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**Exchanging Without Exploiting - A Critique of Karatani Kôjin's The Structure of  
World History**

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**Review Article:**

**The Structure of World History. From Modes of Production to Modes of Exchange.**

**Karatani Kōjin**

**Durham, Duke University Press, 2014**

**Abstract**

*After Transcritique. On Kant and Marx* (2003), Karatani Kōjin's new book *The Structure of World History* presents another engagement in Marxian theory from a 'heterodox' standpoint. In this book, rather than viewing *The Structure of World History* from the mode of production in the conventional 'Marxist' sense, Karatani shifts the view to the modes of exchange. For this end, Karatani appropriates what he sees as Marx's emphasis on "exchange". In the present essay, by looking at the textual evidence, I critically evaluate whether this appropriation of Marx's theory is justified. I furthermore contend that Karatani's reading of the concepts of value, money, capital, and surplus value from the standpoint of "exchange" (i.e. *circulation*) owe to a grave misjudgement of Marx's critical intent. Accordingly, Karatani neglects the critique of exploitation and the systematic production of poverty that form the basic assumptions in Marx's analysis of the capitalist mode of production.

## Keywords

modes of production, modes of exchange, history, Japanese Marxism, surplus theory, crisis theory

### **...to modes of exchange<sup>1</sup>**

It seems that in the last two decades, the profession of the 'literary critic' has become a label often used by and for intellectuals whose interest goes far beyond literary criticism. One may also get the impression that it has recently become a term reserved for scholars committed to the intellectual tradition generally known as postmodernism. Karatani Kōjin (1941-) could be regarded as a case in point. Usually labelled as a 'literary critic' and a regular contributor to literary theory, art theory and theories of language and modernity, his theoretical endeavors have often been inspired by and associated with the 'postmodernist' thought of French poststructuralism, especially Foucault and Derrida. In the intellectual world of Japan, Karatani has been a household name since the 1970s. His critical readings of Japan's

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1 I would like to thank Joshua Clover for being a reliable and helpful proof reader. This essay has also greatly profited from his knowledge of Karatani and the discussions I have had the chance to have with him.

first modern *romancier* Natsume Sōseki<sup>2</sup> (as exemplified in Karatani's seminal work *Originis of Modern Japanese Literature*<sup>3</sup>) has effectively shaken Sōseki's status as a national treasure, and Karatani's interpretations of Japan's difficult relationship to the concept of modernity<sup>4</sup> have left a visible mark on its more recent intellectual history. Additionally, Karatani's ceaseless critical engagement in Marxian theory since the late 1970s<sup>5</sup> make him stand out as a critic of Japanese society and *realpolitik*. Karatani not only came to be an active public intellectual who founded NAM<sup>6</sup> to consider the overcoming of „Capital, Nation and State“, but more recently, he also became an important spokesperson for the Japanese anti-Nuclear movement.<sup>7</sup>

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- 2 Natsume Sōseki (1867-1916) was arguably one of the most influential writers of the Meiji era and is still considered one of the greatest Japanese writers of all time, comparable in scope to André Gide in France or Henry James in the Anglophone world. Sōseki problematized the effect of modernization on Japanese society, most prominently in his satiric novel *I am the Cat* (*Wagahai ha neko de aru*, 1905-6). In 1969, Karatani's essay on Sōseki, "Consciousness and Nature" (Ishiki to shizen) won the prestigious Gunzō Literature Award for Upcoming Authors (*gunzō shinjin bungakushō*) and certainly helped establish Karatani's career in literary criticism.
  - 3 See Karatani 1980 and Karatani 1993. For a critical evaluation of Karatani's Foucault-inspired interpretation, see especially Brett de Bary's essay on 'Karatani Kōjin's *Origins of Modern Japanese Literature*' in Miyoshi/Harootunian 1989. De Bary also translated the book into English.
  - 4 For an overview of Karatani's more important works, see Karatani 1975 (in Japanese), 1986 (in Japanese), 1989 (in Japanese), 1993 (in English) and 1995 (in English). For a useful introduction for English readers that gives a good summary of Karatani's critical interest in Japanese intellectual history, see his contribution to Calichman 2005, 'Overcoming Modernity'. The debate on 'overcoming Modernity' (*kindai no chōkoku*), originally a roundtable discussion held in 1941 and 1942 by the right-wing main intellectuals of Japan to philosophically affirm and justify the Asian-Pacific War, has almost advanced to a standard critical trope among 20<sup>th</sup> century intellectuals in Japan, stretching from Marxist to bourgeois literary contexts (see Hiromatsu 1980 and Takeuchi 1983). Karatani's position is interesting here, because he contextualizes the discussion within the different paradigms of German Idealism and French 19<sup>th</sup> century philosophy and literature, and shows how the anti-modernist thought of war-time Japan contained elements of both. For a close study of the most influential war-time philosopher of Japan, Nishida Kitarō, and his appropriation of Kantian and Hegelian philosophy, see Lange 2011 (only in German).
  - 5 Karatani's first major engagement with Marx appeared as early as 1978 as *Marx. The center of his possibilities* (Marukusu. Sono kanōsei no chūshin, Kōdansha gakujutsu bunkō). The study provides a reading of value form theory within the framework of the philosophical ethics of the "other" in Kierkegaard, Wittgenstein and Derrida.
  - 6 The New Associationist Movement or NAM (2000-2003) aimed at "abolishing capitalism, nation and state, or their amalgamation" by supporting and enhancing cooperatives, LETS (local exchange trading systems), non profit organizations, free schools and so on. See Karatani 2001.
  - 7 See Karatani 2012a.

It was however his critical dialogue with Marxian thought rather than his postmodernistic interpretation of Japanese literature that has introduced Karatani to a wider Western audience. Especially Karatani's reappropriation of Marxian theory in *Transcritique. On Kant and Marx* in 2003<sup>8</sup> has been acknowledged across academic circles in the Anglophone world. His attempt at a transcritical model that would read „Marx by way of Kant and Kant by way of Marx“ (p. xiii) is undoubtedly Karatani's internationally most successful book to date. With *Transcritique* and the debate on resistance to capitalist accumulation through local credit systems within NAM that followed in its wake, Karatani emerged as an international intellectual whose achievements gained wide recognition beyond Japan.

The publication of the English translation of Karatani's latest big theoretical work, *The Structure of World History*<sup>9</sup> however, may even supersede the success of *Transcritique*. The reason for this may be its exceptional claim: instead of explaining the historical basis of social formations by *production* – the transformation of natural materials to products of human labour, which Marx places at the center of his economy-critical work – , Karatani attempts to explain the basis of social formations and its historical development in terms of *exchange*. Anyone working in the field of Marx studies knows that the “antinomy” of the sphere of production and

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8 See Karatani 2003.

9 The book was published in Japanese in 2010. See Karatani 2010. In the meantime, Karatani, at 73 prolific as ever, has published another three monographs. See Karatani 2012b, 2014a, 2014b.

circulation (or “exchange”) is among the favourite topics of more recent Marxologies. For Karatani however, this question concerns more than just a methodological sophistry. With this new emphasis on the modes of exchange, Karatani wants to contribute to the salvation of a problem Marxists were allegedly unable to deal with - with their emphasis on the economic base in production, they failed to explain the autonomy of the state and the nation: 'Marxists believed that ideological superstructures such as the state or nation would naturally wither away when the capitalist economy was abolished, but reality betrayed their expectation, and they were tripped up in their attempts to deal with the state and the nation.' (p. 9).

Accordingly, for Karatani, to be able to grasp the “Borromean knot” of Capital, Nation and State, a 'mutually complementary apparatus' (p. xiv), one would have to understand the structure of world history in different modes of exchange. In Karatani's schema, world history has formed out of exactly four different modes of exchange: 'There are four types of mode of exchange: mode A, which consists of the reciprocity of the gift; mode B, which consists of ruling and protection; mode C, which consists of commodity exchange; and mode D, which transcends the other three' (p. 10.)

In this schema, the Nation corresponds with A, the State with mode of exchange B, Capital with mode of exchange C, and 'X' - a social formation embedded in the Kantian regulative idea of the future society – with mode of exchange D. Karatani's attempt to renarrate the history of mankind based on

the four different modes of exchange is remarkable in its endeavour to transcend the confinements of epochal and/or regional history. Starting from nomadic, clan and tribal societies in which Karatani criticizes the idea of the Neolithic Revolution – calling it the 'sedentary revolution' (p. 35) instead, since in his view not farming and agriculture led to settlements, but settlements and a special way of gift exchange preceded agriculture –, he advances to gift and magic rituals in ancient communities (mode of exchange A: reciprocity) as 'mini world systems'. From here, the book's second part moves to the second bigger unit: the 'World Empire', and also the second part of the book, where the role of the state as a plunderer and redistributor is scrutinised as mode of exchange B. The 'Asian despotic state' of China in the period of warring states (403-221 BCE), as well as the Greek city states, Rome and Egypt fall into this category, and so do the European monarchies of the Middle Ages and the Roman Empire. To show that the role of the State cannot be abstracted from that of Nation and Capital, Karatani here also elaborates on commodity exchange as mode of exchange C, which however was not yet dominating ancient and societies of the Middle Ages. Employing a spatial approach that leans on Wallerstein and Christopher Chase-Dunn<sup>10</sup>, history is understood less as a sequence of temporal stages, and more in terms of space such as center, margin, submargin and the 'out of sphere'

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10 'It is crucial to realize that the various social formations – clan, Asiatic, ancient classical, and Germanic – are not linear historical stages (sic) but instead exist simultaneously and in mutual interrelationship. Because each social formation exists in a world of mutual interrelationships, none can be considered in isolation. On this point, my thinking is in agreement with the "world systems" theory proposed by Immanuel Wallerstein and Christopher Chase-Dunn, among others' (p. 22).

where power structures develop quite differently and only in relation to the other peripheries. For example, according to Karatani, feudalism, understood as a mode of exchange B, rather than a historical epoch, 'arose on the submargins of the Roman Empire' (p. 124) in the free cities (e.g. Florence in the 12<sup>th</sup> century) and in the Germanic communities where merchant capital could develop relatively unhampered by state interventions. At the same time, as discussed in a chapter in part two, 'Universal Religions' - Judaism, Christianity, Islam and Buddhism – are not understood in terms of their regional development, but as a different mode of exchange D: '[C]ovenants between god and people were reciprocal exchange relationships.' (p. 138). In the 'Modern World System' or 'World Economy', the third unit, Karatani confronts us with the workings of the modern state, Industrial Capital and the Nation in terms of mode of exchange C. It is only in the last and fourth part on 'The Present and the Future' that Karatani finally depicts a vision of a future with a 'World Republic' and, strategically leaning on Kant's regulative idea, of a bourgeois revolution in the sense of Perpetual Peace at its center as mode of exchange D.

In addition to his historical narrative, the pool from which Karatani draws his theoretical impulses seems to know no limits: Marcel Mauss, Jane Jacobs and Lévi-Strauss, Max Weber, Sigmund Freud, Hannah Arendt and Martin Buber, Thomas Hobbes and Karl Wittfogel appear as buttresses for Karatani's enormous inquiry. However, it is the dialogue with Marxian theory



that motivates it. Not does Karatani only inform the reader from the outset of his primary concern for the Marxian emphasis on the economic base-ideological superstructure-model that he seeks to overcome with the threefold heuristic model of Capital-Nation-State. The overall project of re-writing the structure of world history from the standpoint of exchange also has to be understood from the Marxian matrix on which it relies – if only to differentiate itself from it. The topic of world history, that is, the attempt to grasp the organisation of human social relations (e.g. politics, economy, culture, arts) with regard to the specific environmental conditions over time, is consequently infused with Karatani's dialogue with Marxian theory of which latter dominates the book's character. Strangely however, and as will be presented in more detail later in this paper, a detailed discussion based on textual evidence from Marx's own texts is scarce. Instead, and throughout the book, Karatani matter-of-factly informs the reader of the 'Marxists' alleged overall acceptance of the base-superstructure model and counters this view with his emphasis on the exchange mode – often without references to textual proof.<sup>11</sup> In a familiar gesture, Karatani distinguishes Marx from the ideological errors of 'Marxists'. There are indeed good reasons for this differentiation. However, Marx is taken up by Karatani to serve as a spokesperson for his own position. And here, I contend, is where the main

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11 See also this quote: 'Marxists regarded state and nation as parts of the ideological superstructure. But the autonomy of the state and nation, an autonomy that cannot be explained in the terms of the capitalist economic base, does not arise because of the so-called relative autonomy of the ideological superstructure. The autonomy of state and nation arises instead because each is rooted in its own distinct economic base – its own distinct mode of exchange.' p. 10.

problematic of *The Structure of World History* lies: Karatani depicts Marx as a theorist of commodity exchange – and not as a theorist of a particular form of value production to which exploitation of labour power forms its essential dynamic. In order to appropriate Marxian theory for his own ends, Karatani consequently likens Marx's position to his own: 'The world that Marx himself tried to explicate was that formed by the mode of commodity exchange. This is the world we find in his *Capital*.' (p. 10). Approvingly, Karatani maintains that

(t)he capitalist economy is itself dependent on its 'ideological superstructure': to wit, its vast system based on money and credit. In order to explain this, in *Capital* Marx began his inquiry not from [the] mode of production, but rather from the dimension of commodity exchange. The capitalist mode of production – in other words, the relation between capital and labor – is organized through the relations between money and commodity (mode of exchange) (p. 4).

In order to proceed, Karatani takes up the central theorems of the Marxian critique of political economy as constitutive elements of Karatani's framework that attempts to de-emphasise the process of production.<sup>12</sup> In contrast, in

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12 It should be added that Karatani's appropriation of Marx is by no means consistent or accurate. Although in terms of its theoretical impetus, Marx is taken up as the theorist of commodity exchange, there are passages in which Karatani seems to link Marx to what he sees as 'traditional' Marxism: 'Marx ... rethought world history from the perspective of modes of production ...' (p. 20). See also p. 56 and p. 110, where Karatani makes similar statements. Additionally, Karatani's evaluation of Marx's theoretical

this paper I will argue that in *The Structure of World History*, Karatani's appropriation of Marx's critique of political economy, especially its theory of value, money, surplus value and capital is conducted with the intent to disqualify and disavow the critique of political economy as the critique of the generation of surplus value through exploitation inherent in the capitalist mode of production. I herein contend that Karatani's appropriation of Marx is conducted against all evidence in Marx's texts and therefore presents a misrepresentative reading that essentially distorts crucial Marxian propositions, especially that of the production of surplus value. Before I discuss this motive and its theoretical presuppositions however, I would like to address the question of the book's method.

### **The question of method**

The innovative theoretical potential of Karatani's theory notwithstanding, there seems to be a strange tension between the single emphasis on the analytic capacity of the shift to modes of exchange and the simultaneous emphasis on the 'Borromean knot' of Capital, Nation and State (hereafter C-

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tenet is based on the following non-sequitur: 'To the best of my knowledge, only Marx has explicated capitalism in terms of both of its sides [production *and* circulation]. He after all, is the one who declared: "The genuine science of modern economics begins only when theoretical discussion moves from the circulation process to the production process." Marx differed from classical political economy in that he turned his focus to the process of circulation (sic).' (p. 183). The consequences of this interpretation will be discussed in the main text. Besides these inconsistencies, Karatani also attributes the idea of a 'primitive communism' to Marx: 'As is well-known, Marx hypothesized a 'primitive communism' existing in ancient times and saw the emergence of a future communist society as that primitive communism's restoration after the advancement of capitalism.' (p. xi). See also p. 260. What is 'well known' to Karatani would rather throw an entirely new light on professional Marx-philology of the last century.

N-S). This tension surely can be said to run through the bulk of the work, while it is by no means the only methodological intricacy in its overall structure. While on the next pages, I would like to discuss not only the methodological, but also the logical and the factual problems of Karatani's book, it must be noted, however, that these correspond to different levels of his main argument – that the „structure of world history“, instead of viewing it from the perspective of modes of production, should rather be viewed from the perspective of modes of exchange.

In sum, one can say that Karatani's problem seems to be threefold: first, within his own theoretical framework, he must be able to demonstrate the explanatory power of the 'Modes- of-Exchange Matrix' (p. 9, tb. 1) of A, B, C and D *in relation to* the 'Modern-Social-Formation Matrix' of C-N-S and X, each corresponding to C, A, B, and X, respectively. C-N-S however not only designates the historical forms that correlate with modes of exchange A, B, and C, but also the systematic structure of C alone. This is further complicated by the fact that, according to Karatani, the elements of both models are 'in conflict', while they are 'mutually interdependent' (p. 84), but neither does the State exclusively rely on 'plunder and redistribution' (mode B) alone, nor does 'commodity exchange' (mode C) exclusively belong to Capital. Furthermore, while Karatani claims that a mode of exchange becomes 'dominant' only if a 'great leap' is undertaken (p. 103) – that is, the leap from Nation to State, or from State to Capital – it remains unclear which

matrix instantiates which: have C-N-S 'historically derived' (p. 9) from the modes of exchange or could a specific mode of exchange only 'become the dominant mode' (p. 103) if C-N-S already existed? The methodological usefulness of these tables therefore hinges on their heuristic, that is, explanatory value which however remains obscure.

Second, his attempt to explain world history with categories that explain ancient or pre-modern communities in terms of C-N-S must confront the logical problematic of their *historicity*, i.e. the *emergence of these categories within bourgeois society*. This problem is mainly reflected in Karatani's transhistorical concept of the commodity and capital. The concept of the commodity applies to the premodern feudal system as to ancient Roman and Greek slave societies: '[B]oth slavery and serfdom systems developed as forms of commodity production.' (p. 10).<sup>13</sup> The concept of capital is equally historically unreflected and unspecific. Capital for Karatani applies to all societies where money exists – and that is, practically in all human social formations. The accumulation of capital is therefore not understood as the self-movement of capital arising from a particular constellation of social and political factors, but linked to a transhistorical concept of power: '[I]nsofar as money has the power to be exchanged at any time for any commodity, it gives rise to the desire for, and the concomitant practice of, accumulating money. This is the origin of capital ... The accumulation of capital is driven

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<sup>13</sup> See also: 'Commodity exchange did not develop out of gift giving; it existed from the start.' (p. 81).

less by a desire for use values (objects) than by a desire for power.' (p. 94). For Karatani, therefore, the specific organisation of labour in capitalist societies – and with it, the difference between concrete and abstract human labour – is irrelevant: all forms of labour count as concrete labour. The specificity of capitalist production therefore is anathema – and we will see how the conceptual obliteration of the labour and production process leads to systematic difficulties in Karatani's approach. Moreover, like capital, the state and the nation are at no point theorised as historical formations. Accordingly, Karatani's reluctance to discuss the problem of historicity characterizes his overall methodological approach.

Third, and most importantly, the tension between Karatani's explanatory models notwithstanding, one would expect a plausible explanation why this reformulation (or reconstruction) of Marxist theory – the single emphasis on the modes of exchange instead of the production mode – is theoretically more rewarding, and in what *aspect*. In other words, he must be able to answer the question to what is *gained* when we choose to look at the modes of exchange rather than at those of production. To be sure, an obvious answer is given by Karatani, namely, the 'attempt to find a way to supersede the existing conditions.' (p. 10). In Karatani's belief, '[t]he emphasis on production to the neglect of circulation has undercut movements attempting to counter the process of capital accumulation.' (p. 291). In my understanding, however, it is precisely the relation between this objective

(superseding the existing conditions of the Borromean knot of C-N-S) and the means to achieve it - understanding world history as the history of different exchange modes and putting the emphasis of political struggle on circulation – that remains dubious, as I will argue towards the end of this essay.

However, even if one were to agree that the explanatory function of the mode of exchange matrix was unclear and his appropriation of Marx's theory unfortunate, could a benign reading of the emphasis on the modes of exchange *in abstraction from Marx* not help to understand the structure of world history better than the focus on the mode of production does? It certainly could: but it would depend on how the concept of 'mode of exchange' is understood. This is what leads us to the problem of conceptual overreach. Because, for Karatani, the term 'exchange' is not easily defined, and as a matter of fact, he does nowhere provide a conceptual-theoretical reflection on his key concept. Instead, the reader is taken on an erratic excursion where the concept of exchange serves to designate a wide variety of possible life forms: as indicated above, not only do the 'plunder and redistribution' of the state designate a mode of exchange (B), but also such disparate subjects as religion, wars, the praxis of vendetta and the incest taboo indicate modes of exchange. To be sure, understanding vendetta in ancient societies as a form of 'reciprocity' (mode A) is not too far-fetched, and one could think of ways that war and religion could be seen as grounded in

'reciprocal exchange'.<sup>14</sup> But the overstretched use of 'exchange' thus loses its analytical capacity as to what exactly it is going to explain – and to what critical intent. Accordingly, in some passages, Karatani seems to be aware of this lack in heuristic value of his concept of exchange and tends to substitute it for the probably more rewarding concept of power or domination: 'In this way, a single social formation arises as a combination of three different modes of exchange [military force, money, the state] – or the three different forms of power that derive from these...' (p. 83). In the following passage, the concept of exchange is clearly informed by the underlying idea of domination: '... mode of exchange B, which is dominant in state society, is a relationship of subordination and protection. This too is a bilateral (reciprocal) relation: the rulers provide protection in return for subordination offered by the ruled.' (p. 129) Writing human history from the standpoint of domination however has already been done time and again. Karatani chooses not to join this line of argument, even if the concept of exchange fails to provide a critical heuristic framework. On a logical level, therefore, it is difficult to see what is *gained* by Karatani's new point of view.

This lack in conceptual accuracy however also contaminates the development of Karatani's argument – renarrating the history of mankind from the standpoint of exchange. To be sure, Karatani's account of the

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14 The case of the incest taboo in terms of exchange is explained by the idea of exogamy: "Exogamy is a system of reciprocity in which the household or clan gives away a daughter or son, and then receives in turn. This is precisely why incest must be prohibited." (p. 48).



agricultural techniques, the economic and political structure and the history of philosophy of ancient Greece is interesting on an informational level. So is his discussion of the transformation from polytheism to monotheism in ancient Egypt by Amanhotep IV, as well as his detailed account of the Roman consul system and the development of the free cities in feudalism that became the 'birthplace of capitalist economy' (p. 121). His attempt at an ethnological categorization (reminiscent of the cultural theory of Japanese wartime philosopher Watsuji Tetsurō (1889-1960)<sup>15</sup> in its approach) – dividing World Empire into the ethnological types of 'irrigation' (Western and Eastern Asia, Peru, Mexico), 'maritime' (Greece, Rome), 'nomadic' (Mongol) and 'merchant' (Islam) could serve to view regional history from a different angle. The question remains, as to what the relation of this rather elaborate account of disparate cultures and their respective development has to the book's thesis. By the time that Karatani discusses 'Nation' within the C-N-S schema in terms of pre-German Idealism Moral Sentiment and Aesthetics – where the State is identified with the 'understanding', the nation with 'imagination', and capital with 'sensitivity' - the reader is ultimately lost.

In the next section, I will move away from the methodological considerations and discuss what in my view is the target of Karatani's theoretical

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15 In his most famous book *Fūdo (Climate and Culture)*, 1935, Watsuji argues for the development of different types of human culture based on different corresponding types of climate and environment. He differentiates between pastoral, desert and monsoon cultures and debates their essential influence on human behaviour and cultural patterns. The book came to be known as a paradigmatic example of war time Japanese cultural nationalism and an early predecessor of the *Nihonjinron*-theories (Theories of Japanese uniqueness) of the 1960s and 70s. See Watsuji 1961.

intervention.

### **The ambiguous Marx: (Surplus) Value, Money, Capital and Class in Karatani's theory**

As indicated above, the dialogue with Marxian theory, especially with the critique of political economy and its theory of value, money, capital and, most prominently, surplus value, forms the theoretical background to Karatani's intervention. Karatani's aim consists in demonstrating the workings of the modern social formation expressed in mode of exchange C – commodity exchange – as providing the common theoretical denominator for the theory of money, value, surplus value, capital and class alike. This in itself is not exactly mind-shattering and could well be argued in explicit *distinction* from Marx's own theoretical approach. However, I contend that Karatani's claim that his approach *is directly informed by Marx's* understanding of (surplus) value, money and capital, is an essential distortion, and not merely a departure, from Marx's intention. After I give an account of Karatani's argument, I will show how and in what aspect Karatani's understanding of commodity exchange diverges from Marxian theory, specially focusing on the theory – and the problem of – exploitation. I will argue that Karatani's

theoretical intervention is aimed at disqualifying the critique of exploitation in the production process in order to substitute it for a social theory grounded on the freedom of exchange and thereby eliminating the critical impetus of the Marxian project. The crucial point being here that Karatani's appropriation of the Marxian standpoint cannot be upheld when confronted with textual evidence.<sup>16</sup>

The first passage wherein Karatani addresses class and the generation of surplus or accumulation already indicates the disavowal of the production and labour process as heuristic-critical concepts<sup>17</sup>:

The accumulation of capital takes place not through physical coercion of the other but through exchanges grounded in mutual consent. This is possible through the difference (surplus value) that is realized through exchanges across different systems of value.<sup>18</sup> This is not to say that such exchanges do not generate differences between rich and poor; of course

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16 Unfortunately, in this paper, a discussion of Karatani's approach within its intellectual and historical context in the theories of the Marxist economist Uno Kōzō (1897-1977), though initially intended, must be refrained from for reasons of space. It should be roughly pointed out however that the legacy of Uno whom Karatani studied with at the University of Tokyo in the 1960s cannot be underestimated in *The Structure of World History*. Readers familiar with Uno's work can see at least five theorems central to Karatani are directly informed by Uno: the emphasis on the commodity, money and capital as 'circulation-forms' (see Uno 1980, p. 3-18), the relational-functional understanding of money as a "measurer of value", regardless of its substance (Uno 1980, p. 9-13), the transhistorical understanding of the production process in contrast to the specific laws (*keizai hōsoku*) of circulation in commodity economy (Uno 1980, p. xxviii, 3, 16), the stages theory of capitalism (Uno 1980, p. xxvi-xvii), and the idea of the possibility for resistance against capital in the specific properties of the labour power commodity 'which capital cannot *directly* produce.' (Uno 1980, p. 51.)

17 As for Karatani's general dismissal of the sphere of production as a heuristic-critical concept that can made useful for explaining *political* structures, see also the following passage: 'It is absurd to try to explain Greek democracy and the culture linked to it through the slavery-system mode of production. The Greek slavery system was necessary only to secure the democracy of the city-state – that is, to preserve the freedom and equality of the people.' pp. 21-2. It is however nowhere explained what exactly should be so 'absurd' about explaining ancient Greek society by the slave system.

18 What Karatani means by 'different systems of value' will be explained below.

they do. In this way, mode of exchange C (commodity exchange) brings about relations of *class*, which are of a different nature from the relations of *status* that are generated by mode of exchange B, even though these are often connected. (p. 7)

Within Karatani's own framework however, the 'differences between rich and poor', taken up in abstraction from the separation of the labourer from the means of production, as well as the sale of labour power as the sole source of income, cannot be explained. Consequently, the issue of poverty and its systematic production, no matter how central to understanding the modern social formation, is never taken up in the book, whether as a structural or a historical phenomenon. We will see how this gap is again reflected in Karatani's theory of surplus value. For the moment, it should suffice to see that the concept of poverty and its relation to exploitation within the production process does not have a place in Karatani's framework. Instead, Karatani's endeavor lies in declaring commodity exchange to be the decisive factor of the 'self-valorization' process of capital, even as he renders the commodity as transhistorical: 'The person who possesses money attempts to accumulate more money by engaging in commodity exchange. This is the activity of capital in the form of the movement of self-valorization of money.' (ibid.) Karatani's theory of class therefore hinges on an understanding of commodity exchange that does not take into account the systematic

interdependence of capital production and the production of poverty. By excluding the concept of exploitation, Karatani distorts insights into capital's characteristics. This also holds for Karatani's theory of value and money:

On many points, Marx carried on the thought of the classical economists. For example, he called the substance of the value of each commodity 'abstracted (sic) labor' or 'social labor'. But in *Capital* he demonstrated that value was not something intrinsic to the commodity, that it instead was only manifested through the exchange of one commodity for another, in other words, through the value form. This means that the value of a commodity can only be understood in terms of the relationship between it and other commodities. (p.85)

Karatani however disregards the 'how, why and through what'<sup>19</sup> of money that Marx analyzed in the opening chapter of *Capital* just as thoroughly as he ignores the Marxian definition of money as the 'direct incarnation of all human labour.'<sup>20</sup> Karatani's purely functional understanding of money<sup>21</sup>, the fact that a commodity can be exchanged for a different commodity, ignores the reduction of concrete and direct labour needed to produce a commodity to *abstract and equal human labour* mediated in the act of exchange. It

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19 Marx 1976, p. 186.

20 Marx 1976, p. 187.

21 Authors such as Clover 2012 and Szepanski 2014 have correctly pointed out Karatani's indebtedness to Bailey's relational understanding of value. In Clover 2012, see especially p. 109. In Szepanski 2014, please refer to pp. 191-196.

therefore disregards the *relation* between money and human labour and the complex of money's fetish character as a social relation appearing in a material, 'reified' form. It seems almost absurd that Karatani in fact quotes the corresponding passage in Marx – albeit in complete misjudgment of its critical intent: 'What appears to happen is not that a particular commodity becomes money because all other commodities express their values in it, but, on the contrary, that all other commodities universally express their values in a particular commodity because it is money. The movement through which this process has been mediated vanishes in its own result, leaving no trace behind.'<sup>22</sup> That the 'movement through which this process has been mediated' is the abstraction process from the conditions of the labour and production of commodities, does not even seem to occur to Karatani. Moreover, Karatani's insistence that the 'power of money is grounded in a social contract' without reference to what *constitutes* the ominous 'power of money' misses the mark: it is *individual* and *private labour* that must obtain the character of *social labour* in capitalist production, that is, value production. Social mediation is organized and guaranteed by money as the universal equivalent of the 'whole world of commodities.'<sup>23</sup> This is why value

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22 Marx 1976, p. 187. Quoted in the book under review, p. 87. Karatani quotes the whole passage where Marx directly states that "[t]his physical object, gold or silver in its crude state, becomes, immediately on its emergence from the bowels of the earth, the direct incarnation of all human labour. Hence the magic of money." The subsequent comment however indicates that the crux of the problem Marx addresses is obscured from Karatani's view: "In Marx's words, the creation of money is 'the joint contribution of the whole world of commodities.' We could also call this the social contract of the commodity world. The various commodities renounce their desire or right to be money, transferring it to a specific set of commodities. Because of this, the right to buy and sell is bestowed only on those commodities that are positioned as the form of value in general – the money-form. It turns out that the power of money is grounded in a social contract." Ibid.

23 Marx 1976, p. 159.

is, as Karatani claims, 'only manifested through the exchange of one commodity for another.' In Marx's words from the *Grundrisse*,

... that the produce of particular labour must assert itself socially as the objectification of general labour, assuming the form of a thing (money) which is exclusively assumed as the immediate objectification of general labour, and equally that through this *very process* this general social labour is posited as an external thing, as money—these determinations constitute the mainspring, the pulse-beat of circulation itself. <sup>24</sup>

If, however, money is only a technical means to mediate different commodities, we can make do without the core theorem of Marxian value theory, the labour theory of value. Consequently, what we learn from Karatani is that the labour theory of value is 'not required' to understand the 'creation of money' (p. 86). The declaration of money as a measuring instrument however obfuscates *what* in actuality is *measured* – and of which 'no trace' is left behind. This is not to say that we have to blindly follow a 'Marxian nomenklatura' whose existence is questionable anyway. It rather means to understand the 'gist' of the problem setting Marx tried to address – and then to evaluate whether attempts at addressing the money phenomenon in abstraction from human labour capture the whole scope of the intricacies we

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<sup>24</sup> Marx 1987, p. 467.

have to be aware of when dealing with the titanic assignment of understanding capitalist society.

### *Surplus value in merchant capitalism*

It is however Karatani's general theory of surplus value where the claims are staked. Here, the whole project of shifting the view from the mode of production to the modes of exchange demonstrates its theoretical impact. The theory of surplus value is presented in two steps: the first addresses the production of surplus value in the age of merchant capital, the second addresses its generation in the era of industrial capital.<sup>25</sup> Let me first present Karatani's theory of surplus value in merchant capitalism:

In the process of circulation M-C-M' (M +  $\Delta$ M), where does surplus value ( $\Delta$ M) come from? In the words of the old adage, it comes from 'buying low, selling high.' Does this require unfair, unequal exchanges, as Smith maintained? Certainly, within a single value system this would be the case.

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25 As mentioned above, this differentiation of historical "stages" within capitalism is informed by Uno. In his main work, the overwhelmingly influential *Principles of Political Economy (Keizai Genron, 1950-2/1964)*, that strives to represent a 'pure theory' of capitalism, Uno briefly outlines a stages-approach (*dankairon*) to capitalism that considers the specificities of different historical stages of capital. He understood this approach as 'clearly different from that of pure theory' and claims: '... the stages-theory of capitalist development must characterise the three stages of mercantilism, liberalism, and imperialism as forming the 'types' of capitalist development.' (Uno 1980, p. xxvi-xxvii). This conceptualization reflects in a tabular illustration where Karatani depicts 'The World-Historical Stages of Capitalism' as consisting of mercantilism, liberalism, imperialism, late capitalism, and neoliberalism (p. 273).



But in cases of trade across multiple different value systems, even though each individual exchange is for equal value, it becomes possible to buy low and sell high ... This means that a single commodity will have different prices in different value systems. For example, tea and spices were cheap in India and China, but expensive in Europe, because they could not be produced there. If a merchant buys these up cheaply and obtains a profit by selling them in Europe, does it represent ill-begotten gain obtained through unequal exchanges? The merchant has carried out equal exchanges in each region and not engaged in any underhanded trickery. Moreover, traveling to distant lands involves risk, just as the discovery of new commodities requires talent and information. The merchant is justified in thinking that the margin obtained through trade is fair compensation for his or her own actions (p. 98).<sup>26</sup>

The idea of 'equal exchanges in each region' already strikes one as difficult to defend. But according to Karatani and in concordance with his theory of capital accumulation presented above, the sale and purchase of labour power is based on 'mutual consent' and equivalent or equal exchange.<sup>27</sup>

Failing to acknowledge the extraction of surplus labour and surplus value

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<sup>26</sup> The same argument is made again on p. 184.

<sup>27</sup> One would expect that slavery in the age of merchant capital as a non-wage based mode of production should be taken into consideration. Since in a later passage, Karatani addresses production in the age of merchant capitalism as a wage-based kind of production, I adopt this view on the grounds that later stages of merchant capital have already employed wage labourers. Considering that Karatani's general theory of surplus value is not historically specific – forms of merchant capital still exists today, as he claims (see p. 97) – the wage system should be presupposed.

from the unique feature of the labour power commodity – its ability to produce more value than it needs to reproduce itself, or to have a higher use value in the process of production than exchange value in the process of circulation – Karatani's understanding of surplus value here coincides with the marginal utility theory of the neo-classical school. To be sure, Marx himself had asked how the extraction of surplus value is possible without violating the rules of equivalent exchange. It is true that, as in every exchange of commodities, the owner of the labour power commodity has no entitlement to its *use value*. She is only entitled to its *exchange value*: her wage. This is why, superficially, the wage seems to represent the value of the labour power commodity and equivalent exchange takes place. But this is why in the Marxian theory of surplus value, the magic performed in the production process, cannot be abstracted from – it is here that exploitation takes place, the magic of a commodity that *in its very use* creates value. The 'riddle' therefore is solved when we analyse the specific capacities of the labour power commodity. Its conclusion is the solution to the riddle that *'Exploitation and the exchange of equivalents do not contradict each other.'*<sup>28</sup>

The core of Karatani's general theory of surplus value, contrarily, consists in substituting for Marx's theory of surplus value of exploitation in production the concept of 'different value systems' supposedly arising in circulation. Karatani tries to show decisively how the margin in merchant trade is obtained in the

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28 Heinrich 1999, p. 259. Italics in the original.

'spatial difference' of long-distance trade: 'Large surplus values (margins) are produced when the two systems are spatially distant from one another – that is in long-distance trade ... in sum, its [merchant capital's] profit came from spatial differences, which is why it mainly pursued long-distance trade.' (p. 184). We need not go back to Marx to see that a general theory of surplus value that relies on the practice of 'buy cheap, sell dear' – even if ascribed only to merchant capital – is owed to a truncated understanding of the added value that is involved in the production, not the circulation process. Ironically, it is not Marx, but Ricardo who refutes Karatani's point *avant le lettre* in his answer to J.B. Say – which Marx quotes without further comment in a footnote in *Capital* vol. II. Say maintains that

'Commerce ... enables us to obtain a commodity in the place where it is to be found, and to convey it to another where it is to be consumed; it therefore gives us the power of increasing the value of the commodity, by the whole difference between its price in the first of these places, and its price in the second.' Ricardo remarks with reference to this: 'True, but how is this additional value given to it? By adding to the cost of production, first, the expenses of conveyance; secondly, the profit on the advances of capital made by the merchant. The commodity is only more valuable, for the same reason that every other commodity may become more valuable, because more labour is expended on its production and conveyance

before it is purchased by the consumer. This must not be mentioned as one of the advantages of commerce.'<sup>29</sup>

Tea is cheap for the merchant, because labour power is cheap. The total aggregate value of the tea produced annually can only be cheaply allocated, because tea pickers and others involved in the production process (packers, shippers, workers in logistic) are never paid an equivalent of the value they produce. Therefore, it is completely irrelevant *where* or *to whom* the merchant sells the tea. What is relevant are the conditions under which the tea is produced.

In a later passage, Karatani seems to step back from his initial claim that 'buying cheap and selling dear' across spatial differences is the sole source of profit and maintains that

Merchant capital did not solely rely on spatial differences; it also used temporal differentiation between systems of value. For example, merchant capital would efficiently organize its own production process to increase labor productivity – in other words, to reduce (social) labor time need (?) to produce a commodity. It then took this product, whose production cost had

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29 Marx 1997, p. 154. The editors of MECW vol. 36 note that “D. Ricardo quotes the third edition of Say's *Traité d'économie politique, ou simple exposition de la manière dont se forment, se distribuent et se consomment, les richesses*, Paris, 1817, p. 433. Marx copied out passages from this book in one of his Paris notebooks for 1844 (MEGA 2, Bd. IV/2, Berlin, 1981, S. 301-27). Passages from the third edition of Ricardo's book are quoted by Marx in London notebooks IV (1850) (MEGA2, Bd. IV/7, Berlin, 1983, S. 316-28) and VII (1851). Marx had both books in his personal library.” *ibid.*, p. 531. The passage from Ricardo that Marx quotes can be found in *Principles of Political Economy*, 3rd ed., London, 1821, pp. 309, 310.

dropped, and sold it at a high price in overseas markets, thereby obtaining surplus value (p. 185).

Again Karatani is going out of his way to avoid calling a spade a spade. Instead of addressing the source of relative surplus value and, along with it, the main contradiction of capital – that labour time consumed in the production process is the source of profit, and yet has to be reduced to minimize production costs<sup>30</sup> – Karatani refers to a vague concept of 'temporal differentiations between systems of value'. Indeed, the temporal factor *is preeminent* in the production of surplus value – but not in the way Karatani imagines it to be: the factor that makes the production cost drop is the drop of the cost of labour power. This is especially crucial for the production of relative surplus value, the paradigmatic source of value in late industrial capitalism to which Karatani only briefly refers. In order to produce relative surplus value, enhanced machinery and technological innovations serve to increase productivity with the intention to lower the value of the labour power commodity. Its crisis-inducing effects been made apparent in the recent years.<sup>31</sup> But Karatani's concept of relative surplus labour again attempts to circumvent the idea that the extraction of surplus value in the

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30 Or, as Marx famously declared in the fragment on Machinery and Living Labour in the *Grundrisse*: "Capital itself is the moving contradiction, [in] that it presses to reduce labour time to a minimum, while it posits labour time, on the other side, as sole measure and source of wealth." To be found in English at: <https://www.marxists.org/archive/marx/works/1857/grundrisse/ch14.htm> (last consulted Aug 6<sup>th</sup>, 2014).

31 See Marx 1997, p. 315 (footnote) where he refers to the 'contradiction in the capitalist mode of production' in a note in the original manuscript that Engels thought so relevant that it was included in the main text.

labour process has anything to do with accumulation. Instead, it remains on the level of tautology: ' ... this form of capital [industrial capital] requires ceaseless technological innovation, because relative surplus value in industrial capitalism derives from increases in labor productivity' (p. 205). Yet higher productivity is not the effect of technological innovations, as Karatani implies: constant capital cannot add new value.

### *Surplus value in industrial capitalism*

Karatani's general theory of surplus value however has a second aspect: its generation under the conditions of industrial capitalism. For Karatani, it is crucial to distinguish merchant from industrial capital to understand the latter's characteristics. Its main feature is the emergence of labour power as a commodity. Again, the concept of the labour power commodity is viewed in terms of the circulation process, because ' ... if one only looks at the production process, the special qualities of this commodity will never come into view. Since merchant capital also employs wage labourers, the use of wage laborers itself does not constitute the distinguishing characteristic of industrial capital.' (p. 186). What then is the specific character of the industrial proletariat?

The industrial proletariat differ from slaves and serfs and other forms of wage labor (sic) in general in that they buy back the very things they themselves have produced ... industrial capital is sustained by workers who buy back the products of their own labor ... [i]n this way, industrial capital accumulates through the margin (surplus value) generated when industrial capital obtains the cooperation of workers by paying them wages and then having them buy back the commodities they have produced. Thanks to the existence of this unique commodity, surplus value for industrial capital is produced simultaneously in both the processes of production and circulation. This is the solution to the difficulty that Marx expressed as "*hic Rhodus, hic salta!*" (p. 188).

According to Karatani, in industrial capital surplus value is generated by wage labourers who buy back the items for everyday consumption they produce. It is therefore the circulation process of consumer commodities produced and then consumed by the wage labourer that creates surplus value. Indeed, ' ... seen as a whole, the self-reproduction of capital consists of employing workers and then having them buy back the things they have produced.' (p. 190) In other words, the uniqueness of the labour power commodity in industrial capitalism – in contrast to merchant capitalism – consists in reproducing itself by purchasing the goods it produces. The uniqueness of the labour power commodity therefore is discussed in

detachment from the uniqueness in the production and labour process, and therefore in abstraction from the process of exploitation. In the remaining paragraphs, I aim to refute Karatani's appropriation of Marx's own conceptual apparatus for making this claim by discussing the corresponding passages in Marx, before I come to a more general critical evaluation of the Karatanian project.

Understanding that 'circulation cannot generate surplus value' belongs to the rather well-known elements of the Marxian critique of political economy, and will therefore not be taken up again within the scope of this paper.<sup>32</sup> As shown above, it is precisely for this reason that the grounds on which Karatani claims that Marx has 'provided a brilliant explication in *Capital* of the world formed by the mode of exchange known as commodity exchange' (p. xvii), or that 'Marx began his inquiry not from mode of production but rather from the dimension of commodity exchange' (p. 4), and maintaining that '... in contrast to the classical economists who took up capitalism in terms of production, Marx took it up in terms of circulation: he considered capital in terms of merchant capital (M-C-M)' (p. 243) are incomprehensible when we look at the textual evidence in *Capital*. Not only is

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32 Let it suffice to point to the *locus classicus* of Marx's refutation of the theory of surplus value through exchange in the chapter on "Contradictions in the General Formula [of capital]" in *Capital* vol. 1, Marx 1976, pp. 258-70. See especially the discussion on pp. 261-263 that precedes the following statement: 'The formation of surplus-value, and therefore the transformation of money into capital, can consequently be explained neither by assuming that commodities are sold above their value, nor by assuming that they are bought at less than their value.' Marx 1976, p. 263. Interestingly, in this chapter Marx also points to the formula M-C-M' as paradigmatic for merchant capital that Karatani often refers to. In contrast to Karatani however, Marx makes very clear that 'since ... it is impossible, by circulation alone, to explain the transformation of money into capital, and the formation of surplus-value, merchants' capital appears to be an impossibility, as long as equivalents are exchanged ...' *ibid.*, p. 267.



Marx utterly outspoken that '[w]hat I have to examine in this work [*Capital*] is the capitalist mode of production, and the relations of production and forms of inter-course [Verkehrsverhältnisse] that correspond to it.'<sup>33</sup> But the theoretical setting of his surplus theory within the production process indicates that it is precisely the 'hidden abode of production on whose threshold there hangs the notice "No admittance except on business"' where we shall see 'not only how capital produces, but how capital is itself produced.'<sup>34</sup> He clearly states that '[t]he process of the consumption of labour-power is at the same time the production process of commodities and of surplus-value. The consumption of labour-power is completed, as in the case of every other commodity, outside the market or the sphere of circulation.'<sup>35</sup> Karatani is however right in claiming that Marx is confronted with a 'difficulty', or rather, an antinomy, when explaining the generation of surplus value in terms of production or circulation alone.

But as shown above and according to Marx, only the particular features of the use-value of the labour power commodity in the production process can solve the riddle how the transformation of money into capital can be developed on the basis of the immanent laws of commodity exchange. But this is precisely where Karatani differs from Marx – by explicitly rejecting

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33 Marx 1976, p. 90.

34 Marx 1976, p. 280.

35 Marx 1976, p. 279.

exploitation as the source of surplus value:

Ultimately, when viewed from the perspective of total capital, it becomes clear that the self-valorization of capital – of, in other words, surplus value – cannot be achieved through unequal exchanges or unjust [sic] exploitation. The totality of capital must engage in an equal exchange with the totality of labor, and yet this exchange must somehow generate surplus value. Surplus value here consists of the difference between the total value paid out to workers for their labor power and the total value of the commodities they in fact produced (p. 191).

It is true that equivalents are exchanged. But equivalents can never generate surplus value. We might clarify and underscore Marx's distance from Karatani by looking further at volume II of *Capital*, of which, as is well-known, the subtitle is 'The Circulation Process of Capital.' Here, Marx takes up his theory from vol. I to add the following:

The appropriation of surplus value — a value in excess of the equivalent of the value advanced by the capitalist — although inaugurated by the purchase and sale of labour power, is an act performed within the process of production itself, and forms an essential element of it. The introductory act, which constitutes an act of circulation — the purchase and sale of

labour power — itself rests on a distribution of the *elements* of production which preceded and presupposed the distribution of the social *products*, namely on the separation of labour power as a commodity of the labourer from the means of production as the property of non-labourers.<sup>36</sup>

Marx has no doubts concerning as to in what the generation of surplus value and capital itself must be explained. His intention is diametrically opposed to the Karatani intention of attributing a circulationist stance to his theory:

In the relation of capitalist and wage labourer, the money relation, the relation between the buyer and the seller, becomes a relation inherent in production. But this relation has its foundation in the social character of production, not in the mode of exchange. The latter conversely emanates from the former. It is, however, quite in keeping with the bourgeois horizon, everyone being engrossed in the transaction of shady business, not to see in the character of the mode of production the basis of the mode of exchange corresponding to it, but vice versa.<sup>37</sup>

In keeping with the 'bourgeois horizon', Karatani not only fails to acknowledge the Marxian framework, but, more problematically still, Karatani's insistence that Marx saw the crucial element of capital in its

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<sup>36</sup> Marx 1997, p. 384. Emphasis in the original.

<sup>37</sup> Marx 1997, p. 121-2.

circulation function cannot be justified.

But Karatani's claim entails more: no matter how much surplus value manifested in commodities is produced – it also has to be sold to someone. Somebody must *buy* the surplus and turn it back into money capital for the capitalist to reinvest and obtain a profit through margin: 'Surplus value here consists of the difference between the total value paid out to workers for their labor power and the total value of the commodities they in fact produced.' (p. 191). At first, this sounds plausible. However, I will offer two objections to Karatani's central claim. The first concerns the logic of the argument, the second more generally addresses what in my view is Karatani's misjudgment of the spirit and purpose of the capitalist mode of production.

At first, the claim that the goal of capitalist production is the realisation of surplus value through the sale of commodities, is difficult to reject. What is less plausible however, is the claim that it is the workers in the production of articles of consumption (and it is only those Karatani addresses) who, by 'buying back what they produce', generate surplus value. The reason is simple: workers can only spend what they earn. Since Karatani explicitly refers to Marx in saying that the process of M-C-M' relies on the special character of money – its right to be exchanged for commodities, while the opposite is not always the case (which Marx calls the 'salto mortale' of the commodity) - let us hear what Marx has to say:

All that the working class buys is equal to the sum total of its wages, equal to the sum total of the variable capital advanced by the entire capitalist class. This money flows back to the capitalist class by the sale of its product to the working class. Let the sum total of the variable capital be  $x$  times -£ 100, i.e., the sum total of the variable capital employed, not advanced, during the year ... The capitalist class buys with these  $x$  times £ 100 of capital a certain amount of labour power, or pays wages to a certain number of labourers— first transaction. The labourers buy with this same sum a certain quantity of commodities from the capitalists, whereby the sum of  $x$  times £ 100 flows back into the hands of the capitalists — second transaction. And this is constantly repeated. This amount of  $x$  times £ 100, therefore, can never enable the working class to buy the part of the product which represents the constant capital, not to mention the part which represents the surplus value of the capitalist class.<sup>38</sup>

The gist of Marx's argument in *Capital* consists in showing that abstract wealth – wealth measured in value – 'does not cost its appropriators ... anything.'<sup>39</sup> As Marx meticulously shows, the capitalist class allocates surplus product from the circulation process without an equivalent. *Capital* analyses the structural conditions by which human labour and the wage system itself allow this process to take place and make its continuing reproduction

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38 Marx 1997, p. 346.

39 Marx 1997, p. 495.

possible.<sup>40</sup> That the surplus product does not cost the capitalist class anything means that the capitalist class can not only withdraw surplus value from the commodity market in the form of commodities for its consumption funds, but the money it throws into circulation swiftly refluxes back through another production cycle. The wage labourer is never in the position to generate surplus value by her *own* consumption. The whole scope of Karatani's functional understanding of money and value, his understanding of 'different systems of value' as producing surplus value in merchant, and his idea that the circulation between wages and commodities creates surplus value in industrial capitalism, but most of all, the rejection of the concept of exploitation, if patiently thought through, will have to admit to the fundamental error of disregarding the dynamic of surplus value not only in the production cycle, but also in the cycle of reproduction and circulation.

In my estimation however, there is a more profound reason for the misjudgment found in Karatani. It not only concerns his project of attributing the source of surplus value to the sphere of circulation. It rather concerns his understanding of the capitalist mode of production *tout court* in its spirit and purpose: the idea that capital produces for the sake of (worker's) consumption. To be sure, a whole tradition of Marxist writers and crisis theorists have adopted this view in their attempt to explain crises on the grounds of 'underconsumption', most prominently perhaps Rosa Luxemburg.

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<sup>40</sup> The scope of this paper does not allow me to go in detail about this process about which Marx, after all, has written three volumes – of which in my view the second is particularly informative.

Luxemburg's theory of imperialism is directly informed by the idea that capital needs consumers. As Anwar Shaikh in his excellent overview of the history of crisis theories points out, Luxemburg argues that 'capitalist accumulation requires a strata of buyers outside of capitalist society who continually buy more from it than they sell to it.'<sup>41</sup> But 'as capitalism expands to cover the globe the non-capitalist milieu shrinks correspondingly, and with it shrinks the prime source of accumulation.'<sup>42</sup> This Luxemburgian view is directly adopted by Karatani, who argues that in exhausting the agrarian population of China and India and its result that 'no major sources for creating new proletarian consumers will remain' lies the impossibility 'for global capital to expand itself through self-valorization' (p. 284). But this 'limit' to capitalist accumulation, as Shaikh argues, is not very likely since, as Marx had shown, expanded reproduction was 'entirely capable of generating its own internal markets'<sup>43</sup>:

Recall that at the end of the production cycle, it is the capitalists who are in possession of the whole social product. At the same time, it is also their gross investment and personal consumption expenditures which are the original source of effective demand for this very product (since workers' wages are a part of overall investment). Now, aside from their own personal consumption, their remaining expenditure (gross investment) is in

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41 Shaikh 1978, p. 228.

42 Ibid.

43 Shaikh 1978, p. 228.

no way motivated by consumption as such. It is motivated entirely by the anticipation of profit. What Marx's examples show is that if capitalists did undertake the appropriate amount of investment, then they would indeed be able to sell their product and *make the anticipated profits*.<sup>44</sup>

Karatani completely underestimates the ability of capital to generate surplus value in and of itself. Consequently, he misses the point of capital production as a self-enclosed system: capital produces for profit. Consumption by workers is neither the purpose nor the goal of the capitalist mode of production. At best, 'expansion of consumption would be a consequence, not a cause'<sup>45</sup> of the reinvestment undertaken for the sake of profit.

Yet, the lesson of *The Structure of World History* essentially entails that the site of political struggle should move away from the sphere of production to the site of circulation. It is because workers in industrial capitalism appear as consumers, and not simply producers, that they gain a certain autonomy vis-a-vis the capitalist. As Marx says, 'he [the worker] becomes one of the innumerable centres of circulation, in which his specific character as worker is extinguished.'<sup>46</sup> But Marx does not take this observation to imply the *advantage* of the consumer role over the capitalist.<sup>47</sup> Karatani however here

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44 Ibid., p. 229.

45 Ibid.

46 Marx 1986, p. 349. Quoted in Karatani, p. 290.

47 In this passage, Marx points out the specific differences of the labourer in capitalism towards the feudal system without attributing a specific judgment: 'Here again, it is owing to the competition of capitals, their indifference to and independence of one another, that the individual capital does not relate to the workers of the entire remaining capital as workers: hence is driven beyond the right proportion. It is precisely this which distinguishes capital from the [feudal] relationship of domination-that the worker confronts the



precisely sees the benefit for the worker: '... while workers may be subjected to a kind of servitude within [sic] production process, as consumers they occupy a different position. Within the processes of circulation, it is capital that finds itself placed in a relation of servitude to worker-consumers.' (p. 290). The consumer power-argument in turn argues for political action taken in the form of LETS and NAM.<sup>48</sup> The roots of the argument however remain dubious. Contrary to all evidence, whether logical or factual, Karatani maintains that: 'Within the process of circulation ... capital is unable to control the proletariat: capital has the power to force people to work, but not to make them buy.' (p. 290). This argument complies to an inverted understanding of social and natural conditions: for Karatani it seems that, indeed, social conditions are unchangeable, but natural laws – if the relation between nourishment and physical health may be called as such – are doubtful.<sup>49</sup>

Having subjected this appropriation of Marx – which de-emphasises the critical element of Marx's theory – to criticism should therefore not belie the fact that Karatani has a political agenda and does not engage from a solely theoretical perspective. Consumer empowerment forms an essential part of

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capitalist as consumer and one who posits exchange value, in the form of a possessor of money, of money, of a simple centre of circulation that he becomes one of the innumerable centres of circulation, in which his specific character as worker is extinguished.' Marx 1986, p. 349.

48 See for example 'Principle 2' of NAM: '(2) NAM organizes a counter-act against capital and state. This is a transnational *worker as consumer* movement. This is practiced, figuratively speaking, *within* and *without* the capitalist economy. But, of course, it is impossible in the strict sense to stand outside the capitalist economy. The struggle *without* aims at organizing an association of non-capitalist production and consumption; the struggle *within* is centered on boycotting in the process of circulation (consumption).'

Karatani 2011, p. 5. Emphasis in the orig.

49 The 'space of resistance' in consumer behaviour is also informed by Uno's theorem that the labour power commodity is the only commodity in capitalism that cannot be directly produced by capital. See Uno 1980, p. 51.

it. To draw the discussion of the central theses in *The Structure of World History* to an end however, I will close with Karatani's vision of a future society with the Kantian idea of Perpetual Peace in the mode of exchange D (gift reciprocity), respectively social formation 'X' at its center. That this 'future vision' primarily leaves the economic formation of late industrial capitalism and its bourgeois social structures not only intact, but eliminates all criticism towards it, should consequently come as no surprise.

### **The vision of future society: the UN as harbourer of Perpetual Peace**

In explaining his vision of a democratic society based on a world republic in the sense of a 'true bourgeois revolution' (p. 296) to initiate the federation of nations, Karatani returns to Kant and especially the Kantian regulative idea. Here, Karatani sees a social formation that is embedded in mode of exchange D (gift reciprocity) which can 'be called by many names – for example, socialism, communism, anarchism, council communism, associationism.' (p. 9). It is also the place in which the validity of the Borromean knot of C-N-S is untangled and cast aside. But precisely because it has not appeared historically, Karatani prefers to conceptually lean on the Kantian regulative idea to explain its impetus:

For example, with regard to world history, Kant says that looking at

developments up until now, we can regard them as gradually progressing toward the 'kingdom of ends' (a world in which moral law is realized). He calls this sort of idea a 'regulative idea'. This is distinct from a 'constructive [sic] idea' in that, while it can never be realized, it preserves as an indicator that we strive to approach (p. 18).<sup>50</sup>

To develop the idea of a future world republic based on reciprocal exchange, Karatani advocates such disparate ideas as a return to the communism in nomadic society – and of what he calls the *isonomia* of Ionia from the 7<sup>th</sup> to the 6<sup>th</sup> century BCE where council-like basic democratic structures guaranteed 'actual economic equality' (p. 12). But he also advocates the 'federation of nations' as 'a new framework for the democratic constitution of the world.' (p. 296). Central to all ideal social formations in Karatani's account is the principle of gift reciprocity. This principle is also constitutive for consumer-producer cooperatives Karatani addressed with the emphasis on political struggle on circulation. 'Now we need to consider this in terms of relations between states' (p. 304). Karatani elaborates:

The only principle that can ground the establishment of a federation of nations as a new world system is the reciprocity of the gift ... for example,

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50 The mistake of calling the Kantian constitutive idea "constructive" is the translator's. The Japanese terminology for "constitutive (idea)" in Kant is *kōseiteki*, which literally means "constructive". In the Kantian context therefore, it should be translated as "constitutive".

what would be given under this are not products but the technical knowledge ... needed to carry out production. Voluntary disarmament to abolish weapons that pose a threat to others would be another kind of gift here. These kinds of gifts would undermine the real bases of both capital and state in the developed countries (p. 304).

It is the UN, however flawed in its details, that can in Karatani's view come up with a frame to the demands of equal rights, justice and democracy among all states and nations, by adhering to the idea of gift reciprocity. Given that the UN should be transformed and all states accommodate to said principle, eternal peace not unlike that of the Kantian idea of Perpetual Peace becomes a real possibility in Karatani's imagination. Karatani however admits that '[t]ransforming the United Nations into a new world system will require a countermovement against the state and capital arising in each country ... At the same time, the opposite is also true: only a reform of the United Nations can make possible an effective union of national countermovements around the world.' (p. 306) Yet, changing the modes of exchange A, B and C will not be possible, because they form 'relations by humans' that cannot be dismissed, but will remain the ideal of a future society in the form of the regulative idea.

Karatani's political vision – nostalgic for nomadic and basic democratic premodern societies on the one hand, and equally positively biased towards

factually existing supranational associations like the UN – is, at best, a symptom for what the paradigmatic 21<sup>st</sup> century intellectual, having superseded the 'constraints' of historical materialism, can conceive. The whole project of Karatani's 'new focus' on the exchange forms is consequently blind towards the enormous problems confronted with in the social struggle. The systematic production of poverty – and along with it, a reduction of life expectancy, diseases and a general and globally advancing loss of access to basic needs – poses a really existing threat to many, no matter how substantial for recapitulating present society, does not motivate Karatani's theoretical reflection of Capital, Nation and State. It therefore unwillingly makes itself accomplice to the logic of the very society it allegedly tries to abolish. Accordingly, it is difficult to conceive of *The Structure of World History* as anything else than the exemplary *oeuvre* of a modern bourgeois intellectual.

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