

Rethinking Marx

By Peter Gumbel and Adam Smith in London

Time, Feb 8, 2009, 12:20

Editor's Note: When the capitalist rag, Time Magazine features Karl Marx on the front cover of it's European Edition, one must ask if the capitalist brain is running out of new solutions for the world's economic collapse. It's interesting to note that many analysts are desperately trying to find solutions within the system that created the problems. They tend to blame the problem on "unbridled capitalism" or as Roland Wöfl, (head of Trier office of Germany's IG Metall labor union) blames "uncontrolled turbo-capitalism", which he says "has lost its reason to exist." These analysts stubbornly opt for a warmed-over version of capitalism, blind to the internal contradictions within the system that have finally collided worldwide, as predicted by Marx. An Axis of Logic reader sent this Time Magazine article to us with the following quote from their European edition that bears Karl Marx on the cover:

"... could it be that capitalism is just an episode of history that will end at some point because the system will collapse as a result of its internal contradictions?"

The reader responds with, "duh!"

- Les Blough, Editor

(emphases added to this article by Axis of Logic)

The book has been on the best-seller lists in Germany for nine weeks, and in the provincial town of Trier it has special resonance, especially in tough economic times. It's Marx's *Das Kapital*, and dozens of copies of it are laid out in the bookshop in Trier's pedestrian-only town center. But no, this is not the seminal 19th century work on political economy by Karl Marx, who was born in Trier in 1818. It's a book by Reinhard Marx, the former Roman Catholic Bishop of Trier who is now Archbishop of Munich and Freising. He cheekily borrowed the title for his own thesis, namely that today's troubled economy needs to reconnect with fundamental Christian values if it is to be restored to health. The book's introduction is a letter to Reinhard's celebrated namesake in which he rejects revolutionary Marxist solutions. Nonetheless, as he surveys the wreckage of the global financial system and the growing insecurity of ordinary people, the Archbishop wonders: Was Marx's critique of capitalism right after all?

"It lasted longer than you expected back in the 19th century," he writes, "but could it be that capitalism is just an episode of history that will end at some point because the system will

collapse as a result of its internal contradictions?" (See pictures of the Bolshevik October Revolution.)

The Archbishop is not alone. From Washington to Vladivostok, the task of warding off financial collapse and economic depression is now the overwhelming priority for government leaders, central bankers and regulators everywhere. Solutions differ, but all agree that the current situation is both dire and extremely perplexing: nobody younger than 80 has experienced such a rapid decline in global confidence and economic activity. Markets have failed, and in so doing they have destroyed the conventional wisdom about how to run an efficient economy. It's as if an intellectual fog has descended, and the global positioning system has broken down, leaving the world to grope its way out as best it can. "Ask the experts what to do," says Tony Blair, the former British Prime Minister, "and the most honest reply is 'I don't know.' "

Searching the library for ideas, many have rediscovered the 1930s policy prescriptions of John Maynard Keynes, who advocated massive government spending programs of the type now being promoted by U.S. President Barack Obama, British Prime Minister Gordon Brown and others. Other great thinkers of the past are also being rediscovered, from Adam Smith to John Kenneth Galbraith.

But hovering out there in the fog, unavoidably, is the towering specter of Karl Marx, the grandfather of political economists, whose damning critique of capitalism's inadequacies played an outsized role in world history for a century after his death in 1883.

Marx's utopian predictions about revolution and the triumph of socialism were dead wrong; indeed, many of the policies carried out in his name in the 20th century brought misery to millions in countries ranging from Russia to China, and including large chunks of Africa. Yet 20 years after the fall of the Berlin Wall and Soviet-style socialism, it's still instructive to take the Karl Marx road trip around Europe, starting in Trier and ending up where he ended, in London. It's instructive because if you leave aside the prophetic, prescriptive parts of Marx's writings, there's a trenchant diagnosis of the underlying problems of a market economy that is surprisingly relevant even today. Marx, too, lived through an era of rapid globalization. (A famous passage in *The Communist Manifesto*, which he wrote with Friedrich Engels in 1848, is almost uncannily prescient about globalization's costs and benefits.) He was moved by glaring inequalities between rich and poor that are more topical than ever today. He thought work should bring personal fulfillment, and that labor should not be treated as a simple commodity — foreshadowing today's controversies over outsourcing and poor working conditions in developing countries. He wondered whether the middle class would be squeezed out of existence. And he identified how profits were taking an ever bigger share of the economy at the expense of wages, just as they are once again today.

There's another reason why a journey through the places that marked Marx's career is worthwhile. The intellectual debate about how to fix capitalism to ensure a more stable and just economic system is particularly lively in the three countries where he spent most of his life — Germany, France and Britain. Some version of this debate is taking place everywhere, of course, including Washington, where a new President is bringing in a new team with fresh ideas. It will also top the agenda at this year's annual meeting of the World Economic Forum in Davos. It's a difficult, nuanced debate, and even within those three European countries there are starkly differing visions. Yet there's a strong sense that a new road map is needed. If

governments "are not in a position to show that we can create a social order for the world in which such crises do not take place," warns German Chancellor Angela Merkel, "then we'll face stronger questions as to whether this is really the right economic system."

There's a lot about today's mess that Marx couldn't have predicted, of course, from credit-default swaps and subprime mortgages to global economic imbalances. The capitalism of today, for all its failings, is far removed from the cruder version that Marx analyzed, before the advent of pension and unemployment systems, medical insurance and health and safety legislation. Still, as the Archbishop writes to the bearded one in his own version of *Das Kapital*: "There's a question that won't leave me in peace: At the end of the 20th century, when the capitalist West defeated the communist East in the battle between systems, were we too quick to dismiss you and your economic theories?"

Pulling on the Same Rope

Karl Marx was born in Trier, in a whitewashed three-story house with a courtyard in Brückenstrasse. More than one-third of the 40,000 annual visitors to the house come from China, some as individual tourists but many in groups, such as the delegation of students from a Communist Party academy in Beijing who dropped by recently. Vietnam is the only other nation that still sends official delegations. That's a big change from when the Berlin Wall was still standing and the house was an obligatory stop on the Communist world tour. The director today, Beatrix Bouvier, has a mandate to update the place for the post-Cold War era. She has opted for sobriety. The rooms give factual details about Marx's life, his influences, his friendships, his writings — and his legacy. A top-floor room shows photos of Stalin and the Soviet gulag, the crushing of uprisings in Hungary and Czechoslovakia, the collapse of communism in Eastern Europe and the protests at China's Tiananmen Square in 1989. "A lot of things were done in his name in the 20th century, and we have to live with the consequences," Bouvier says. "Marx is so contested and contradictory. We show him as being many-sided." It's a view that upsets true believers, who sometimes send letters accusing her of being "counterrevolutionary."

Which, in a way, is fair enough. There's nothing revolutionary about Trier itself, a tidy place that takes pride in its Roman heritage. It has quietly prospered in a way that has nothing to do with Marx. Indeed, Trier is a fine example of the traditional postwar German model of capitalism, what the Germans call their "social market economy." Most of the 35,000 firms in the area are tiny, with fewer than 20 employees, but they have thrived on the old-fashioned values of hard work and family ownership. There is close to full employment. The local savings banks know their customers well, didn't dabble in arcane derivatives they didn't understand, and have escaped the financial turmoil of the past few months virtually unscathed. Arne Rössel, director of the local chamber of commerce, says people are nervous about the economy, but firms "are coming from a very comfortable position with good liquidity."

Trier is not immune to the crisis. Several local firms supply the auto industry and have been hurt by its woes. One of the biggest employers makes construction machinery; its orders are down 90%. But at times like this, old-fashioned German capitalism shows its strengths: so far there have been almost no layoffs. About 100 local companies have scaled back their operations or stopped work altogether, but under German labor laws, furloughed workers can continue to receive 80% of their salary for several months even if they're not working. Firms pay a part of the social-security contributions, and the government unemployment agency picks up the rest.

Roland Wöfl, who heads the Trier office of Germany's powerful IG Metall labor union, maintains that employers and union officials are rallying to save jobs. "We're all pulling on the same rope," he says. Like many in Germany, he believes that this social-solidarity system has been badly strained over the past few years, as budget cuts were implemented and American-style practices came into vogue, including a focus on short-term profits over longer-term prosperity, broad deregulation and fast-and-loose finance. In the auto industry, where IG Metall is a powerful force, firms like Volkswagen threatened to move jobs abroad unless workers made big concessions on pay and working hours. But now peace has been restored, and Wöfl says the clock needs to be turned back. "Uncontrolled turbo-capitalism has lost its reason to exist," he says.

Could old-fashioned German values, including consensual labor relations, be a model for others now? At the chamber of commerce, which is housed on the site of a former French garrison, Rössel shakes his head. "I think Germany will get through this crisis better than the U.K. and U.S. because it's less dependent on finance," he says. "But you can't impose a social market economy by law. It developed over decades. It's cultural."

Sarko's Stick

Next stop is Paris, a city that played an important role in Marx's life and work. He moved there in 1843 after tangling with authorities in Germany, and it was there that he met Engels, his intellectual soulmate and collaborator. The French revolts of 1830, 1848 and 1871 strongly influenced Marx's thinking on class struggle and revolution.

These days, the stick that Marx used to beat capitalist excesses has been taken up — albeit more lightly — by French President Nicolas Sarkozy. Even before the financial crisis exploded last fall, Sarkozy was attacking outsized corporate pay packages and "golden parachutes" for fired executives. He has also called for the "moralization" of capitalism, by which he means a greater sense of social and personal responsibility on the part of businesses, a significant reining in of financial speculation and a renewed emphasis on entrepreneurship and work. "I believe in the creative force of capitalism, but I am convinced that capitalism cannot survive without an ethic, without respect for a number of spiritual values, without humanism, without respect for people," the French President said in a February, 2007 speech that articulated a critique he has since considerably strengthened. This month Sarkozy talked about how the public was "scandalized" by highly paid bankers' lack of accountability for the financial system's woes.

Such rhetoric plays well in France, where public opinion has long been skeptical about free markets and globalization — and where the founding Republican principle of *égalité* is viewed as paramount. France has actually benefited from globalization; one in seven people in the country is employed by a foreign company that has invested in the country, and large French firms such as l'Oréal and Danone have boosted their profits as a result of their global reach. But some of the fears are well founded. Globalization has brought massive pressure on wages in developed countries and a widening gulf between the rich and everyone else around the globe. Executive pay has soared: according to a study by the International Institute for Labour Studies, the CEOs of the 15 largest companies in Australia, Germany, Hong Kong, the Netherlands, South Africa and the U.S. earn between 71 times and 183 times as much as the average employee in those nations. Some studies show that in the U.S., the average inflation-adjusted wage of workers has actually fallen over the past 30 years. "Nobody ever claimed the market economy would produce social justice," says Joseph Stiglitz, the Nobel Prize –

winning American economist, who says that today's problems "are much deeper than the failure of financial markets."

Stiglitz was one of an all-star cast invited to Paris in January to take part in a two-day seminar titled "New World, New Capitalism." The gabfest was organized by a man who personifies today's intellectual flux: Eric Besson, a rising star in the French Socialist Party who switched over to Sarkozy's conservative camp before the 2007 presidential election and has gone on to a stellar career in government. "One of the rare positive effects of the crisis is the way that it has opened up people's minds, creating an intellectual window of opportunity," Besson says.

Karl Marx, to be sure, would not have thought much of the seminar. Its thrust was how to reform the existing system rather than overthrow it, and a significant part of the debate focused on how better to regulate finance and jump-start global cooperation on economic issues. But the theme of social inequality that was central to Marx's thinking also got an airing. Was it just up to governments to be smarter about redistributing prosperity among the population? Or, wondered Pascal Lamy, who runs the World Trade Organization, "is there a new paradigm, because globalized capitalism creates bigger inequalities, and the international division of labor is much stronger than in the past?" His answer: Yes, there has indeed been a shift that requires an international solution to capitalism's challenges.

One problem: when the intellectual pendulum swings, it sometimes goes too far. At the Paris seminar, Ellen Johnson-Sirleaf, the President of Liberia, sketched out how Africa swung from state control of the economy in the 1960s and 1970s to an embrace of deregulation and other neoliberal policies starting in the 1980s. "History has not been kind to the strong version of state control," she said, "but the enthusiasm for deregulation went too far." In some places, privatization of water and electricity simply replaced public monopolies with private ones. "History has shown that neither of the extreme versions is right," Johnson-Sirleaf added. "We need a proper balance that evolves over time."

The Head in Highgate Cemetery

Marx moved to London in 1849 and spent the last 34 years of his life there, much of it in the Reading Room of the British Museum, where he studied official reports of the miseries of British industrial workers and wrote most of his best-known works, including the first volume of *Das Kapital*. Engels was an important influence: he had studied factory life in Manchester for his critical work *The Condition of the Working Class in England*. The two men considered England's form of capitalism to be especially advanced, and erroneously expected it to be the first country to undergo a socialist revolution. (See pictures of 250 years of the British Museum.)

The Reading Room's books were transferred in 1997 to the new British Library near St. Pancras station. The move coincided with a critical intellectual transformation in Britain: the rise to power of Tony Blair's New Labour and the end of the last vestiges of Marxism as a political force in Britain. Germany's Social Democrats made their decisive break with Marxism in 1959, but antimarket currents lingered on in the British Labour Party until Blair and Gordon Brown, the current Prime Minister, banished them by embracing London's financial district, encouraging business and financial innovation, and granting political independence to the Bank of England. With the banking system in need of help, some antimarket feeling is resurfacing, and a number of Labour MPs have been arguing the need for a broad nationalization of banking and industry.

Brown's political opponents on the right are also on the attack, but much of the criticism is coming from another source: church leaders, including the Archbishop of Canterbury, Rowan Williams, who harbors an unlikely sympathy for a man whose followers adopted atheism as a state creed. "Marx long ago observed the way in which unbridled capitalism became a kind of mythology, ascribing reality, power and agency to things that had no life in themselves; he was right about that, if about little else," Williams wrote in an article published the week after the collapse of Lehman Brothers.

Marx's grave in London's Highgate Cemetery is marked by a bronze bust of the man on a gray granite plinth, commissioned by the British Communist Party and unveiled in 1956. Inscribed in gold is a quotation: "The philosophers have only interpreted the world in various ways. The point however is to change it." At nearby St. Michael's Church, vicar Jonathan Trigg says many members of his congregation work in financial or financial-related jobs, and "are very anxious" about the future. What do they think about the need to change the world? "Any intelligent person should ask questions about values," Trigg says. "Boom times can lead to collective delusion, and everyone gets caught up in it." Karl Marx couldn't have put it better himself.

— with reporting by Adam Smith/London