

# Karl Marx Was Right

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A bust of Karl Marx. (Photo: [gravitat-OFF](#) / [CC BY 2.0](#))

*On Saturday at the [Left Forum](#) in New York City, Chris Hedges joined professors [Richard Wolff](#) and [Gail Dines](#) to discuss why Karl Marx is essential at a time when global capitalism is collapsing. These are the remarks Hedges made to open the discussion.*

Karl Marx exposed the peculiar dynamics of capitalism, or what he called “the bourgeois mode of production.” He foresaw that capitalism had built within it the seeds of its own destruction. He knew that reigning ideologies—think neoliberalism—were created to serve the interests of the elites and in particular the economic elites, since “the class which has the means of material production at its disposal, has control at the same time over the means of mental production” and “the ruling ideas are nothing more than the ideal expression of the dominant material relationships ... the relationships which make one class the ruling one.” He saw that there would come a day when capitalism would exhaust its potential and collapse. He did not know when that day would come. Marx, as [Meghnad Desai](#) wrote, was “an astronomer of history, not an astrologer.” Marx was keenly aware of capitalism’s ability to innovate and adapt. But he also knew that capitalist expansion was not eternally sustainable. And as we witness the denouement of capitalism and the disintegration of globalism, Karl Marx is vindicated as capitalism’s most prescient and important critic.

In a preface to “The Contribution to the Critique of Political Economy” Marx wrote:

No social order ever disappears before all the productive forces for which there is room in it have been developed; and new higher relations of production never appear before the material conditions of their existence have matured in the womb of the old society itself.

Therefore, mankind always sets itself only such tasks as it can solve; since looking at the matter more closely, we always find that the task itself arises only when the material conditions necessary for its solution already exist, or are at least in the process of formation.

Socialism, in other words, would not be possible until capitalism had exhausted its potential for further development. That the end is coming is hard now to dispute, although one would be foolish to predict when. We are called to study Marx to be ready.

The final stages of capitalism, Marx wrote, would be marked by developments that are intimately familiar to most of us. Unable to expand and generate profits at past levels, the capitalist system would begin to consume the structures that sustained it. It would prey

upon, in the name of austerity, the working class and the poor, driving them ever deeper into debt and poverty and diminishing the capacity of the state to serve the needs of ordinary citizens. It would, as it has, increasingly relocate jobs, including both manufacturing and professional positions, to countries with cheap pools of laborers. Industries would mechanize their workplaces. This would trigger an economic assault on not only the working class but the middle class—the bulwark of a capitalist system—that would be disguised by the imposition of massive personal debt as incomes declined or remained stagnant. Politics would in the late stages of capitalism become subordinate to economics, leading to political parties hollowed out of any real political content and abjectly subservient to the dictates and money of global capitalism.

But as Marx warned, there is a limit to an economy built on scaffolding of debt expansion. There comes a moment, Marx knew, when there would be no new markets available and no new pools of people who could take on more debt. This is what happened with the subprime mortgage crisis. Once the banks cannot conjure up new subprime borrowers, the scheme falls apart and the system crashes.

Capitalist oligarchs, meanwhile, hoard huge sums of wealth—\$18 trillion stashed in overseas tax havens—exacted as tribute from those they dominate, indebted and impoverish. Capitalism would, in the end, Marx said, turn on the so-called free market, along with the values and traditions it claims to defend. It would in its final stages pillage the systems and structures that made capitalism possible. It would resort, as it caused widespread suffering, to harsher forms of repression. It would attempt in a frantic last stand to maintain its profits by looting and pillaging state institutions, contradicting its stated nature.

Marx warned that in the later stages of capitalism huge corporations would exercise a monopoly on global markets. “The need of a constantly expanding market for its products chases the bourgeoisie over the entire surface of the globe,” he wrote. “It must nestle everywhere, settle everywhere, establish connections everywhere.” These corporations, whether in the banking sector, the agricultural and food industries, the arms industries or the communications industries, would use their power, usually by seizing the mechanisms of state, to prevent anyone from challenging their monopoly. They would fix prices to maximize profit. They would, as they [have been doing], push through trade deals such as the [TPP](#) and [CAFTA](#) to further weaken the nation-state’s ability to impede exploitation by imposing environmental regulations or monitoring working conditions. And in the end these corporate monopolies would obliterate free market competition.

A [May 22 editorial in The New York Times](#) gives us a window into what Marx said would characterize the late stages of capitalism:

As of this week, Citicorp, JPMorgan Chase, Barclays and Royal Bank of Scotland are felons, having pleaded guilty on Wednesday to criminal charges of conspiring to rig the value of the world’s currencies. According to the Justice Department, the lengthy and lucrative conspiracy enabled the banks to pad their profits without regard to fairness, the law or the public good.

The Times goes on:

The banks will pay fines totaling about \$9 billion, assessed by the Justice Department as well as state, federal and foreign regulators. That seems like a

sweet deal for a scam that lasted for at least five years, from the end of 2007 to the beginning of 2013, during which the banks' revenue from foreign exchange was some \$85 billion.

The final stages of what we call capitalism, as Marx grasped, is not capitalism at all. Corporations gobble down government expenditures, in essence taxpayer money, like pigs at a trough. The arms industry with its official \$612 billion defense authorization bill—which ignores numerous other military expenditures tucked away in other budgets, raising our real expenditure on national security expenses to over \$1 trillion a year—has gotten the government this year to commit to spending \$348 billion over the next decade to modernize our nuclear weapons and build 12 new Ohio-class nuclear submarines, estimated at \$8 billion each. Exactly how these two massive arms programs are supposed to address what we are told is the greatest threat of our time—the war on terror—is a mystery. After all, as far as I know, ISIS does not own a rowboat. We spend some \$100 billion a year on intelligence—read surveillance—and 70 percent of that money goes to private contractors such as Booz Allen Hamilton, [which] gets 99 percent of its revenues from the U.S. government. And on top of this we are the largest exporters of arms in the world.

The fossil fuel industry swallows up \$5.3 trillion a year worldwide in hidden costs to keep burning fossil fuels, [according to the International Monetary Fund](#) (IMF). This money, the IMF noted, is in addition to the \$492 billion in direct subsidies offered by governments around the world through write-offs and write-downs and land-use loopholes. In a sane world these subsidies would be invested to free us from the deadly effects of carbon emissions caused by fossil fuels, but we do not live in a sane world.

Bloomberg News in the 2013 article [“Why Should Taxpayers Give Big Banks \\$83 Billion a Year?”](#) reported that economists had determined that government subsidies lower the big banks' borrowing costs by about 0.8 percent.

“Multiplied by the total liabilities of the 10 largest U.S. banks by assets,” the report said, “it amounts to a taxpayer subsidy of \$83 billion a year.”

“The top five banks—JPMorgan, Bank of America Corp., Citigroup Inc., Wells Fargo & Co. and Goldman Sachs Group Inc.—account,” the report went on, “for \$64 billion of the total subsidy, an amount roughly equal to their typical annual profits. In other words, the banks occupying the commanding heights of the U.S. financial industry—with almost \$9 trillion in assets, more than half the size of the U.S. economy—would just about break even in the absence of corporate welfare. In large part, the profits they report are essentially transfers from taxpayers to their shareholders.”

Government expenditure accounts for 41 percent of GDP. Corporate capitalists intend to seize this money, hence the privatization of whole parts of the military, the push to privatize Social Security, the contracting of corporations to collect 70 percent of intelligence for our 16 intelligence agencies, as well as the privatization of prisons, schools and our disastrous for-profit health care service. None of these seizures of basic services make them more efficient or reduce costs. That is not the point. It is about feeding off the carcass of the state. And it ensures the disintegration of the structures that sustain capitalism itself. All this Marx got.

Marx illuminated these contradictions within capitalism. He understood that the idea of capitalism—free trade, free markets, individualism, innovation, self-development—works

only in the utopian mind of a true believer such as Alan Greenspan, never in reality. The hoarding of wealth by a tiny capitalist elite, Marx foresaw, along with the exploitation of the workers, meant that the masses could no longer buy the products that propelled capitalism forward. Wealth becomes concentrated in the hands of a tiny elite—the world’s richest 1 percent will own more than half of the world’s wealth by next year.

The assault on the working class has been going on now for several decades. Salaries have remained stagnant or declined since the 1970s. Manufacturing has been shipped overseas, where workers in countries such as China or Bangladesh are paid as little as 22 cents an hour. The working poor, forced to compete with the labor of those who are little better than serfs in the global marketplace, proliferate across the American landscape, struggling to live at a subsistence level. Industries such as construction, which once provided well-paying unionized jobs, are the domain of nonunionized, often undocumented workers. Corporations import foreign engineers and software specialists that do professional work at one-third of the normal salary on [H-1B, L-1 and other work visas](#). All these workers are bereft of the rights of citizens.

The capitalists respond to the collapse of their domestic economies, which they engineered, by becoming global loan sharks and speculators. They lend money at exorbitant interest rates to the working class and the poor, even if they know the money could never be repaid, and then sell these bundled debts, credit default swaps, bonds and stocks to pension funds, cities, investment firms and institutions. This late form of capitalism is built on what Marx called “fictitious capital.” And it leads, as Marx knew, to the vaporization of money.

Once subprime borrowers began to default, as these big banks and investment firms knew was inevitable, the global crash of 2008 took place. The government bailed out the banks, largely by printing money, but left the poor and the working class—not to mention students recently out of college—with crippling personal debt. Austerity became policy. The victims of financial fraud would be made to pay for that fraud. And what saved us from a full-blown depression was, in a tactic Marx would have found ironic, massive state intervention in the economy, including the nationalization of huge corporations such as AIG and General Motors.

What we saw in 2008 was the enactment of a welfare state for the rich, a kind of state socialism for the financial elites that Marx predicted. But with this comes an increased and volatile cycle of boom and bust, bringing the system closer to disintegration and collapse. We have undergone two major stock market crashes and the implosion of real estate prices in just the first decade of the 21st century.

The corporations that own the media have worked overtime to sell to a bewildered public the fiction that we are enjoying a recovery. Employment figures, through a variety of gimmicks, including erasing those who are unemployed for over a year from unemployment rolls, are a lie, as is nearly every other financial indicator pumped out for public consumption. We live, rather, in the twilight stages of global capitalism, which may be surprisingly more resilient than we expect, but which is ultimately terminal. Marx knew that once the market mechanism became the sole determining factor for the fate of the nation-state, as well as the natural world, both would be demolished. No one knows when this will happen. But that it will happen, perhaps within our lifetime, seems certain.

“The old is dying, the new struggles to be born, and in the interregnum there are many morbid symptoms,” [Antonio Gramsci](#) wrote.

What comes next is up to us.

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