Marx This Time

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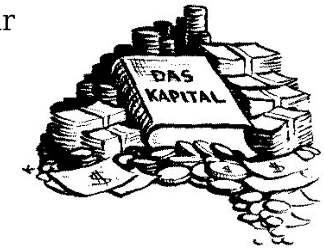

The path taken by political life around the globe since the end of the Cold War appears as if designed to crush the liberal optimism with which this period excitedly began. The rise of Islamic fundamentalism manifestly disturbs a concept of peace understood in terms of sovereign states. Economic disquiet persists nearly a decade after a financial crisis highlighted the epochal decline that had occurred in the world economy after the post-Second World War growth boom. American populism has seized the allegiance of vast masses, led to a spontaneous storming of Wall Street, emboldened proud neo-Nazis to take to the streets, and wracked the nerves of liberals at home and abroad as it saw Donald Trump descend an ill-advisedly gaudy escalator to the White House.

None of this appeared on the horizon in the heady days of Boris Yeltsin, Y2K, and Super Nintendo. As early as 1989, Francis Fukuyama, among the most influential neoconservative intellectuals of the period, gave voice to classical liberal enthusiasm (as opposed to the nominal liberalism of the DNC) in a manner that appeared to perform a transubstantiation of Marxism. Taking on the very Hegelian categories that had characterized historical materialism—most conspicuously, the 'end' or 'goal' of history—Fukuyama announced that, while there may well be a temporal future, the coming to be of a fully formed human society had already occurred. The terms in which he described the coming order were chilling and cartoonish at once. "We might summarize the content of the universal homogenous state as liberal democracy in the political sphere combined with easy access to VCRs and stereos in the economic," Fukayama tells us. In other words, the spiritual education of the developed world is now complete. We have overcome ideology. After all, by his lights, "both economics and politics presuppose an autonomous prior state of consciousness"[1]—a state of contented capitalist consciousness.

The Failure of Capitalist Recovery

The situation almost thirty years later is dire. Even as the stock market rides a wave of Trump-era enthusiasm to the apex of an increasingly thin-skinned bubble, talk among the capitalist intelligentsia frets and shudders. Larry Summers, former Treasury Secretary in the Clinton administration and, along with Paul Krugman, as representative a voice for the Left wing of mainstream policy making as one could hope for, has devoted much of his post-2008 publishing to a thesis about 'secular stagnation.' At a meeting of the IMF Economic Forum in 2013, five years after the crash and only four since the Recovery was officially announced, Summers sowed what he deemed productive doubt among his fellow elites. Musing cryptically, he said that "finance is all too important to leave up to financiers." Having recourse to metaphor, he said that if the financial system is the power grid that helps run the economic system, then one would expect a panic—an outage—to bring destruction. The lights would go out. After the grid came back online, however, one would assume that the bulbs should burn just as brightly as before.

This is far from how things turned out. Interest rates, which central banks slashed to zero or near zero in the middle of the crisis have remained there. And conditions are only now (a decade in) encouraging enough for Janet Yellen to consider moving them up even a small amount, the start date for that process kicked off ever farther into the future. Labor force participation has fallen steadily since 2007. In 2009, the CBO (which scores legislation and about which we heard a great deal during the Obamacare repeal fight) predicted that GDP today would be more than a trillion dollars higher than it is.[2] There is a persistent growth deficit in the US economy. Finally, since there is so much talk of inequality today: a decades long gap between wage growth and productivity continues apace.

Continuing economic disquiet clearly indicates that there are structural failures in the capitalist system that stare down threateningly on the smooth functioning of our daily lives. This, along with the increasingly fatal effects of climate change and the election of Donald Trump, is the significant context for the growth of the Left in the United States, seen most clearly in the blind growth of membership in the Democratic Socialists of America (DSA).

It ought to concern us, then, that the Left is far from united when it comes to interpreting the economic landscape and charting a strategic path forward. Most Left accounts are focused on income inequality. By far the greater share of the gains made since 2008 have gone to a small segment of the population, bypassing the masses who must sell the hours of their day in order to survive. Across the ideological spectrum, a demand gap is understood to ultimately lie behind decline. Among Keynesians this is referred to as a lack of "effective demand." Among Marxists, it is called "under-consumption." Summers writes that "the main constraint on the industrial world's economy today is on the demand, rather than the supply side." It is certainly true that the wages of labor have stagnated since a successful assault on labor unions characterized the response to the last major economic disturbance, the Great Stagflation of the 1970s. It is also true that inequality was exacerbated by the crash. However, while it may go some way toward explaining some of the phenomena we see around us (especially in the political sphere) inequality alone is of little help in explaining the root *cause* of the crisis.

The Fortunes of Value Theory

Marxism has been very far from the mainstream of Left thought in the United States for over half a century. Nevertheless, the most interesting attempts to explain the causes of systemic crisis have recently come from a newly resurgent and sophisticated Marxist economists. In a world softly tucked into an order where representative democracy and VCRs could be enjoyed at the same time, Marxism appeared to be an anachronism. Things look differently in an age of secular stagnation.

The Marxism that thrived in the preceding period was primarily the product of the academy. In the US, the intellectuals who associated themselves with the label were cultural critics. The so-called Frankfurt School was particularly influential. A band of German exiles, shaken by the abyssal moral failure of Auschwitz, formulated habits of thought geared to understanding the psychological conditions that had both prevented the emergence of socialism and allowed for the triumph of barbarism. Stationed in America in the midst of its post-WWII growth boom, the relevance of Marx's political economy was opaque. The very core of his contribution to science, *Capital*, remained smooth spined and on the shelf. Meanwhile, the ideological structure of the Western world was torn dramatically to bits. Theodor Adorno and Max Horkheimer mapped the authoritarian personality. Herbert Marcuse, with a turn to Freud, unpacked the failure of love. Erich Fromm anatomized human violence. And all were agreed that Reason itself, concepts taking hold of objects, was at best a self-defeating mistake, and at worse a violation.

Mainstream economics, for its part, did more than ignore Marx. The classical tradition of political economy that Adam Smith, David Ricardo and Marx all took part in was thrown aside. The discipline was furnished with new premises: a notion of competition in which firms strive to serve consumers rather than struggle to ruin one another, a concept of utility devoid of need and inspired only by lustful desires, and assumptions about human reason and action that were very far from the everyday experiences of living and working with people. Atop this fiction was erected a vast, mathematical modeling system. Finally, the whole academic endeavor merged with industry, finance, and government.

One might imagine that in the Soviet Union Marx's theory would have fared much better. While it is true that the Soviet state funded scholarly research on the founders of scientific socialism and the revolutionary ferment that followed its founding initially inspired some of the most important contributions and elaborations of its theoretical achievement, the revolution's Thermidor saw a theoretical retreat. The fate of Isaak Illich Rubin is a case in point. Dedicating himself to elaborating Marx's theory of value, in 1924 he published a book length account of the structure of commodity fetishism in capitalist economies that broke similar ground to what Georg Lukács would in the same period. Less than decade later he was arrested and tortured. He endured a show trial and submitted a forced confession. He was dead by 1940. In the Stalinist period, the economist Leontiev signaled a shift in the Soviet political economy. The law of value, which Marx identified as the rule that regulates commodity exchange, was said to not apply to Soviet socialism in which "all labor useful to societies is rewarded by society." As the core of Marx's political economy had been pronounced inapplicable to actually existing socialism, there was little ground on which to build on his theory.

In light of all this, engaging with Marxism today involves a rediscovery of Marx after the clutter of 150 years of history. That rediscovery begins with the concept of value itself. Like Smith and Ricardo before him, Marx understood the source of value to be human labor. He held that the "socially necessary labor time" required for the reproduction of commodities determines the ratio at which they exchange. This social construction of value was the common property that allowed very disparate things—apples and tables, cars and hats—to become commensurate. While socially constructed, value can only be represented in things themselves. It is the apple or the table itself that appears to have value. The social, historical scaffolding that allows value to appear at all is invisible and leads us to behave as if values inhere in *things* rather than the social relations we enter into as members of an economy.

In the context of a money economy, it becomes possible to take the measure and means of payment of the social form of value and, as if by magic, cause it to expand. By investing money in means of production and buying the hours of workers, a capitalist can reap more value from production than she started with. The value of the means of production would transfer to the product in proportion to the extent they were used up in the process. The value of labor, however, is different. Labor adds value, but is not paid its full value. Value added is divided between the worker in the form of wages and the capitalist in the form of profit. The value-increasing process, then, is revealed to be a mystified form of exploitation.

The labor theory of value and the model for the exploitative origin of profits it leads to is a central part of Marx's critique of both the economics of his day and the system it is meant to describe. Nevertheless, it is not ultimately why Marx thought capitalism was inherently unstable. He found that as the capitalist production cycle iterated, a portion of the profit share was thrown back into production. Capital, as it were, would accumulate. Given competitive pressures, capitalists would invest in labor-saving mechanisms that would reduce costs, allowing firms to undercut one another's prices. As a result, the value of the means of production would increase compared to the value of wages. However, since labor is the source of value added, the rate of profit would tend to decline. The third volume of *Capital* outlines a series of countervailing tendencies that offset this fall in the profit rate, but over time, Marx held that one should expect secular profitability decline in an advanced capitalist economy. The capitalist can increase the *mass* of profit even while the *rate* falls, but this only further advances accumulation.

From the founding of political economy, it was understood that a tendency for the rate of profit to fall required explanation.[3] It was and continues to be an empirical reality.[4] The law of the tendency that Marx was the first to fully elaborate was even glimpsed by the right-wing economist Friedrich Hayek.[5] Besides being the most robust account of the phenomenon, Marx's falling rate of profit thesis links his political economy to his political radicalism. According to his accounts, it is capitalism's fantastic ability to make production more efficient that is the ultimate cause of its inability to maintain profitability over time. Production is its own limitation in a system of individual firms that seek profit maximization. Declining profitability can also be identified as a driver of the more proximate causes of crisis, such as the increased financialization of the economy, massive lending to home buyers, and the development of arcane, elaborate insurance instruments. If industry does not offer the best return per dollar invested, capital will seek speculative avenues.

There are also political consequences to the fight to maintain the profit rate. One of the countervailing tendencies to the law that Marx identified was the ability for capitalism to push the wage share below the average standard of living previously operative in society. This is roughly the result of the neoliberal assault on the power of syndicalism that began at the end of the post-WWII boom in the US and Europe. Breaking working-class power and driving the wage share downward succeeded in stopping a precipitous fall in the profit rate. It did not, however, create a boom; it merely staved off the secular decline. As a result, the profit rate has been trendless since the 1980s.

Since the Cold War, Marxist economists have largely abandoned value theory. Even Robert Brenner, who in 2006 published a book detailing how the falling profit rate at a global level was driving increasingly turbulent cyclical trends, is happy to abandon both the labor theory of value and the law of the tendency for the rate of profit to fall. In fact, he dismisses the whole theory in a footnote.[6] The climate around Left economics, however, has shifted since then. The likes of Michael Roberts, Andrew Kliman, and Fred Moseley have rescued Marx's value theory from its premature arrival in the dustbin of social science. With the publication last year of Anwar Shaikh's magisterial *Capitalism: Competition, Conflict, Crisis* (the subject of the keynote address at the Historical Materialism conference in New York this year), an authentically Marxist framework for a new generation of Left theory is at hand.[7]

Fighting the "Recovery"

At the height of the Greek sovereign debt crisis, the newly elected Greek prime minister, Alexis Tsipras—a member of the far-left Syriza party—chose the neo-Keynesian economist and game theorist Yannis Varoufakis to go to Berlin to discuss terms for the country's bailout. He met there with Wolfgang Schäuble, the German finance minister, and a passionate advocate of austerity—a policy that involves the reduction in state-provided public services, everything from healthcare to trash collection, to ensure scheduled payments on debt owed to banks. According to Varoufakis' memoir, the German finance minister spoke to him about how

> *"the 'overgenerous' European social model was no longer sustainable and had to be ditched. Comparing the costs to Europe of maintaining welfare states with the situation in places like India and China, where no social safety net exists at all, he argued that Europe was losing competitiveness and would stagnate unless social benefits were curtailed en masse. It was as if he was telling me that a start had to be made somewhere and that somewhere might as well be Greece.*
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> *My rejoinder was that the obvious solution was the globalization of welfare benefits and living wages, rather than the globalization of insecure working poverty. In response, he reminisced at length about a secret mission he had undertaken in the 1970's and 1980's, to liaise with the East German authorities on behalf of his Christian Democrat party. 'The DDR people were not bad,' he told me. 'They had good intentions for the social welfare system that was not economically possible.' The insinuation was perfectly clear."*[8]

Crises tend to alter the political terrain. The Great Depression changed for decades the conditions of the class struggle, introduced mass unionization, and popularized Keynesian economics and state intervention in the economy. The Great Stagflation reversed this course. It used the state to crush the power of unions and reduce overall union density. It subsequently drove down the increase in wages relative to productivity. In Britain, Margaret Thatcher declared that "there is no society." The state quickly came to be widely understood to be the most significant barrier to growth, rather than a condition for its possibility.

The financial elites in Europe, at least, have decided that in a truly global labor market, the standard of living of the laboring population in the advanced capitalist countries must be reduced to a new normal. As is often pointed out, my own generation stands to make less money over the course of its lifetime than the generation that produced us. And this, for the first time since the Great Depression. Austerity policies at the state level threaten to drive national economies into prolonged recession and, in the process, impoverish the population.

On the mainstream liberal Left, a very similar conclusion has been drawn. During his Google lecture, self-styled leader of the anti-Trump resistance and former Labor Secretary under Bill Clinton, Robert Reich, told his youthful tech audience that they are

> "part of the problem, […] and part of the solution. There's been a great deal of job displacement and there will be more job displacement. […] But there are areas where we need your help. One is enabling people to live better even though they may have lower incomes."

This thought is frankly baffling. The suggestion seems to be that the fall in the wage share is inevitable and what tech companies ought to be in the business of doing is inventing machines that allow people to raise their standard of living while their share in social production decreases. No-one should be holding their breath for a solution to endogenously generated unemployment and underemployment being delivered by (the woke bros of) Silicon Valley.

The challenge facing us is stark. There will continue to be an effort to lower the standard of living for the majority of Americans and our fellow workers around the world. The next crisis may well test the social limits of capitalism itself. In the face of this, it is natural for there to arise a social movement that seeks to expand the welfare state, provide healthcare to all Americans, provide housing to the un-housed, and cover other basic social necessities. These demands are reasonable and to the extent that they are met, will greatly improve the lot of workers.

But they are not enough. Taken by themselves, they are alarmingly myopic. If they are not understood as demands to end the wage system of coerced labor and organize production for consumption, they amount to a crimped utopianism. Capitalism does not produce for consumption and does not stop producing when everyone's needs are met. It cares little about needs; its *only* driver is profit. Ending the system that extracts value from value, then, ought to be the goal of modern socialism. The problems of distribution, productivity, and growth can best be handled in a system in which free people come together to produce goods for human needs.

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3. Maurice Dobb, “The Falling Rate of Profit,” *Science and Society (*Spring 1959) ↩
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5. Chris Harman, *Zombie Capitalism* (London: Haymarket, 2009), p. 67 ↩
6. Robert Brenner, *The Economics of Global Turbulence* (London: Verso, 2006), p. 15 ↩
7. Anwar Shaikh, *Capitalism: Competition, Conflict, Crisis* (Oxford: Oxford University Press, 2016) ↩
8. Yannis Varoufakis, *Adults in the Room: My Battle with the European and American Deep Establishment* (New York: Farrar, Straus and Giroux, 2017), p. 212 ↩