

“I told you so” (message on a Karl Marx t-shirt popular since 2008). Did he? 1500 words.

ABSTRACT; In light of the recent crisis, economic viewpoints have been shaken. Capitalism had a NICE period, but after the 2008 crisis, it appeared capitalism had failed. It is still functioning six years later in 2014, but it is certainly limping, using the state and bailouts as a crutch. In the confusion, economists have looked away from traditional views for a solution and the causes of the financial crisis. Nouriel Roubini and Thomas Piketty are two modern economists, whose views have sympathies with Marx's, and who have become prominent with the crash. It is unlikely that these economists would have come to the foreground had there not been some truth in Marxism and left wing arguments with regards to capitalism and its flaws.

In this essay, I will evaluate to what extent the flaws of capitalism are still present today in accordance with Marx's views, whether agents have acted in line with Marx's expectations, and finally if the crisis has added weight to Marx's arguments.

Key concepts; Marxism, financial crisis, labour, economic agents, inequality.

The recent financial crash has led to Marx's revival, and many suggest Marx was right in his criticisms about capitalism. His main points related to the crisis are that the exploitation and alienation of labour would increase, and governments and firms are willing to exploit the workers and seek to profit-maximise freely. Marx also argued that the boom and bust cycle was due to these innate flaws of capitalism and would be characterised by a lack of demand. The financial crisis highlighted the weaknesses of capitalism, but whether or not they were the criticisms highlighted by Marx, and whether the causes of the crisis were as Marx predicted, remains to be seen.

Marx places a great deal of emphasis on labour, and states that alienation and exploitation of labour (the surplus value of each worker, denoted as 's', in other words, the unpaid work of labour) will lead to the proletariat class banding together due to rising inequality. It is evident that decentralisation has occurred, in line with Marx's expectations and predictions of globalisation. Outsourcing is commonly used, from school canteens to major firms. Whilst exploitation is not as prevalent in more highly developed societies, the exploited proletariat of Marx's time is apparent in LEDCs, such as China¹ and Nigeria². As Marx predicted, many have banded together to protest poor working conditions and low wages, suggesting they are alienated from the production process.

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<http://www.telegraph.co.uk/news/worldnews/asia/china/9006988/Mass-suicide-protest-at-Apple-manufacturer-Foxconn-factory.html>

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<http://www.premiumtimesng.com/news/more-news/170590-nigerian-casual-workers-at-indian-firm-protest-slave-like-working-conditions.html>

However, since the 1970s, trade union membership in the UK has declined, falling from 13 million to 7-8 million since the 1990s³, arguably when protection from low wages and exploitation was needed the most. The same is true of the US⁴, suggesting that Marx's unified proletariat did not happen in the countries that were highly developed capitalist societies as he expected.

Marx's exploited proletariat has also been somewhat undermined by entrepreneurial spirit and the growth of SMEs, which gives some power to workers, creating a vastly different option for workers from Marx's time. SMEs have a considerable impact, as they account for 99.9% of all private sector businesses in the UK.⁵ In a small business of fewer than 50 employees, it is unlikely that alienation is a major phenomenon, and that workers often believe that their contribution to the firm is important. Workers' contribution in these firms is certainly of greater significance than the average worker's contribution in Marx's time. Starting a small business helps workers become self-made entrepreneurs, and along with the development of sport as a profession and the Internet, labour increasingly has the ability to control their part in the production process, away from capitalists. The working class are not so confined as they were in Marx's time.

Marx also states that the division of labour will cause alienation through deskilling. However, workers recently have united over poor working conditions and pay, rather than the monotony of their work. As well as this, the division of labour does not necessarily result in monotonous dull work. Many workers are often specialists, or experts, for example, consultants and those with Doctorates in a specific branch of a single field of academia.

There are still many cases of capitalists exploiting labour to profit maximise and increase the surplus value of labour. The prevalence of the minimum wage, rather than the living wage, highlights the profit maximising motive of capitalists. The minimum wage also demonstrates the maximisation of surplus value, even in the UK, which is seen as a 'welfare state'. It is too low to be much more than a gesture, and 20% of citizens still live below the poverty line in the UK despite the national minimum wage.⁶ To emphasise this, the London Living Wage is currently £1.35 an hour above the national minimum wage⁷, a gap that is widening, and 70% of the globe live in countries where inequality is increasing⁸. An even more stark example of exploitation is in the US, where the minimum wage is \$7.25 an hour, but 2.6% are earning that level or below⁹. 'Tipped labour' earn \$2.13 an hour, and whilst they are supposed to be matched to the minimum wage by their employer, this is often not the

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<http://www.theguardian.com/news/datablog/2010/apr/30/union-membership-data>

⁴ Bureau of Labor Statistics, "Union Membership Summary" [Jan 24, 2014](#)

⁵ <http://www.fsb.org.uk/stats>

⁶ <http://policy-practice.oxfam.org.uk/our-work/poverty-in-the-uk>

⁷ <http://www.livingwage.org.uk/calculation>

⁸ <http://policy-practice.oxfam.org.uk/our-work/poverty-in-the-uk>

⁹ "Characteristics of Minimum Wage Workers: 2013". *U.S. Department of Labor*. Retrieved April 3, 2014.

case¹⁰. It can be argued that this highlights the profit-maximising nature of capitalists seen by Marx, and exploitation of labour is still frequent.

However, this is becoming less prevalent in developed capitalist societies – directly contradicting Marxist predictions of increasing alienation of workers. More than 1,000 employers pay the Living Wage, in both the private and public sectors¹¹. Firms increasingly recognise the correlation between a higher wage and higher productivity, and many offer employees ‘perks’, especially large firms such as Google¹². This suggests that Marx’s ‘fetishism of labour’ and the commoditisation of labour¹³ is not such a burden to employees as in Marx’s time. Employers frequently have to provide for their employees, for example, ensuring interaction and empathy by hosting team-building days. Health and Safety legislation and Workers’ Rights also increasingly protect workers, altering perceptions from a lower-class factor of production to an individual. In economic theory, a worker is treated as a unit of a factor of production, but in reality this is not the case to the same extent as in Marx’s time, especially since the emancipation of workers, and the increasing accountability of the government, powerful individuals and firms through the media and social networking sites.

Marx’s analysis of boom and bust argued that the slump in a cycle would be characterised by a lack of aggregate demand, resulting in overproduction. This was very much a characteristic of the 2008 financial crisis. Marx believed that this would occur due to capitalists maximising their profits, without due regard for society or industry’s interests as a whole¹⁴. This theory corresponds with the causes of the 2008 crash, as sub-prime mortgages and toxic debt were sold off without due caution, leading to market volatility. With these unfavourable investment conditions, investment decreased extensively, and unemployment massively increased, as Marx said they would. Many firms left the market, and workers with low or no income fuelled the crisis with increasing debt burdens, in accordance with Marxist theory.

However, Marx did not foresee the superstructure’s (governmental) reaction to the crash. Banks were bailed out, suggesting a more left-leaning policy through a greater role for government, rather than unfettered free market capitalism. Governments also took measures to increase competition, which suggests Marx underestimated the superstructure’s ability to solve capitalism’s flaws. However, much of the policy change was to promote the sustainability of capitalism, suggesting a greater endurance of capitalism than Marx, and indeed many others, thought.

Another factor that Marx did not predict which aided capitalism’s endurance was the development of the welfare state. This arguably minimised the worst outcomes of the crash, and contributed towards capitalism’s survival, especially due to the utilisation of automatic stabilisers, which reduce the fluctuations in the business cycle. The

¹⁰ See ‘Nickel and Dimed, on (not) getting by in America’ by Barbara Ehrenreich for an excellent provoking undercover journalistic piece on income inequality in America.

¹¹ <http://www.bbc.co.uk/news/business-20204594>

¹² <http://www.google.com/about/careers/lifeatgoogle/benefits/>

¹³ Heilbroner, R. (1980). *Marxism, for and against*. New York: Norton.

¹⁴ <http://socialistreview.org.uk/368/what-causes-boom-and-bust>

welfare state also detracts from Marx's argument that capitalism would fall due to the poor remaining poor with little hope except to revolt, as the poor are often supported through training and benefit schemes, although these schemes are not as extensive and therefore are not highly effective. This development also weakens Marx's argument regarding the motives of the capitalists and the superstructure.

Therefore, while Marx did tell us about the flaws in capitalism and its causes, he did not anticipate the endurance and adaptability of capitalism. He did tell us about the problem, but did not outline a solution, other than a vague communist state. Marx also told us that capitalism would fall, yet it appears to be surviving the most widespread and devastating crash to date. Although, it could be tentatively suggested this is because capitalism has not yet developed enough, but the crashes are becoming increasingly severe so capitalism is yet to reach this stage. The globe should have heeded Marx's criticism and paid attention to his criticisms, but equally, we should remember that it is a very different time. No economist is entirely infallible, but that is no reason to dismiss the most important and comprehensive critic of capitalism when he foresaw the flaws in capitalism that shook the globe's faith in capitalism.