

## **Communomics: preliminary notes, towards a research programme**

"If the economy disrupts our lives, then we must disrupt the economy" (UK Uncut, 29th Jan 2011)

There is a wide spread view that the way economy has operated in the last decade has been highly damaging to the society at large. The perception comes from the 2008 near collapse of the financial system prevented only by the swift government action to nationalise and re-capitalise large sections of the financial sector. Most will blame the rampant speculation and growth in new financial products, greed, lack of state regulation and removal of separation between the commercial and investment banking. However, the root of the problem goes a lot deeper. The last crisis is only a symptom. To address the root cause, a different approach than the one taken by economics and political theory is required. This is a preliminary sketch, a rough outline aiming to justify the need for such research programme. Since no individual can undertake the work of such scope, the possible uptake depends entirely on the persuasiveness and plausibility of arguments presented in the outline.<sup>1</sup>

Hypothesis: A new theoretical discipline for the democratic production, distribution, exchange and consumption/use is required to address the deficiencies that cannot be resolved within economics and political sphere. Representative parliamentarism and capitalist mode of production have not delivered democratic societies. A democratic society has to be directly democratic. To be directly democratic, it has to be egalitarian and non-discriminatory<sup>2</sup>.

The current summary of the hypothesis in a paragraph: Representative parliamentarism and capitalist mode of production never attempted to deliver democracy, especially not at the work place<sup>3</sup>. The system of political parties and elections is in theory capable of overturning the anti-democratic capitalist mode of production. However, with rare and only partial exceptions<sup>4</sup>, combined with the private ownership of the means of production (including the crucially important mass media, means of producing consent), it delivered the rule of capital by proxy of the state (parliament, courts), and not a democratic rule of all inhabitants of the state. Economics, the main intellectual force of capitalism, is a failed theoretical discipline. Its primary two aims are to support the development of capitalism and to provide it with an ideological justification. Since the 1950s, economics built its authority by transferring most of its claims to mathematical models, thus borrowing the image of a "serious" discipline. This also gave it an enormous political autonomy, placing it beyond criticism and political decisions. The entire history of economics is a demonstration that such extensive study of human activity cannot be politically neutral. Hence, development of a new discipline has to start from political ideas. To be democratic, society has to be egalitarian and non-discriminatory, so that everyone has opportunities to participate in deliberation and decision making, on both political and production-distribution-exchange-consumption levels. Non-democratic and discriminatory laws and practices designed and enforced by parliaments and courts – extensive rule of private property over production and other collective affairs, labour as commodity, labour

<sup>1</sup> By the academic standards, this kind of work requires a far more detailed initial exposition of arguments in smaller steps. While I am in the agreement that such work is necessary, publishing can be done differently. For alternative proposals, see (Prug, 2010; Whitworth & Friedman, 2009)

<sup>2</sup> Several projects need to be examined (Albert, 2006; Baiocchi, 2005; Cockshott & Cottrell, 1993; Fotopoulos, 2005; Williams, 2008), including local direct democracy in India (Paramēśvaran, 2008; Patanik, 2004).

<sup>3</sup> See (Rancière, 2006; Wood, 1995).

<sup>4</sup> Kerala, West Bengal, Tripura in India; Venezuela, Peru, Bolivia, Brazil.

relations laws – will have to be changed. While economics cannot be repaired, salvaged, or rebuilt, some of it can be borrowed, modified and integrated in the new framework. There are many solutions offered in the face of the current economics crisis. However, if the states imposed the proposed “progressive” measures – highly progressive tax, closure of tax havens, Tobin tax, limits on salaries and bonuses in the financial sector, aggressive fiscal policy, re-separation of investment and commercial banking – we would still be stuck in capitalism with its inherent systemic injustices, instabilities, inequalities and anti-democratic architecture<sup>5</sup>.

## Economics

Tony Lawson gives three differing broad definitions of what economics studies: the causes of wealth (Mill); human daily activity (Marshall); the optimising decisions of human beings (Robbins 1935). In the last conception, optimising refers to the allocating of ‘scarce resources’ between competing ‘ends’ (Lawson, 2003, p. 142). Robbins’s claim is a foundation of neoclassical economics as a theory of perfectly informed and rational agents that in market conditions create equilibrium of demand and supply<sup>6</sup>. Neoclassical economists frequently reject the responsibility of their theories for the current crisis stating lack of free markets and excess of state intervention as the main problem. However, it was precisely using the state power that neoclassical economics became dominant (Galbraith, 2008; Mirowski, 2009). The crucial importance of politics for economics can be observed from the post-1929 crisis events. Walras style pure mathematical formalism that completely disregards empirical verification takes the back seat, while political forces, driven by the impact of the long crisis, introduce the state interventionist thinking. The birth of macroeconomics in practice on a grand scale (New Deal, Marshall Plan, national accounting) was lead by economists like Keynes who accorded less importance to mathematics. From 1950, under the work of Cowles Commission in Chicago, economics has been overtaken by the rule of mathematical models. Despite the warnings against the use of mathematics for everything (Marshall), despite Keynes’ deep distrust of mathematics and despite his key idea (economic agents labour under radical uncertainty, which makes them prone to sudden and unpredictable swings in behaviour), neoclassical formalism became a doctrine that spread through economic journals, schools and textbooks like fire. Paul Samuelson’s role was central. His textbook from 1948 became part of the canon selling many millions of copies in the process. It is still being re-issued and updated worldwide. Samuelson placed mathematics in the undisputed central position, keeping element of Keynes to justify state interventions, but without the kernel of Keynes’ thought on irrational agents and undeterminable outcomes, thus making bastardized Keynes and Walras’ mathematical extremism coexisting. Such neoclassical formalism, updated in each new edition as the world politics changed, was presented to be capable of solving everything by using mathematical models. Samuelson’s Keynesian elements were dropped in late 1960’s and early 1970’s, parallel with the collapse of the gold standard and reversal in the U.S state doctrine on increasing aggregate demand through fiscal policy. Economic theory based on mathematics became the main ideological driver of capitalism since<sup>7</sup>. Alan

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<sup>5</sup> For an example of extensive critiques that aim to improve capitalism, see (Chang, 2010).

<sup>6</sup> Economics has since came up with a theory, based on mathematical models, to account for imperfect access to information (Stiglitz, 1996).

<sup>7</sup> Two very good, albeit different takes on the development of modern neoclassical economics, especially period under Cowles commission with von Neumann’s work, see (Mirowski, 2002; Varoufakis, Halevi, & Theocarakis, 2011, pp. 231–288) Another excellent source for history of neoclassical economics are (Fine & Milonakis, 2008, 2009)

Greenspan's admission of his own fault – phrased as a failure of ideology – is import to remember. Both as an evidence of the failure of neoclassical economics and state policies of world powers, and as another reason to be unashamedly political in constructing communomics:

REP. WAXMAN: Dr. Greenspan, the question I have for you is, you had an ideology, you had a belief that free, competitive -- and this is your statement: "I do have an ideology. My judgment is that free, competitive markets are by far the unrivalled way to organize economies. We've tried regulation. None meaningfully worked." You had the authority to prevent irresponsible lending practices that led to the subprime mortgage crisis. You were advised to do so by many others. And now our whole economy is paying its price. Do you feel that your ideology pushed you to make decisions that you wish you had not made?

MR. GREENSPAN: Well, remember that what an ideology is, is a conceptual framework with the way people deal with reality. Everyone has one. You have to -- to exist, you need an ideology. The question is whether it is accurate or not. And what I'm saying to you is, yes, I've found a flaw. I don't know how significant or permanent it is. But I've been very distressed by that fact.

REP. WAXMAN: You found a flaw in the reality

MR. GREENSPAN: Flaw in the model that I perceived as the critical functioning structure that defines how the world works, so to speak.

REP. WAXMAN: In other words, you found that your view of the world, your ideology was not right. It was not working.

MR. GREENSPAN: Precisely. That's precisely the reason I was shocked, because I had been going for 40 years or more with very considerable evidence that it was working exceptionally well. (Ward, 2008)

Robert Lucas, winner of Nobel Prize in Economics in 1995, wrote that economists build their models operating in "fictional words": they are "storytellers operating much of the time in worlds of make believe" (R. Lucas, 1988). In Lars Pålsson Syll's words: "the recent economic crisis and the fact that orthodox economic theory has had next to nothing to contribute in understanding it, shows that neoclassical economics – in Lakatosian terms – is a degenerative research program in dire need of replacement." (Syll, 2011) As Yanis Varoufakis develops convincingly in his latest books<sup>8</sup>, analysis of economics cannot be separated from analysing politics, especially not from the global political battles in which macroeconomics plays a major role. Another neoclassical fallacy was an essential theoretical proposition in the process of Western states forcefully arguing and pressurising poorer states to open up their economies to world capital markets. Lucas was amongst first to examine the failure of neoclassical egalitarian claims on the positive impact of trade and growth, predictions stating that capital will flow from rich to poor countries (R. E. Lucas, 1990). A large empirical research concluded that while before the First World War opening up benefited newly opened economies, evidence from the post Second World War period showed the opposite: "Financial openness did not seem to accelerate economic development in a meaningful way. Today, opening up to the international capital market is no longer systematically associated with net inflows of foreign savings that increase the domestic capital stock. Countries can be highly open to the international market, measured by the amount of foreign capital crossing their borders, but the net effect on domestic investment is minimal." (Schularick & Steger, 2011) Similarly, in a paper that examines privatizations of public banks in recent times, authors found out that it created capital drain from the regions in which banks operated and that cooperative model of non-profit regional public banks is far more beneficial to the economies of those regions. In other words, crucial to poorer states, neoclassical

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<sup>8</sup> Previously mentioned *Modern Political Economics* and (Varoufakis, 2011).

economics and neoliberal politics were wrong: capital flows from poorer to richer, not the other way around (Hakenes & Schnabel, 2010). Unsurprisingly, neoclassical proponents find their theory correct and the problem in reality: “the small size and “wrong” direction of net international capital flows are likely due to frictions associated with national borders, not to inherent flaws in the neoclassical model.”(Kalemli-Ozcan, Reshef, Sørensen, & Yosha, 2010) Authors’ starting assumptions reveal more: “We assume that capital markets are fully integrated in the sense that individuals can borrow and lend freely across state borders and insure themselves against state-specific risk by holding a geographically diversified portfolio of assets.” That the reality of markets operating across nation states is drastically different from such a frictionless situation, thus invalidating their model, does not seem to bother the authors. The last example – authors stating that the world is not perfect enough, but their models are – is typical of the post 1970’s economics, frequently found in academic papers as a comment on the mismatch between the reality and the models. That is, when the authors bother to check the reality, which cannot be often seen among the neoclassical economics academics.

Michael Perelman calls for the end of economics: “So long as the prevailing, conventional economic theory obscures new opportunities and new ways of working and of living, it represents a threat. In this spirit, this book calls for an end of economics and the opening to a new, but unspecified way of organizing our material life” (1996, p. 12). A more recent pronouncement on whether a different economic theory could deliver enlightenment is answered with an “unequivocal” no, with a short verdict: “economic theory is an intellectual cul-de-sac” (Varoufakis, Halevi, & Theocarakis, 2011). The primary reason for this failure, authors develop in detail, is that all major economic theories, including Marx’s<sup>9</sup>, build closed models that provide all variables within. Instead of this Inherent Error, in capitalism we are faced with radical, ontological indeterminacy, a claim they take from Keynes.

## Communomics

It is questionable whether a new name, like communomics, is useful and desirable. Surveying several Marxist economists and other colleagues from the egalitarian theoretical camp, the opinion is so far split. Perhaps the most productive way to think of communomics is to think of it as an egalitarian political economy of use-value. I will use the terms interchangeably for foreseeable future to deliberately keep the question of naming the research field open. There are several starting points to note. Through the creation of separate political and economics spheres, liberal ideology has ensured that its ideological postulates are firmly in the foundations of society, and that with such architecture of social relations, supported by laws and institutions, those foundations are extremely hard to displace. This is why construction of an egalitarian political economy of use-value cannot proceed without dealing with the role of the state and its laws and institutions. However, we will leave those aspects almost entirely out of the this text<sup>10</sup>.

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<sup>9</sup> For an opposite and opposite view on Marx’s economics and equilibrium, see (Freeman, 1995).

<sup>10</sup> Marx never wrote a planned book on the state. In his time, state capital and production were hardly existing in comparison with the significant role they play in aggregate demand and consumption today, along with the role they play through supplying society with the goods and services that do not have fully the form of commodity (health, education, child and elderly care, sport activities and venues, infrastructure, etc) – hence, he could not have included those aspect in his theory (Barker, 1978).

The positions opened up here come from a reading of Michael Lebowitz's *Beyond Capital*, one of the most developed and convincing attempts to provide both defence of Marx's work and to open up possibilities to developed the work further. We will use this to attempt to think through some starting points for issues, questions and egalitarian axiomatic foundations of political economy of use-value.

Let us point out to several key issues that make economics almost entirely on the side of capital. That will indicate direction for some of the cornerstones for the foundations of communomics. **First**, regardless of the view of the classical economist and Marxists that labour is the source of all value, in neoclassical economics workers hardly feature at all, while in Marx's work it is the analysis of capital that takes the central place. Neoclassical economics defines *Capital goods* as "produced goods that can be used as factor inputs for further production, whereas labour and land are primary factor inputs not usefully thought of as being produced by the economic system" (P. Samuelson, 1976, p. 50). Judging by Samuelson's best-selling and most widely used textbook (along with Mankiw's textbooks), economics does not find it useful to address the production and reproduction of workers. To a lesser extent, there are related problems in Marx; the reproduction of labour power is almost entirely missing (Lebowitz, 2003). Effective as a critique, Marxism does not provide us with a broad and operational (actively used to analyse current situation and offer policy proposals) framework for an egalitarian, or for directly democratic (for all inhabitants) society in a similar role that economics play for capitalism. In Chicago school of economics, workers are entities that follow the logic of neoclassical basic postulates: households are producers and utility maximizers, while leisure is commodity which workers consume when not working (Becker, 1965)<sup>11</sup>. Aside from the absence of the worker, individual utility maximization was offered as a democratic and objective measure (mathematical models), versus state wealth distribution which was deemed elitist, centralized, subjective and inefficient. The logic being that when we make decisions as consumers, most of us do it almost daily, which is vastly superior to any decision that an elite group elected every four years could do (Buchanan, 1959; Coase, 1959; P. A. Samuelson, 1954; Stigler, 1943). Paradoxically, or symptomatically, strict application of methodological individualism in neoclassical economics fails to address the total lack of any sort of democracy in work place. Instead, lifetime submission to the will of others is called democratic<sup>12</sup>. **In communomics, directly democratic reproduction of labour power will take a central place.**

**Second**, while Marxism does put interest of the workers as the central political issue, on its own it does not seem sufficient (perhaps due to the centrality of the analysis of capital) for constructing a theoretical framework for production, distribution, exchange and consumption/use for a directly democratic and egalitarian society. Neoclassical welfare economics – which uses mathematically defined utility as the measure of welfare – negates the possibility of having society-wide measurements of use-value. Interpersonal utility is ruled out as impossible, while ordinal preferences (relative to each other) are a key starting assumption (Arrow, 1963). Amartya Sen's capability approach has brought an element of use-value measurement in the neoclassical debates

<sup>11</sup> For a good critical discussion on Becker, see (Fine & Leopold, 2002, pp. 125–154).

<sup>12</sup> David Ellerman provides a strong case for democracy at work, see especially chapter 7, *Non-democratic liberalism: the hidden intellectual history of capitalism* in (1993). See also (1995, pp. 207–238), where Wood powerfully argues that Federalist version of representative democracy invented in the U.S. is an "antithesis of democratic self-government ... not the exercise of political power but its relinquishment, its transfer to others, its alienation."

by claiming that poverty can be understood as capability deprivation (1979). Although still an individualist concept deeply within neoclassical economics, backed up with mathematical models, Sen goes a small, but important step closer to a Marx's claim important for communomics: the nature of immiseration is social and relative, based on social needs specific to each historic period (Lebowitz, 2003; Roberts, 2007). Category of public goods is an example of how neoclassical economics deals with the objects that do not fit in their framework. Since in Marxism there is no special category to analytically incorporate egalitarian elements of society and enable quantification necessary for policy making, we are mostly left with rhetoric requests for egalitarian aims (state provided education, health care, etc). Analysis of the economic planning in socialist states – assessing why did many of their economists, instead of producing a lasting egalitarian economic school, ended up accepting the neoclassical model – might be helpful here<sup>13</sup>. The examples of egalitarian objects are all around us, provided and paid for by the common labour of the past and current generations: state education, national health care, state child and elderly care, public housing, public roads and transport (partially, since there is still significant, in some cases very large, cost to be paid by individuals that prohibits usage for many), public parks, public libraries, e-books, financial and other public support for various groups in need, etc. Because of their potential to deliver “according to need”, I call these entities *the objects of communism*. In societies with capitalist social relations, inequalities in access to resources (time, money, education) determine the ability to utilize these objects, thus severely limiting their egalitarian effects. **In communomics, entities that enable, reproduce and spread egalitarian, non-discriminatory and directly democratic social relations will be defined both abstractly and in measurable terms and – along with other goods and services – utilized in the local and wider macroeconomic indexes.**

**Third**, Gross domestic product (GDP), The Human Development Index (HDI), Gross National Income (GNI) – none of these macroeconomic measures reflect the inequalities and anti-democratic effects produced and entrenched by capitalist social relations. Combined gross enrolment ratio (CGER) in education, one of the central measures of HDI, uses enrolment as a measure of well-being. It ignores the data on how many finish their course. Far worse, as we know from the situation in the U.S., and the UK is developing in the same direction with its recent £9000 annual universities fees, HDI concept of well-being knows nothing of either student debt, or the amount of labour time that a student has to sell on weekly basis to afford studying. When the total student debt in the U.S. approaches the total national credit cards debt (Tompson, 2010), it becomes clearer what kind of measurements are imposed on us. A different analysis – one that includes labour time, debt, class position and composition, other aspects of equality and other economic obstacles to democratic participation and self-development – is likely to produce a different account. In the U.S. (CGER amongst the highest in the world), the cost of higher education imposes enormous class divisions (access to jobs, political power and wealth based on access to expensive universities), lifetime in debt and relative poverty for many. More than anything else, it produces obedient workforce forced to sell their labour power under whatever conditions capitalist markets dictate, with minimal possibility to experience democratic participation and self-development, all due to debt, insecurity and other aspects imposed by their class position.

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<sup>13</sup> The work of Michal Kalecki is a good starting point for this. For a relevant article worth reading, though not satisfactory in its method and conclusion and with Latour's Action Network Theory as explanatory matrix (which is difficult to see fitting in communomics), see (Bockman & Eyal, 2002)

Although GDP has not been constructed as the measure for quality of living, it has been widely accepted as such. It is presented to the public as the barometer of progress: if GDP grows, the society is doing well, life is getting better, hence, the overall aim is GDP growth. Tentatively<sup>14</sup>, we could give couple of examples of the logic of GDP from the former socialist states where state services were provided free of charge. After privatizations, people started paying, household consumption grew, debt that fuels the consumption contributed to the money flows that inflated the GDP. Another example is state provided housing. GDP records the sales of new build homes only. Whether those homes are paid for by the state, or individuals is irrelevant for GDP calculations. However, the state (its companies, local government, central development funds) has immediate access to funds, unlike individuals who have to borrow heavily paying it off in most cases for the rest of their lives. If the state pays for the housing, both the cost and the risks are significantly lower, and if borrowing is required, the state can do it in vast majority of cases under far better conditions. In addition, dominance of capital over labour – politically expressed dominance of the minority (capitalists) over the majority (workers who borrow) – grows significantly due to reduced ability of workers to bargain, caused by the newly created monthly mortgage bill. GDP records none of these consequences of changed flows and stocks of money and commodities. National accounting expanded significant after each crisis (1929, 1945, 1989, 2008). Its task seems to be twofold: to enable capitalism to survive the crisis with the help of the state, and to demonstrate that there is a commons benefit to all, that “we are all in it together” i.e. GDP is also a key ideological mechanism for manufacturing consent amongst the people hit by the crisis.

There were three large attempts to improve on GDP in the past twenty years: the Index of Sustainable Economic Welfare (ISEW), the Genuine Progress Indicator (GPI), both coming from the green economics, and the HDI<sup>15</sup>. Regardless of their reformist nature, they need to be analysed from the perspective of communomics (Anielski, 1999; Bagstad & Ceroni, 2007; Berik & Gaddis, 2011; Neumayer, 2000; Stanton, 2007). Debates on the availability of time are crucial in assessing time deprivation (Fraser & Hills, 2000; Harvie, 2009; Ironmonger, 1996, 2006) which strips workers from the possibility to engage in direct democracy<sup>16</sup>. Another key aspect that has to be included in macrocommunomic accounting is household labour (Goldschmidt-Clermont & Pagnossin-Aligisakis, 1995; Ironmonger, 1993; Task force report for Eurostat, Unit E1, 2003), feminist literature included. The economics defines the economy using macroeconomics to measure the well-being of capitalism and its elites, whose reproduction and growth depends on circulation of commodities. Hence, it appears that if the rich are doing well, we all are. **In communomics, macrocommunomic measures will be centred around the growth of provision of services provided according to need and according to ability of all to participate in direct democracy, and not according to the ability to pay individually<sup>17</sup>.**

**Fourth**, Michael Lebowitz’s work on one-sided Marxism develops out of the claim that Marx never wrote a crucial book on wage labour, planned for *Das Kapital*. Lebowitz demonstrated Marx’s insistence that needs are social (Marx kept subsistence bundle fixed temporarily, to demonstrate surplus value and exploitation), developing along with forces of production. Consumers determine

<sup>14</sup> This needs to be developed into academic research papers to test the validity of claims.

<sup>15</sup> New Economic Foundation has done a lot work that also needs considering (2009a, 2009b).

<sup>16</sup> One of the reasons that majority of people dismiss even thinking about the possibility for direct democracy is because the time they spend at work is naturalized and such arrangement is not considered changeable.

<sup>17</sup> For useful existing attempts see (Freeman, 2004; Shaikh & Tonak, 1996), for the history of national accounts see (Studenski, 1958; Vanoli, 2005).

utility, depending on their class position and the level of development of society as a whole. Capital's constant push to produce new needs and expand consumption raises workers' expectations. Increased consumption requires increase in labour power sold. For Lebowitz: "class struggle is at the core of changes in the standard of necessity", workers push back demanding greater share in produced wealth. **In communomics, Marx's concept of utility as a relative and socially determined property of objects will be used to define object of communism and macrocommunomic measures.**

**Fifth**, the degree of separation is a key attribute in society: the larger it gets, lesser the ability of workers to organize collectively. Lebowitz's discussions of the degree of separation needs to be connected with discussions on uses of email and Web social networking to critically assess the state of trade unions and political parties in the light of possible organizational changes aiming to reduce the degree of separation and to introduce direct democracy. **In communomics, it would be useful to define the analytical framework and the measure for the degree of separation.** Not just for measuring, but also for identifying material, legal and any other obstacles that hinder development of direct democracy by increasing or maintaining the currently large degree of separation; **the history and the current state of financial and other privacy laws will be examined and re-conceptualized in this light.**

**Sixth**, specifying what is productive labour is necessary for national accounting, for defining and distributing overall social product, and for classifying and prioritizing allocation of labour and all other resources. Marx was changing his mind about what constitutes productive work and why (Marx, 1969, pp. 389–413, 1972, p. 505–6, 1992, pp. 46–52), and opinions of heterodox economists are still split (Pressman, 2011). As Lebowitz notes, Marxists have had endless and frequently unproductive debates on productive labour. Yet, the most important issue seems to have eluded them for most of the time. It is clear that Marx's concept of productive labour was created to show the systemic logic on the side of capital, from capital's perspective: any labour that produces surplus value for capital is productive. It is also clear that vast sections of labour that are productive from the perspective of the worker – household labour, state services providing public health, education, care, etc. – are not productive in the same way for capital. Their productivity for capital varies depending on the decade and on specific historic configurations in which its representatives battled with labour and other social movements, with egalitarian states and blocks, and with the effects and the needs created by wars and crisis. Lebowitz resolves the issue conceptually in the same fashion he resolves a lot of other criticisms of Marx and: we are dealing with, in the case of most of important issues, one-sided work. The one sidedness, hence incompleteness, stems from Marx's focus to structurally explain the society developing only one side of the social totality, that of capital, leaving aside the wage labour which pushes the social totality in the opposite direction, towards the use-value, and against the commodity form and its monetary measure (Lebowitz, 2003, pp. 120–138). **In egalitarian political economy of use-value, the concepts like wealth, productive labour and reproduction of wage-labour will be reconceptualised from the other side of totality facing capital, from the side of wage-labour (future, present and past): students, the unemployment, employed and retired.**

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