The Spectre of Marxism: The Return of *The Limits to Capital*

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I welcome this chance to reflect on David Harvey's masterwork, *The Limits to Capital*, especially now that it has been reissued in a Verso Press edition 20 years after its first publication. As David says in the new introduction to the Verso edition, *Limits* is the cornerstone of all his subsequent thinking. I feel the same: the Marxian theory of capital laid out in these pages has been the basis of my understanding of how the economic world works for many years now. And how many others influenced by *Limits* are to be counted in geography today? Hundreds, if not thousands.

I had the benefit of being there at the offing, reading *Capital* for the first time with David at Johns Hopkins in 1971 and struggling with the ideas over several years with him. So *Limits* did not exactly come as a bolt from the blue. But it did draw out the whole system of Marx's economic thought in a way neither I nor most others could have hoped to do. Harvey rendered a great service to us all, and to the Marxist tradition generally.

The great and enduring strength of the book is its absolute integrity. Harvey tried to work through and work out more fully the economics of Marx's *Capital* and *Grundrisse*, nothing more or less. That was a project few had tackled in the preceding half century (Ernst Mandel and Paul Sweezy being notable exceptions). Moreover, Harvey took the analysis of finance and of geography farther than anyone had previously. And he did all this with a degree of fidelity to the original spirit and letter of Marx that is quite remarkable; this was not an epiphany that rewrites the word according to Saul along the road to a New Church, but a judicious rendering and extension of Marx's unfinished project.

And it could not be more relevant than today, after the smash-up of the US stock-market bubble of the 1990s, and descent into yet another of capitalism's periodic recessions. None of this was supposed to happen according to the business geniuses who were lately declaring

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that the New Economy had swept the country out of the doldrums into a new dawn of endless prosperity. What sweet irony to see the Marxian chickens come home to roost on Wall Street—so soon after they had been noisily scattered by the Fall of the Soviet Union. The spectre of communism that haunted Europe for a century and a half may be gone, but the spectre of Marxism that haunts the conscience of conventional economics is very much among the undead. There is more reason than ever, therefore, to go back to reading *Capital*—as David has done with his students for three decades now—and topping it off with a good read of *The Limits To Capital*.

One reason is that *Limits* is still the best thing ever written on the logic of capitalist credit and fixed capital. Harvey's key insight is that credit (lending) is not just a way of making money, but essential to the whole productive scheme. Harvey's theory starts from the necessity of fixed capital—of fixing time within the circuit of capital—for advances in industrial output and labor productivity. He then demonstrates how investment in fixed capital is facilitated through credit creation—forms of money lending that bridge gaps in time—thereby leveraging greater and more rapid accumulation.

But capital fixed in time and space inevitably suffers from rigidity in the face of the torrents of capitalist change (technical, competitive, social). Capital is immobilized in the course of circulation, trapped in machinery and loans that cannot be recovered. From this entrapment spring crises of realization, repayment, and falling rates of profit. To solve this contradiction, capital must be liberated from its shackles to move elsewhere or destroyed (devalued) to raise the rate of profit and make room for new investments.

This approach provides a deeper theory of crisis than simple overproduction and disequilibrium due to competition and insufficient consumption. In Harvey's theory of *overaccumulation*, the time-lags of fixed capital creation and destruction play a key role (as they do in all sensible models of long business cycles) (see Van Duijn 1983). What makes this singularly *Marxian*, however, is the combination of the theory of *accumulation*—the frenzy to make money, capitalist anarchy, and the search for surplus profits—with the influence of *time of circulation* (in effect, joining together Volumes I and II of *Capital*).

Harvey gives the treatment of time a further twist, bringing in a taste of Keynes. When capitalists hurl money at new and untried projects, they do so without any certainty that their investments will be recovered. Thus, they plunge headlong into the future, accelerating the rate of change and, in a sense, creating the future they anticipate. This, too, is a great lever for productive advancement, but it puts capital and credit on a speculative foundation, in the form of *fictitious capital*, which cannot always be sustained. Eventually, in the onrush of capitalist competition, rising tensions between present and future, real and fictitious capital, finance and production eventually burst into crises that worsen the cyclic dynamics of accumulation.

How brilliant is this? No one else has laid out the temporal logic of capital accumulation, circulation, and overaccumulation as fully and elegantly as David Harvey—not Sweezy, Mandel, Fine, Brenner, Freeman, or Webber and Rigby—all the modern giants of Marxian economics I admire. *The Limits to Capital* is still the first thing one ought to read, other than Marx himself, to catch the gist of this absolutely essential tool for understanding modern economies and global dynamics.

What is curious is that the financial portion of *The Limits to Capital* has been so largely ignored. It fell victim to disciplinary limitations, to be sure (after all, economists don't read anyone outside their sacred demesne), but was not even taken up by the wider Left in academe. For example, the excellent critique of stock markets by Doug Henwood in *Wall Street* (1997) omits any theory of credit formation and Robert Brenner's *The Boom and the Bubble* (2002) replicates Harvey's approach to overaccumulation without recognizing it. A burst of work in the geography of finance has certainly used Harvey as a jumping off point, as in Andrew Leyshon and Nigel Thrift's *Money/Space*, the first book-length treatment of the field. They do a good job of summarizing Harvey's views on money, and claim to be inspired by him (Leyshon and Thrift 1997:42–55). Yet, they make the strange charge that the Marxian model's distinction between circulation and production is not helpful and does not give sufficient recognition to the role of credit—the very heart of Harvey's contribution! (Thrift and Leyshon 1997:56). Instead of building on Harvey's theory of the developmental power and crisis tendencies of finance, they slip into the realm of regulatory regimes and the cultural significance of money.

One reason may be, as Harvey observes in his new introduction, *Limits* appeared just as the new age of securities burst fully on the scene, and Harvey's conception of finance is focused on bank lending, not stock jobbing (which, as Henwood argues, is much less useful for production) (see also Leyshon and Thrift 1997:200–205). But I don't think this is sufficient to explain the silence around *Limits*, which rests to a considerable degree on Harvey's failure to make it speak to a wider audience. I shall try to get at the sources of that failure later in this essay.

The theory of the spatial fix—Harvey's third cut theory of accumulation and crisis—is very well done, if not quite as successful as the temporal theory. This may be a surprise, given Harvey's position, first and foremost, as a Marxian geographer. Part III of *Limits* goes well beyond anything Marx ever attempted in theorizing capital accumulation as a geographic phenomenon, although it builds on Marx's rent theory and the theory of fixed capital.

In this part of the book, Harvey is trying to work out a spatial theory of accumulation and crisis, in concert with his theory of finance capital. Spatial arrangements and their rigidities are just as necessary to production and accumulation as the temporal fixity of capital. They provide the absolutely necessary precondition to all production and consumption, and must be expanded on a larger and larger scale in order to accommodate the ever-growing compass of capitalism. And they become, in time, just as much a barrier to profit-making and investment, and must be overcome when they interfere with the mad rush of accumulation. The geographic integument of the built-environment must burst and regrow, like a snake shedding its skin periodically. The new configuration after each crisis is what Harvey calls the *spatial fix*.

The idea of the spatial fix is one that many geographers have seized upon, making it the most well-known aspect of *Limits*. But the use of the concept in geography has been rather uneven. There has been, perhaps inevitably, a certain reductionism in most appropriations of the spatial fix. No doubt, the cleverness of the term is to blame, as it resonates so beautifully with the American phrase the "technical fix" or, more generally, "the quick fix". This has allowed easy borrowing without enough appreciation of the whole theory of accumulation and geography that Harvey presents.

Furthermore, Harvey's model suffers from the same misinterpretations as his earlier, and equally important, thesis of *capital switching* from industry into the built-environment in the course of long waves of growth. That is, the spatial fix and technical fix are taken to be virtual substitutes in the capitalist effort to resolve the crisis, just as capital switching is taken by some to be a countercyclical phenomenon rather than an extrusion from the upwelling force of a cyclic boom (eg Beauregard 1994). As I argued in *The Capitalist Imperative*, the spatial and the technical are more often complementary than contrary, and often move *together* in rearranging the space-economy of capitalism, and they both have profound geographic implications (technical and spatial fixes being potentially both expansionary and capital deepening in existing locations) (Storper and Walker 1989).

If one wants to see a rich application of Harvey's theory, however, the place to go is George Henderson's *California and the Fictions of Capital* (winner of the 2000 AAG Book Award). Henderson takes up the ideas of a temporal–spatial bridging function of finance and the ability of capital to overcome geographic barriers and applies them in a most brilliant manner to the problems of agricultural lending in early twentieth century California (Henderson 1998).

Some of the blame for this modest impact on the field must fall on Harvey. There is a real paradox in his work that is puzzling. At times, Harvey becomes obsessed with money and capital flows: value-in-motion trumps value production. In *The Condition of Postmodernity* he ends up ascribing the postmodern flux of images and city spaces more to financial mobility than to productive change. It's not clear at all how the shift in the industrial base from Fordism to flexible accumulation changes the geographic footprint (or spatial fix) of capitalism. What *is* apparent is that the age of flexible accumulation sets finance loose to remake the world in its image. The deep tension of fixity and change, of production and finance, of future and present, of time and space in *Limits* is not carried through fully in *Condition*.

It is one thing to say that money and finance are the starting and ending point of the circuit of capital, and in a sense the dominant moment, but quite another to elevate them to a kind of absolute power over the economic and urban landscape of capitalism. In this vein, Harvey has many times asserted the primacy of capital mobility over the force of the local, from *The Urbanization of Capital* to *Spaces of Hope* (Harvey 1985a; 2001). In his treatment of inter-urban/inter-place rivalry, liquid capital flows to the lowest spot, as determined by willingness of the locals to capitulate. While there's plenty of that sort of "weak competition" among places, there's a lot more to competing in an unevenly developed industrial world, especially one that is technologically dynamic and in which localities sometimes have real strengths from which to build (cf Walker 1996; 2001).

In other texts, from "The geography of capital accumulation" through the *The Condition of Postmodernity*, Harvey's approach to geographical expansion has been surprisingly flat, as well. The much cited theory of "space–time compression" seems to me a roundabout restatement of the theory of declining distance and time that one finds all through conventional economic geography. This appears to contradict David's own disequilibrium analysis of capitalist space in *Limits*, in which internal reconfiguration, capital flows, and the remaking of capitalist landscapes are, if anything, more prominent than outward expansion.

The problem here, as in all economic geography, is how to be sufficiently dialectical in one's thinking—something David taught me thirty years ago. That is, how do we grasp the relation between the mobile and the immobile, macro and micro scale forces, and the movement from one geographic configuration to the next without flattening any part of the interaction under the weight of the other?

The Limits to Capital also fell victim to changing political and ideological/philosophical commitments on the left (broadly defined). The rise of various post-Marxist movements in and around geography —feminism, post-Structuralism, New Culturalism, Critical Realism, New Institutionalism, Post-Modernism—put paid to the brief flowering of Marxist thought in the discipline, which had been led so valiantly by David Harvey. Most post-Harvey geographers didn't like *The Limits to Capital* or thought it not worth bothering with, and their star was on the rise through the 1980s, as Marxism's was on the wane.

Why didn't they like it? I think, alas, that most of them missed the point. They took Harvey's project to be the kind of all-consuming, totalizing, economizing discourse that the left had so often been guilty of, and therefore no more than a version of Modernist, Enlightenment, White Male European (etc) thought. Harvey took a great deal of heat for this over the following decade, particularly in connection with *The Condition of Postmodernity*—which was, ironically, a wildly successful best-seller, read across the disciplines in a way *Limits* never was.

Much of this antagonism was misplaced. I always thought that *Limits* was no more than the author claimed in the Introduction to the original edition: a working out of Marx's ideas, rather like Engels completing volume III of *Capital* from Marx's unfinished text. It should have been taken in that spirit, as a wonderful contribution to scholarship and as a presentation of a coherent model (both dialectical and unusually comprehensive) of Marxian theory. Instead, it became a symbol of some kind of Althusserian Stalinism (never mind the oxymoron) that is supposed to explain anything and everything, which it can't.

Of course, Harvey contributed to the standoff to a certain degree. He is ambitious and competitive, too, despite his pleasant persona and seeming disengagement from so much of the disciplinary fray. He has certainly been prone to overselling Marx in his talks and interventions. And he reacted too defensively to being castigated (despite the immense popularity and reach of *Condition*). The result was far too little reasoned discourse between the sides.

When I speak of overselling, I mean the tendency to let the economic—the logic of capital—become the driving force behind almost everything. This is the downside of dialectics: the Hegelian tendency to see the interrelation of everything and the burning hand of capital on everything (capital never touches anything lightly or misses whole areas of life, in this view). It was a classic case of raising the intellectual stakes to unsustainable heights.

When the dust settled, however, and the critics had their field-day, one discovered that the good seed ideas had become part of everyone's harvest. Marxism's impact on Geography has been all to the good. And, I should add, this is just as true of feminism and culturalism, once their own exaggerated claims have been winnowed out (even those post-Modernists who have been the worst Leninists in denouncing everyone's line but their own). Such oversell is part of the inevitable political competition over ideas in academe, I suppose, but it would be a great relief if we could all be less quick to rise to the bait.

Dialogue did arrive eventually, of course, with a fine display of reasoned discourse by Harvey in *Justice, Nature and the Geography of Difference* (1997). Yet by then he seemed oddly of two minds. On the one hand, too apologetic in deferring to approaches and topics other than classical Marxist economics and, on the other hand, too eager to try still to bring everything under the one big tent of Marxism. The result was a less satisfactory and original work than either *Limits* or *The Condition of Postmodernity*.

Alas, I see signs of the same overreaction in Harvey's reception of the recent work of Bob Brenner of UCLA (Brenner 1998; 2002), which is dismissed brusquely in the new introduction to the Verso edition of *The Limits to Capital*. Since I am reasonably close to both people, and I have no problem whatsoever with Brenner's work, I find this dispute bizarre.

Brenner has helped revive interest in precisely the questions and capitalist dynamics that have preoccupied Harvey. Yet Harvey claims, quite falsely, that there are "several other far more sophisticated and far-reaching accounts of capitalist dynamics" (p xxv). In fact, there is almost nothing to compare with Brenner's extensive historical reconstruction of the ups and downs of the postwar global economy, especially the last twenty-five years of low profits and high instability. Webber and Rigby (1996), whom Harvey rightly praises, bring a high level of mathematical rigor to the discussion of the falling rate of profit; but they are more concerned with the Golden Age (as a mixed blessing) than with recent decline and turmoil. Armstrong, Glyn and Harrison (1991) do a fine job in terms of detailed history, but their theory is more Keynesian than Marxist. Ernst Mandel's (1975) great study of Late Capitalism was closer to Sweezy and Magdoff's mixture of Marx, Keynes and Schumpeter than to Harvey, and he was focused on the recovery from Depression and World War to launch the postwar Golden Age.

I'm not aware of a vast shelf of sweeping accounts of recent capitalist dynamics other than these. Yet instead of saying that Brenner is a good example of the revival of Marxian economics (along with several others), Harvey strikes a divisive tone—promoting just that kind of internecine warfare among Marxists he wisely deplores a couple of pages earlier (p xix).

What is most perplexing about this is that Brenner applies a model of overaccumulation that could have come right out of *Limits*, first cut! Perhaps it is because Brenner underplays finance, or the second cut theory of accumulation; but Brenner does take on finance, mostly in terms of monetary exchange rates and the run-up of securities markets. In the second book in his series, *The Boom and the Bubble*, he pursues the matter at great length. (Yes, Harvey perhaps knows only *The Long Downturn*, but why does he think Brenner's project ends there? Did David's end with *Limits*?) (For my own response to Brenner, see Walker 2000.)

Or, perhaps the point of contention is that Brenner's treatment of space is, in Harvey's view, Newtonian. I don't think so. Brenner's view of geography is relatively simple and straightforward, concentrating on the movements of the main national economies, using the US, Japan and Germany as representative of the larger trilateral system. This has the virtue of clarity and good data, and Brenner does a whale of a job of looking at uneven development and the back and forth of business cycles across the Atlantic and Pacific—exactly the way I learned to see things from Harvey in days past. No, it is not a comprehensive geographical portrait of the capitalist world economy, but it is a hugely useful and rich one, despite that.

Or, perhaps Harvey has a bone to pick with the "analytical Marxists", with which Brenner once hung out. I agree with him that most of that crowd, like Jon Elster and John Roemer, badly misread Marx, but Brenner is not a methodological individualist like the others. Ironically, Harvey praises Brenner for "the emphasis upon individual behaviors"—by no means the most important element of Brenner's work. Or, finally, it may be that Harvey has a bone to pick with the New Left Review gang, of which Brenner is a part. Certainly for years Harvey was ignored by the NLR, but David never lacked for popularity of his work and the ability to reach a broad left audience, with or without NLR. In fact, Harvey has since been embraced by Perry Anderson in print and interviewed on the NLR's pages, and the present edition of *Limits* is published by Verso, a branch of Anderson's New Left Review operation.

Finally, there is the matter that puzzles me most: why couldn't David Harvey have written a postwar historical analysis of capitalism like Robert Brenner? The latter is a historian, and thus drapes himself in mountains of data while carefully working out all the twists and turns of the advanced capitalist economies over the last few decades. The contrast with the pure theory of *Limits* could not be clearer. This is not to say that all books should be empirical, but clearly David just prefers the big ideas, which he is great at laying out and playing with.

But there is a persistent lacuna in Harvey's work that he has never really addressed. Throughout his career he has written remarkably little that is extensively empirical, or that seeks to apply his theories. Yet his best work, in many ways, are the essays he wrote in the 1970s on Paris, which appeared in *Consciousness and the Urban Experience* (1985b), and then disappeared from view. There are several possible reasons for this neglect. One is that such historical, in-depth work doesn't get you the attention in social science circles that it should. Conversely, there's an obvious hunger for good theory which leads generations of geographers and other scholars to Harvey's works.

Of course, David starts from a world of observation, and has been deeply involved with practical studies and politics in Baltimore and Oxford, so he is by no means an arm-chair philosopher. Still, he abstracts boldly, and makes the leap to high theory effortlessly, as great minds do. Nonetheless, the return journey is too often left to the reader. Perhaps, as David once confessed in a discussion long ago (at a talk I attended as a grad student), he doesn't feel that he's very good at making the connections between high theory and the evident world, and the reason is that it's bloody difficult. That's certainly true, but is it sufficient?

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