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“No Magic Bullets”: The Lawn-Smith Debate, or Why Degrowth Cannot Be Understood without a Value-Theory of Imperialism

Povzetek

»Brez bližnjic«: O razpravi med Lawnom in Smithom ali o tem, zakaj odrasti ne moremo razumeti brez vrednostne teorije imperializma

Članek temelji na tezi, da moramo v diskurz o odrasti vključiti vrednostno teorijo imperializma. Avtor se osredini na razpravo o kapitalizmu stabilnega gospodarstva, ki je potekala med Philipom Lawnom in Richardom Smithom, in jo na novo ovrednoti. Pokaže, zakaj moramo v ta razmislek vključiti koncepte akumulacije, dela in organske kompozicije kapitala, ki jih obe strani v razpravi izključujeta. Meni, da moramo te koncepte upoštevati pri razmislekih o stabilnem gospodarstvu, pri čemer se navezuje na delo ekološkega ekonomista Hermana Dalyja.

Ključne besede: kapital, odrast, Philip Lawn, Richard Smith, kapitalizem stabilnega gospodarstva, stabilno gospodarstvo, vrednostna forma

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Abstract

The article emphasizes the importance of a value-form theory of imperialism to the discourse on degrowth. To strengthen this point, the author revisits and re-evaluates the debate between Philip Lawn and Richard Smith on the concept of “steady-state” capitalism. The article argues why this topic necessitates the inclusion of both the concept of accumulation based on the centrality of the role of labour and the analysis of the organic composition of capital, which are excluded on both sides of the debate. By drawing on the work of the ecological economist Herman Daly, the author argues that these two factors must be taken into account when considering steady-state economies.

Keywords: capital, degrowth, Philip Lawn, Richard Smith, steady-state capitalism, steady-state economy, value-form

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The Lawn-Smith debate started following a BBC report from January 28, 2010 regarding a report by the New Economic Foundation on the limits to contemporary economic growth. In the report, the case was made that global growth could not continue without further damaging the environment, and that there were "no magic bullets to save us" (Smith, 2010a: 28). Others (Simms and Victoria Johnson, Tim Jackson) proposed such "magic bullets" in the institutional possibility of a "steady-state" economy as advocated by Herman Daly, the grandfather of ecological economics and the former senior economist in the World Bank's Environment Department. These "magic bullets" were precisely what Smith went on to criticize as that which fails on account of the issue of accumulation. In reply to Smith's paper, Richard Lawn, who wished to defend Daly's notion of the "steady-state" economy within existing capital relations, wrote a lengthy overview of how Daly's institutions could both save capitalism and lead to degrowth and prosperity. While the debate centred around Daly's "thermodynamicist" view of the economy and its consequences for institutionalizing degrowth, we will revisit the debate by outlining what we argue is a point missed in the entire debate. While disregarding Smith's other critiques of both anti- and pro-growth commentators on the issue (for instance, the director of the Adam Smith Institute Tom Clougherty), we shall see how both he and Lawn overlooked a key element that cuts across the entire debate—namely, the very conceptualization of accumulation.

The "steady-state" economy and Lawn's notion of growth

For the sake of definitions, let us first outline what a "steady-state" economy is.[1] According to its own author, it can be defined as

[1] Note that Daly uses the term "steady-state economy", as opposed to "steady-state *capitalism*", which is a term used by his defender, Philip Lawn. In his dismissive one-page reply to Richard Smith, Daly simply reveals his own frame of reference: "Remember that during the cold war both capitalists and socialists claimed that their system would grow faster—would be least like a steady state. The steady state was an idea hated by both." (Daly, 2010: 103) This is why he finds it strange for his system to be equated with the "capitalism" existence he once sought to overcome. As if by a magic wand, in the next sentence, Daly differentiates it from his own conception, and reprimands Smith for allegedly thinking that "ecologically and socially constrained markets are bound to be destructive and lead directly to all the evils of capitalism as it exists today" (ibid.: 103). In his reply, Smith rightly asks: "If it's not capitalism and it's not socialism, what exactly is it?" (Smith, 2010b: 121) This reveals all the misfired arguments of the debate: it is Daly himself who speaks of the markets and not of production, and Smith's Marxist background reveals itself when he talks of capitalism as a mode production. The rest of this section follows neither Daly nor Smith, but Lawn, who tried to conceptualize the institutions of, precisely, steady-state capitalism, as is already clear in the title of his work *Is Steady-State Capitalism Viable? A Review of the Issues and an Answer in the Affirmative* (cf. Lawn: 2011).

> an economy with constant stocks of people and artefacts, maintained at some desired, sufficient levels, by low rates of maintenance throughput, that is, by the lowest feasible flows of matter and energy from the first stage of production to the last stage of consumption. (Daly, 1991: 17)

What Daly proposes here is nothing less than a “constructed” equilibrium, so conceived as to fit the ecological context in which it operates. According to Daly’s own description of his project, a steady-state *economy* is thus not a flow, but a stock. Namely, because the physical sphere is considered to be autonomous, what Daly calls the “non-physical” traits of economy—such as technology and the distribution of wealth—must do the accommodating (Daly, 1974: 158). Unlike the circular flow model, Daly’s system speaks of a throughput of physical material, which is not circular because it flows from natural resources to either consumption or waste (ibid.: 196). While exchange value ought to be *equal* and circulate equally between national product (production; goes from firms to households) and national income (consumption; goes from households to firms), the physical material is not. It can still be measured (or rather, was, at the time Daly was writing) by GNP (GDP’s predecessor), but only to the extent that GNP itself measures the economy of physical material. As should be clear from these considerations, Daly is not at all interested in rejecting the circular flow model in its entirety, but rather in demonstrating that it is simply a sub-system of a broader ecological system, and that, as such, it should enter into policy calculations. Similar considerations have led writers such as Robert Constanza to develop work on an “energy theory of value” of embodied-energy costs (cf. Constanza, 2004). In consequence of this, inasmuch as Daly accepts the flow of exchange-value, he is not at all interested in speaking of *accumulation* in the Marxian sense, since it would have to entail some notion of a *surplus value.* In further consequence, this is why Daly and Lawn believe that “steady-state” capitalism could be a *form* of capitalism without accumulation—one in which any “excess” of value would have to be consumed, while material throughput would be constrained so as not to lead to growth. This is what Lawn inherits from Daly, and it is in this light that we may speak of his defence of the concept of “steady-state” capitalism.

So, to kick-off the question, we may ask: How is such a capitalism possible? For Lawn, like his mentor Herman Daly, the thrust for growth comes not from accumulation but from competition in the market. This is why both of them must prefer market and institutional reform, while rejecting the reform of relations in either property or production. Lawn believes that people are accustomed to think in only one “form” of capitalism, namely, the “growing” one. However: “This link is not a natural one—it exists because of the institutional framework that shapes and connects labour markets with product markets and because currency-issuing central governments fail to act as an employer-of-last-resort.” (Lawn, 2011: 4) Thus, according to Lawn, there are other “forms” of capitalism, such as the one without growth.

What Lawn means by ”growth”, however, is very specific. He contrasts it to “development”, for, according to him, “development is a process of ‘betterment’ or ‘qualitative improvement’ that occurs when economic activity increases benefits more than costs” (ibid.: 3). This small conceptual move means that development (such as that of the GDP) can produce “uneconomic” growth. This, in fact, occurs when costs rise faster than the benefits. Hence, when Lawn speaks of “economic growth” he has in mind a particular situation, where GDP growth costs more and is less beneficial (presumably) to the whole of society.

Hence, for Lawn, neither corporations nor capitalism in general need to “grow” in order to survive. There is no “grow or die” imperative, as was implied by Richard Smith. For Lawn, only increasing profits by a physical increase of production amounts to true growth, while increase in technical efficiency (as opposed to the allocative efficiency of the market) and increase in the quality of the products do not constitute growth. The difference, for Lawn, is that, in the first case, profits entail a physical increase in output (and more importantly, overall throughput), while in the other two cases, profits are possible by simple tweaks in technical efficiency and product quality. By producing more products at a steady rate of throughput, a corporation *can* sell more products to a wider range of consumers at lower prices and, hence, raise its profits to an extent. Inversely, it can also raise its prices by increasing the quality of its products, and hence, again make profits from a wider range of consumers. This means that there could be such a thing as a “degrowth” –a structured corporation utilizing economies of scale. Corporations can profit without growing, and thus remain “in the game”, so to speak.

On Lawn’s efficiencies

So, if corporations can profit in a steady-state setting, how do they do so? First and foremost, in Lawn’s “steady-state” capitalism, the economy is ruled by the allocative efficiency of the markets resting on the technical efficiency of resource utilization by corporations. These “efficiencies” are two quite different things: one relates to energy expenditure in the process of production, while the other refers to the allocative (distributional) power of markets.

As for allocative efficiency, while Lawn (2011: 22) acknowledges that, for better welfare, “some cases” would entail sacrificing a corporation’s technical efficiency via a central government, he nonetheless believes in the allocative efficiency of the market for enabling and providing for the general welfare. This is no exception to the general policy preoccupation with allocative efficiency in contemporary ecological economics (Jollands, 2006: 362), wherein Daly’s own work represents the best and most fully developed example (Daly, 2006: 365, 368).

As for technical efficiency, according to Lawn (2011: 3):

> As a means of illustration, consider the technical efficiency of production (E), which constitutes the ratio of energy-matter embodied in physical goods (Q) to the energy-matter embodied in the resources (R) used to produce them (i.e., $E = \frac{Q}{R}$). Although the value of E can be increased via technological progress (i.e., by reducing the quantity of R that immediately becomes production waste), E must always remain less than a value of one. Hence, there are inevitable limits to advances in technical efficiency. In addition, 100% recycling of matter is impossible, while energy cannot be recycled at all.

So, for Lawn, technical efficiency equals useful energy output divided by the energy input available from resources.

Now, given that a steady rate of throughput must depend on the allocative efficiency of the market, in Daly's system there are three ways for a corporation to raise its profits. According to Lawn (2011: 10):

> They are (1) increase output and sell more; (2) produce better quality goods and sell the same quantity of output at a higher price (revenue rises and costs remain unchanged); and (3) produce the same quantity of output more efficiently (revenue remains unchanged and costs decline). Of these three main categories of profit making, *only the first involves growth*. (emphasis mine)

So, as long as the possibility for reaching increased efficiency or producing better quality products remains, profitability will remain, and with it the market system as well.

Institutional solutions

To operate in a "steady-state" form, however, these corporations must be institutionally backed. Although it is not presented in this order, Lawn's argument logically rests on decoupling the question of institutional development from the question of what drives the profit-system as such. If market competition happens to grow, it is not because markets imply accumulation and exploitation, but because "politically influential capitalists" (ibid.: 6) turn to the "abuse of market power" (ibid.: 7), the "exploitation of market power" (ibid.: 8), presumably out of their own "greed and lack of concern for future generations" (ibid.: 14). For, ultimately, the market is "not unlike a butcher's knife, which is only as effective as the person holding it" (ibid.: 17). In concordance with his separation of institutions from profit-drives, Lawn wishes to reduce the dependence on what he and Daly consider the source of all growth—the market. Thus, for Lawn (2011: 8), "competition today does not imply competition tomorrow": consequently, there *can* be profit without competition, and ultimately, without growth.

The institutional changes ("Daly-institutions") he wishes to present and defend, all follow from these premises. In Daly, there are three basic types of such institutions: depletion quotas, minimum income and a cap on population. Lawn goes on to talk at length about the second and first. Of these, he emphasizes a so-called "Job Guarantee", where workers fired from the presumably better-paid private sector will have a guaranteed minimum living wage that should, in the long run, balance out unemployment and institutionalize full employment bent on producing public goods and services, while setting a minimum wage floor would circumvent inter-labour competition and provide training and work flexibility. Demand-pull inflation could be kept in check if the government would simply allow the inflationary pressure from the mass of newly employed "Guarantee"-workers to cut-off (aka: even out) excess spending from the private sector until a steady-state price system has been reached (ibid.: 5). This would eliminate the now (in neoliberalism) normalized "residual" unemployment. Rents could be taxed and used for redistributive purposes by the central governments so as to make both capital and labour *less* dependent on markets, while the money supply would be handed over to a central government rather than to a central bank (ibid.: 12). The end point of all this should be a logical proof that there can be both ecological sustainability with profits and without growth or market competition. By this, we do not mean to exhaust all the institutions Herman Daly himself may have developed, but to simply outline some possibilities that follow from his premises (for an expanded list, cf. Daly, 2015).

Degrowth in one country?

However, it is precisely these premises that we wish to attack. First, note that both Daly and Lawn presume the "old" model of national economies and generally speak of the world market only by extrapolation. They lack any idea of how the process of market integration has resulted from accumulation rather than from institutions such as the WTO (Daly, 2015: 12). Likewise, Lawn's defense omits any notion or idea that corporate profits lead to, or rest upon, the *process of accumulation*. The point has been thoroughly gone over in the context of the debate (Smith, 2010a: 42; Blauwhof, 2012: 261). We may add that this, inversely, must lead Lawn to neglect any link between accumulation and the world market, which, as we shall see, will become important later.

Second, of the two "degrowth" ways of profit-making, one can see that only one of them entails labour-sensitive changes in the process of production, namely, increasing the overall technical efficiency.[2] While this may be so, however, in a small footnote, Lawn makes a startling claim: namely, that since natural

2 That is, increasing the rate of output while input remains the same, or, which is the same, decreasing the waste of resources (decreasing the *Q* over *R* in Lawn's formula).

resources are simply *converted* by both labour and capital (technology and exchange), "[n]atural resources, alone, constitute the true input of the economic process" (Lawn, 2011: 18, footnote *gg*). Not only is labour simply just another "input factor" like any other (such as, say, global value chains analyses), but labour is not an input at all! The only input Lawn is willing to admit are natural resources alone. Although the rise in technical efficiency overwhelmingly concerns the organization of labour vested in the making of a product, for Lawn, given his emphasis on natural resources, it is merely of secondary importance, to say the least. This is in line with Daly, who, while having developed several interacting concepts of efficiency—*service* efficiency, *maintenance* efficiency, *growth* efficiency and *ecosystem* efficiency—his efficiency ratios in general "do not explicitly account for labour inputs" (Jollands, 2006: 367). The "thermodynamicist" view of technical efficiency is thus warranted. As we shall see, Lawn and Daly's "steady-state" must fall apart when confronted with the origin of its own "efficiencies".

Theories of imperialism

Interestingly enough, apart from simply reiterating that a presumably clear Marxian concept of accumulation is important, the debate does not engage in reflecting on the very concept itself, and thus remains an open one. To play the devil's advocate then, we must ask what the concept of accumulation is, and in *what sense* is it so important, if at all. This calls for a bit of reflection on the side of Lawn's critique.

Firstly, the above-noted problem of "degrowth *or* deaccumulation" could only have appeared when the two were separated long after Gorz's concept of *décroissance* had been uttered. Of course, while neither Gorz nor his background in the Frankfurt School's critique of progressivity from Benjamin to Adorno feature in the debate, we should always keep in mind that degrowth/deaccumulation would be inconceivable were it not for the analyses of the extension of the commodity form to the cultural sphere that was developed during the advance of the welfare state by the Frankfurt School, most notably Adorno and Benjamin.

Yet if degrowth did at least implicitly have its origins in early eco-socialist perspectives, one might ask why then hasn't a similarly anti-imperialist perspective, known to its originators, been integrated into it from the start? Some today certainly plead for anti-imperialism to be incorporated into deaccumulation (cf. Foster, 2011) or speak of a "dual strategy" of promoting movements like Buen Vivir in the South while advocating for degrowth in the North (Conde and Walter, 2015: 183), and there is at least an awareness of the problem (some, like Ulrich Brandt, attempt to envelop the problem on their own, while most degrowth theorists do rely on some sort of theory of imperialism, such as David Harvey's[3]). However, the problem goes beyond degrowth: namely, there is one particularity in the Marxist tradition of imperialism theories, beginning with Lenin, Trotsky, Rosa Luxemburg and continuing through Samir Amin, Poulantzas, Ellen Meiksins Wood, and now the degrowth's favourite, David Harvey. Namely, ever since its conception in Lenin's *Imperialism as the Highest Stage of Capitalism* after the First World War, the emergence of capitalist monopolies outside of the free market was explained as something *per definitionem breaking* with the rules of free competition.[4] Because of this, the imperialist development of capitalism through the formation of monopolies has, in the view of these authors, always been seen as something resting outside of the regular functioning of capitalism. Thus, a theory which would establish the link between exploitation and the world market hasn't been developed in the Marxism of the 20th century, and this lack has been passed on into the degrowth perspective. Moreover, its theorization is simply needed if one wishes to adequately challenge Lawn or Daly on grounds of economic imperialism. For, while the term is interestingly present in Daly (who sadly ascribes it to institutional actors such as the WTO; see Daly, 2015: 12), it is simply absent from both sides of the debate over his work. As we shall see, while Lawn is conscious of the problem, Richard Smith is not: and this was not Smith's "intentional mistake", but stems from a more fundamental problem: that one has yet to see a fully developed value-theory of imperialism—which we shall now address.

Imperialism and accumulation

We criticized Daly and Lawn generally for three things: for sticking to institutions as the ultimate creator of capitalism's "form", and then for consequently sticking to the nation-state, and for not counting labour as an input. The end point is that they cannot even begin to see most of contemporary transnational production processes or their markets as a consequence of the development of capitalist accumulation, and, as we saw, Richard Smith did not address the question himself either. Hence, the way in which these factors are connected has not been addressed on either side of the debate, and it was not done by any of its reviewers either. Thus, different forms of exploitation and wage differences across the world market must take the form of "distortions".

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3 David Harvey otherwise argues that it is now the "South" that exploits the "North" (for this question, see the recent debate between him and John Smith on *Roape.net*, available at: http://roape.net/2018/01/10/david-harvey-denies-imperialism/ and http://roape.net/2018/02/05/realities-ground-david-harvey-replies-john-smith/, last accessed 04/07/2018.). Nevertheless, he is incidentally mentioned positively in *Vocabulary* by all of the above quoted authors (Foster, 2011; Conde and Walter, 2015, but also Andreucci and McDonough, 2015; Gómez-Baggethun, 2015; and Kallis, Demaria and D'Alisa in their editorial introduction to *Vocabulary*), but they do not reflect further on the issue.

4 With the notable exceptions of Paul Mattick, Sr., and Ruy Mauro Marini.

To offer an alternative, we will address the question of the *rising organic composition of capital.* This concept provides the connection between labour inputs and the ways in which corporations realize profit *in any form* of capitalism, precisely because any institutional form of capitalism presupposes that labour must be regulated quite specifically, unlike other resources. Yet, remarkably, it is precisely this question that has not received a single mention in any of the quoted books and articles. This is why we must introduce it. First, the term "composition of capital" is a concept developed by Karl Marx to designate the interdependence of the value side and the material side of capital employed in production. 1) The composition of capital, viewed from its material side, is the *technical composition of capital* (means of production per unit of working force). 2) This term is linked to the term "organic composition of capital", from which it differs, and this difference requires a short description: namely, since capitalism is a system of commodity-*production*, it is not only a physical system: in addition to their unique use values, commodities simultaneously have an exchange value on the market expressed through their *prices*: a *relation,* and not a physical trait. When commodities are produced, the process of production plays out on both of these planes: the products produced are material goods that are exchanged and valued on the market. However, by increasing the productivity of labour, say, through the use of novel technologies, the amount of commodities produced will increase: for example, instead of 100 iPhones, I can now produce 1,000 iPhones per day. However, even though the physical quantity of iPhones has increased, *their value hasn't*: for, machines and new technology add no *new* value to the commodities produced, but only transfer their values through the process of labour. This is because it is only labour—and labour alone—which adds new value to the commodities that it helps produce. In this sense, it is unlike all other commodities: for the labourer, unlike for machines or technology, the time spent producing outlasts the time required for the reproduction of her or his labour power.[5] It is this difference that Marx denotes when he speaks of labour as *variable capital*, versus machines, buildings, etc., as *constant capital*—note that this difference exists *only in terms of value.* Apart from that, both the means of production and the living labour power required to operate them have their material existences that are related to, *but are not unique to*, capitalism: tools and machines existed before capitalism and will exist even when it ends. Yet it is only within capitalism, viewed from its value-side, that they appear in terms of *prices* as *constant capital* (that is, the value invested in the means of production, which consists in the value of circulating inputs [raw materials and components entering into finished products, nowadays known as "intermediate products"] and fixed capital proper [the costs of running machines, renting factory buildings, etc.]) + *variable capital* (labour costs). With the advent of

5 The minimum cost required for her or his labour power's reproduction is determined through the cost of foodstuffs and the price of the basic consumer basket, rent, etc.

technology, according to the value-side of capital, there should be fewer labourers working because their productivity would raise, increasing the value of any given capital. Due to profits and re-investments, a wool-producing factory, for example, certainly had more capital in it in the 19th century than it did in the 18th century, when it was established. However, because of the advent of accumulation, such productive gains will increase the absolute size and scope of both industry and goods produced, leading to a discrepancy between the technical composition and the value-composition of capital. As we've said, the interdependence of the value side and the material side of capital during its course is what Marx called the "composition of capital". However: "To express this, I call the value-composition of capital, in so far as it is determined by its technical composition and mirrors the changes in the latter, the organic composition of capital." (Marx, 1976: 762) Marx explained this logic in terms of prices: the physical existence of the means of production and of workers does not directly express their value composition, because their price may be lowered regardless of their physical existence. The first systematic account of this was provided by the Frankfurt School's early economist Henryk Grossman. During the process of accumulation, the labour-side of capitals' value-composition (variable capital, *v*) diminishes with regards to constant capital (*c*), and a higher organic composition of capital ($\tilde{\omega}$) emerges, while the personal profit for capitalists (*k*) rises with it up to a certain extent, namely, as long as it does not interfere with the process of extended accumulation (*Av* and *Ac*). The rate of profit ($\frac{k+Ac+Av}{c+v}$) will thus lower itself as the mass of profit rises in absolute terms. Thus, there will come a point when the "tendential" fall in the rate of profit, to use Marxist terminology, will occur. This is because, as Grossman pointed out, *it is not only the rate of profit as an index number of individual profits wherein lies the problem, but the real mass of profit in relation to the social mass of capital* (Grossman, 2017: 130). This is something most Marxists, including both Daly and Richard Smith, gloss over, because they do not link the rising organic composition of capital and the inherent difference between the physical and value-sides of capital with the notion of accumulation. On the other hand, what Grossman, following Marx, has shown, is that even in a "perfectly" abstract economy,[6] the need for a perpetual re-investment of profits in production for competition would ultimately reach a point where the current stock of labour inputs (to use Daly's terms) cannot not be exploited enough to cover the weight of the simple reproduction of the corporation (again, to use Daly's terms). By using the head of the "Austrian Marxist" Otto Bauer's reproduction schemes,[7] he showed that in the course of

6 Meaning a closed, national and abstract economy with no credit, where goods are sold at their values and no price distortions occur, where growth and population increase are assumed to be stable.

7 Basing himself in the tradition of the Ukrainian economist and social democrat Mikhail Tugan-Baranovsky, Otto Bauer used Marx's reproduction schemes from the second book of *Capital*

accumulation, the rise in the organic composition of capital ($\tilde{\omega}=\frac{c}{v}$), a point must be reached where the mass of surplus value needed for extended accumulation could *necessarily* no longer be reaped from the existing workforce: hence, a "relatively ever-larger part of surplus value must be deducted for the purposes of additional accumulation" (2017: 130). Because the constant capital is continuously growing, the additional *accumulation* of surplus value *would burst beyond the limits of what the physically existent workforce under normal conditions is able to produce, meaning that even capitalist consumption would begin to fall.* As Grossman put it: "A point must be reached at which the part of surplus value destined for the consumption of the workers and the capitalists [...] declines absolutely." (Grossman, 2017: 129) This is at the heart of Grossman's theory of breakdown: extended accumulation cannot continue indefinitely. At that moment, there are only a few choices that can be made for any given firm: one concerns the so-called "value transfers" inside transnational corporations that operate between different countries; the other concerns the intensification of labour exploitation beyond the level value of its normal reproduction and pushing its wages to below the value of its labour power. Both of these choices constitute a phenomenon that has come to be called "super-exploitation" within contemporary theories of imperialism (cf. Smith, 2018). As we shall see, super-exploitation, in the sense outlined above, could furthermore be explained through Marx's theory of value better than through its adversaries. Namely, the British economist John Smith recently published a much-needed and refreshing book on the value-theory of contemporary imperialism that argues that accumulation *can and does* proceed through the so-called "third form" of surplus value exploitation (see Smith, 2016). This goes against the grain of most mainstream and Marxist theories of imperialism on a topic central to us: the link between accumulation and the world market.

According to John Smith, not only does Marx's value-formal analysis *not* fail to explain contemporary capitalist imperialism, it is in fact the only such option we have. Consider global value chains or GVC analysis,[8] which, similarly to Daly and Constanza, treats labour like any other input (or "task"): it is precisely such treatment which gives rise to the so-called "paradox" of the infamous discrepancy between wages and productivity that fails to account for the simple fact that some workers are more exploited ("productive") than their counterparts in more developed countries who receive higher wages.

Although we do not intend to trace the entire history of this problem, we wish

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to show that capital can perpetually accumulate without disturbances and continue to do so with simple regulation. This reading has since become the basic conception of capitalism enshrined in the German SPD through Rudolf Hilferding. Running at five years, SPD showed no tendency towards decline. Grossman, however, let them run for 34 years up until the break-up of the model was imminent, as explained above. The schemes can be found in Grossman (1929).

8 For a critique of prominent global value chains analysts (John Humphrey, Timothy Sturgeon, Gary Gereffi), cf. Smith, 2016: 266–272.

to offer at least an alternative point of view. To avoid misunderstandings, one should keep in mind that by Marx's theory of value, one means Marx's *monetary* theory of value (contrary to the usual associations of Marx with a *labour* theory of value): this implies that a commodity is both *produced for* and *valued on* the market, meaning that its value is quantitatively *expressed* in its monetary form through the notion of *price* (for a history, cf. Elbe, 2013).

With this in mind, we will re-address Lawn's "degrowth" ways of making profits by outlining the possibility of *continuing accumulation even under his regime.* Now, according to the first volume of Marx's *Capital,* there are usually only two ways to raise productivity: one either invests in new technologies and increases the *rate* of the exploitation of labour, or increases the duration-*time* in which the exploitation of labour takes place, otherwise known as the working day. However, of the two, only the second adds *new* value to the product: introducing new technologies adds nothing to the product's value, but rather raises profits by raising productivity instead: thus lower prices per unit sold are circumvented by an increase in output. This is important to keep in mind, for it contrasts to the mentioned John Smith, who drew attention to a so-called "third form" of surplus-value increase: that, by cutting the costs of labour *below* the cost of its reproduction (or the cost of the food basket and basic housing), the labourer is conditioned to super-exploit herself beyond the normal limits of the working day (meaning, beyond the portion of the working day that is devoted to her reproduction—that is, by paying her less—a higher level of surplus-value is acquired). The consequences of this are precisely those that are happening on today's labour markets everywhere: precarious jobs and the outsourcing of production. We will now explain how this adds up and why it wasn't present in previously mentioned theories.

The first is that this was usually excluded in the theories of imperialism mentioned earlier, and was done so on a good basis: Marx explicitly excluded it because of the level of analytical abstraction he was operating on (Marx, 1976: 430). Because Marx presumed a closed, "perfect" national economy with commodities sold at their value, he had to exclude the phenomenon of wages in some countries being paid below the costs of reproducing labour power, which, along with unequal exchange and colonial exploitation were thus all excluded from the first stages of Marx's analysis—what got excluded, in other words, was precisely the "third" form of increasing surplus value (Smith, 2016: 237).[9] This was subsequently excluded from the later Marxist theories we have mentioned as well, and likewise by Lawn's critic, Richard Smith. However, according to Smith, along with this, the *wage differentials* across not only different sectors but also different nation-states remained invisible to the usual Marxist analyses. This is where

9 This is why Marx devotes two sub-chapters in the chapter on "The General Law of Capitalist Accumulation" in *Capital I* to how the rising higher organic composition of capital would, under these circumstances, result in an increase in unemployment and surplus population, rather than in super-exploitation.

value-transfers within one transnational corporation (in-house transfers) and between mother and daughter corporations (arm's-length transfers, where one corporation does not "own", but nevertheless operates, another) happen.[10] By developing a higher organic composition of their capitals (investing in high-technologies and complex labour at home), such a transnational corporation then yearns for surplus-value-transfers from branches with a lower organic composition of capital. Since, as we've said, technology and machinery add nothing to a product's value, such transnational value-transfers become necessary if profit rates are to be kept up. Moreover, if profit rates are not kept up, overproduction occurs *regardless of its physical output,* and a tendency towards breakdown occurs*.* This is why, "[u]nder these circumstances an injection of surplus value by means of foreign trade would raise the rate of profit and reduce the severity of the breakdown tendency," and why "[a]t advanced stages of accumulation, when it becomes more and more difficult to valorise the enormously accumulated capital, such transfers become a matter of life and death for capitalism" (Grossman, 1929).

Namely, there is one point where Lawn rightly criticizes Smith: "Although Smith is right about the ultimate limits to cost-cutting, corporations in the industrialized world can push these limits to extremes, thanks to the recent rise of globalization." (Lawn, 2011: 15) Yet, as we have seen, Smith hasn't "deliberately omitted this", as Lawn alleges, but has committed a rather routine "Marxist" mistake. As a result, from the debate perspective, both discussants failed to acknowledge the extent of the problem.

The reason why we need to be aware of such a problem, however, is not simply to reveal a mechanism behind what is a fact of life for many Southern labourers—where its true importance lies is that it shows how *both* participants of the Lawn-Smith debate are omitting what connects *different forms* of labour exploitation in the process of accumulation, and that is the eventual rise in the *organic composition of capital.* Moreover, it can happen within Lawn's conditions: in their perpetual chase for ever-increasing efficiencies, Lawn's corporations will, within his own parameters, eventually have to increase their organic composition of capital and hence *create the need for super-exploited labour.* For, in any new product cycle, a re-investment *has to occur.* If the profits were raised *only* through investing in new technologies and increasing the *rate* of exploitation, their price would be cheaper, of course; however, under a constant workforce, *so would be the profit as well*. For, once technologies become widely available, a product based 90% on constant and high-tech labour would, in time, diminish in both price and profit. The only other options then would be to either extend the working day or to underpay labour. This explains why production processes with a higher "organic composition of capital" (variable capital to constant capital ratio) *must*

10 An example would be Benetton, which is a franchise, or Coca-Cola's subsidiaries, or Walmart and the like-modeled U.S. retailers.

have a *downward* pressure in order to incorporate more raw labour as opposed to higher technologies (cf. Smith, 2016: 236). This is what is producing wage differences even while productivity seems to be going up in the poorer countries of the world. However, unlike Daly and Lawn, neither of whom see “labour as an input”, labour here plays a crucial role since it is the *only* originator of *surplus value* required for the re-investment of profit for its maintenance and expansion. This goes to the heart of Daly’s argument: what if there is something in technologies that limits their adjustment to our environment? What if there is a need for labour that stems from their “non-physical” side, what Marx called the “value-side” of capital’s composition? To the extent that Daly rejects the theory of value, he cannot see it. To the extent that Lawn follows him, he follows his blindness as well. What is further striking is that they’re not alone: both Harvey and Piketty explicitly reject or ignore the term, which limits them to explaining the conundrum of profits and growth in purely distributional terms—which is all the worse given that Piketty’s findings could actually be used to empirically substantiate Marx’s own remarks.[11] Notwithstanding, insofar as they are driven by capital-investments, bent on their own reproduction, technological and labour increases in efficiency will never be neutral and will necessarily have to exceed the strict limits set in Daly’s world. For, with the development of *any* capital, the technological part of its organic composition will eventually lead to the rise in its need to utilize labour more brutally. This is why there can be accumulation even under Lawn’s parameters of both steady throughput and consumption of resources. This is why the concept of the organic composition of capital is crucial for any accounting of accumulation; for it explains the intricacies of the interplay between the physical and “non-physical” factors, which Daly missed and which Marx developed in his description of the accumulation of capital. This is also why we now have sufficient reason, rather than merely *pro et contra* guesswork, for the existence of accumulation: for it is the only thing that can actually keep “steady-state” capitalism steady, and it’s not the institutions: it’s the production.

Global inequality

Thus, instead of market fluctuations, as Daly and Lawn believe, we now have sufficient reason for all further explanations of phenomena such as transnational monopolies and wage differentials and productivity discrepancies between indivi-

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11 A review of the matter in Piketty and, to a lesser extent, in David Harvey, can be found in Ross (2015). Namely, given that Piketty cannot successfully explain his own formula of the historically rising average annual rate of return on capital with respect to an annual rate of growth of an economy (*r*>*g*) on the basis of pure empirical studies, he considers it simply a matter of distribution. In short: “Piketty, however, by posing the issue in terms of distribution rather than production, fails to adequately account for why the process he describes occurs.” (Ross, 2015: 256).

dual nation-states. This is precisely what both of the aforementioned economists lack, due to their belief that growth—and the resulting inequalities—arise from market competition. Thus, when faced with a similar question in an interview, the only solution Daly could propose was equalizing tariffs (Daly, 2018: 94), not going into further details over problems such as purchasing-power parity and the "level" of equality this would grant, at what periods, etc. Coupling this with his advocacy of closed borders for both capital and labour, it is clear that Daly wishes to go back to the age of Ricardian "comparative advantage" trading, as if national economies could superficially be made autarkical. Even more, when asked directly as to whether the money from these tariffs "would end up in national accounts?", again Daly responds with one further institution, this time, a "world government" (ibid: 95).

Yet even in such a hypothetical "world-government" system, one in which a hypothetically perfect equality exists, it would not be one on the level of a living wage. For, once accumulation is turned inwards, it can ultimately go only one way to extract the ever-expanding mass of surplus value, and that is through the costs of labour, it being the only commodity which can produce more than is required for its reproduction (technology and resources being the other two, which cannot). Such a "steady-state" capitalism thus ends in a one-way street. For, it remains unclear, even with the Job-Guarantees at national levels, what exactly would stabilize the entire system—as a *system,* which is inherently transnational—enough to remain on the level of a living wage required for the reproduction of labour, without relapsing into the "third form" of surplus labour extraction. This is precisely the problem that Lawn himself *tries* to—but *cannot*—avoid. For, as Lawn himself says (2011: 10):

> Overall, improvement in firm performance would be largely confined to efficiency gains and the production of better quality goods. It would certainly not be the result of growth brought about by the obligatory need to take advantage of cheap, overexploited resources.

The efficiency gains would, rightly, be a primary source of profit. When these are utilized, only one commodity will remain, and that is, indeed, labour. The only transition in Daly's so-called steady-state economy will not be one towards perpetual stability, but one towards the tendency of increased labour exploitation. It will do so, not only because labour is not an input just like any other, but because a *steady* rate of throughput *must* rest on a certain mode of labour exploitation and thus on the aforementioned three modes of surplus-value increases and nothing else. This is why Lawn is right to admit that it is a "steady-state capitalism", but wrong to stand it its defence: the rate of labour's exploitation would either increase as firms compete for the remaining profits, or private property as such would have to become meaningless in the absence of these profits.

How and why degrowth must confront imperialism?

In the beginning, we outlined how Daly and Lawn's rejection of the notion of surplus value entails their rejection of any possibility of accumulation in their view of capitalism as a sub-system within the broader environmental system of our eco-sphere, even under their own monetized terms. This draws them to further and further institutional reforms. Yet, as we have shown, simply re-stating that accumulation is a crucial concept, such as Richard Smith has done, likewise gets us nowhere closer to a solution. We have, therefore, opted instead for reflecting on the value-theory-informed basis of economic imperialism with the concept of the rising organic composition of capital. We have done this because no institutional reforms or consumer-oriented policies (neither depletion quotas nor maximum income) could solve the problem of the rising organic composition of capital. It is this that has been lacking in the Lawn-Smith debate, and it is not for trivial reasons. Because of their adherence to an "old" view of Marxism as resting on a *labour* rather than a *monetary* theory of value, neither ecological economists, such as Daly, Constanza and Lawn, nor Lawn's critic Richard Smith could have considered the full implications of this crucial point in their discussion, and the on object of their contention—the world market. Since we have outlined why this is a conceptual advantage over the entirety of the previous debaters, we can draw a few simple conclusions. Unlike Daly and Lawn's insistence on isolated, national economies, the assumption that the economy is not made up of states but of transnational chains of production easily flows from our model: while nation-states regulate labour conditions and pay-out wages through budgets nominally filled by taxes from their citizens, production processes are inherently bound to and generally follow not their institutional structures, but the rising organic composition of capital. If a firm's technological composition grows, so does its need to accumulate through increasing exploitation of labour, which can either be national or international—it need not be superficially confined to one or the other. Thus, what degrowth could do instead is to follow this perspective. Instead of a simplistic conclusion that "some countries need to re-grow" while others don't, degrowth could reverse this intuitive approach and instead trace the production processes back up the international value-chains, all the way up to the general result of the rising composition of capital, and those are (often transnational) monopolies. What should be "degrowing" are their value-chains, rather than the populations of entire countries. Because capital, resource and labour organization, along with the resulting inequality, all stem from their accumulative processes, it is their conjunction in the concept of the rising organic composition of capital that one must follow. This is why, before it can develop its own "magic bullet", the degrowth movement cannot do without a value-theoretical explanation of imperialism.

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