

# THEORISING MILITARISM

## CHAPTER ONE, SECTION B

### FROM QUESNAY TO MARX - DIAGRAMS ON 'SIMPLE REPRODUCTION'

#### 1. Introduction

In this second instalment on capitalism and military production, I will take the review of Marx' *Capital II* forward. In the previous instalment, I have briefly focused on the circuitous movement of capital, i.e. on the metamorphoses which the capital of an individual entrepreneur undergoes, after he has decided to manufacture new commodities. Marx undertakes his discussion of the circular movement of capital (**M - C ... P ... C' - M'**) in the first section of *Capital II*. In this instalment, I will move on to review the *third* part of *Capital II*, where Marx explains the process of reproduction of '*aggregate social capital*', i.e. the circuit of all capitalist entrepreneurs taken together. Quite clearly, the characteristics of the movement of social capital have to be analysed and understood separately; its features are differentiated from the characteristics of the movement of capital held by individual entrepreneurs.

In order to clarify the complexities which social capital faces, Marx in the third part of *Capital II* first addresses a process that he terms '*simple reproduction*'. This term refers to a (largely) hypothetical situation, where the lay-out of the total social capital remains the same over time, through subsequent cycles of production. This situation is more or less hypothetical, since capital's aim of accumulation, of enlargement of its own size, is so overriding that a situation of constancy, of maintenance of the same size through repeated cycles of production, rarely occurs. Nevertheless, for the sake of analysis, i.e. for the purpose of creating analytical clarity, Marx does discuss '*simple reproduction*' (1). And since one of his precursors, namely Francois Quesnay, the father of the physiocrat economists, had endeavoured to conceptualise the movement of aggregate capital before him, Marx anchors his own discussion of simple reproduction in the economic theory of Quesnay.

Below, I will review the conceptualisations regarding the social movement of capital provided by the two economic theoreticians Quesnay and Marx. My purpose will be to bring out points of difference between the diagrams on social reproduction of the two men, but also common biases, - and this once again for the sake of my analysis of military production. Marx' aim was to move beyond the physiocrats, who considered agriculture to be the only truly productive foundation of the capitalist system. His aim was to devise a theory which would properly incorporate the contribution of the manufacturing sector to the capitalist system, and thus be more complete. The questions I wish to answer below are: \* how far did Marx succeed in moving beyond Quesnay and the physiocrats? and \* was the theory he proposed instead of theirs as complete, as comprehensive, as Marx aimed at being. In this instalment we will revert to the very origins of critical economic theory, to re-discuss a classical debate.

## 2. Marx' Diagram: Two Basic Departments of Production

Let's first look at the diagram on simple reproduction that Marx devised. As already stated, the term '*simple reproduction*' was used by Marx to refer to a situation where the annual commodity product furnished by society remains equal over time, throughout the years. For this to be the case, all individual capitalists manufacturing commodities must decide to individually consume the (entire) surplus that emerges from their production process. They must refrain from transforming the value parts that was created during the phase ...**P**... of the circular movement of their capital, into new capital. Instead of this, all capitalists use the surplus product for their own, individual consumption. Only if this be the case, does the scale of society's production remain the same during the consecutive cycles of production.

Now, according to Marx, the total product of a capitalist society can be divided into two major departments. Department I is the ***Department of the Means of Production***: all commodities furnished by the entrepreneurs of this Department - raw materials, equipment, machinery, product components, etc. - are earmarked for use in the manufacturing of further commodities. Their destination is to be 'consumed' in the manufacturing process itself. Department II is the ***Department of the Articles of Consumption***: the commodities brought onto the market by the entrepreneurs of this Department - whether daily necessities or articles of luxury - are all destined to be bought for consumption proper. Since the capitalist system is a market system, where the participants take their decisions regarding production and consumption individually, it is to be explained what commodity exchanges are required to make simple reproduction possible.

In the third section of *Capital II*, Marx sets himself the task of elucidating this complex process of exchanges, and ultimately comes up with a specific formula for the exchanges between Departments I and II. First, he explains that the capital of both Departments consists of two parts. The *Variable Capital* (**v**) represents the wage fund, it is equal to the value of the social labour power employed in the Department. The *Constant Capital* (**c**) represents all the means of production, i.e. raw materials and product components consumed during the manufacturing process, and the portion representing machinery, buildings, etc. that is consumed in the same process. In both Departments, entrepreneurs obtain a Surplus Product (**s**) by putting variable capital and constant capital to work. Hence, in the case of both I and II, the composition of the value parts of the commodities (**C'**) emerging from production, is: **v + c + s**.

Since a portion of the commodities of each Department is sold to actors of the same Department, the exchange between I and II is a limited exchange. Thus, the value part **c** of the commodities of Department I equals the amount of means of production that are bought by the capitalists of Department I itself for re-investment and use in the next cycle of production. The value part **v + s** of the commodities of Department II represents the articles of consumption which are bought by entrepreneurs and workers belonging to the same Department II. This is so because we have assumed, following Marx, that the whole surplus **s** is used by the entrepreneurs for consumptive purposes. Thus, both the value part **v** representing the daily necessities bought by the workers of Department II,

and value part  $s$  representing luxury goods for entrepreneurs, flow back in the form of money to the capital owners of Department II.

We can now project the exchanges which should (and can) take place between the two Departments. The entrepreneurs and workers of Department I will want to purchase articles of consumption, to the amount of the value  $v + s$  of the total product  $C'$  of I. On the other hand, the entrepreneurs of II need to replace a part of their means of production, to the amount of the value part  $c$  of the total of their commodities  $C'$ . Hence, Marx' formula for the necessary exchanges between Department I and II is: I ( $v + s$ ) *versus* II ( $c$ ). Under simple reproduction, I ( $v + s$ ) and II ( $c$ ) should be equal, according to Marx, who illustrates the whole question by citing quantitative figures for all the value parts of the commodities furnished by the two Departments (2). A point which Marx discusses separately, is that money needs to be available from the start, to allow the circulation of commodities within and between the Departments to occur (3).

In any case - the above summary helps to bring out Marx's basic conceptualisation of the capitalist system. His diagram on simple reproduction, as Rosa Luxemburg was to point out, presumed that the system was a *closed one*, that it needed to be sustained through internal exchanges only, i.e. between the two Departments and without external market outlets. Moreover, and this is crucial from my vantage point, that of analysing the role of military production - Marx also presumed that the capitalist system consists *exclusively* of Departments which relate to each other on the basis of *mutual exchange*, and that each section, Department, of the system contributes commodities to the other Department. This is precisely what his formula for simple reproduction - I ( $v + s$ ) = II ( $c$ ) - demonstrates. However, as we will see, these elementary presuppositions are only partly in accordance with the way capitalism operates. Nor is it necessary to see Marx's diagram as the (only possible) logical culmination of the theoretical work done by his precursors. A different reading of Francois Quesnay (and secondarily of Adam Smith, and John Stuart Mill) could have resulted in a rather different diagram!

### **3. Comparison with Quesnay: Both Progression and Retrogression**

Marx's diagram undoubtedly was ingenuously conceived, and it does offer us crucial insights into various complexities in the functioning of the capitalist mode of production. Yet we have to recognize that it does not help us grasp the functioning of the military sector. To make a beginning with the analysis of the latter, I suggest to compare Marx' diagram with the diagram that was devised by Marx's precursor, Francois Quesnay. As is evident from the letter which Marx wrote to Engels, when he made his first rough sketch, Marx's own diagram with 16 lines of exchanges to depict how gross exchanges of the total social product take place, constituted a refinement of Quesnay's diagram (4). However, viewed from our vantage point, i.e. the search for an understanding of militarism, Marx' diagram signified both progression and retrogression. His conception of two distinct Departments where commodities are manufactured, was an advance over Quesnay's scheme, whereas the lack, in his diagram, of any category or sector of revenueholders who absorb a section of the annual produce was a step backwards.

To look at the *progression* first - Quesnay as a physiocrat philosopher saw the manufacturing sector as one homogeneous sector, which was operated by, as he called it, a 'sterile class'. His view, as well as that of his followers, was that agriculture forms the only truly productive sector: it turns out food for the various classes of society, but also raw materials such as cotton which are used for manufacturing purposes, such as the production of clothes. Marx's diagram of simple reproduction, detailing the exchanges between the *Department of the Means of Production* and the *Department of the Means of Consumption* brings out the complexities underlying the exchange of commodities under capitalism with relative clarity. It shows the need for definite, quantitative proportions to be maintained between the two types of (industrial) goods, in order to ensure that the capitalist system can function smoothly. In consequence, probably, of his physiocrat bias against industrial development, Marx's precursor Quesnay did not similarly reflect on the manufacturing sector, he did not distinguish between the two 'poles' of Department I and Department II.

In one respect, however, Marx's diagram formed a *regressive* scheme compared to Quesnay's. As mentioned, Marx did not conceive of a separate sector of revenue-holders, of social actors who refrain from participating in the creation of society's wealth, but hold a major share in the total revenue. Marx knew, of course, that capitalist society comprises a section of rent-collectors, i.e. of landlords, owners of loan-capital, etc., who appropriate a share of the profit made by society's agricultural and industrial entrepreneurs. Yet when devising his scheme on simple reproduction, Marx did not take account of these revenue-holders to explain the functioning of the economic system. Instead, he only viewed the capital owners of Department I and II as organisers-cum-revenue-holders: they have the option between individually consuming their entire revenue, their surplus value, or re-investing it for the purpose of accumulation (5). The characteristic feature of 'simple reproduction', as understood by Marx, is that the capital owners of I and II spend their entire revenue on luxury goods.

Quesnay's diagram, on the contrary, included a specific category of revenue-holders, of people whose function is to absorb a part of the products heralding from the agricultural and the manufacturing sectors, but who themselves do not offer any commodities for sale. This conceptualisation does not directly explain the functioning of the military sector. Quesnay entirely ignored and failed to depict weapons production, when devising his sketch, just like Marx. Nevertheless, Quesnay's diagram does offer us an important direction of thought. For, as we shall see below, in order to properly conceptualise the role of military production within the capitalist economic system, we have to conceive of a distinct Department which absorbs commodities offered by the capital owners of Departments I and II, without offering commodities in return, and we also need to posit the existence of a separate, revenue-holding actor ready to buy the special products emanating from the military sector. In this sense, then, we need to fall back on Quesnay when 'refining' the diagram on simple reproduction that was devised by Karl Marx.

#### 4. Reflections on the Diagrams: The Military Sector and the Capitalist State

The above brief exposition of the views held by Karl Marx and by his precursor Francois Quesnay on simple reproduction, suffices as a background to clarifying the specific place of military production within the capitalist system. In sketching the outlines of a model of simple reproduction that expresses existence of the military sector, I will follow several lines of thinking developed by Rosa Luxemburg in her Magnum Opus, *The Accumulation of Capital*. (6). First, Marx' diagram of Two Departments of Production assumed that the capitalist system can only function through the mutual exchanges taking place between these Departments. Hence the formula I (v + s) versus II (c). But what if there existed a *Third Department* which did not relate to Department I and II in the same way in which these two Departments relate to each other? What if that third Department churned out a kind of commodity that could not be absorbed by either I or II?

An essential prerequisite for our understanding of the role of military production within the capitalist mode of production, is acceptance of the fact that the nature of weapons' production is so specific that it cannot be subsumed under either Department I or II. The production of means of destruction occurs in a separate Department which maintains a 'unilateral' relation with the other Departments. On the one hand, this third Department's entrepreneurs function as buyers of means of production, they facilitate the realisation (actual market sales) of the commodities emerging from Department I. Similarly, the employees of weapons' factories use their wages to buy daily necessities, thus facilitating the process of realisation for the capital owners of Department II. On the other hand, however, neither Department I nor Department II supports the realisation of profit for the entrepreneurs of Department III. Thus, this Department's functioning is qualitatively different from the way Marx described the characteristics of, and the mutual relationship existing between, Department I and II.

Secondly, the diagram of Marx' precursor Quesnay provides us with specific elements for reflection on the role of the military sector. We have seen above that Quesnay presumed the existence of a 'sector' of revenue holding landlords, who don't contribute to society's production, to the creation of wealth, but do absorb a part of the annual product. In Marx's diagram, as stated above, no particular sector of revenue-holders outside of Department I or II was presumed to exist. Yet unless we pose the existence of a *separate, revenue-holding actor* within the capitalist system, - we cannot conceptualise the mode of operation of the ***Department of the Means of Destruction***. Since neither the Department of Means of Production, nor the Department of Consumption Goods, helps absorb the commodities emanating from Department III, a revenue-holding actor outside I, II and III must be available to facilitate the process of realisation (the actual sale of commodities) for the capitalists of Department III.

Hence, while neither Marx's nor Quesnay's diagram fully suffices for our purpose of developing a comprehensive understanding of the place of military production within capitalism, - both diagrams do serve as suitable sources of reflection. To understand the specificity of the production of means of destruction, i.e. its role in society's overall process of reproduction, it is crucial to see that the realisation of the commodities of this

Department is not made possible by the entrepreneurs or employees of this Department itself, nor by the social actors of the other two Departments. A prerequisite for the manufacturing of weapons is the existence of a separate (and powerful) actor, using a part of society's revenues for the purchasing of the commodities of Department III. Thus, to conceptualise military production, we need to admit the existence of a Third Department. At the same time we also need to address and analyse the specific economic role performed by the capitalist state (7)

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*References:*

(1) Karl Marx, *Capital. A Critique of Political Economy. Volume II* (Progress Publishers, Moscow, USSR, 1967), p.329-348, p.363-364, p.396-402;

(2) Karl Marx (1967), op.cit., p.401-402;

(3) Karl Marx (1967), op.cit, p.329; see further Chapter Three of this study;

(4) Karl Marx/Frederick Engels, *Werke. Band 30* (Dietz Verlag, Berlin, DDR. 1964), p.362; Paul Sweezy, *Theorie der Kapitalistischen Entwicklung* (Edition Suhrkamp, Frankfurt am Main, 1972), p.95; Quesnay's diagram is elaborately described and analyzed by Marx in his *Theories of Surplus Value, Part I* (Progress Publishers, Moscow, USSR, 1969), p.308-344;

(5) Baran and Sweezy have noted that *in scattered passages* of his main writings Marx recognized that the state is a revenue holder of society's surplus value; see Paul Baran and Paul Sweezy, *Monopoly Capitalism. An essay on the American Economic and Social Order* (K.P.Bagchi & Company, Calcutta, India, 1994);

(6) Rosa Luxemburg, *The Accumulation of Capital* (Monthly Review Press, New York USA, 1964) saw the manufacturing of money as taking place in a Third Department; see further Chapter Three of this study;

(7) Paul Sweezy admits that Marx never elaborated a systematic theory of the state, and that the state as an economic instrument has been neglected in Marxism - Paul Sweezy (1972), op.cit., p. 283 and p.289; for McNeil's critical comment, stating that for Marx the supremacy of the market 'seemed assured for all times', see William McNeil, *The Pursuit of Power. Technology, Armed Force and Society* (Basil Blackwell, Oxford, United Kingdom, 1982), p. 116.