

# If You're So Smart, Why Aren't You Rich?

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“Marx was before all else a revolutionist. His real mission in life,” noted Frederick Engels at Marx’s graveside, “was to contribute, in one way or another, to the overthrow of capitalist society and of the state institutions which it had brought into being, to contribute to the liberation of the modern proletariat.” Could the same be said about Marxist economists? That they are revolutionaries whose real mission is to contribute to the overthrow of capitalism?

Marxist economists pride themselves on having a better understanding of capitalism than non-Marxists. Theirs is not the mainstream economics that focuses upon how individual behavior tends to generate the best possible world (except in the case of the occasional market failure), upon how that interaction within the market produces the appropriate rewards to the owners of all factors of production (except when interfered with), which sees economic crises as accidents (or as the result of perverse individual behavior) or which views capitalism (or, rather, the “free market”) as the end of history. In contrast, Marxist economists look at capitalism as a system based upon the exploitation of workers—a system which tends to destroy the original sources of wealth (human beings and nature) and which has an inherent tendency to generate crises.

Marxian economics asks the important questions. Its concern is not the determination of prices and the behavior of rational individuals in response to hypothetical changes in variables (all other things equal, of course). Rather, Marxian economics is a version of systems theory. It asks: what is the nature of this particular system, how is it reproduced and how is it *not* reproduced? And, particularly, as Engels indicated, how do we contribute to the overthrow of capitalist society and to the liberation of the proletariat?

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If these are the important questions, though, why is the performance of Marxian economics so poor in achieving these goals? Let me suggest that the failure of Marxian economics to provide “persuasive alternatives” to neoliberalism and the neoclassical economics that underpins it is not due to its exclusion from the capitalist mass media or its marginalization in, if not complete exclusion from, the economics departments that train new generations to proselytize the logic of capital. There is a better explanation for the relative irrelevance of what is called Marxian economics in the midst of this grave crisis *not* of capital but of human beings and nature, those original sources of wealth, which capital is destroying.

### Disciples and Theoretical Degeneration

Judged by their preoccupations, a simple explanation for the irrelevance of Marxist economists is that they are *disciples*—a species of followers who ensure the degeneration of a theory. Commenting upon the disciples of Hegel and Ricardo, Marx argued that disintegration of a theory begins when the disciples are driven to “explain away” the “often paradoxical relationship of this theory to reality”; it begins when, by “crass empiricism,” “phrases in a scholastic way,” and “cunning argument,” they attempt to demonstrate that the theory is still correct. In short, the disintegration of the theory begins when the point of departure is “no longer reality, but the new theoretical form in which the master had sublimated it.”<sup>1</sup> Who could deny the extent to which self-identified Marxist economists spend their time trying to prove Marx *right*? Who could deny the presence of “crass empiricism,” scholastic phrases, and “cunning argument” whose real point of reference is the theory rather than concrete reality?

In short, not only does the focus of Marxist economists ensure the irrelevance of the theory at a time when it should be at the center of discussions (like the recent studies of inequality) but that received doctrine of Marxian economics itself stagnates. After all, when the point is to defend that theory, it is heresy to question its premises and assumptions—even if Marx himself questioned them.

I speak here as such a heretic. Let me identify a few of the problems I see in the received doctrine of Marxian economics. Some of these points will be familiar to people who have read my books and articles. How much time and energy have Marxist economists spent searching for a correct solution to the so-called transformation problem, a waste of both time and energy, given that Marx clearly described prices as the

mere *form* of value, profits as the *form* of surplus value, and the rate of profit as the *form* of the rate of surplus value? A mystical transformation indeed (if one is talking about a real as opposed to logical transformation), from essence to form of essence.

Similarly, consider how much time has been spent by Marxist economists on the inexorable fall in the rate of profit, when Marx was so clear in indicating that the course of the profit rate depended upon the relative rates of productivity change in Departments I and II. Or consider all the discussions of the development of relative surplus value that are oblivious to the fact that the conclusion that capital is the beneficiary of productivity increases flows from an *assumption*, namely that workers are precluded from gaining because the standard of necessity is given for a given country and a given era, that assumption that Marx intended to relax in his unwritten book on Wage Labor. As I have argued in my book, *Beyond Capital*, once you remove that constraint, then the effect of productivity increase, all other things equal, is rising real wages.<sup>2</sup>

Of course, if one is to talk about the misadventures of the received doctrine of Marxian economics, it would be remiss not to mention the law of value, which in this received doctrine amounts to the Ricardian determination of relative prices in accordance with quantities of concrete labor. Marx, as we should know, entirely rejected this pre-Marxian view and insisted that he had solved a riddle not even posed by classical political economy by developing the concept of abstract, homogeneous social labor, which is only manifested as money. This distinction was absolutely critical, and Marx, indeed, described it as one of the most important new parts of the book.

Because that distinction is not understood, the incantations and genuflection to this pillar of Marxian economics, the law of value based upon concrete labor, continue. No matter that Marx indicated in 1868 (in response to criticisms of his discussion of value) that his discussion of value is simply about the “*necessity* of the *distribution* of social labour in specific proportions” and, in particular, about how a society allocates its labor among activities when there is no visible hand.<sup>3</sup> Every child should know (to evoke Marx’s language), accordingly, that *the law of value is about the invisible hand*, that is, how a commodity-producing society allocates the labor contained in commodities. And, of course, every child should know as well that Marx’s concept of value does not apply to that labor which is *not* allocated by the market and thus is not represented by money.

Certainly, there is much more that could be said about all this (not to mention the quotations necessary to support these assertions). However, I have said enough to hint at why I view much of the received doctrine as the work of disciples who contribute to the degeneration of the theory of “the master.” Let me turn, though, to the question of capitalist crisis and its supposed link to revolutionary activity. It is an article of faith, one that Marx himself expressed in short articles and correspondence, that the new opportunities for revolution would come with economic crisis. Accordingly, Marxian economists have in large part become the chroniclers of capitalist economic crisis. Is it coming? Has it come? When did it come? Has it always been here? The stakes are high for the one who can come up with the correct answer. For, as the story of Rumpelstiltskin tells us, if we can only find the correct answer, the earth will open up and swallow capitalism. And the winner will have thereby demonstrated that he (it is always he) has contributed to the overthrow of capitalism.

### **The Working Class in Capitalism As an Organic System**

But consider the theme of Marx’s *Capital*. It is essential to recognize that Marx analyzed capitalism as an organic system—as a system of reproduction in which the premises of capitalism were results of the system itself. That, Marx stressed, is the character of every organic system. As he indicated in the *Grundrisse*, in capitalism as developed, “every economic relation presupposes every other in its bourgeois economic form, and everything posited is thus also a presupposition, this is the case with every organic system.”<sup>4</sup> That is what Marx wanted to demonstrate, that the premises of capitalism as an organic system, capital and wage-labor, were also its results.

Thus, in Chapter 23 of Volume I of *Capital*, Marx summed up his exposition in the preceding chapters by explaining that capitalism is a system that contains within itself the conditions for its own reproduction, one which, when viewed “as a connected whole, and in the constant flux of its incessant renewal,” is understood as “a process of reproduction.” He concluded the chapter by stressing that the capitalist process of production “produces and reproduces the capital-relation itself; on the one hand the capitalist, on the other the wage-labourer.” In short, by producing the essential premises of capitalism.<sup>5</sup>

But what does it mean to say these are results? On the one hand, we see that, in capitalism as an organic system, capital is the result of the exploitation of workers. In that organic system, capital comes from

nowhere else. It is the result of capitalist domination of workers within the sphere of production, of the realization of the latent surplus value contained within commodities through the sale of those commodities and of the replacement and expansion of capital consumed in the process of production. What is capital? Marx's clear answer to this central question was that capital is the workers' own product turned against them.

The other premise of capitalist production is the wage-laborer. But, it is essential to understand that in capitalism as an organic system, wage-laborers do not drop from the sky. Rather, these wage laborers are people who have been produced within capitalist relations of production; this second side, the human product of capitalist production, is the basis of Marx's condemnation of capitalism. After all, workers are not only exploited within capitalist relations. They are also *deformed*. If we forget this second result of capitalist production, as so many do, we will never understand why workers fail to rise up spontaneously when capital enters into one of its many crises.

Consider the nature of the workers produced by capital. While capital develops productive forces to achieve its preconceived goal (the growth of profits and capital), Marx pointed out that "all means for the development of production" under capitalism "distort the worker into a fragment of a man," degrade the worker, and alienate them "from the intellectual potentialities of the labour process."<sup>6</sup> *Capital* explains the mutilation, the impoverishment, the "crippling of body and mind" of the worker "bound hand and foot for life to a single specialized operation" that occurs in the division of labor characteristic of the capitalist process of manufacturing. But did the development of machinery end that crippling of workers? Marx's response was that under capitalist relations these developments *completed* the "separation of the intellectual faculties of the production process from manual labour," thinking and doing become separate and hostile, and "every atom of freedom, both in bodily and in intellectual activity" is lost.<sup>7</sup>

A particular type of person is produced within capitalism. Producing within capitalist relations is what Marx called a process of a "complete emptying-out," "total alienation," and the "sacrifice of the human end-in-itself to an entirely external end."<sup>8</sup> How else then but with money, the true need that capitalism creates, can we fill the vacuum? We fill the vacuum of our lives with *things*; we are driven to consume. Thus, in addition to producing commodities and capital itself, capitalism produces a fragmented, crippled human being, whose enjoyment

consists in possessing and consuming things—more and more things. Consumerism, in short, is not an accident within capitalism. Capital constantly generates new needs for workers and it is upon this, Marx noted, that “the contemporary power of capital rests”; in short, every new need for capitalist commodities is a new link in the golden chain that links workers to capital.<sup>9</sup>

Is it likely, then, that people produced within capitalism can spontaneously grasp the nature of this destructive system? On the contrary, the inherent tendency of capital is to produce people who think that there is no alternative. Marx was clear that capital as it develops tends to produce the working class it *needs*, workers who treat capitalism as common sense. As he explained in *Capital*: “The advance of capitalist production develops a working class which by education, tradition and habit looks upon the requirements of that mode of production as self-evident natural laws. The organization of the capitalist process of production, once it is fully developed, breaks down all resistance.”<sup>10</sup>

That is strong and unequivocal language. Marx added that capital’s generation of a reserve army of the unemployed “sets the seal on the domination of the capitalist over the worker.”<sup>11</sup> With that constant generation of a relative surplus population of workers, wages are “confined within limits satisfactory to capitalist exploitation, and lastly, the social dependence of the worker on the capitalist, which is indispensable, is secured.”<sup>12</sup> Accordingly, Marx concluded that the capitalist can rely upon the worker’s “dependence on capital, which springs from the conditions of production themselves, and is *guaranteed in perpetuity* by them.”<sup>13</sup>

Where, then, in Marx’s theoretical opus is there a basis for crises tending to produce a revolutionary situation? Isn’t Marx arguing, rather, that “*once it is fully developed*” capitalism “breaks down all resistance”? Doesn’t the constant creation of unemployment *ensure* the “social dependence of the worker on the capitalist, which is indispensable”? Once we consider the side of the worker, the nature of the worker who is the product of capitalism as an organic system, isn’t it clear from *Capital* that, rather than a tendency for a revolutionary outbreak, capitalist crisis *weakens* workers and their organizations?

Two inferences appear to follow. The first is that workers’ resistance (that resistance that breaks down when capital is fully developed) is likely to be strongest *before* capitalism is an organic system, that is, *before* capitalism has succeeded in producing the working class it needs as a premise. Thus, one would expect to see greater worker militancy in the

less developed and emerging capitalist countries as workers resist the crippling and deformation that real subordination to capital brings.

A second inference is that worker resistance is likely to be greatest in periods of capitalist boom, that is, when the reserve army does not play its assigned role. As Michał Kalecki argued in 1943 in his classic essay on the “Political Aspects of Full Employment,” in a period of full employment, workplace discipline and political stability decline because workers tend to “get out of hand”: “Indeed, under a regime of permanent full employment, ‘the sack’ would cease to play its role as a disciplinary measure. The social position of the boss would be undermined and the self-assurance and class consciousness of the working class would grow.”<sup>14</sup>

Add to these inferences more recent developments: the way in which globalized capitalism, rather than concentrating workers in particular workplaces, tends to *decentralize*, *disunite*, and *disorganize* workers, plus the way in which the constant pressure of consumer debt affects the militancy of workers. Add all this up and it suggests that the prospects of building a socialist alternative once capitalism is fully developed are not very high. Is there no escape from this sobering conclusion?

### **Building On and Transcending the Moral Economy of the Working Class**

Central to much of my work has been the conclusion that Marx’s *Capital* provides a powerful answer to the question of what capital is but that it does not really consider capitalism as a whole (or, indeed, develop fully capitalism as an organic system). It does not because it does not develop the side of the workers as subjects, subjects who struggle for their own goals. At its core, that goal is what Marx referred to in *Capital* as “the worker’s own need for development.” Indeed, the one-sidedness of *Capital* is most obvious when we recognize that it does not examine wage struggles (precluded by the assumption of a constant standard of necessity) or the essential requirement of capital (once we relax that assumption) that it divide and separate workers in order to capture relative surplus value.

When we focus upon the side of workers, we recognize that they are more than merely the products and results of capital. Their specific relation to capital within capitalist relations of production does not exhaust their nature. They exist within many relations—families, communities, and nations—and they interact with other workers. Through

all their activities within these relations, through all their struggles to satisfy their need for development, they produce themselves.

Certainly, the workers' place within capitalist relations of production is critical because of the way that functioning within that relation shapes and deforms them. However, the worker experiences that relation differently than does the capitalist. Whereas for the capitalist, exploitation, understood by him as the profitable employment of the worker, is essential for his existence as capitalist, the worker experiences exploitation as inadequate income relative to needs and considers the resulting inequality unfair and unjust. Similarly, whereas for the capitalist, workplace discipline and top-down organization are viewed as rational, the worker experiences these as despotism and unfreedom and wants little more than to reduce her workday in length and intensity to an absolute minimum.

"A fair day's wage for a fair day's work," a fair distribution of income, time and energy for one's self—all these are forms that "the worker's own need for development" takes. And that need for human development—a need which capital so clearly thwarts— goes well beyond what occurs in particular workplaces. It, indeed, goes beyond a specific and direct relation to capital. Its traces can be found, for example, at any given point in particular norms of health (including the desire for a healthy environment), education, and housing that are viewed as fair and just and which workers will struggle to maintain.

All these existing norms constitute the moral economy of the working class. Characteristic of that moral economy is that workers tend to struggle individually or collectively against what they perceive as violations of those accepted norms of fairness and justice. In short, workers *do* struggle. But they do so within *limits*: as long as they look upon capital's requirements as "self-evident natural laws," then faced with capitalist crisis, workers will sooner or later act to ensure the conditions for the expanded reproduction of capital. Nevertheless, insofar as they *do* struggle, workers produce themselves differently; that is, as Marx indicated, they prevent themselves "from becoming apathetic, thoughtless, more or less well-fed instruments of production." Thus, workers' struggles based upon their sense of fairness are also an essential part of producing the workers who face capital. Those workers are the result of more than just the side of capital.

But, as I argued in my recent article on "fairness" in *Studies in Political Economy*, equally characteristic of the moral economy of the working class is that its reference point is the past— its struggles tend to be



defensive.<sup>15</sup> When workers struggle against austerity and neoliberal economic policies, their concept of “fairness” may involve simply an implicit hope to return to the days of a “good” capitalism. Although the basis of their spontaneous activity, the moral economy of the working class does not go beneath the surface and, accordingly, cannot identify the underlying factors that produce and sustain particular norms. And the result (which was apparent in the case of E. P. Thompson’s eighteenth-century crowd, the working class in developed capitalism from the 1970s on and the working class in “real socialism”) is that those norms can be violated successfully and (through a process of adaptive expectations) new, lower norms are enforced and become accepted.<sup>16</sup>

But recognition of the limitations of moral economy does not mean we should take comfort instead in the immaculate Abstract Proletariat. Rather than beginning with abstract concepts of the proletariat, the starting point must be real people with particular ideas and concepts. Accordingly, I proposed in the *Studies in Political Economy* article that for revolutionaries who would help to put an end to existing structures of exploitation and deformation, it is essential to recognize the importance of the moral economy of the working class but to go beyond it to the political economy of the working class.

Given that the people produced within capitalist relations tend to view capital’s requirements as self-evident, as common sense, the spontaneous struggles rooted in the moral economy will never be successful in going beyond capitalism. That is why one obligation of revolutionaries is do what Marx attempted, namely to demonstrate how those violations of the moral economy are inherent in the nature of capital, how capitalism destroys human beings and nature, and how the crises affecting the lives of workers are not accidents. In short, to convince workers to replace the conservative banner of moral economy with the revolutionary banner of “abolish capitalism!”—and, further, to build the political instruments that can facilitate this.

However, by itself, demonstrations of the nature of capitalism are not sufficient to convince people that there is an alternative. To move people to struggle to change the system, it is essential to articulate what is implicit in current struggles in order to show how these contain within them the elements of a new society. That means there must be a vision that looks forward. To struggle against a situation in which workers “by education, tradition and habit” look upon capital’s needs “as self-evident natural laws,” we must struggle for an *alternative* common sense.

### Marxism's Lost Core

For the political economy of the working class, that vision is what Marx called the “inverse situation” oriented to “the worker’s own need for development,” that is, a society based upon the goal of human development. That inverse situation is the hidden premise of Marx’s *Capital*. Permeating Marx’s book is the need to invert the capitalist inversion, this “inversion, indeed this distortion, which is peculiar to and characteristic of capitalist production.”<sup>17</sup> In short, as I stressed in *The Socialist Alternative: Real Human Development*, the centrality of the worker’s own need for development should be at the core of the struggle to build the socialist alternative.<sup>18</sup> Indeed, human development is “Marxism’s Lost Core.”

With a concept of socialism as an organic system—what President Hugo Chávez of Venezuela called the elementary triangle of socialism: (1) social ownership of the means of production, (2) social production organised by workers and (3) for the satisfaction of social needs and purposes—we can show how current struggles and aspirations are linked to the vision of a socialist society. A society focused upon equality (in the absence of the private ownership of the products of past social labor), upon the development of human capacities (where there is protagonism in all our productive activities), and upon solidarity and community (where our mutual dependence is not that of indifferent commodity producers in a market)—these are elements upon which to build a new common sense, one that recognizes the importance of struggling for a society in which the condition for the free development of each is the free development of all.

You don’t need to be a Marxist economist to do this. Indeed, given the entry requirements for the club of Marxist economists, it may be better if you are *not*. However, if Marxist economists abandon the practice of functioning as disciples who must prove the master right, we can make significant contributions by focusing upon Marxism’s lost core, human development. We can engage directly in the Battle of Ideas by challenging the assumptions and fallacies of mainstream economics by contrasting the dynamics of human development in society to the atomistic statics of neoclassical economics. Why, in short, aren’t we doing what Marx did in relation to the mainstream economics of his time?

Further, we can focus upon the health of the working class rather than exclusively upon the health of capital by developing the theory and measures of human development, including explicit consideration of the crippling effects of producing under capitalist relations. By doing so, we can challenge the liberal advocates of human development who accept the logic of capital and whose implicit goal is a more fair capitalism that

focuses upon the removal of particular barriers to human development rather than the removal of the principal barrier, capitalism itself. That challenge is long overdue.

These are just a few contributions that Marxist economists can make if we assume the responsibility to put the weapon of theory in the hands of the working class and revolutionary activists.<sup>19</sup> If we do that, we demonstrate that our real mission (as that of Marx) is to “contribute... to the overthrow of capitalist society” and to “contribute to the liberation of the modern proletariat.”

## Notes

1. Michael A. Lebowitz, *Beyond Capital: Marx's Political Economy of the Working Class* (New York: Palgrave Macmillan, 2003), 21.
2. Ibid. See the further discussion in Michael A. Lebowitz, “Trapped Inside the Box? Five Questions for Ben Fine,” *Historical Materialism*, 18, no. 1 (March 2010): 131–49.
3. Karl Marx to Ludwig Kugelmann, July 11, 1868, in Karl Marx and Frederick Engels, *Collected Works* (London: Lawrence and Wishart, 1975), vol. 43, 68.
4. Karl Marx, *Grundrisse* (New York: Vintage 1973), 278.
5. Karl Marx, *Capital*, vol. I (New York: Vintage, 1977), 724.
6. Ibid., 548, 643, 799.
7. Ibid., 482–84, 548, 607–8, 614.
8. Marx, *Grundrisse*, 488.
9. Ibid., 287; Lebowitz, *Beyond Capital*, 32–44.
10. Marx, *Capital*, 899.
11. Ibid.
12. Ibid., 935.
13. Ibid., 899. Emphasis added.
14. Michał Kalecki, *The Last Phase of the Transformation of Capitalism* (New York: Monthly Review Press, 1972), 78, 82.
15. Michael A. Lebowitz, “‘Fairness’: Possibilities, Limits, Possibilities,” *Studies in Political Economy* 92 (2013).
16. E.P. Thompson, “The Moral Economy of the English Crowd in the Eighteenth Century,” *Past and Present*, no. 50 (February 1971): 76–136.
17. Marx, *Capital*, 425.
18. Michael A. Lebowitz, *The Socialist Alternative: Real Human Development* (New York: Monthly Review Press, 2010).