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Marx: Hit and Myth

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Having been treated like a dead dog for most of the 1990s, Karl Marx is back in fashion. Over the past year or so commentators in establishment organs such as the **Financial Times** and the **New Yorker** have carried pieces affirming the relevance of Marx's thought to the contemporary world. It is rare that a week passes without the economic pages of the **Guardian** making at least one reference to Marx's critique of capitalism.

Indeed, as Bill Clinton famously put it, "it's the economy, stupid" that explains the revival in Marx's reputation. While world capitalism appeared to have triumphed in the first half of the 1990s, Marx was ignored. Now that the world economy is in increasingly deep trouble, his works are being dusted off again.

Yet there is in many ways less to this return to Marx than meets the eye. Despite the greater respect and attention with which he is now treated, the substance of his thought is still largely discounted. Thus the **Guardian's** Victor Keegan wrote at the start of January that he'd like to have one of those One-2-One talks with Marx, but then went on to argue, "What would really have astonished Marx is the resilience of the market system, which seems to have survived yet another crisis."

Behind this kind of, in reality, very dismissive reference to Marx lies a set of very persistent myths about the nature of his thought. None of these are new – most were formulated by his first critics a century ago. But they are perpetuated by the education system and the mass media, particularly in their higher, supposedly more sophisticated, reaches. These are, as I say, myths – that is, they misrepresent the real content of Marx's thought. Here are five of the most deeply entrenched.

Myth one: A Victorian conception of class

From the **Communist Manifesto** onwards Marx portrays capitalist society as divided between a tiny minority of capitalists in whose hands all economic power is concentrated, and the large majority of workers on whose labour the system depends. But, say numerous sociologists, contemporary society doesn't fit this picture. Most people, in countries like Britain at least, are middle class, doing white collar jobs in service industries rather than toiling in Victorian factories.

This criticism is based on a complete misunderstanding of Marx's conception of class. For him, class is defined not by a person's lifestyle or occupation, or even, within limits, their income. An individual's class position depends on his or her relationship to the means of production. These are the productive resources – land, buildings and machinery – without which no economic activity can take place.

Workers lack access to productive resources – with the very important exception of their labour power, their ability to work. In order to live they must sell this labour power to the capitalists, whose wealth allows them to control the means of production. Workers' weak bargaining position relative to the bosses means that they sell their labour power on unfavourable terms. They

work under the tight control of managers and bosses in exchange for wages which allow the bosses to profit from their labour.

Class for Marx is thus a social relationship. To be a worker on his definition you can work in an office, a supermarket or a hospital, rather than a factory. You can do some kind of white collar job or you can help produce a service – say, by teaching children or serving hamburgers – rather than a material good. On this definition, then, the large majority of the workforce in countries such as Britain are workers – and indeed opinion polls show that, to the sociologists’ despair, a majority consistently regard themselves as working class.

Myth two: The iron law of wages

Marx is further accused of believing that the working class would, in the course of capitalist development, become increasingly impoverished. This is what is sometimes called his prediction of the “progressive immiseration” of the masses. But since real wages have, in the advanced capitalist countries, risen substantially over the past 100 years or so, Marx has surely been proven wrong.

This is an astonishing distortion of Marx’s thought. “The iron law of wages”, according to which real wages cannot rise above the bare minimum of physical subsistence, was one of the main dogmas of orthodox pro-capitalist economics during the 19th century. It was based on Thomas Malthus’s theory of population, according to which population tends to rise much faster than the production of food. Any rise in wages above subsistence will, according to this theory, stimulate population growth thus producing mass impoverishment.

Far from accepting this theory, Marx set out vigorously to combat it and he sought to persuade socialists not to accept it. In **Wages, Price and Profit** he challenged the argument of a

follower of the utopian socialist Robert Owen that ‘the iron law of wages’ meant trade unions could never improve workers’ conditions. Marx showed that the division of the product between labour and capital depended on the balance of power between the two sides, and therefore on the class struggle.

What is true is that Marx distinguished between absolute and relative impoverishment. Real wages do rise, but the share of the product of labour taken by workers may simultaneously fall compared to the share taken by bosses in the form of profits. If workers’ labour becomes more productive, their living standards can rise, but they will still be more exploited because the bosses are getting more profits out of them.

Marx also argued that there are limits to the reforms trade unions can achieve. The bosses’ control of production means they can weaken workers’ bargaining power by sacking them. This is what happens during recessions. Higher unemployment forces those workers still with jobs to accept speed-up, lower wages and worse working conditions. During the past 25 years of economic crisis, real wages in the United States, the richest country in the world, have fallen significantly. This hardly suggests that Marx got it wrong.

Myth three: Inevitable economic breakdown

But, say the critics, didn’t Marx claim that capitalism would inevitably break down as a result of its economic contradictions? And since no such capitalist collapse has taken place surely Marx has, once again, been proven wrong?

Marx indeed develops a theory of economic crisis in his great work **Capital**. Long before the economist Maynard Keynes, he demolished the idea – still central to mainstream economics and trumpeted by Gordon Brown today – that a properly organised market economy is bound to achieve an equilibrium at which all

its resources are fully used. He further shows that there are deep-seated forces driving capitalism towards crises.

The most important of these is the tendency of the rate of profit to fall. The rate of profit – the return capitalists make on their investments – is the chief measure of success in a capitalist economy. But the bosses are an internally divided class – they compete with one another, each seeking a larger share of the profits they have squeezed out of the workers.

Individual capitalists invest in improved methods of production in order to win a larger share of the market. Their rivals are forced to copy them in order to survive. As a result, investment – in particular in machinery – grows more rapidly than the workforce. But the labour of these workers is the source of profits. The mass of profits thus grows more slowly than the mass of investment, and so the rate of profit falls. When the overall rate of profit falls below a certain point, new investment ceases and the economy goes into crisis.

There is, however, only a tendency for the rate of profit to fall. Marx lists the “counteracting influences” which serve to push the rate of profit back up. Indeed, he says, “the same influences which produce a tendency in the general rate of profit to fall, also call forth counter-effects, which hamper, retard and partly paralyse this fall.” The most important of these are crises themselves.

During economic crises, firms go bust and their assets are sold off cheap. This reduces the total amount of capital in the economy. At the same time, as we have seen, workers are forced under the whip of unemployment to accept greater exploitation. These forces help to restore the rate of profit to a level where investment and hence growth resume.

Therefore, as Marx put it, “permanent crises do not exist”. The fluctuations in the rate of profit lead capitalism through a cycle of boom and slump which Marx was among the first to analyse. The downward phases in this “business cycle” cause

workers enormous suffering. When the system is in crisis, the class struggle becomes more bitter and intense. Out of this polarisation can come a working class that is politically determined to overthrow capitalism. But this does not mean that capitalism is bound to collapse economically.

Myth four: Economic determinism

This distortion of Marx's economic theory is part of a larger misinterpretation of his thought. Too often he is depicted as an economic determinist, who believed that historical change is the inevitable outcome of the development of the productive forces. More particularly, he is accused of believing that socialism itself is inevitable.

Certainly there is a strain in the Marxist tradition – particularly during the debates among the socialist parties who joined the Second International which emerged after Marx's death – which argued that history did develop according to inevitable economic laws. But, despite the occasional formulation of Marx's which lends support to this view, the main thrust of his thought is very different.

“Men make their own history, but they do not make it just as they please,” Marx famously wrote, “ they do not make it under circumstances chosen by themselves, but under circumstances directly encountered, given and transmitted from the past.” This suggests that human beings are indeed constrained by their material circumstances, but that these constraints do not deprive them of choice or initiative.

Again, in the **Communist Manifesto** Marx says that each great crisis of class society has ended in “either a revolutionary reconstruction of society at large, or the common ruin of the contending classes”. In other words, crises pose alternatives rather than predetermine outcomes. How workers react to a

major economic slump depends not just on their material situation but also on the strength of their collective organisations, the different ideologies that influence them, and the political parties that compete to lead them.

Marx distinguishes between the economic base of society and its political, legal and ideological superstructure. He describes the former as the “real foundation” of social life. But this doesn’t mean, as his critics claim, that he regards the superstructure as irrelevant. On the contrary, in times of crisis, what happens in the superstructure – where, as he puts it, “men become conscious of this conflict and fight it out” – becomes of decisive importance in determining the outcome.

Myth five: State socialism

Finally, we are told that Marx’s vision of socialism is a totalitarian one in which the state gains control of the economy and regulates everyone’s lives in the most minute detail. The collapse of the Stalinist societies at the end of the 1980s was therefore a direct consequence of the defects of Marx’s own conception of the future.

Yet again, this is a complete distortion of Marx’s actual views. He regarded the idea of state socialism as a contradiction in terms. “Freedom”, he wrote, “consists in converting the state from an organ superimposed on society into one completely subordinate to it.”

In his writings on France, he railed against the growth of a centralised bureaucratic state battenning on society in the interests of capital. He welcomed the Paris Commune of 1871 precisely as ‘a revolution against the state itself’. He praised the workers of Paris for dismantling the bureaucratic state apparatus and replacing it with public institutions under their direct democratic control.

Socialism, Marx insisted, could not be imposed on people by some enlightened elite. It was “the self emancipation of the working class” – a process through which ordinary people freed themselves by democratically organising to tear power from the minority of capitalist exploiters. The Stalinist societies, with their immense concentration of power at the top, were thus the opposite of Marx’s conception of socialism.

This is why the collapse of these societies did not invalidate Marx’s thought. As the inequalities and irrationalities endemic in the liberal capitalist societies that dominate the world today become more and more evident, it is time to turn back to Marx – not the Marx of the myths refuted here, but the genuine Marx, with his penetrating critique of the existing system and his vision of the alternative: human liberation.

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