became unrealistic). Rating agencies fail because they themselves are a part of the system geared to profits. Credit default swaps generate a system of the packaging and transfer of credits; even for the banks that take them over, they are hardly transparent in their real value. The massive securitizing of home mortgages proved particularly problematic: second-class mortgages were transformed into first-class products, advertised and sold. This initially increased bank profits, but then led to ruin for the users. Ultimately the state had to step in and bail out the banks. The extension of credit does not entail a lasting security for the borrower but rather as high as possible short-term profit. Credit default swaps lessen risks, but the incomplete information ultimately leads to far greater risks based on false judgments. Securitizing of loans leads to a situation where the banks grant fewer loans to medium-sized enterprises in order to generate more jobs; instead they concentrate on home mortgages. There were big bets worth billions on redemption of the loans in order to generate extra profits. There is no full employment and the mounting economic inequality leads to a situation where the consumption of broad masses is restricted. On the basis of their size ("too big to fail"), banks enjoy systematic protection; this permits them to take greater risks, since the state must always bail them out; if they were to go bankrupt, then as a result of the meshing with goods production, other spheres would collapse; in this manner, the risks are thus redistributed to all citizens. In order to rescue bankrupt firms, the state wastes its funds, which are then lacking when it comes to innovations. Many of the banks use the state loans in order to continue to gamble away funds, because this promises short-term high profits. Once the state steps in, this impacts on further crises, because the expectation arises that the state will always spring in. If the state must make ever more debts in order to overcome the crises in the private economic sector and to spur consumption, then a much greater crisis looms in the background, namely the state declaring itself bankrupt. The existing state indebtedness in almost all industrial countries indicates that the debts are so immense that paying back interests on these debts has become problematic, to say nothing of paying back the loans.

The crisis impacts on all four of the forms of surplus value I have sketched. It mixes them together, and it is striking that in particular, engineered illusions, deceptions, fraud, and parasitic profits at the expense of others increase significantly. But there are also difficulties in global capitalism in firm management and corporate governance. Stiglitz (2010) makes the system of corporate governance especially responsible for the circumstance that the executive echelon down to the present has not developed any awareness of the need for longer-term economic activity. American corporations (and those in many other countries) are managed nominally in the interest of their shareholders. But in practice the management often runs the firm in a manner that prioritizes their own interests oriented to short-term gain. In many corporations with broadly distributed capital, management appoints most members of the Board of Directors, understandably appointing individuals whom it perceives to be most useful to its interests. The Board decides on salaries for management, and the firm is very generous in this regard. One hand washes the other. In practical terms, this is tantamount to a partial expropriation of the owner who only nominally are in possession of economic capital and pass on some portion of profits to the management.

Global crisis management is difficult. In economic terms, it is characterized principally by five phenomena forming a framework ridden with contradictions:

1) Rising productivity—here unemployment will increase when fewer workers can maintain the production—can only by innovation and more consumption create new jobs.
2) Neoliberal deregulation with global competitive pressure is leading to financial crises in local areas, producing social problems in all industrial countries (high levels of unemployment and the drift of part of the middle class into poverty, increasing the gap between poor and rich).
3) A rise in state debt in order for the state to function and fulfill necessary tasks is observable. It must use social expenditures not only for administration, transport, the justice system, education, etc., but most also expend huge sums to secure the banks and economy as well. From a certain point on, the debts force the states toward austerity and budgetary constraints which significantly restrict their ability to act.
4) A discernible redistribution of wealth from below to above becomes obvious because the taxation policy in relation to income takes far more from the working class and lower-income earners than from the wealthier strata.
5) A hardly sustainable policy in dealing with natural resources and ecological standards is—even against the objective data of climate change—maintained, geared to maximizing short-term profits.

These starting positions in the last decade in all developed capitalist countries cannot simply be left over to the market (see Stiglitz, 2012, 2015), but they are difficult to regulate, because the capitalist markets have become highly complex and the lobbies of the economic elites strongly influential.

For example, one point is that the course of the economy in different regions varies. This gives rise to problems of balance. If Germany with its high level of exports and quite high level of state debt is to balance its export excess with the rest of the world by agreement, as other countries demand, then it would have to import more, only possible via increased consumption. If at the same time savings are necessary, then this is contradictory. Evidently the country spends too much on things that do not adequately promote the consumption of the masses. If the world community were to operate with special duties levied on countries with high export excesses, this would be a lasting catastrophe for Germany. If, on the other hand, state debt reaches ever higher levels in order to stimulate the economy, this can also have negative effects because the state has to pay the interests and loses money for societal growth. The latitude for action is difficult to determine. And economic policy consists of opinions and some crises are based more and more on hysteria in the market. That is connected with the fact that standing over against the extremely high debt of countries worldwide is a sum of donor capital that is in dire need of such debt for possible investment. The enormous sums of money in the hands of a relative small group of capitalists causes exponential growth in supply and demand.

A fundamental associated problem of capitalism is that the interest rate—that must be covered by some form of profit—always leads to an increase in the amount of money. If that money is not spent and no longer can be spent, it in turn calls for a new interest rate. It could be expended if spent in solidarity for that portion of humanity living in distress or poverty, i.e. if expended for concrete human use rather than being constantly invested in its own growth. Or it could be expended in luxury goods, but the rich have a lot of these anyway. Solidarity could only come about if states recover large segments of the profit for the benefit of people at large through taxation, deploying it longer-term for the good of the entire society. Why would this be necessary?

Lomborg (2004) stresses the ten central crisis phenomena of globalization awaiting a solution at the present time: climate change, infectious diseases, conflicts, access to education, financial instability, corruption by governments, malnourishment and hunger, migration, sanitary conditions and clean water, subsidies and barriers to trade. Money would be well invested in all these areas.

The constantly rising search for profit or interest also produces economic bubbles and ever greater state debt that grow exponentially with the amount of money if the profits cannot be generated any longer through surplus value production from labor. Only inflation or taxing the wealthy could reduce this spiral. But inflation has not sufficed to reduce speculation as the most recent economic crises show.

Some authors regard the exponential rise in interest rates, in naked sales, and the different forms of gambling in the markets as the most important risk for capitalist development as such, since at some point there must be a total collapse in the utilization of money, similar to going back to zero to start over again. Or it must lead to a currency reform suitable for the markets in order to destroy the gigantic amount of capital no longer flanked by any real values, which leads us astray into living far beyond our means. If the taxation is low, like the Trump politic introduced this in the United States at an unbelievable reduction for the rich in 2017, then the national deficit will rise and has to be paid by the population later. The irony is: when the income of the state decreases by low taxation it has to borrow back the lost money at high interest rates in order to attend to its public tasks and duties. In the process, those who have to pay less taxes also provide the money, they get richer and richer. The enormous amount of money borrowed may also benefit the poorer strata for a short time. Yet over the long term, it is also to be paid back again by them, if indeed it can be paid back at all. We should be disturbed that the enormous sums invested as capital in global capitalism are on the constant rise. As they increase, they either lead to ever more powerful bubbles and thus crises, or they aggravate the state debt to such a point that these debts ultimately lead to state bankruptcy.

If we try to describe economic growth in capitalism, then we find a slowly rising curve over an extended period of time due to an increment in productivity. But critics argue that this looks quite different with private capital. Initially the curve rises slowly, but then ever more quickly and strongly upward, i.e. the moneyed wealth grows disproportionately. In the early phase of capitalism, it grows through interest and compound interest, but that is insufficient in established capitalism. Money must be made from things that in real terms only experience a small increment but which in the market in exaggerated fashion are ranked much higher. Hedge funds, private equity, derivatives, stock options, and the like spur this market to extract profits from company takeovers that after a short time are sold at inflated prices, from bank bets, gambling of funds. Parasitic profits appear to be more profitable and quicker to achieve than surplus value from labor. But if capitalism constructs its economy more and more based on the method of covert chain letters, then a collapse appears unavoidable at some non-specifiable future point. If we want to save capitalism, Robert Reich (2016) argues, then we have to save it for the many and not the few.

If opposed to this critical view, other economists try to discuss the situation in less dramatic terms, but they, too, cannot deny that powerful speculative and also psychological factors rule the markets in the form of mass hysteria, increasingly driven by a mania for short-term profits. Nor can they deny that the intentional deployment of large amounts of capital has become a hugely effective weapon in the struggle of the markets. Yet that weapon cannot protect markets from self-destruction when the markets through such operations on a large scale are pushed to their limits and to the point of collapse, as some fear now after the financial crisis in 2008. Some look for radical reconstruction, when Harvey for example suggests: “Capitalism will never fall on its own. It will have to be pushed. The accumulation of capital will never cease.

It will have to be stopped." (Harvey, 2010, 260) But this radical view neglects that the majority of people still hope to be part of the game. Further on, there is not only economic capital as I will show in the next chapters. And even if the markets collapse, there seems to be no real alternative to capitalism so far. All we can think about in this case is some kind of reset like in the Depression of 1929.

At best, in future the state will have to regulate the markets more forcefully. That is a consequence of the crisis phenomena described here. There are profound suggestions given by Stiglitz (2015), Piketty (2015, 100 ff.), and others. Yet at the same time, due to different developments in various countries, it is highly unlikely that overarching concepts can be developed. The struggle for a global tax on financial transactions, which would represent a good beginning for regulation of the overheated financial markets, shows that regulation itself has to date foundered on the rocks of the superficial interests of the markets and of various countries profiting from these interests among one another. In the orientation to short-term profits, economic reason is manifest as human unreason.

State and market

In "The Wealth of Nations" (Book IV, chap. II, § IX), Adam Smith used the metaphor of the "invisible hand" to show that individuals in every society also employ their capital in commercial dealings with more distant regions or countries if they can extract higher profits than are available in local commerce. Smith argues that if this is the case and yields a profit, then it is better for every society to do the same. If the state only shields the local firms through protectionism, then it erects commercial and market barriers that over the long term can harm all.

Later on, this insight was generalized for capitalism and applied to local and foreign commerce. In looking to the market, we must have faith in the egoistic motives of every individual, because the well-being of the whole arises from the sum of all egoistic or private actions. As if guided by an "invisible hand," the individual, through the result of his action, achieves something that goes against his own egoistic nature—he produces, against his or her own will so to speak, wealth for all.

The logic of action that this is based on reads as follows: if every consumer is free to consume what s/he wants and how, and every producer is free to produce what s/he wants and how, and is free to sell it, then the market regulates a sensible circulation and distribution, appropriate prices through competition—and in the end, all this benefits all members of society and society itself. People's own interest stimulates them to contribute to the general prosperity. Liberalism as an older ideology, and neoliberalism as the more recent ideology of economic action, both trust to a high degree in this invisible hand, and they mistrust state intervention aimed at regulation in particular.

Joseph E. Stiglitz sees this metaphor quite differently. For him, the invisible hand is invisible because it cannot be made visible in human action. In his “Making Globalization Work” (2006), he relates the metaphor of the invisible hand to the actual realities of globalized capitalism. Developments here are not some sort of fateful events, but the product of implementing specific economic theories and political management. How the political direction is laid out results in various economic effects. But a liberalized market grounded on egoism does not lead to general prosperity. Here his assessment of liberal or neoliberal economic policy, in which the state does not intervene in the market, is highly critical. In recent decades, the demonstrable effect has been the widening gulf between the rich, growing ever richer, and the poor, their poverty increasing. The research on inequality worldwide shows an enormous amount of data how this gulf is rising in detail (see e.g., Piketty, 2015, Atkinson, 2015, Stiglitz, 2012 and 2015, Milanovic, 2011 and 2016, Bourguignon, 2015). Although in the globalized world, India and China in particular have experienced an upturn in prosperity, globalization otherwise has not brought the hoped for rise in living standards for the great majority. Although the percentage of people in poverty has declined worldwide, the absolute number of the poor has increased across the planet. In the industrial countries as well, we can see the impoverishment of broad strata of the population in relation to the total income. One way to measure this, is to compare the Gini coefficient of disposable income per adult equivalent which shows the rise in inequality (a coefficient of zero expresses perfect equality, 1 (or 100%) expresses maximal inequality among values:

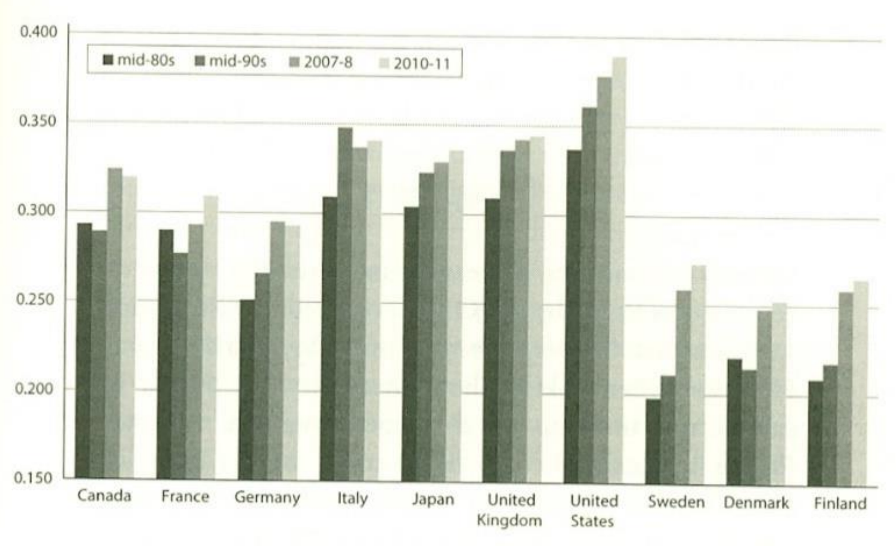

Chart 5: The Increase in Inequality in Selected OECD Countries. Bourguignon, 2015, 51.

Remarkable in chart 5 is that inequality is a rising problem in all countries even if some show more inequality than others. In this connection, economists distinguish between absolute and relative poverty. Absolute poverty is people living at the existential minimum, with too little for subsistence and survival, hardly able to meet their basic needs. Relative poverty is defined in relation to the overall level of prosperity in the society, where average social values of income or social welfare benefits for all are compared in relation to the individual.

Stiglitz (2010) stresses that the more the state as a regulating body withdraws from the economy in the framework of market fundamentalism and its ideologies, the stronger the negative effects. This is because the markets cannot by themselves solve the problem of poverty; on the contrary, they often exacerbate it. They also help too little to create full employment, as a glance at the prevailing realities in markets worldwide quickly reveals. He identifies at least two active mechanisms structurally generating unjust distribution of values:

On the one hand, the global commercial and financial order is unjust, because it always channels money to flow from the bottom up, from a multitude of the poor to the small number of the rich. A casebook example was the 2008 financial crisis. Because the banks and their financial backers engaged in gross speculation in the drive for ever greater profits, all citizens are subsequently called upon through taxes to cover this. In this scenario, the state, even for the market fundamentalist, should react if the total economy is threatened with collapse. What occurs here is a redistribution of entrepreneurial risks to the broad population.

On the other hand, there is also a struggle between the rich countries and the poor ones. Although development aid is given to the poor countries, commercial barriers are erected at the same time; these place a burden on their exports three times greater than the aid granted. Stiglitz also regards the policies of the IMF as problematic, because it mainly gives those who already have something. He mentions the example of Indonesia. There the IMF provided funds to cover bank demands but not to subsidize food for the needy.

Market fundamentalism, which likes to tout the "invisible hand," is referring to a fiction. The counter-thesis holds that the state is necessary in order to facilitate secure conditions for banks and enterprises to act in the market; so, it must regulate a multitude of tasks. Contracts and property laws have to be respected. This and more: deception, bogus transactions, and huge speculation at the expense of the broader population in particular—a population that by means of taxes is responsible for covering risks where the few wish to profit—ought to be regulated better by the state even against the markets. In Stiglitz's view, it is necessary, based on the experiences of capitalist development, to create a balance between the market, state and non-governmental, non-profit organizations. That view is not grounded on the faith in a problem-free prosperity for all. But underpinning it is the conviction

- that the gulf between rich and poor on both the individual level and between countries should not continue to widen,
- that the double moral standards of the West—with its promise of democracy and money, invested even in the most shameful manner as long as profit can be extracted—can be limited,
- that the neo-colonialism of a small number of propertied capitalists and corporations imposed on the young democracies must not bring them to early ruin.

To make this possible, states globally would have to work together, regulating by taxation those currents of capital that in the rank growth of the markets seek to utilize every gap to increase their profits, independent from its actual impact on ordinary people's lives. This attitude, anchored in the anarchy of the market and the egoism of capital owners, cannot be left to its own devices without endangering democracy itself. Persons who wish to further democracy should keep in full mind and espouse these points forcefully.

Stiglitz sees the state as an institution that must provide rules; for purposes of control, it must deploy arbitrators, umpires who ensure that the rules of the game are adhered to, such as courts, supervisory agencies and regulatory offices. He stresses that we must trust in the fairness of the rules and the objectivity of the umpires. But the question of the actual property relations, the widening gulf between rich and poor, remains: to what extent can a mere administration of the ever more unequal game suffice? Or must the state provide incentives and stimuli in order to make the rules of the game more just and lasting? This can only come to pass if politics is also shaped by the working and voting masses, acting in the sense of a new enlightened economic rationality.

The regulators who trust that capitalism can surmount its recurrent crises in the sense of this new rationality by means of positive cooperation between the state and the market have faith, as Stiglitz shows, building on Keynes, in the following program (see for further detail also Group of Thirty 2009):

- interventions and regulations in the market must be timely in order to be effective; in the financial crisis, he recommends dampening the banks' readiness to take risks and to force them toward more transparency in their transactions, increasing their capital reserves, decreasing the intake of foreign capital, levying a fee in order to secure deposits against risks, limiting risky products;
- such interventions only are effective if they increase employment and actually strengthen economic output;

- they should be geared to having long-term effects by promoting in particular the following: increasing the savings ratio, equalizing the balances of trade, securing old age welfare, expanding infrastructure, combating global warming;
- economic stimulus packages should concentrate on investments that help over the longer term to reduce the debt associated with them; this should be done by consumption financed by debt;
- income inequality is important: the gap between rich and poor is steadily widening; that has to be taken into account in taxing the wealthy, who have made huge profit in the phase of deregulation; higher taxes on the higher incomes can make a redistribution possible, which strengthens the breadth of demand with simultaneous excess capacity in production;
- economic programs must combat short-term emergencies in order to avoid hardship and prevent further downturn with even more unemployed workers;
- this is why it is necessary to strengthen those sectors where occupational retraining is being done, retraining the jobless for future jobs in demand;
- to strengthen global demand, developing countries have to spend more; that is only possible through greater amounts of aid;
- a higher carbon price to pay for the greenhouse gas emissions can promote the modernizing of many spheres of the economy while having a lasting effect for the future.

The list shows how difficult the state of affairs is, because a number of goals sometimes conflict while others supplement each other. The inventiveness of the financial markets in engaging in ever new forms of speculation to generate profits knows no bounds. A prime example are derivatives, the pride of the jugglers of finance. What are derivatives? Their value is “derived” from another object of wealth. That can also be a speculative value. A wager that the share price of some stock next Friday will be above $20 is a derivative. A bet that the market value of a bet that the share price of a stock next Friday will be over $20 will itself (qua wager) be over a certain amount is a derivative on the basis of a derivative. There are no bounds set to this game. Even if it initially may make sense to secure a specific share price in order to reduce one’s own risks (for example, when a company wishes to purchase certain raw materials at a certain price and not more), such dealings also seduce people to engage in comprehensive gambling. The crisis of many countries in the framework of the financial crisis and state deficit crisis shows just how these gamblers can bet a country down the drain. In the process, it is sucked into the maelstrom of ever sinking credit ratings and thus more expensive loans, until a rescue fund bails it out for a specific period of time. More and more countries with high indebtedness are being pulled into the vortex of such crises. Warren Buffet called derivatives financial “weapons of mass destruction,” because they can destroy both firms and countries.

The financial crisis 2008 scarcely weakened neoliberalism; on the contrary, it tended to strengthen it, as Crouch (2011) in particular has argued. Although neoliberalism was basically responsible for the crisis as the doctrine lurking in the background, in order to deal with the crisis, the various governments basically did not operate in a dualism of state versus the market. Rather, by bailing out the banks and supporting the large corporations, they redistributed the money of the citizens of their lands. Crouch argues that it is not a situation of state against the market— but rather of a triangular relation between the state, the market, and the large corporations. While rescuing the financial sector and the banks, the state at the same time imposes austerity measures on the public service and other branches of government. Neoliberalism is strengthened in the process, because through the unconditional securing of the banks, neither their mentality nor their casino gambling is changed. By contrast, in other spheres, rigid state interventions become necessary, especially in the debt relief strategies of heavily indebted nations. The intertwining of the state and large corporations is increasing in this connection, so that it is hardly possible to speak of a real adjustment or comprehensive crisis management. The influence and power of the so-called system-relevant corporations were even strengthened in the crisis. Now, in the knowledge of possible rescue at the expense of the taxpayers and public service, they take even greater risks than before in order to maximize their profits, this contrary to all the market principles of an earlier time. According to Crouch, because this is hard to predict, it remains an open question as to what consequences this will have for democracy and society, and the long-term relation between the state and the market. But it appears almost impossible to apply the brakes to the profit-oriented forces since they have accumulated so much economic capital at their disposal.

In addition, it is necessary to pay attention to the gigantic state indebtedness that has to be accepted in order to realize such state programs. It is a debt that can hardly be liquidated because the state cannot introduce a radical increase in taxes, since that would weaken the economy as a whole (due to reduced consumption). Here there is another “constraint” that has spread in the policy of the industrial countries: the turn to living continuing beyond one’s means in the affluent societies. Shapiro (2007) notes that liberals and neoliberals, communitarians and egalitarians in particular claim to support the welfare society and welfare state. But given their radical bond with the market, de facto they propagate precisely the opposite. The market orientation of action is also the grand illusion of a general state of prosperity. Yet concretely, the welfare state exists only through redistribution. If redistribution by higher taxes on the wealthy is not sufficiently aspired to as a policy aim, then ever greater state indebtedness and deficits loom as a threat. Over against the gigantic state debts and deficits of the present stands an unbelievably huge sum of capital that services these debts, extracting hefty profits in the process.

How can states reduce their debts? They could hope for an inflation that would eliminate a substantial proportion of their indebtedness. That in turn would drive up interest rates. Yet at the same time, there is too much money in the market, because the owners of capital have accumulated staggering quantities of economic capital. Their private interest is in increment, seeing their capital increase. And they bet solely on that path, even if by so doing they themselves undermine options for a long-term state management of the crisis. Capitalism will long be trapped in this economic paradox. That will not ease its crises, but presupposes a constant crisis management in order to stabilize the situation and maintain the system. One cannot predict how long that will prove successful, but the frame conditions hardly allow for any hope of crisis-free solutions. The accumulated debts are always also confessions of guilt because someone cannot pay. Conversely, as one of the activists and analysts of the Occupy movement, Graeber (2011) concludes, in the current financial and debt crisis, and in regard to debts in general, there is an opportunity to liberate oneself from old ballast and unequal relations. Freedom from debt is then synonymous with freedom as such. And that is a path often necessarily taken in times of upheaval in human history, even if the respective economically powerful have always described this as a scenario of downfall. Upheavals and revolutions, Graeber suspects, always begin with debts that a society no longer can or wishes to pay back.

State and regulation and the question of economic justice

In democracies, the government of a country is generally considered an executive elected for a limited time. It is supposed to reflect and articulate the majoritarian-representative views of the citizenry. As executive, the government manages the affairs of the state, limited (a) by the legislative branch, which can be directed by the government majorities themselves, and (b) by the judicial (legal) prerequisites, i.e. the already existing laws that provide a framework for the conditions and possibilities of governmental action. In regard to economic capital, the state has several tasks that are also regulated by law. In the form of different governments, the state takes on different forms, associated with different ways of interpreting economic, historical, cultural and social preferences:

- As a *control state*, it regulates key tasks of the polity (manifest in the ministries and the tasks assigned them). In economic terms, it levies taxes to finance these tasks. It seeks particularly to ensure that capitalist private business can operate in as smooth a fashion as possible. It protects private property and also the possibilities of free wage labor, and is always in this capacity under the strong influence in particular of economically powerful groups, as evident from the history of capitalism.

- As a state under the *rule of constitutional law*, it seeks to ensure that the acts of all citizens unfold according to clear rules and laws in a framework that can be legally checked, with sanctions for violations. Especially important in a democracy is that all have equal rights and can exercise those rights, and that the state rests on principles of equality. Here capitalist development shows that rights to freedom are quite compatible with capitalism, although in their concrete forms in lived reality they are at the same time heavily shaped by one's economic status.
- As a *social state*, it equalizes social disadvantages, seeking to accord all the greatest and equal opportunities in life. But economically speaking, capitalist development has been unable to prevent a widening gulf between rich and poor in the industrial nations, a gap that has also increased between advanced industrialized and developing countries.
- As a state grounded on *law and order*, it has a police force and army at its disposal in order to implement existing rights and obligations domestically and externally.

In regard to the economic markets and mechanisms, the state always appears in a field of dynamic tension between regulation (planned interventions) and deregulation (free interplay of forces). Capitalist development shows that the state and its politics always depend heavily on the capitalist markets. Particularly in times of crisis, there is more regulation, although a lasting long-term regulation often is missing, especially in order to ensure equitable opportunity for all, on a continuous, longer-term basis.

In regard to the foundations of democracy, rooted in democratic basic rights for all and the equality of opportunity for all individuals, at least basically intended, the state must intervene heavily with regulatory measures, because very different economic relations and conditions under which individuals live determine to a large degree their options and opportunities. In this connection, the state's conception of the goal (and the democratic conception) is less an illusory equality of opportunity for all, which in any case must appear unattainable under capitalism (see Bourdieu & Passeron, 1990). Rather, it is an extensive as possible securing of equity of opportunity, of opportunity justice. In particular, this means that individuals must be in a position, by their own effort, to achieve a certain level of prosperity and improve their chances in life. But this prosperity and these opportunities in various different countries are distributed in very unequal ways, manifested in particular in social welfare benefits and education.

Jürgen Habermas has made an important aspect of such modes of action very clear in his work. Democracy and the bourgeois constitutional state are closely interconnected, because only through law can the political participation of all citizens be ensured (see Habermas 1998). For Habermas, participation is realized when mature citizens, under the conditions of a politically functioning civil public sphere, through wise delegation of their will and effective control of its implementation, take over arranging their social lives themselves, transposing personal authority into rational authority. He sees democracy as a political form of society that could increase the freedom of man and perhaps achieve it completely. In his eyes, such democracy is fundamentally linked to the “self-determination of humanity” and communicative action (cf. Habermas 1984, 1987). As he makes clear in his philosophy of law, law is essential for bringing about social integration when the actors do not act communicatively in ideal-typical fashion (as he demands ideal-typically), but rather act strategically. Law here must on the one hand limit the actors; on the other, however, they must also desire to subject themselves to the law, which presupposes a certain insight (cf. Habermas 1998). Laws for him are only legitimate if they are created in a discursive process of legislation that requires the democratic agreement of a representative democracy. In this connection, he underscores four main principles of the constitutional state that work today:

(1) the principle of popular sovereignty,
(2) the principle of the guarantee of comprehensive individual legal protection,
(3) the principle of the lawful nature of administration,
(4) the principle of the separation of state and society.

In regard to the capitalizing of all social spheres, the fourth principle is especially problematic. Habermas proceeds ideal-typically on the assumption that in human social relations, there should be no insurmountable class structures in the political culture, since otherwise the state in its actions could become dependent on such structures. If it did, then despite the mechanisms of representative democracy, it could proceed to interpret this constitutionality or rule of law to the advantage of certain groups and the disadvantage of others. In view of the economic and financial crisis and the engagement of the state to serve the interests mainly of the wealthier strata and thus largely a minority, the question of present-day democracies we have to ask how realistic this ideal-typical distinction really is. Has not the state placed itself too firmly in the camp of economic capital, thus long since abandoning this separation hoped for? Or put a different way: don’t we recognize in the measures of the state, taken or not taken, the extent to which this separation is still successful? How does the state limit extreme wealth on the one hand, in order to prevent the formation of a separate and political influential economic elite, and invest in education or systems of social security on the other, in order to be able to preserve equity of opportunity and relative equality in the society as a whole? This is a central question that in the present is not answered to the benefits of the many. If Habermas until today can help us to understand the wishes of a critical theory and ideal-typical democracy, the capitalist reality draws quite a different picture. We would be happy if the state would at least start to regulate a little more in the direction of equal opportunities.

Income, poverty, and the role of the middle class

Against the backdrop of the previous analysis, I now turn to analyzing several essential basic phenomena of the current style of life that are important for economic capital and social intercourse as well as for their effects on society. Several studies have shown just how important these basic phenomena are. For example, Bruno Frey and Alois Stutzer, in their work "Happiness and Economics" (2002), distinguish income, employment and unemployment and inflation as especially relevant categories for characterizing the satisfaction of people in regard to their economic conditions. In other studies, residence is deemed an important factor for satisfaction in life, as well as the opportunities for social mobility (upward/downward scenarios) in their relations and education (which I examine separately in chapter 6). However, opportunities for consumption should be especially mentioned as measurable indicators of well-being. Deriving from this are also opportunities for freedom (choice of education, occupation, job, provisions for health and old age, security for the family, legal security, etc.), viewed by individuals as especially important in liquid modernity, and which on the social side point up the entire tendency of development and economic justice of a given society. Although all capitalist societies today display similar basic tendencies of development, the differences between countries when it comes to details are quite substantial. These are heavily dependent on the scope and success of state regulations. Arguably, one basic thesis is that societies oriented more to equality than inequality (bound up with deregulation of the actions of free market forces) offer the majority of their citizens greater and more just opportunities (see Wilkinson/Pickett, 2010).

In 1930, Siegfried Kracauer published a kind of report on white-collar employees (cf. Kracauer, 1998), in which along with the proletariat (low-income stratum) and entrepreneurs (high-income stratum), he described a new and spreading type of work and dependency, the middle class. He gives a construction that seeks to evaluate data in a plausible way; it does not regard reality as a static reflection of relations that are naturally so or must remain as they are. As observers of economic realities, we combine empirical studies with our interpretations, and that is how Kracauer began his novel narrative on the changes in work within capitalism, a study arguably still relevant today. With great foresight, he described the individual deployment of economic capital of the middle class. Based on his observations, in the splitting of society into those who accumulate economic capital, and those who only hire themselves out as wage laborers, a group arises in the middle, possessing modest basic property, shops, or a trade. Only in rare instances can this stratum accumulate economic capital in greater amounts and thus shift to the side of the entrepreneur, its members often live more in self-exploitation, and under the constant threat of descent into the proletariat or into poverty (see Castel 2003). Some become white-collar employees, who sell their labor for wages, and appear in a better position than factory workers, although in so-called "employee halls" they work in a rationalized form of the assembly line, as Kracauer thought. The seemingly better positioning than the factory workers is the constant illusion of the white-collar employees, and they gratefully put up with exams for advancement or to demonstrate qualifications in order to ensure their status. They see themselves as part of the middle class, and although they do not accumulate their own economic capital, they take over the mentality of a "just-minded" capitalism, in that they have faith in chances for advancement. However, Kracauer underestimated the power of differentiation operative here, because he ascribed rather exclusively a false and illusionary consciousness to the white-collar employees. Thus, he was able to discern how the employees, especially executives, gradually emancipated themselves from the other workers. In particular, in many such white-collar employees, he saw numerous forms of the formation of cultural capital in the sense as it will be differentiated in chapter 4 below.

Using vivid examples, Kracauer also illustrated the new world of the white-collar employee, and allowed their voice to be heard in documentary montages: the disillusioned salesgirl, the cynical employee representative, the department head removed from reality, or the melancholy judge. His view can be generalized: the white-collar employees frequent the cinema, museums, participate in cultural life, and develop a bourgeois habitus. They seek the sparkle of the upper class, but they reflect too little on their own situation. The absurdity of the white-collar employees consists principally in the fact that by their own actions, they bring forth that technocracy that not only controls other workers but also transforms themselves qua employees into victims of a rationalized and functionalized system. Even if one day they may be so positioned to intervene with power in the structuring of work processes or can advance to manage entire plants, they may find themselves the next day jobless, as Kracauer observed, standing in fear and trembling before the consequences of a system that they themselves had a clear and active hand in creating.

In contrast with this classic analysis from 1930, today we must recognize that these white-collar employees have now become a far more heterogeneous group. The great mass of this middle class tends to be relatively impoverished vis-á-vis groups becoming ever richer. Nonetheless, a limited number of managers, although they are not capital investors, earn a fortune that permits them to shift to the side of accumulated economic capital. Seen realistically, the masses must recognize that their relative position (measured against relations of possession as a whole) has worsened in recent decades. But this differs in industrial countries. In the U.S. for example, the average income is far greater than 30 years ago if the possession of money as a whole is divided by the number of residents; yet if the uppermost stratum of the super-rich is left out, then it is evident that the income of the demographic of 30-year-olds today is clearly lower than that of their parents 30 years ago. As argued above, the gulf between rich and poor has become typical for capitalism.

Most people in the OECD countries are in the middle-income group, but the size of the group has decreased and the share in income has fallen recently:

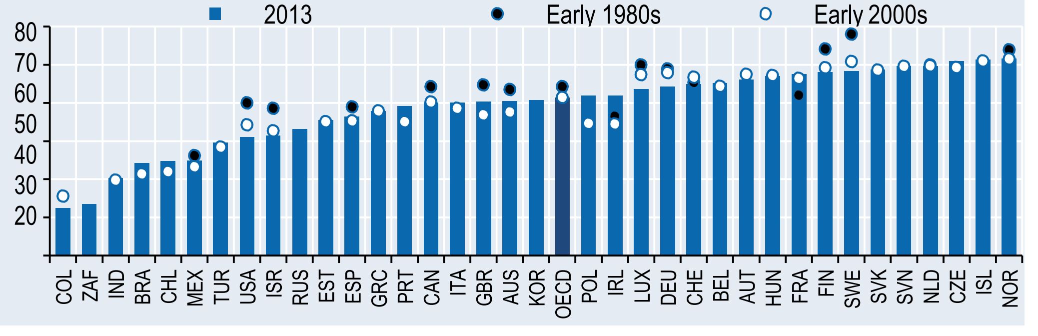

Chart 6: Most People are in the Middle-Income Group in OECD Countries (but share has fallen in many countries), OECD (2016, 4)[1]

Poverty is an especially big topic in the industrial countries because the increase in relative poverty has occurred simultaneous with an increase in the breath of employment, especially as a result of a change in gendered employment patterns: far more women in the workforce. This actually should have led to an opposite effect. The inequality in pay between high income, middle income, and low-income levels is quite substantial. Many find one fact incomprehensible: even households with double earners can scarcely build up a savings reserve. Yet at the same time, gigantic sums of capital circulate around the globe, appearing to increase their amount even beyond labor through speculation, derivatives, short selling, stock options and other opaque transactions.

1 "Note: Incomes groups are defined by population share with equivalized household disposable income of below 50% of the median (Lower), 50- 75% of the median (Lower middle), 75-200% of the median (Middle), 200-300% of the median (Upper middle), and above 300% of the median (Upper). Source: OECD Secretariat's calculations."

If we take a closer look on the middle and low incomes in OECD, differences between countries are very big:

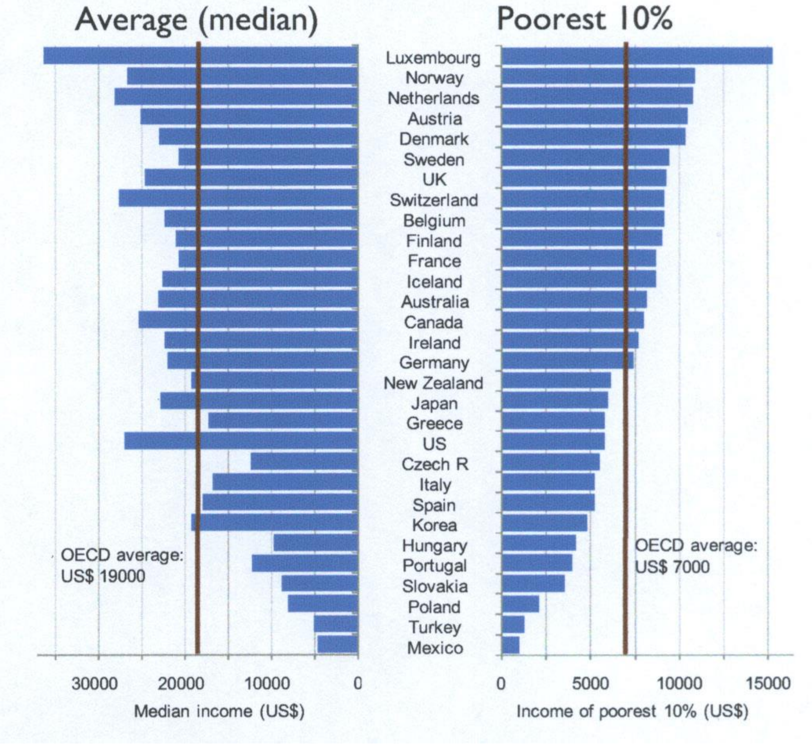

Chart 7: Low and Middle Incomes 2005 in OECD (2008)

The poorest 10 percent have an average of US $7,000 or less, with Turkey and Mexico far below that, and Poland not much better off. But it is also evident that the poor in rich countries are not always better off. If you compare the United States with Sweden, the poorest 10 percent in Sweden have an average income 1.5 times x larger than the poor Americans. New and actual data are provided by http://wid.world/, the world inequality lab initiated by Piketty and others.

Capital appears to have become independent and taken on a life of its own, circling around itself, circling in supply and demand, increasing as if in a chain letter scheme, until the last in line has to pay the bill. Since states through their tax revenues bear responsibility for keeping their economies running, it is certain that the broad masses always belong among these last ones in line, in the metaphor of the chain letter. At the same time, it is becoming ever more difficult to fathom the processes underway. Here the discourse of economics has drifted into incomprehensible jargon, seeking to name the always new speculative transactions of mutual expropriation, cheating, and veritable daytime robbery (grasshopper, bubble, selling short, currency risks, subprime crisis, rating agency crisis, etc.). The structural conditions of this new capitalism appear like a kind of fate impossible to change, and the interventions by the state seem barely transparent in recent crisis interventions with their local and transnational bail-outs. On the other hand, one may observe that the middle class remains quite satisfied with its situation, to the extent that large segments of this stratum enjoy a similar consumption status, and can still see some distance between themselves and the poorer strata on down below. That is how relativism in economy works, looking at the gap between rich and poor you realize that you become less and less, looking at the strata below it seems to be enough.

Unemployment and concern about jobs

For all those dependent on wage labor in order to earn a livelihood, finding and maintaining a job are quintessential. The rate of the unemployed is a social indicator of the prosperity and dynamism of a market economy. This rate designates the percentage of the unemployed in the total number of civilian working population, i.e. individuals who were already at some time gainfully employed.

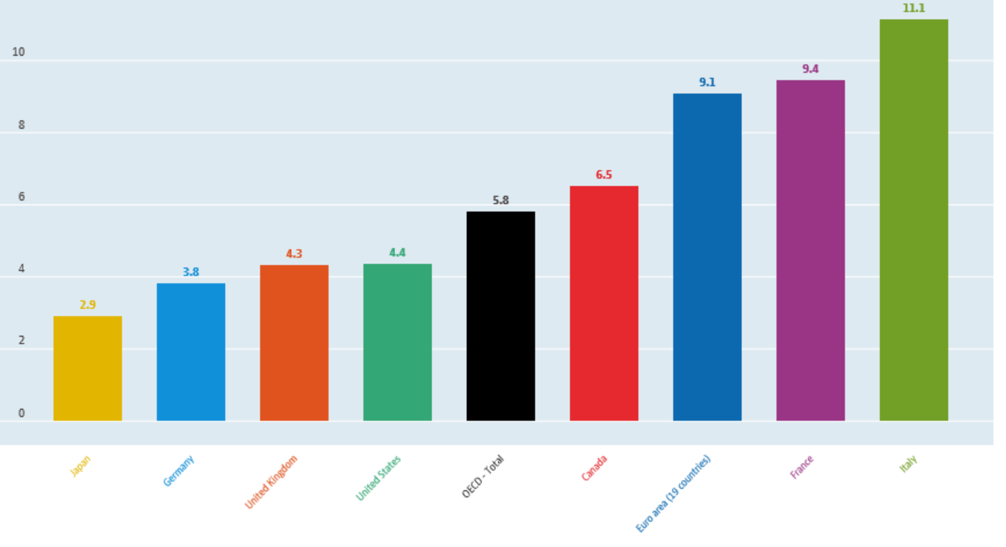

Chart 8: Unemployment-rate 2017 in G 7. OECD (2017)

That rate is a statistical construct and we must look carefully to see what groups of persons not working fail to be included here, even though they are out looking for a job: such as youth who have never been employed, pensioners who need to earn something extra to supplement meager pensions, and many others that fall out of statistics. For example, the jobless figures in

Germany are especially deceptive since there is a substantial hidden unemployment. This includes, for example, jobless individuals who are older than 58, work less than 15 hours a week, people who have one-Euro jobs—the state helps them to get self-employed—or just can no longer be handled by government labor placement bureaus. With unemployment in 2017 believed to have been more than 2,76 million, the size of this group is estimated to have been some 1,0 million at the same time. The unemployment rate in Europe is on average 9,1 percent, very high, a rate that has held fairly steady over a very long period with slight fluctuations. This rate contains an oversupply of workers, leading to a situation where wages are under constant pressure. In addition, in capitalist societies, there are more and more low-paid part-time and temporary jobs, which on the whole indicate a drift among larger groups of the population toward the poverty level.

Corresponding with this development is a certain mentality among workers, marked by great concern about losing their job (in all wage groups). Even among the employed over the age of 60, many fear they could lose their job, with associated economic and social consequences. That is conditioned by relatively low pensions among many who have to retire early or have opted earlier on for problematic private pension schemes. Even harder hit are the young who must first enter the labor market. Repeatedly discussed is the question: could or should the government influence employment, and if so, to what extent?

The gap between rich and poor, if it continues to widen, will lead to a serious problem not only of increasing differences in society and associated conflicts over issues of justice, but also in regard to the lack of consumer demand in the broad masses, and thus a problem for the sales markets. One instrument for counteraction would be the minimum wage so as to forestall a downward drift of wages that can decline to the very threshold of social welfare benefits, since then those who work under certain circumstances receive the same or less than people on social welfare. Another instrument would be integration aid to return to the labor market. Such aid is especially useful if it can be linked with an increment in qualifications in demand in the marketplace. Those industrial countries grappling with a seemingly unavoidable unemployment of several percentage points (in the current state of capitalism this has long been a common feature) could take steps early on through expenditures on education to ensure that as many young people as possible gain good broad qualifications. They could take better preventive action than those who put their trust in free and non-regulated markets. Investments especially in education and training also pay off over the long run. That is described in more detail in the chapter on learning capital as a successful strategy.

Minimum income and satisfaction
If we summarize the possibilities open to the state in regard to the social utilization of economic capital, we see a requirements profile reflecting a contradictory position that is not easy to resolve. The profile is marked by a multitude of factors, including variables from capitalist private production of goods and services, local differences, and simultaneous global pressure on economic activity. Moreover, we know from numerous studies on satisfaction and people's desires for a happy life in recent decades that no one has to be millionaire in order to be happy. Satisfaction depends on several factors; in questionnaire surveys it clearly rises with level of income. But happiness as the emotional experiencing of joy, good social relations, and a fulfilled life is not associated with an especially high income. There is no such thing as a happiness that you can buy with cash and thus a level of joy that is totally capitalized. But people need a minimum of income and legal certainties in order to be satisfied and happy in the broad mass. Kahnemann and Deaton (2010) proposed the thesis that a household income of approximately 60,000 Euros (then equivalent to US$75,000) marks a level that can show a relevant nexus between satisfaction and happiness. Above that level there is scarcely an increment in happiness, as questionnaires reflect, but below that level significant restrictions in one's sense of well-being can emerge. That is particularly true when there are negative contexts in regard to family, health, or joblessness. Then people may feel something is far more serious or damaging to health than when there is a higher income or existing savings in the bank. By contrast, the researchers found empirical evidence suggesting that poverty substantially intensifies the negative effects in all spheres. It leads not only to more powerful feelings of unhappiness than in comparison groups but actually also eventuates in poorer health and shorter life expectancy, as well as less recreation on weekends and higher levels of stress on the whole.

Participation in consumption versus maximizing of profits
In a capitalist system, the topic of equity of opportunity will always find difficulties of realization on the economic side. That is because economic opportunities are already always (pre)distributed to an extent, and have a fundamental link with property rights. Nonetheless, the majority in democracies can seek distributive justice that they can implement politically. That holds especially for the broad middle class. Many workers have advanced into this stratum. But in the last decade the stratum below is growing, too. Even if people live in relative prosperity, they remain without larger amounts of economic capital. Very often the middle class is threatened by unemployment, perceived by the great majority as individual bad luck or individual failure in the job market. Whoever has a job in developed capitalism can insist on fewer hours and more free time compared with the earlier situation 50 years ago, but that is bound up with more intensive work during working hours. It is

recommended that all persons make use of an individual precautionary measure: namely to increase their learning from early infancy on in order to find the best possible qualified places in the competitive struggle. Yet that does not protect a person from companies that go out on global treks in search of cheaper qualified or the cheapest unqualified workers, wage laborers who increase their profits. To that extent, concern about keeping one's job has been heavily individualized and shifted in the main onto the shoulders of the workers themselves. If someone loses their job or never finds one in the first place, the short path into poverty looms. The state is burdened here with additional expenses which it recovers from the taxpayers, who in the majority are workers, by means of redistribution. But the factual situation is quite complicated. In its orientation to profit, capitalism requires mass consumption in order to sell its goods and services. Such consumption only appears achievable if large masses earn sufficient money to spend. To that extent, there is a delicate balance involving the interest in profit of economic capital, which wishes to lower its costs for labor (and everything else), while at the same time—by means of ever more costly expenses for marketing and advertising—it attempts to sell its goods to those whose wages (in their own area) are to be pared down as much as possible in order to economize. This balance can only succeed (see Stiglitz 2010) if

- full employment (to the degree possible) is reached with economic stability in market functioning in order to keep consumption demand at a high level,
- innovations are constantly promoted so as to spur demand for new products and thereby to create new jobs and extract new profits (further rise in the prosperity of as many as possible, increase in environmental protection, ensuring a secure future),
- social security and comprehensive insurance protection are guaranteed in order to protect the sphere of the workers and be able to provide qualified workers available for the labor market,
- rigid forms of exploitation with socially unacceptable consequences are avoided, such as cheap wages, part-time work or firms for temporary jobs that have increasingly appeared on the scene; that is because otherwise itself, capitalism renders its possibilities for utilization (sale of goods) more difficult or impossible.

If we see this overview as a summary of important aspects of the social relevance of economic capital, we can say that the state in particular is called upon as a regulatory agency to introduce measures that effectively combat the dangers. The greater the proportion of people whose economic situation in comparison with others leads to their exclusion from large areas of consumption and patterns of living regarded as decent and humane in their culture, and the greater their satisfaction is also endangered, the more critical this may become for social development. That is because the division of society in this way can eventuate in damage to all. This always holds for the economic consequences, because the more people are excluded from active consumption, the more difficult this becomes for the total capitalist market, which is dependent on buyers in order to be able to realize its profits at all. A regulatory state appears necessary, at the very least, in order to keep open future options for those who by accident of birth found themselves, in the very unequal circumstances prevailing in their society, in milieus that were precarious or distant from education. Such regulation can come about through instruments such as minimum wage, an adapted regulation of labor markets, legal securing of educational opportunities and their concrete practical implementation through promotion and inclusion, and through well-functioning social security systems under state control. But this will not occur on its own, since the economic interests will regard the associated costs as a reduction of their profits. So, the type of regulatory mechanisms is dependent on political factors: namely how people as voters behave, in solidarity with one another or in disagreement.

In democracies, there is a primacy of politics over against the state; it must be struggled over and fought for by the majority (see Mouffe, 1994). Here the essential task is to interest as many as possible in the forms of capital so that they act and become engaged in their own interest. Only through this politicization and political movements can there be success in setting into motion the state measures and regulations geared to increasing equity of opportunity.

2.4 Individual Use of Economic Capital

Capitalizing of individual action

People like to see themselves as individual and unique; in capitalizations they are always in comparison with others. Only the person who possesses capital individually will obtain initially the opportunity to produce goods and services in exchange for wage labor, or provide products according to supply and demand, to create one's own surplus value strategies and to acquire surplus value. Whoever owns capital individually also possesses potential social power in order to represent and implement his or her interests over against others by means of money. People in capitalist societies know how that functions in everyday action, because dependent employees have always understood that their hard labor is an essential foundation stone for the wealth of the capitalist employer. If they are jobless and forced, for example, to launch some small-scale business, then they quickly learn that entrepreneurship pays off only on a larger scale: namely if a firm can employ as many wage laborers as possible and appropriate their surplus value (beyond the self-exploitation of one's own labor). Or they see that their activity has to show a special use value in order to succeed in the marketplace within the competitive struggle of supply and demand and the other surplus value strategies. However, most also see that there are big differences in wages and incomes, determining what their competition is. If we take the functions of surplus value as earlier described in connection with economic capital and its increase, these can also be related to the special forms of wage labor. Chart 9 points up the prerequisites for extracting individual profits:

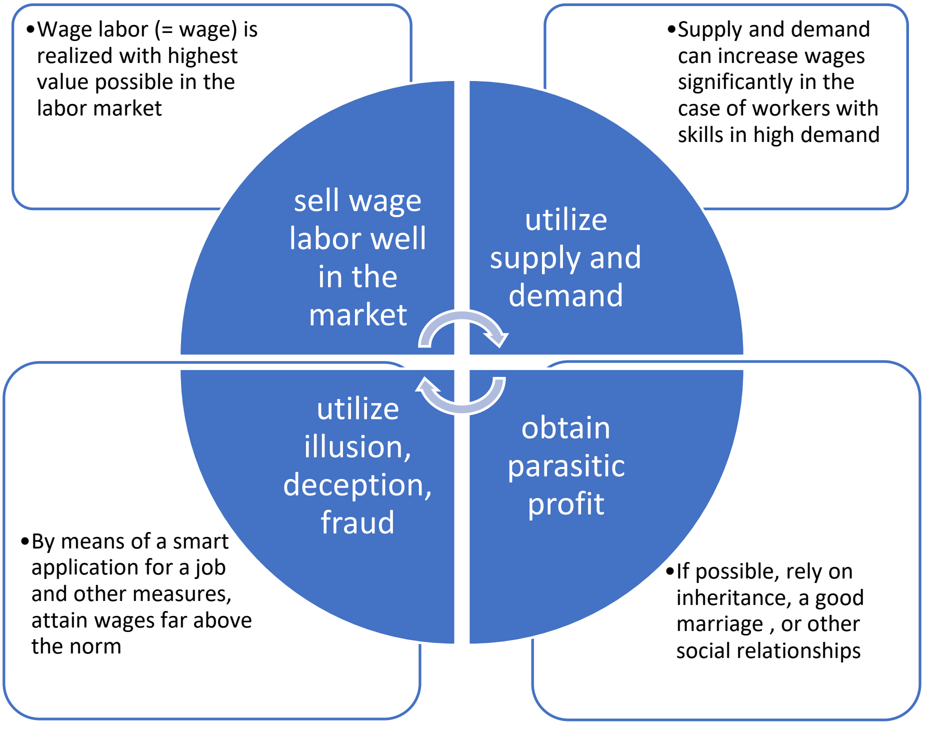

Chart 9: Forms of Surplus Value through Wage Labor

First of all, it must be in every worker's interest to get the highest possible value for the labor time expended. As a rule, this requires a high level of preliminary expenses in order to develop favorable prerequisites in competition for jobs or positions and to increase one's own wages or income. Such preliminary expenses involve education and training (learning capital) as well as social, cultural, and also body capital (see the next chapters). In a situation of competition, the market decides on opportunities. Even if in capitalism it is generally argued that capitalists in particular face a high level of risk through the deployment of their capital—which, if successful, is rewarded by special profits—the risks of the workers are also quite significant. To be sure, every kind of qualification is initially an opportunity to gain a special job with a higher salary or wage or one's own income more independently. But at the same time, many different occupations prove now and then to be one-way or dead-end streets, this despite people's hard-earned qualifications. Along with possible advance and upward mobility, they can often lead to decline or even eventuate in redundancy, leaving a person jobless.

Wages and income are heavily dependent on market-related use values. With regard to economic capital, capitalism demands that competencies or specific use values be developed in concrete labor qualifications. Even the wage laborer who creates surplus value for a firm while working for a low wage must invest beforehand in her or his labor in order to be able to obtain a low-level wage through a certain level of skills in communication and cooperation. Consequently, the wage laborer has to employ professional skills and qualifications in order to hold her or his own in the market in the struggle and competition with others. In independent professions as well, people must offer goods or services of a specific quality in the market—and with corresponding preliminary expenses—in order to achieve an income that provides something more, a surplus, over the costs invested. The capitalist also expects gains, profits, but his point of departure is capital that already exists. Important for every individual in capitalism is the fact that in economic actions, there is always a difference between costs and use in the framework of competition. Capitalism draws its high level of effectiveness from thinking in terms of this difference. It is elementary—and evident to people in their actions—that they are acting, standing in comparison and competition with everyone else, under the canopy of such differences (that can be described by means of the four forms of surplus value).

For Marx, a special problem in describing the capitalist process of production and use was to adequately analyze the hierarchical stratification with different wages of ordinary, higher-skilled and senior management-level workers within the binary of capitalist and proletariat. This has been intensified in contemporary capitalism to a point where in shareholder value, the higher-level capitalists are generally themselves only employees of the firm, and thus working for a wage, even if their salaried income is 40x, 100x, or even more that of the wage laborers in the company. The kind of analysis of action that I suggest makes it easier to comprehend these forms of capitalization. In other words: surplus value is not only generated according to the pattern in chart 2 (p. 68); rather, it is so deeply rooted in the economic actions in capitalism that it is also present in many intermediate positions. As I have described, this becomes immediately evident when the concept of surplus value is seen as a difference between various forms of surplus value. Even if people do not talk much about surplus value, they are quite aware of the difference between expenditures and returns or proceeds. In everyday descriptions, this difference is measured in terms of the wage/income obtained, and such wages or incomes are heavily stratified. With their actions, individuals have more or less influence on the position and rung upon which they stand in the economic pyramid. After all, capitalism also means behaving in a capitalist manner—and this extends down into the lowest strata of society—by taking preliminary measures, investing in costs in order to extract respective personal gains in competition with others. It is the struggle of all against all, which Marx wished to eliminate through his binary of work and capital that should be transformed into a class struggle to overcome capitalism. But down to the present day, the development of capitalism itself has shown that even given the widening gulf between rich and poor, this image did not suffice to mobilize the masses over the longer term to think in terms of such a dualism. This is bound up with an evident fact: down to today, at least in the advanced capitalist economies, it is clear to individuals that they can acquire and accumulate and bundle their own forms of capital (not just in the economic sphere), which allow them the possibility of living at a certain level of prosperity, with a latitude of freedom for planning their own lives. Acquisition of their own forms of capital (economic, social, cultural, body, learning capital) is recognized and construed as freedom to be able to orient oneself and move in the market as an individual, to have a hand and say in determining their own income. The feeling of freedom they achieve is often more important than the economic realities in the objectified comparison with others.

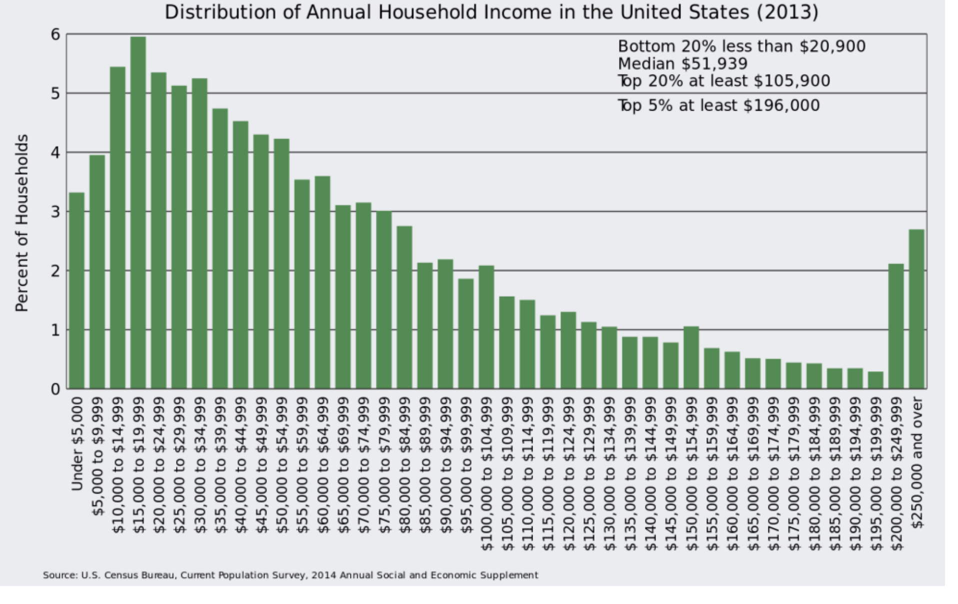

Chart 10: Distribution of Annual Household Income in the US (2013)

The chart does not show how the very rich get richer. Here the group of Piketty and others provide actual data that proof that the richest 1 percent already nearly owns the half of the global wealth. Oxfam analysis in a report: "Since 2015, the richest 1% has owned more wealth than the rest of the planet. Eight men now own the same amount of wealth as the poorest half of the world. Over the next 20 years, 500 people will hand over $2.1 trillion to their heirs–a sum larger than the GDP of India, a country of 1.3 billion people. The incomes of the poorest 10% of people increased by less than $3 a year between 1988 and 2011, while the incomes of the richest 1% increased 182 times as much." (Oxfam, 2017,2)

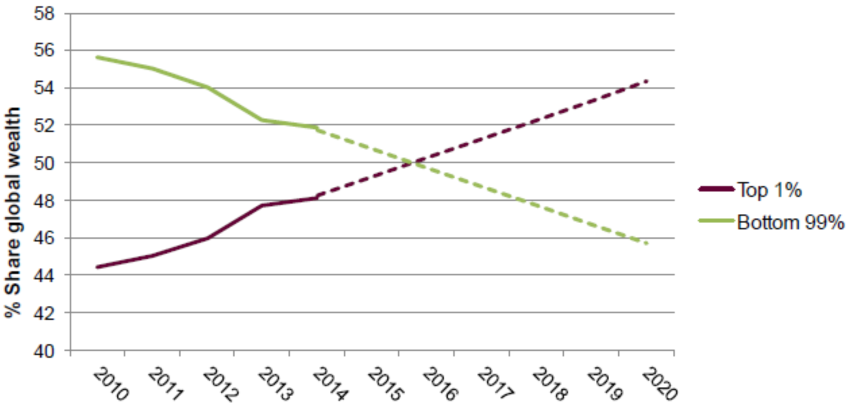

Chart 11: "Share of global wealth of the top 1% and bottom 99% respectively; the dashed lines project the 2010–2014 trend. By 2016, the top 1% will have more than 50% of total global wealth. hare of global wealth of the top 1% and bottom 99% respectively; the dashed lines project the 2010–2014 trend. By 2016, the top 1% will have more than 50% of total global wealth." Oxfam (2015, 2)

If we look at net income in connection with social position as illustrated by the example of Germany in 2008, we see in chart 12 that such income is highly stratified in terms of professional groups. It is clear from the example of net household income that along with those who have no occupation and have for the most part disappeared from the labor market, factory workers in particular and lower-level white-collar employees, have fewer opportunities for earning a living. This is quite similar for distributions up to today and in other countries. If measured in terms of a satisfaction potential of ca. €75,000 annually in household income, the greater masses are far below this aim. In the affluent societies, it is true that in phases of boom, there are increased opportunities for the masses as well. But such periods are limited, because global capitalism distributes prosperity under conditions of competition. What sufficed yesterday is not enough today in order to secure profits and maintain jobs.

Monthly household income in €				
Occupational position of the main wage earner	under 900	900-1,500	1,500-2,600	over 2,600
	proportion of households in %			
self-employment	7,7	14,7	26,0	51,6
civil service worker	0,7	4,4	26,4	68,6
white-collar employees	6,4	20,2	34,8	38,5
factory worker	9,3	24,1	44,3	22,3
no occupation	21,3	36,1	31,8	10,8
Total	14,7	26,0	33,1	26,2

Chart 12: Household Income (net) According to Social Stratification in Germany (based on Statistical Federal Agency, 2008, 146)

What we will learn from the chapters following, whoever wants to plan his situation with economic capital individually is advised to initially accumulate sufficient learning capital in the form of education and training, as well as social capital in the form of networks or connections, in order to open up basic opportunities for personal advancement. Especially those individuals who want to achieve a higher income must switch to areas of qualified professional activity. That insight has always been presupposed in the capitalization of society. It has indeed entered everyday consciousness. No one doubts that it is sensible to acquire one's own forms of capital. At best, some have doubts whether this can actually succeed, i.e. they view with skepticism the individual obligation to perform. There is always the tension between what I can and what I should do.

In this connection, distribution is highly differential. Decisive first of all for one's economic position is participation in the labor market, because whoever departs from wage labor often ends up through joblessness or old age in a difficult situation and can no longer participate sufficiently in consumption in the affluent society. Furthermore, in capitalism all learn that it is sensible first to achieve a job, where possible, in more highly qualified professions. Then, at higher levels of income, to start saving: for the children's education, for eventual bouts of unemployment, for illness and old age. At the same time, one and all are caught up in a struggle of comparison, arrayed one against the other. In keeping with cultural expectations, they strive for a suitable standard of living. Saving is quite ambivalent as a need in such a vortex of competition. In capitalism all also have to know that expenditures to spur a thriving economy are more important than savings. To that extent, the messages directed to individuals in capitalism are always ambivalent: save as much as possible yet go out and spend even more!

Capitalism is to the core oriented to goods, a materialistic society in which a person always appears at a disadvantage relative to others in comparison of possessions, income and expenditures, and looks for some equalizer. Individual satisfaction cannot relate solely to individual consumption, what you can spend—but must always take what the others can spend into account. To that extent, one's individual position is always determined in relation to others.

The population can be readily stratified in terms of levels of income. For example, the figures for the United States indicate the growing gap between the many with less and the few with more:

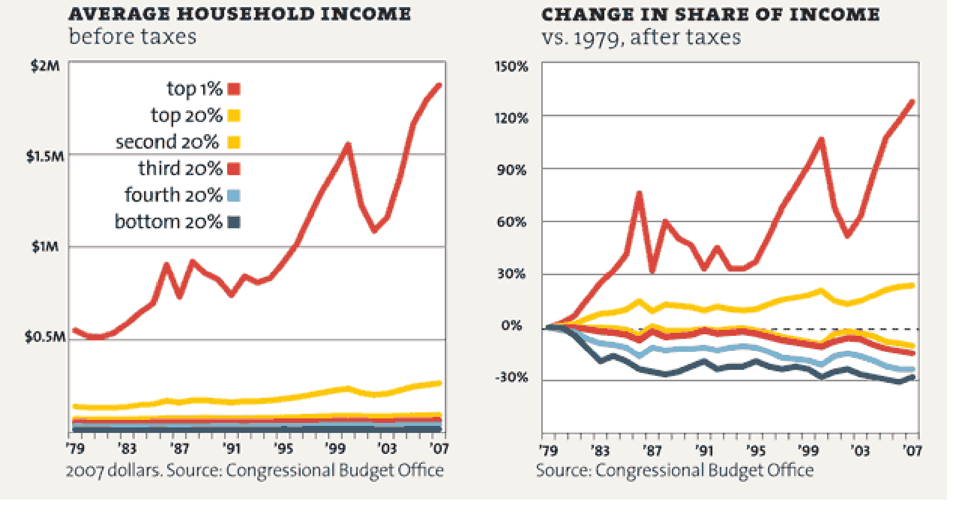

Chart 13: Average Household Income in the US 1979-2007 (CBO)[1]

[1] Timothy Noah: Mind the Income Gap. Source: http://www.motherjones.com/media/2012/04/timothy-noah-great-divergence-interview/.

In regard to economic capital, every individual must situate himself in his own biography. Actually, he would have to seek out the occupation that has the best prospect for a good salary and workplace security, over and beyond individual personal inclinations and interest. But precisely that has become difficult, since capitalism has become ever more dynamic. Today scientific-technological progress is moving forward by ever anew leaps and bounds. Consequently, the individual needs a least a very good basic qualification in order to cope with these challenges adequately, even in an initial approach.

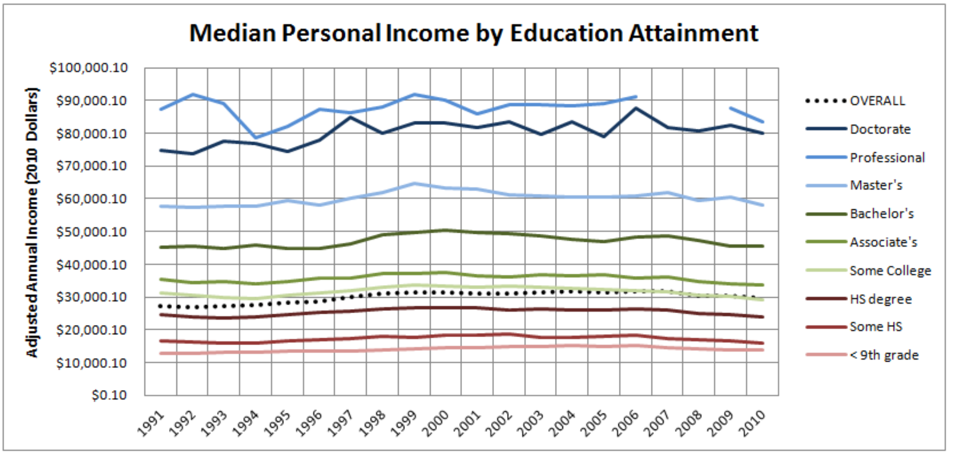

Chart 14: "Historical median personal income by education, from 1991 - 2010, using Census Data P-16, Educational Attainment—People 25 Years Old and Over by Median Income and Sex. Wages are adjusted for inflation in 2010 dollars." Source: https://en.wikipedia.org/wiki/Personal_income_in_the_United_States

Internationally countries differ: in Scandinavia, there are fewer poor and more higher-level strata, in the United States poorer than in Germany, but also more of the very wealthy. Worldwide, the figures show that higher levels of affluence are reserved only for a very small group. Nonetheless, scenarios of upward mobility are specifically integral to the myth of the middle class. If Germans are asked, for example, how one achieves wealth, the following factors are mentioned, given in chart 15.

What are the salient factors for acquiring wealth?				
Factors in %	very often	often	sometimes	rarely/never
relationships/ connections	35	47	13	5
starting positions	28	52	14	6
abilities	18	50	22	11
economic system	18	36	26	21
dishonesty	16	36	27	21
hard work	15	38	24	24
luck	7	22	33	39

Chart 15: Perceived Reasons for Acquisition of Wealth in Germany. Data from German Government (2008, 29)

The key reason, namely the already existing possession of economic capital, is excluded here, even if it is indirectly contained under the categories “relationships/connections” and “starting conditions.” The categories “abilities” and “hard work” are assessed quite highly, even if engineered illusions (“dishonesty” and “luck”) also are deemed fairly influential. A study by Hertz (2006) shows that for the U.S., the probability of a child from a poor family rising to the upper 5 percent of the society lies under 1%. By contrast, a child from a wealthy family lower than the 5 percent has a chance reckoned at some 22%.

Unequal starting positions determine the realization of use values

Along with income, a decisive role in being able to advance up the ladder at all is played by factors such as place of residence, education, migration background, and ethno-cultural origin. African-American children have fewer opportunities than white children from the same income groups, and this with double probability. In addition, education is also decisive, but it is likewise heavily dependent on level of income.

A longitudinal study by Bernhardt et al. (2001) had the following findings: At the beginning of the 21st century, the dream to be able to rise through hard work has come to an end. In comparing the job situation of 5,200 males aged 16 and older, they found that the greater majority face job uncertainty. Especially as workers grow older, the risk of losing one’s job is a major risk factor in all capitalist countries. It was also found that staying at one’s job longer-term in an initially secure position was a dangerous strategy and remains so, because almost no enterprise can guarantee long-term employment. But frequent changing of jobs with associated hikes in pay can also prove a path of trial and tribulation by no means guaranteeing more secure success. In comparison with the American middle class of the 1970s, the study found that by workers were in their mid-30s, job instability had nearly doubled. At the same time, the prospect of rising to a level of comfort and prosperity among those just setting out on a career had dropped to 40% of the successful. When people lose a job, even those well qualified often land up working in a retail shop or in the service industry where wages are regularly quite low.

College degrees likewise are no longer a safe guarantee for getting a better job. Only certain branches profit for a limited time from an economic boom. The gap between small incomes and large ones is huge, but high-income levels also have no guarantee that they will last. The study at university of certain subjects, such as fields in the humanities and social sciences, often lead to the low-income sector.

Even if on the whole inequality is rising, double incomes in many families served to compensate and prevent decline into poverty. But this added burden necessarily led to changes in family structures and a heavy burden in particular on households with children.

This study is representative of many with similar findings. Despite the development of relative prosperity in capitalism, for a large number of the upwardly mobile, it is hardly possible to amass adequate economic capital. By contrast, it is necessary to build up sufficient savings for one's own security in the case of job loss or illness in order to offset economic risks with their impacts on one's job situation. Yet even such savings, for many a dream unattainable, can be endangered as a result of financial crises.

Given the real relations in income and subjective ascriptions, we may well ask: to what extent are economic models of stratification at all realistic in regard to the individual reflection of economic capital? How can such models help a person to clarify their own economic position in the society? As stressed, the classic contrasting of proletariat and capitalist has shown itself to be too simple in the recent development of capitalism. But this does not mean we should conclude that there are no longer social differences or class relations. Crouch (2011), for example, notes critically: many are convinced today that social classes no longer exist, but that is not in keeping with the actual relations in society. He argues that whereas in earlier eras in non-democratic societies, class privileges were openly displayed with pride and arrogance, today there is a simple exaggerated denial that those better off enjoy privileges or that social hierarchies (which appear very solid) really exist. Social analyses continue to show that on the one hand, there is a liquefaction of social relations, a more fluid society, which are harder to describe in terms of clear classes and strata. On the other hand, over against this fluidity there stands a stable social inequality, leading to a constant relation of tension. In this field of tension, a new economic question has arisen regarding who belongs (inclusion = people having a job) and who is excluded (exclusion = individuals who find no access to gainful employment). Another question involves the validity of the concept of the allegedly middle class—because economic stratification today, i.e. the gap between rich and poor, is continuing to widen, this earlier large group is downscaled as can be readily observed. The masses here struggle for internal differentiation, with low, middle, upper middle and high levels of income, and yet are still far removed from an economic capital that represents “real’ wealth.

The variety of categories suggested to help describe the stratification of society, often stress constructions oriented more to social, cultural, body, and learning capital, because economic capital as a line of differentiation no longer suffices to give a broad enough description of the differences between people. The subsequent chapters will examine this in greater detail.

In regard to income as an economic relation, I wish here also to discuss the theory of Robert Erikson und John Goldthorpe on service classes and class mobility. They determine characteristic features interesting for an individual perspective on economic capital on the basis of a description of the social class position of individuals according market position and labor situation (Erikson/Goldthorpe, 1992).

In fundamental terms, the authors identify three fields of activity in capitalism: 1) employers with means of production, who purchase labor, 2) independently employed, 3) workers who sell their wage labor to employers. But these three basic groups need to be differentiated. Thus, for example, employers are distinguished by the size of their firm and perceived functions. It must be clear here that the property of employer as a function does not necessarily have to include ownership of a firm. In the case of workers, it is important to recognize that the type of regulation of the employment relation leads to a differentiation by means of work contract and expected behavioral outputs achieved. In the classic labor contract, sufficient for normal jobs, a person is employed to work x number of hours. A specific and generally concretely describable work product is expected and controlled, and exchanged for wages. In a service sector job relation, however, this looks different. Here there is stress on individual initiative, engagement, and a high level of responsibility (executive employees, senior civil servants); the worker, not supervised by a system of control as in the classic labor contract, can function himself as employer-employee or assume other forms of delegated authority. The employment relation of the upper-level service classes is shaped by a relation of loyalty, associated with opportunities for advancement, higher salaries, advanced training, etc. The service classes are in a hierarchy based on accorded and given functions. This is interesting for an economic analysis of action, because whether or not one follows the schema of Erikson and Goldthorpe, de facto every worker is inscribed in a wage table according to cost category when they enter upon employment. In this connection, the specifically expected respective activity and function is interpreted in line with criteria that determine more or less precisely the expected work performance, but, in every case, designate concretely the economically achieved remuneration. Here it is always favorable already at a preparatory stage—i.e. before training to work in specific areas—to look at the existing tables and remunerations, since they are not only assessed after the expenditure of the preliminary expenses of those seeking employment (in line with high level of education = high pay), but are always also dependent on other factors, especially supply and demand. One can conclude from the diversity of the very different groups of independently employed, civil servants, executive employees, workers in profit and non-profit areas with very different set objectives and tasks, that this variety, diversity of interests and contradictory nature of expectations at the same time also condition the possibilities for reflection on one's own economic situation. All these groups press for inclusion in the labor market. When failing, they do not experience this as a structural power but rather often subjectively, as their individual fate and personal ill fortune (see also Crouch, 2004).

If we return to chart 9, then attention should be given specially to supply and demand along with qualification for wage labor. What is true for commodities in the market also has salient importance for the commodity labor that is dependent on wage labor or independent income. Earlier, people could learn a profession or trade in their younger years and hope to stick with it. Nowadays it is becoming ever more necessary to work out a basic occupational profile that can open up high-quality possibilities for job change. Basically, what becomes evident is that a very narrow training for an occupation can be highly restrictive if economic conditions and job market realities change. Before engaging in any post-school retraining and re-qualification, today it has become important to gain an overview of occupational opportunities and risks in comparing what job offers are out there.

In this connection, engineered illusions, deceptions, and at times even fraud play a quite important role on the side of the individual in the competitive struggle for jobs. People engage in marketing their own labor as a commodity, particularly in the competitive struggle, analogous to the model of trying to solicit buyers for products: often more is promised than can be kept. The flood tide of certificates for good grades and earned certificates leads to attempts to deceive and even to forge diplomas and degrees. Such self-marketing as wage labor does not always have to be an intentional distortion of one's abilities. However, in the general struggle of all against all, a substantial amount of self-exaggeration seems to be presupposed so as to call attention to yourself as commodity. Ever more rigid procedures for hiring, using tests and assessments, provoke such engineered illusions, as applicants seek to distinguish themselves from competitors. Yet the companies also often bluff applicants with offers of promising positions that turn out in practice to be embellished and inferior.

Viewed against this backdrop, parasitic gain through inheritance or strokes of good fortune (such as a favorable marriage) appears as an important opportunity in life. But as we have seen, in most cases (expect for genuine wealth) it involves savings that at best is suited to strengthen one's own provisions for self-security. As a rule, this can hardly serve to provide economic capital that grows significantly, from which a larger-scale economic success might emerge.

In contemporary capitalism, everyone has understood that each and every individual has to develop their own qualifications through education and training. These skills can then be utilized in the labor market or are integral to an activity such as entrepreneur, manager, etc. The fewer skills and qualifications a person has, the greater is his risk to descend into poverty. Everyone has a duty to take care of their own kit of qualifications and those of his offspring in such a way that these individuals can hold their own in the global competitive struggle and make the best of it. However, an individual's belonging to the middle class is no longer sufficient as a prerequisite to overcome precarious living conditions over the longer term. Initially many from the lower economic stratum believe it is a lucky step upward if they

- occupy a rung or level that permits them a similar level of consumption and life style as their comparison group and which shows they are better placed than some at levels economically worse off below them; in such cases, individuals with basically very low incomes and a high degree of risk for their job also feel they still are nonetheless part of the middle class, even when objective economic data speak against this;
- initially occupy a rung that is precarious but promises upward mobility into better positions in the long run (the proverbial "internship generation" in Germany, half-time adjunct positions in universities, practical training positions);
- reach a rung that is higher than those commonly achieved in their family of origin, even if the situation, viewed in realistic terms, has worsened as a result of a drop in real wages or precarious employment conditions;
- are satisfied with occupation of such rungs that are more akin to taking a defensive position than an open struggle for upward social mobility, reflected economically in growing incomes; here it becomes ever more important for an individual to consciously reflect on the capitalization of one's own life and to work out a planned approach to this as far as possible—otherwise being bond to the lower stratum forever.

I wish now to summarize several key aspects from this sub-chapter, with stress on economic capital from an individual perspective. I will expand on some select sub-points:

- *Income*: in individual terms, to ensure income long-term is only partially possible. But there are basic criteria that should be adhered to. Essential is a good basic education, with excellent school leaving diplomas and high grades, along with a professional or vocational qualification, if possible combined with a university education. The better a person's qualifications, the greater the possible income that can be achieved, at least on average. One decisive restrictive criterion here is the choice of major subject studied, since some disciplines or professions are considered "exotic" and can result in a precarious situation for income— except in the case of unusual talents who actually conquer the market (for example, visual artists, musicians, creative spheres). Different professional fields offer different structures of income. Depending on the structure of the service classes, individuals can achieve a broad range of incomes, lower wage brackets and better.

- *Employed or not?* Persons who chose their profession or major subject at university solely according to their personal likes and dislikes often run the risk of overlooking the future reality of a concrete job. If people wish personally to prevent future joblessness, it is always sensible from an economic point of view to include in conscious planning the situation regarding supply and demand in the labor market, to the extent that is foreseeable. All occupations in high demand promise a higher income and more job security than others. But here it is also important to take the pace of change into account: to what extent as a result of predictable scientific-technological progress some activities will tend to vanish? Over the long term, activities in the primary sector (agriculture, forestry, fisheries) have undergone the greatest reduction in the course of capitalist development. In the secondary sector (industry, artisan crafts, mining), in labor-intensive areas they are stagnant or declining. By contrast, in the tertiary sector (service industries), growth has been the most marked. Nonetheless, these global profiles are of little help, because in all sectors we can see specific niches and needs that must be taken into account in respective trend analyses if the category of income is important in an individual's plans for the future. With the decline in industrial production and rise in service industries in many advanced economies, there was a concomitant diverging development in incomes. At the same time, new antagonisms arise between owners of economic capital and dependent workers, because globalization renders local responsibility for social concerns more difficult or even impossible. Capital migrates to where it can extract the highest profits, and even those employees who seemed earlier on secure from the risk of unemployment due to their high-quality skills can no longer trust in such job security.
- *Opportunities for social mobility*: phenomena of social re-stratification are appearing in the scenarios of upward and downward mobility against the backdrop of a stagnating level of prosperity in the advanced capitalist economies. Mass consumption begins to stagnate, for example, when the growth in incomes for the majority is scarcely able to compensate for the rate of inflation, even while for a small minority, incomes soar.

Scenarios of downward mobility emerge where real wages decline, while precarity rises through part-time and temporary employment, and a portion of workers lose their jobs and are excluded from the market. This form of exclusion means to become superfluous as a worker in society, to be literally “redundant,” no longer even available for possible exploitation, as Castel (2002) notes in his analysis “From Manual Workers to Wage Laborers: Transformation of the Social Question.” Castel mentions three levels or zones in which exclusion occurs (ibid., 391): zone of integration, zone of vulnerability, zone of exclusion, or rather, of disaffiliation. In the zone of integration, a person may still believe himself safe. This is the state of inclusion with a paid job. In the zone of vulnerability, the insecure status of the once “secure” employment emerges. In the zone of disaffiliation, a worker is excluded, the firm where a person was employed fires an employee. Or the firm closes its doors and disappears, and social welfare enters on stage, supplanting a close bond of solidarity grounded on family, relatives, and community. In these spaces of inclusion and exclusion, social mobility finds its criteria and modes of operation. Deficits in welfare within poverty, characterized by a poor standard of living, lead to a multiple ensemble of disadvantages, consisting of low income, poor housing, and few opportunities for consumption. In this connection, a lack of opportunities also generates a sense of alienation, a feeling of worthlessness and a total lack of recognition. A compounding consequence is exclusion from the outside. Former positions of seeming security dissolve, because the middle class also contracts, descending in part into a vortex of precarity. At the same time, there is an upswing in positions in middle-level and higher rungs of employment, while lower-level jobs become rarer. New positions generate a suction of ascent up the ladder, but often this is not linked with an increase in real income. In addition, stratum-specific barriers play an important role. Yet in the new social differentiation of the middle class, there are also potentials for advancement, especially through “suitable” education, thus accumulating viable learning capital (see chapter 6). In basic terms, one can say that upward advancement via education tends to be an open path, but through the avenue of economic possessions, the gates are tightly locked for most.

- *Opportunities for consumption, housing*: economic capital can only be put to use if there is a commodity market for goods and services that are actually exchanged, i.e. consumed. Part of the strange logic of capitalism is that for reasons of self-preservation, it cannot allow the mass to sink into impoverishment; rather, it needs them as mass consumers. In his book “The Weight of the World: Social Suffering in Contemporary Society,” Bourdieu (1999) points up the hugely differential distribution of consumption across the planet. In the zone of disaffiliation/exclusion, according to OECD criteria (a level of 60 % of median income), there are high percentages (about 10%) in the industrialized countries, with differing, country-specific increases. Significant numbers of the unemployed are the long-term jobless, particularly a great many youth and older individuals are in a holding pattern or on the runway to retirement. These groups are not just excluded in large measure from consumption but also experience this as a form of social-moral exclusion. Some 25-30% of the population in the industrial countries are in the zone of vulnerability. This has an impact on factors such as incomes, housing, family situation, health and other areas. This group continues to grow, people especially from low-income strata are being pulled into the maelstrom of its precarious condition. Contrary to the wishes of capitalism, this dampens consumer demand, a product of their weak incomes. It constitutes a homemade internal capitalist contradiction between maximizing profit of individual capitalists on the one hand, and an eye to the system as a whole on the other, which the state has increasingly also lost sight of. From the perspective of the individual, individual opportunities for freedom remain here principally in the choice of education, a profession or job, health and old age insurance, security for the family, legal security—all demands and challenges that the swirl of risks has largely shifted to the shoulders of the individual and which lure with uncertain opportunities.

In summing up core ideas in this chapter, there are basically three scenarios valid for individuals in dealing with economic capital:

1) *Scenario of ownership/possession*: a person who wishes to gain economic capital usually does this if possible by parasitic participation (inheritance or marriage). These people then live on what others have accumulated. Along with the economic capital, as a rule they generally have more cultural, social, learning, and body capital than others. They develop their learning capital to the extent that they obtain favorable prerequisites to be able to utilize and increase their economic capital for their own use and benefit. For such individuals, it becomes a challenge to examine to what extent their achieved level of prosperity can last over the longer term if they allow the gulf between them and the masses with no property to widen ever further. Sooner or later, the question of sufficient solidarity merges with the question of the role that democracy can and will have, with its postulate of equity of opportunity.

2) *Scenario of upward mobility*: a person who wishes to accumulate economic capital by their own effort and does not want to rely on the unlikely win in a lottery or marriage to wealth must as a matter of priority accumulate other forms of capital in order to have access to those jobs that involve higher incomes so that at least a small nest egg of economic capital can be

accumulated. This scenario requires that over and beyond the necessary learning capital, if possible, advancement should also be accompanied by effectively applying social, cultural, and body capital hereby making investments in order to ensure one's own personal success. However, already in this chapter we have noted that the countries where a person lives already act to facilitate better chances for those seeking upward mobility or hinder this through selection and exclusion. For such persons, initially a key question always looms: to stay or leave? To what extent are they in the right spot in the global world? Are the opportunities elsewhere far better? The less a country assists them and offers opportunities, the easier they will turn their back on the country or system when difficulties arise. Because they have made a conscious decision in favor of their own efforts in acquisition of the forms of capital, they are potential top performers who want to be treated fairly, accorded equal opportunities. Yet at the same time, they also have to recognize that an individual strategy by itself will not suffice if equity of opportunity is to be increased as a whole. It is precisely their own range of opportunities that will indicate to what extent these are mere exceptions or whether justice as a whole can be enhanced.

3) *Scenario of insecurity*: people who have few possessions or inherit little and miss the train to advancement—or do not wish to adapt to scenarios of advancement as they exist and remain in the broad mass of the relatively unpropertied middle class—will come away empty-handed when it comes to economic capital. Decisive here are the other forms of capital that still can be developed, over and beyond the degree of insecurity and the individual opportunities that remain. As research on levels of satisfaction show, this precarious scenario as a rule will function, even if a person is economically weak, for as long as there is a stratum or milieu even lower beneath the individual, perceived as even weaker, more excluded, and marginalized. Disastrous for this group is to conclude from their own security that there is a basic element of insecurity within democracy as such. Then not only the chances for political change are jettisoned, along with a struggle for more democracy and equity of opportunity—more ominously, this opens wider the door to the dangers of an undemocratic politicization, since there is in any case nothing more to lose.