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The re-return of Karl Marx

By Alan Maass

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ONCE AGAIN, Karl Marx and his critique of the capitalist system is haunting the ponderings of even the dustiest media outlets--with newspaper editors and economic commentators asking, and being asked, the question: Was Karl Marx right after all?

As on previous occasions when the question surfaced in the media, the answer from the system's defenders and even its moderate critics is: A little bit, maybe, but not really. Marx is grudgingly credited with recognizing some flaws in the functioning of the free market--before ultimately being dismissed as a failure because he "predicted" that capitalism would "inevitably" collapse, and look, it's still going, so he must have been mostly wrong.

And yet the nagging question keeps rerunning.

The causes of the current re-return of Karl Marx are both general and specific.

The general cause: Just look around. Median annual household income in the U.S. (adjusted for inflation) has started to rebound, but is still more than 6 percent below where it stood when the Great Recession began at the end of 2007. The unemployment rate is falling, but the U.S. economy is millions of jobs away from making up for the losses of the recession, not to mention the jobs needed to keep up with the growth in the working-age population.

But for those at the top, things are going rather well. Since the recession hit its low point in 2008, the richest 1 percent of U.S. households have captured 95 percent of the overall economic growth of the U.S. economy. Go back 30 years, and it turns out the proverbial 1 Percent has doubled its share of the national income--while real wages stagnated or dropped for those on the bottom half of the income ladder.

Sure looks a lot like, as Marx put it, "capital [growing] in one place to a huge mass in a single hand, because it has in another place been lost by many."

As for the specific cause of the current interest in Marx, it's an unlikely best-selling book called *Capital in the 21st Century* by French economist Thomas Piketty.

Its 600 pages--plus 165 more of technical data available online--analyze two centuries of economic history to reach the inescapable conclusion: Barring anything to hinder it, such as wars, economic depressions or a systematic political program of higher taxation, wealth under capitalism inevitably tends to become more concentrated in the hands of fewer people.

Piketty is far from radical, especially in his political conclusions, but that hasn't stopped conservatives from denouncing his book as "the new rallying cry of the redistributionists," according to the Heritage Foundation's Stephen Moore. "If U.S. politicians are dumb enough to take Piketty's advice," Moore concludes gloomily, "a depression is just where the U.S. economy is headed.

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FOR FREE-market ideologues like Moore, there are two basic lines of attack when confronted with Piketty's undeniable evidence, as *New York Times* columnist Paul Krugman points out.

The first is to dispute the statistics--or, more accurately, distort them.

One laughable example of this tactic appeared in the *Times*' online debate on "Was Marx Right?" among economics writers. There, Michael Strain of the American Enterprise Institute revealed that inequality isn't getting worse, it's getting better! "In 1970," Strain wrote, "26.8 percent of the world's population lived on less than $1 per day. In 2006, only 5.4 percent did--an 80 percent drop in this extreme poverty measure in less than four decades."

Presto! Problem solved.

Only not so much. First, Strain was citing statistics from one extremely rosy study championed by--surprise, surprise--the American Enterprise Institute. The more sober World Bank put the percentage of people living in extreme poverty--at the threshold of $1.25 a day--at 22 percent in 2010.

That percentage *has* declined in the last two decades--by almost half, though not 80 percent--mostly as a result of economic development in China, the world's most populous country. But if you go to the next threshold, more than 40 percent of the world's population lived on $2 a day in 2010. That's 2.4 billion people--and *that* number has barely decreased in more than three decades, according to the World Bank.

Look at the world's accumulated wealth, rather than income, and the level of inequality is difficult to wrap your mind around. According to an Oxfam report issued earlier this year, the richest 85 people on the planet possess more wealth than the poorest half of the world's population combined.

Statistics like these aren't going to work for the champions of capitalism, no matter how they're packaged. So there's argument number two: Inequality may be distasteful, but it works--without the rich, the poor would be even worse off.

"Piketty takes the evilness of inequality as a given," complains Michael Tanner of the Cato Institute, "ignoring the broader question of whether the same conditions that lead to growing wealth at the top of the pyramid also improve material well-being for those at the bottom. In other words, does it matter if some people become super-rich as long as we reduce poverty along the way?"

But here, too, the real world has produced an abundance of evidence that "growing wealth at the top" has *not* improved "material well-being for those at the bottom." To take just one example: In the U.S., corporate profits account for a larger share of national income than at any time in the last 60 years, while compensation for employees claims a smaller share than at any point in nearly as long.

It's pretty clear that more of one is the result of less of another.

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BELIEVING IN capitalism requires a kind of religious faith, exemplified by Tanner, that the best and brightest and hardest-working are rewarded by the free market.

Among many other points, Piketty's book shreds that myth, too. The most obvious counter-example is to look at the source of wealth for the world's richest people. Piketty estimates that half of or more these fortunes are the product of inheritance--people whose millions and billions were assured from the moment they were born.

Like Jim Walton, who was lucky enough to be the son of Sam Walton, founder of Walmart. Jim Walton has never had to do a day of work in his life, yet he's worth more money right now than *1 million people* making the federal minimum wage--and doing very hard work--will earn in a year.

In fact, those who have the most wealth under capitalism are typically the *least* deserving, based on anything they've done in their lives. That's obviously true of multibillion-dollar heirs like Walton--and, just as obviously, of the parasites of Wall Street who accumulate vast sums of money not by doing anything productive or positive for society, but quite the opposite.

Consider Stephen Schwarzman, head of the Blackstone Group, a Wall Street investment firm, and number 54 on the *Forbes* 400 list of richest Americans. Blackstone is one of world's largest private equity firms--which means it specializes in mega-transactions to buy control of companies; restructure their operations, usually by slashing jobs and closing facilities; and then resell what's left, as a whole or in parts.

Blackstone's business model--which makes the firm extraordinary, obscene amounts of money--isn't to invest in new production or create jobs or develop innovative products. On the contrary, Schwarzman and Co. are traveling parasites, taking over existing companies, sucking the money out and getting rid of them as quickly as possible--regardless of how much economic wreckage they leave in their wake.

It's impossible to see how Schwarzman's multibillion-dollar fortune has anything to do with improving the "material well-being" of anyone except himself and his fellow parasites. From the point of view of anyone who wants to make the world a better place, this is money that has been stolen--wealth that ought to belong to the people who created it, which has been robbed for the "well-being" of the 1 Percent.

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THOUGH IT isn't as obvious, organized theft is a way of life for the tycoons who own companies that actually produce something. For example, Microsoft's Bill Gates, who this year regained the title of world's richest man, wasn't born with his first billion dollars socked away in a trust fund--he actually started the company that made him super-rich.

But what did he actually do to amass that fortune? In fact, his company gained control of a particular kind of computer software--developed by other people, not by him or the other heads of Microsoft--and successfully marketed it at the dawn of the era of personal computers. In other words, Bill Gates got lucky, too--just in a different way than Jim Walton.

Bill Gates and the class of people who rule in a capitalist society are wealthy and powerful not because of their work, but because they *own*.

They control what Karl Marx called the "means of production": the factories and offices, the land, the machinery, means of transportation. These owners don't make anything themselves. They hire much larger numbers of people to do the actual work of producing or providing different goods or services. Without this labor of the many, the vast wealth of the few--including the enormous sums gambled back and forth between speculators on Wall Street--wouldn't exist.

For this labor, workers are supposed to get a "fair day's wage for a fair day's work." But it isn't fair at all. Even workers who are paid relatively well don't get the full value of what they produce. What employers pay workers has nothing to do with how much those workers contribute to overall revenues--wages and benefits (when there *are* benefits) are only so high as they need to be to entice a qualified person to take the job and keep it, under the threat that they could be replaced by someone who will work for less.

Meanwhile, the owners get to keep what's left over after paying wages and other costs of production. Supposedly, this is their just reward for the "risk" of making an investment. But there's no inherent connection between reward and risk--which often isn't much of a risk at all; the capitalists prefer to bet on sure things--nor any necessary limit on how big that reward can be.

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NO LIMIT but for one thing--the class struggle.

Workers can organize collectively to demand their fair share--or something closer to their fair share. Sometimes, that fight comes over wages and working conditions at particular companies and industries; sometimes, it comes on a wider social level, over, for example, government funding, through taxation, of programs that benefit the working class.

Thus, for Karl Marx and Frederick Engels, the driving force in any society--the chief factor in how that society is ordered and governed--is the class struggle between oppressor and oppressed.

And it's at this point--if not well before--where we Marxists have parted company with the liberals who are championing Thomas Piketty today.

On the same day that Paul Krugman wrote his *Times* column mentioned above that claimed vindication against his right-wing critics, he shared the op-ed page with journalist Timothy Egan, whose article "How to Kill the Minimum Wage Movement" warned about the dire implications of the Fight for 15 struggle in Seattle.

Of course, Egan agreed, "bottom-wage workers are long overdue for a raise." But this must be done "gradually over many years," he lectured--not with the passage of a referendum for a $15 an hour minimum wage that would "force a 61 percent wage increase...on everyone next year but a select group of small businesses and nonprofits."

Well, we've heard that before, haven't we? Not just the alarmist freak-out about a 61 percent wage increases for "everyone" in Seattle, plagiarized from Chamber of Commerce propaganda. But the age-old scolding about the need to "wait"--which Martin Luther King taught us "has almost always meant 'Never.'"

Thomas Piketty's book is valuable in exposing the myth that the free-market system produces prosperity and a better life for everyone. It's a meticulous researched vindication of Marx's 150-year-old critique of capitalism.

But the rest of Marxism is just as important. Karl Marx and Frederick Engels were not just theorists, but agitators--interested in not only interpreting the world, but changing it. Their *Communist Manifesto* ended with a call to action for the workers of the world to unite--to, in the words of another great revolutionary, the poet Percy Shelley:

Rise like lions after slumber
In unvanquishable number,
Shake your chains to earth like dew
Which in sleep had fallen on you--
Ye are many, they are few