Marx, Our Contemporary

written by Tony Smith | July 3, 2018

No one should underestimate the changes in the social world occurring since Marx's day, or overestimate to what extent we find ready-made answers to contemporary issues in his writings. Nonetheless, Marx's analysis uncovers essential features and defining tendencies of capitalism far better than alternative frameworks.

So long as capitalism remains in place, Marx will remain our contemporary. Five examples will be sketched here:

1. Most social theorists assume that the purpose of the capitalist economy is to meet human wants and needs. Those on the right assert that this happens automatically, while "progressives" insist that nudges from governments are often required.

In sharp contrast to both, Marx explained that as social relations are mediated by the production and sale of commodities, an impersonal force, capital, emerges over society. Its goal — the ceaseless augmentation of money capital from some amount (M) to a greater value, M' — predominates over human goals.

Marx's critical concept of capital makes visible what other theoretical frameworks occlude: in capitalism, human well-being necessarily tends to be sacrificed to *the valorization imperative*, M must become M'!

2. In sharp contrast to slavery and serfdom, capitalism is widely affirmed to institutionalize individual freedom and equality, at least in principle. Marx realized, however, that the capital/wage labor relationship is not based on free individuals meeting as equals in labor markets to contract for mutual benefits.

In a society where most of the products required for life take the social form of commodities that must be bought, we aren't free to choose whether to engage in monetary transactions. It is a brute necessity imposed by the social relations defining capitalist market societies.

The vast majority, lacking adequate monetary reserves, are socially coerced to sell their human capacity to engage in labor as a commodity in order to meet their needs. They are then forced to spend most of their adult waking life under the authority of representatives of capital, serving as means to capital's end of ceaseless augmentation.

The connection between the legal freedom and equality capitalism (sometimes) offers, and the social coercion and class inequality that (always) defines it, is as strong today as when Marx wrote.

3. It is hardly a secret that serious problems beset contemporary capitalism. Most believe that these can be overcome by the right sort of public policies whenever the political will to do so is sufficiently strong.

Marx's political and journalistic essays show that he fully recognized that a wide range of state policies are possible in principle, some far more rational and humane than others. Nor did he hesitate in support of the latter. Nonetheless, he argued, the range is not unrestricted.

The state cannot transcend the social relations defining capitalism without ceasing to be a capitalist state. In particular, it cannot abolish either the alien power of the valorization imperative, or the structural coercion and exploitation at the heart of the capital/wage labor relation, without abolishing itself.

Marx taught that struggles for reforms must be conjoined with recognition of how partial and precarious reforms will be under the reign of capital. The importance of this lesson has not lessened.

The Limits of Capital

4. In the mid-19th century Marx foresaw that capitalism would eventually confront historical limits. This was not a prediction of its automatic and inevitable collapse. Only collective political action can dissolve the alien power of capital. The point was instead that whatever creative dynamism capital possesses will tend to erode over time.

Only fools or charlatans continue to deny that capitalism now confronts profound environmental limits. A system based on appropriating profits as much and as fast as possible, by producing, selling, and consuming as many commodities as possible, as fast as possible, will inevitably tend to deplete resources at a faster rate than our planetary ecosystem renews them, and generate wastes at a faster rate than they would have to be processed for planetary conditions to remain within the range that has held for the last ten thousand years.

The longer the time and the larger the scale of capital's rule, the greater the destructiveness inflicted on the plants, animals and humans that share this planet.

Capital may continue to be accumulated from investments in technologies to mitigate and accommodate environmental constraints, and from opportunities for investment arising after environmental disasters. But the "creative destruction" that has always accompanied capital accumulation will become ever more skewed towards the latter.

Another sort of historical limit concerns one of Marx's most striking claims: The very technological dynamism that contributes so much to capitalism's economic dynamism tends to undermine that dynamism over time.

Profit-driven technological change generates a tendency for the rate of profit to fall. Marx's argument for this thesis is notoriously complex and contested. Even its defenders disagree about whether the tendency dominates for only a part of economic cycles, or whether it holds over the long-term.

There is not space to delve into these issues here. I would instead like to suggest that a version of Marx's claim can be based on the social context of innovation today,

In earlier phases of capitalist development, technological dynamism, and the economic dynamism of capitalism, were thoroughly intertwined. A technological revolution would mainly unfold in a specific region of the world market, with other regions needing decades to catch up.

These leading areas enjoyed “golden ages,” thanks in good measure to the competitive advantages domestic capitals commercializing scientific-technological advances enjoyed in the world market for extended periods of time. Their high rates of profit justified high rates of investment, eventually leading to relatively significant real wage increases.

Today there are more effective national innovation systems in place than in any previous period of world history.(1) The United States continues to be the biggest investor in research and development, funding a bit over a quarter of the global total. Asian countries (especially Japan, South Korea, and China) now fund over 40% of global research and development expenditures. Europe’s share is over 20%.(2)

This may be a positive development as far as the rate of innovation goes.(3) What matters in capitalism, however, is not use-value, but *value*; not innovation per se, but the period of time high profits can be won from competitive advantages from innovations.

Whenever an innovation is commercialized in some region that promises to be especially profitable, national innovation systems in other regions across the globe will kick into high gear more or less instantaneously. As a result, other units of capital tend to be able to duplicate the innovation within a relatively brief period.

As other capitals madly rush to capture some of the profits appropriated by initial innovators, productive capacity in the given sector tends to grow at a faster rate than the market for the good in question. The period in which initial innovators enjoy a competitive advantage from innovations necessarily tends to shrink, as does the time before innovative sectors begin to be threatened by excess productive capacity due to an overaccumulation of investment.(4)

Technological dynamism, in brief, now hampers capitalist dynamism.

In previous eras capitalism has responded to falling profits and overaccumulation difficulties with depressions, destroying much of the excess capacity and severely devaluing the rest. Recently alternative paths forward for capital have been taken.

Once world money (the dollar) became a pure fiat currency, a massive and utterly unprecedented explosion of debt proved possible. Increasing levels of debt, whether used to increase the spending of governments, firms or households, has enabled more productive capacity to be employed profitably than would have otherwise been the case.

A ferocious war on labor has reduced labor’s share of income across the globe, pushing profits to new heights. Extending the intellectual property rights regime in scale and enforcement has allowed high returns to be appropriated from innovations for an extended period, despite the spread of innovation systems.

These measures have significantly checked the tendency for the rate of profit to fall. Global depressions have been avoided. But there has been no new “golden age.” With the threat of overproduction continuing, there has been no new investment boom in productive sectors of the world market.

Much of the credit created by the financial sector has remained within that sector, fueling speculative bubbles in financial assets, punctuated by recurrent financial crises.

The use of the coercive powers of the state to bestow monopolies on holders of intellectual property has benefitted only a few (in specific, the ten percent of U.S. companies that appropriate 80% of total profits). And working households face increased radical economic insecurity.

Perhaps greater and greater injections of debt, more rounds of financial speculation, a further intensification of intellectual property, and continuing a relentless war against labor can keep the investor class happy. Even if it does, Marx's insight stands confirmed: Whatever creative dynamism capitalism may once have possessed is eroding over time, due to its own internal development. The technological change that has so often been seen as its great strength now ironically points to its world historical limits.

5. There is only space here to mention one other way Marx remains our contemporary: in his answer to the question, where do we go from here?

Many still regard Marx as a misguided prophet of rule by a privileged and unaccountable elite, unaware of his strong endorsement of the principle that anyone holding a position of political authority should be elected, subject to recall, and paid only average wages.(5) Marx's political project was not the erosion of democracy, but its extension.

The form of social reproduction, and its ultimate purpose, are inherently political matters. Even the most democratic forms of capitalism, however, depoliticizes these issues, taking social reproduction through the circulation of commodities and money for the ultimate purpose of capital accumulation as an essentially "private" matter.

This leaves "politics" in even the most democratic form of capitalism profoundly impoverished. And it condemns us to the social pathologies discussed above. Marx insisted that a better world is possible. He remains our contemporary, first and foremost, because creating that better world remains our task today.

Notes

1. Of course, it is also true that there are only a relative few. Most regions remain in a vicious circle, unable to fund an effective national innovation system because their domestic firms are not competitive in the world market, and unable to generate competitive firms due to the lack of an effective national innovation system.
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2. "2016 Global R&D Funding Forecast," *R&D Magazine* (Winter 2016), 3-4.
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3. When we consider environmental costs of technological change in capitalism, however, it is not such a positive matter.
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4. See Robert Brenner, *The Economics of Global Turbulence*, New York: Verso, 2006.
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5. *The Civil War in France*, https://www.marxists.org/archive/marx/works/1871/civil-war-france/ch05.htm.
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