
Back to the Past: Marxist Concepts Reborn

Phillip A. Smith¹, Nova Southeastern University
Joseph A. Rickert²

Opinion Paper

Abstract: *Since the end of the Cold War, theorists have proclaimed the end of Marxism and the celebrated superiority of the capitalist system. However, after nearly two decades of an international system where free market capitalism has not faced any viable competition from rival ideologies, we have seen not the unbridled success of the capitalist system, but rather its continued weakening and its transformation into an increasingly unstable and unsustainable system built on false wealth and dubious accounting practices that survives by the proliferation of consumer debt. When this enormous economic bubble bursts, the entire economy is threatened to go down with it unless it is salvaged by massive government spending plans to sustain the system. In this paper we use Marx's principles of Estranged Labour & Alienation, Loss of Surplus & Value, and Fetishisms with Commodities and Exchange to outline the fundamental themes that are present in the international system, which have allowed for the rebirth of Marxian principles and which have been validated through the current economic/political environment of the international system.*

The international economy is in constant evolution in the international system. This phenomenon traces its roots back to the industrial revolution and Adam Smith. The constant struggle for resources and economic hegemony has plagued the economic status quo for the past 200 years. This phenomenon is not new yet just recourse of a set of principles outlined by Karl Marx through his historical

¹ Phillip Andrew Smith holds a master of arts in Diplomacy/International Relations from Norwich University and is currently a PhD student in the School of Humanities and Social Sciences at Nova Southeastern University. Research interest include: Marxism, U.S. Foreign Policy, Terrorism, International Conflict, Democracy and development.

² Joseph Adrian Rickert holds a master of arts in international relations from the University of Alabama. Research interests include: Marxism, U.S. foreign policy in the post Cold War world and Russian foreign and domestic policies in the Putin era.

works. This work seeks to analyze Marxism in its purest forms and apply Marxist principles to explain current international political and economic phenomenon. The principles presented will be *Estranged Labour & Alienation*, *Loss of Surplus & Value*, and *Fetishisms with Commodities and Exchange*. These principles outline the fundamental themes that are present in the international system and allow for Marx to be re-born and have been validated through the current economic/political environment of the international system.

The globalized economy is in danger and the fundamental principles governing this system are failing. A new era in international relations is shifting, from globalization to the re-emergence of nation-states. This transformation emerges from the ashes of the Cold War and the decline of American Hegemony. The capitalist system is unable to procure itself through longevity because of the unstable nature of the market and its rudimentary philosophy of wealth accumulation. This creates a backlash in stability and rejuvenates the protectionism and national identity across the international system. This observation is valid due to the enormous failure of the economic crisis which erupted in 2008 and still plagues the system now. The U.S. and European financial system appeared strong on the accounting sheets and in reality it was all built on a stack of cards. Thus, the re-birth of Karl Marx is imminent.

Marx's thesis regarding the inherent flaws of capitalism has been borne out not only in the decade leading up to the great depression, but also by the current serious and long-term economic recession. This paper seeks to demonstrate the possibility that the current form of American capitalism has failed and a new system must replace it. Robert Reich, former Secretary of Labor under Bill Clinton, recently said of the current dire economic crisis in which the country finds itself, we will have to create an entirely new economy (Reich, 2009). Reich premises this statement based on the fact that seventy percent of the American economy is driven by consumption, and people will not continue to consume in any significant fashion until they reach economic stability. This won't happen any time soon because manufacturing jobs are leaving the country, and the lending institutions are becoming increasingly insolvent.

Phillip A. Smith, Nova Southeastern University
Joseph A. Rickert

Reich notes, "one out of ten home owners is under water -- owing more on their homes than their homes are worth" (Reich, 2009).

Despite the government having "disbursed \$330 billion of the roughly \$700 billion in TARP funds" (GAO, 2009), the economy continues to flounder. Another recent analysis conducted from a major media network noted that, "Taxpayers stand to lose between \$100 and \$200 billion on TARP...(and) there are others who argue that the billions of dollars the taxpayers shelled out simply delayed an inevitable epic collapse of the financial sector" (CNN report, 2009).

In short, the current capitalist system has become unsustainable. The present American economic system is based on socializing corporate risk and privatizing profit, the government serving as the vehicle that protects the major corporations via tax shelters, subsidies, tariffs, and bailouts when necessary. This system was established after the Second World War because of the past failures of the capitalist economy to perform in a free market setting.

Noam Chomsky has argued that, "The depression in the 1930s removed any lingering beliefs that real capitalism might be viable..." (Chomsky, 2000 pg 196), and that for many industries to even exist they must rely on heavy government subsidization. The United States has one of the most laissez-faire economies in the world, and over the past thirty years we have witnessed significant job loss in the manufacturing and computer industries because of outsourcing: the relocation of American corporations overseas because of the search for lower wages and greater profits. The mantra of the majority of U.S. politicians, both Democratic and Republican, for the most part, is that laws must be favorable to big corporations in terms of low or no tax rates, lax environmental regulations to maintain competitiveness, and government subsidization when necessary. The logic behind this is that when corporations do well, American workers do well because they are employed in greater numbers by these businesses, and when these companies yield larger revenues, their workers will see wage increases and thus standards of living will rise. Again, this is only true for a tiny minority of workers, as real wages for the average American worker has declined since 1972.

As was quoted in the New York Times in 2006, "...wages and salaries now make up the lowest share of the nation's gross domestic product since the government began recording the data in 1947, while corporate profits have climbed to their highest share since the 1960's. UBS...recently declared the current period as 'the golden era of profitability' (N.Y. Time Report, 2009). This was on the eve of the major economic downturn. Thus, there appears little correlation between corporate profits and the improvement of wages for American workers. The entire mantra of American free market capitalism is that for the American worker to see better salaries and better standards of living is directly tied in to how well corporations are profiting.

Yet, Chomsky again illustrates how the economic "boom" of the 1990s benefited primarily the wealthiest few, while, in the late 1990s, "for two-thirds of workers, average incomes are below the late 1970s...Working hours have gone way up -Americans apparently work about a month a year more than they did 25 years ago, (and) wages have stagnated..." (Chomsky, 2000, pg 191).

The actions of the government under both the Bush and Obama administrations have been to bail out the banks and lending institutions as well as the automobile industry, while not significantly helping homeowners in danger of foreclosure. So both parties are beholden to the big corporations, and we see this with the "too big to fail" slogan that justifies such tremendous government intervention in an economy that prides itself on supposed non-intervention.

A revisit of Marx's concept of estranged labour and alienation is useful at this point to demonstrate whether this can be borne out when applied to contemporary analyses of the current economic situation in the United States and elsewhere.

Estranged Labour & Alienation

The principle of Estranged Labour & Alienation is derived from Marx's interpretation of the intricate relationship between the Worker and his/her product. This principle is both analyzed by the labour of man and also his/her alienation from the product itself. Charles Lemert uses Marx's excerpt interpretation of Labour and Alienation in his

Phillip A. Smith, Nova Southeastern University
Joseph A. Rickert

work titled *Social Theory: The Multi-cultural and Classic Readings*. Marx asserts: "Man's species being, both nature and his spiritual species property, into a being alien to him, into a means to his individual existence. It estranges man's own body from him, as it does external nature and his spiritual essence, his human being." (Lemert, 2004, pg. 35).

Marx's estrangement of labour could be seen through the lenses of Chinese and Indian worker's whose labour is exploited through poor wages and harsh working conditions in the name of micro-chips and refrigerators. This estrangement was created indirectly through the globalizing economy. While, Marx directed his attention to the working class within the Capitalist country, more attention is needed to examine the working class under the chains of slavery in the developing world. The workers and their patriarchs have become accustomed to miniscule living conditions and their ability to adapt to a major economic/social crisis would be much better than that of a person living in the developed world. The estrangement of labour by the working class in China is seen through the eyes of the Chinese nationalist and a new wave of nationalism is setting the stage for worker revolution across the developing world. Maoism is traded for authoritarianism and a re-emergence of Chinese culture is inevitable. This is supported with the recent death of a factory manager by Chinese workers and clashes between workers and state police. Chinese workers have become a commodity and less human due to the market place and demand for cheap labor. (Asian news, 2009). The underlying question is whether this new flux of nationalism is a return to the realist tradition advocated by Hans J. Morgenthau in which interest is "defined by the struggle for power". (Kaufman, 2004, pg 148). This transformation would be a reflux of the balance of power and the inevitability of conflict in the international system between nation states. Another example of this would be the re-emergence of Japan as an economic power and also the re-creation of the Japanese military complex.

Marx's concept of Alienation is exemplified in the following insertion: "The alien being, to who labour and the produce of labour belongs, in whose service labour is done and for whose benefit the produce of labour is provided, can only be man himself" (Lemert, 2004, pg. 35). Man's

alienation from labor eventually recourses itself full circle back to man. This particular insertion outlines the future underpinnings of the labour system. For example; the rise of ethno-nationalist movements or their perverted scope in the name of religion represent the developing world's return from alienation in direct response to globalization. The financial crisis of 2008 has propagated this meltdown and the world is witnessing a return to their culture. Roger Altman expands upon this phenomenon in the following insertion:

Now a page has been turned. The Anglo-Saxon financial system is seen as having failed. The global downturn, and all its human devastation, is being attributed to that failure. Throughout the world including the United States, this has turned the political tide in a new direction. The role of the state is expanding again, together with a regulation of markets.....statements made by such leaders as French President Nicholas Sarkozy, who recently celebrated "the return of the state" and "the end of ideology of public powerlessness." (Altman, 2009, pg 5).

The return of the state represents the return of national identity. Altman goes on to state that "Globalization is in retreat both in concept and practice" (5). The retreat represents the move for states to take hands on approach to their financial sectors or production/manufacturing. This is a stark contrast from the capitalist approach of *Laissez Faire*. George Ritzer expands further on Alienation in that Marx observes alienation as a perversion of man's connection with nature and his expression through labor. (Ritzer, 2004, pg 51). The consequences of the financial collapse are sobering and call into question the future of the global financial market and a rise in nationalism. Globalization moved into the system in expedient fashion and will also leave the system in the same way. Joan Spero in her work titled *The Politics of International Economic Relations* asserts that the "South (developing) will have the ability to counter the influence of the North (developed) through control of its raw materials." (Spero, 2003, pg 242). Spero forgets the financial interdependence of the south with the North. This financial meltdown has contributed much of

Phillip A. Smith, Nova Southeastern University
Joseph A. Rickert

the south's decline financially through the past year. This has also contributed to the progressive socialistic movements that are propping up all over Latin America, Southeast Asia during the past decade.

Loss of Surplus & Value

Value has become the focal point for much of the financial fall out of 2008. The U.S. market and European markets for investors have always appeared as safe vehicles for investment. In relation to the U.S. market the structure which allowed for such stability was two fold. First the U.S. represented the number one economy in the world along with a record of having stable currency. When analyzing Marx's Loss of Surplus & value it is important to attach this nomenclature to the U.S. economy as being the valuable and abundant economic system for the rest of the world. Marx outlines this flaw in his section on *Erroneous Conception by Political Economy, of Reproduction on a Progressively Increasing scale* in Capital Vol. 1. Marx asserts: "There can be no greater error than in supposing that capital is increased by non-consumption." (Marx, 1867, pg 553). This insertion relates to the heart of the financial crisis in 2008 with the collapse of the real estate and derivative markets. The investment belief of eternal profits and revenue came crashing to a halt and for the first time since the Great depression the balance sheets of major financial institutions called into question the frugality of their labor and existence.

This phenomenon occurred because the system is volatile. Marx addresses this in Capital and warns against this with his statement on the Capitalist continuous process flaw. (Marx, 1867, pg 542). In applying this outline There is an inherent belief that some aspects of the investor banking market will retain value, this will either be the through derivatives or real estate. According to Bruce Sacerdote of Dartmouth College, many banks took the plunge into investing into mortgage securities based derivatives and would gamble their profits based off of the ratings of the funds themselves selling them back and forth with the underlying cognition that Real Estate and the investment sector will never go negative (Sacerdote, 2008). Nancy

Marion is also a professor at Dartmouth College stated “Since 1970 the world has experienced 124 systemic banking crises”. (Marion, 2008).

While Marion lectures on systemic banking crises she stops short from labeling the current U.S. financial crisis as a systemic banking crises due to the lack of substantial evidence as to the potential losses accumulated by the major banks. (Marion, 2008). While Marion states this she does not have the luxury of time travel to see the Obama administration yet again bail out more financial companies and the auto industry. Is Marx correct in his observation of the Surplus-Value? The evidence set forth demonstrate that the systemic issues that are plaguing the financial sectors derive from fundamental economic themes of greed, competition and more greed. There is a flaw if one can always land in the positive through exercising their capital in between derivative and mortgage securities with the hope that real- estate always comes out positive for investing through absolute deregulation of the financial market. This is the re-birth of Karl Marx’s critiques of the Capitalist system. To support further my observations on Marx and the current financial system, Richard Katz expands upon the derivatives market and the interworking of the financial collapse in his work titled *The Japan Fallacy: Today’s U.S. Financial Crisis Is Not Like Tokyo’s “Lost Decade”*. Katz asserts:

If powerful financial lobbyists waving the banner of faith in markets had not thwarted commonsense regulation, much of this would have never occurred Democratic and Republican policymakers alike.....went so far as to virtually outlaw the monitoring and regulation of many types of derivatives by initiating the Commodity Futures Modernization Act. Just as deposit insurance now prevents massive runs on the banks, the regulation of derivatives could have made this crisis less severe. (Katz, 2009, pg 12).

Fetishisms with Commodities and Exchange

Marx's interpretation of Commodities and Exchange is derived from his observations of the capitalist's ability to create mysticism between the final product and consumer as well as an aluminous existence of commodities and their use-value. Marx expands upon this mysticism in the following insertion:

The mystical character of commodities does not originate, therefore, in their use-value. Just as little does it proceed from the nature of determining factors of value. For in the first place, however varied the useful kinds of labour, or productive activities.. (Lemert, 2004, pg 58).

In analyzing the current financial crisis in the U.S. and the global recession that follows it. The U.S. has been able to enjoy the monopoly as the world's leading currency. The dollar has taken on these attributions of mysticism promoted by Marx in his fetishisms. With this particular example, the dollar has become the focal point in monetary policy internally by the U.S. to stimulate growth and spending.

For instance, when inflation rises the Federal Reserve will raise interest rates to counter the inflationary rate. The Federal Reserve will also lower interest rates on U.S. treasury certificates to influence consumer spending. This financial effect has an overarching cost on overseas currencies and the financial investments of many other states. The U.S. is able to use the strength of the dollar to influence its economy at the expense of the international monetary system. States are unable to use their substantial exports to influence monetary policy here in the U.S. This dependence is declining with the movement towards a world currency to counter the dollar. The financial crisis has propagated many states to question their investment choice of the U.S. financial market. It only takes time for the rest of the world to see that it does not make financial sense to keep their monies currently inside this volatile monetary relationship.

This is not to state that the U.S. has created this mysticism with its currency the dollar. The dollar became the world currency after the Second World War and during

the early parts of the cold war. The need for a universal currency in order to boost one's economy and counter the Soviet military threat is understandable. The cold war created a financial alliance between Europe and the U.S. This alliance remained relatively strong until the collapse of the Soviet Union. The new era that encompassed the international system was Globalization. This became a system in which state boundaries and national identities became extinct in exchange for NGO's and wealth. This movement triggered a Capitalist world oligarchy. Power was shifted from governments to NGO's whose home bases were in the U.S.

Conclusion

The financial collapse of 2008 demonstrated the ultimate vulnerability of an unregulated capitalist system. The system is stabilized through mechanisms that allow growth to become maximized and mitigate the extraordinary losses. The financial crisis is expected when observing a system that derives itself on maximization of profit and revenue there comes a point when this curve drastically changes and the model of the system turns into a roller coaster. Marxism is re-born and many who have contributed to his principles are observing their fruits of labor.

The capitalist system has many flaws, some of which can be corrected through government intervention and a fundamental understanding of market structures and volatility. In the U.S. the natural belief is that capitalist principles should dominate the political debates. This has tarnished the fundamental values of the constitution and has perverted the American mindset. The phrase life, liberty and pursuit of happiness have been tarnished into life liberty and make as much money as possible. Once, this becomes accepted by the populace then the state will eventually decline. Marx proposed that the capitalist system begins with many players, through competition this number fluctuates to a smaller group and over time the group that controls the market becomes very powerful. This group will try and control the political reigns of government as well as dictate financial policy amongst the populace. In the United States there are many corporations who have contributed to

Phillip A. Smith, Nova Southeastern University
Joseph A. Rickert

Marx's prediction. To support this insertion one only needs to observe the lobbyists in Washington both at the white house and capital hill. The American way of life has become tarnished and the capitalist system has contributed to this affliction. Maybe it is time for Americans to question themselves as to what is important for them. Should Americans seek to live that life of liberty and the pursuit of happiness and not pursuit of getting rich and complacent with high standards of living and return to our fundamental principles of being the republic for the people and by the people.

References

- Altman, Roger C. (2009). Globalization In Retreat. *Foreign Affairs*, Vol. 88, no.4;
July/August.
- Asian News* . 2009. *Chinese Workers beat Manager to death ; Farmers Block Highway*.<http://new.asianews.it/index.php?l=en&art=15886&geo=3&theme=6&size=A>(Accessed, Oct 21, 2009)
- CNN Money "TARP: Taxpayers on the hook for \$ 200 billion", available at http://money.cnn.com/2009/10/02/news/economy/tarp_anniversary/index.htm?postversion=2009100211, accessed 21 October, 2009
- Chomsky, Noam, *Rogue States: The Rule of Fore in World Affairs*, (Cambridge: South End Press, 2000)
- Katz, Richard. (2009). The Japan Fallacy: Today's U.S. Financial Crisis Is Not Like Tokyo's "Lost Decade". *Foreign Affairs*, Vol. 88, no.2; March/April.
- Kaufman, Daniel J; Parker, Jay M; Howell, Patrick V; Doty, Grant R. (2004). *Understanding International Relations: The value of Alternative Lenses*. N.Y., New York; Custom Publishing.
- Lemert, Charles. (2004). *Social Theory: The Multicultural and Classic Readings*. 3rd ed. Boulder, CO; Westview Press.
- Marion, Nancy; Sacerdote, Bruce; Zitzewitz, Eric. (2008/October). *The Financial*

Back to the Past: Marxist Concepts Reborn

Meltdown: Causes, Consequences, and Options. Dartmouth College Economic Forum; Hanover, NH. <
http://www.youtube.com/watch?v=_QnMBS8OC3U> (Accessed on 06/30/2009).

Marx, Karl. (1867). *Capital: A Critical Analysis of Capitalist Production: Vol.1*. New York, N.Y.; International Publishers.

Marx, Karl. (1867). *Capital: The Processes of Circulation of Capital: Vol.2*. New York, N.Y.; International Publishers.

Marx, Karl. (1867). *Capital; The Process of Capitalist Production as a Whole: Vol.3*. New York, N.Y.; International Publishers.

New York Times, "Real Wages Fail to Match a Rise in Productivity"
<http://www.nytimes.com/2006/08/28/business/28wages.html>, accessed 15 July 2009

Robert Reich's Blog, <http://robertreich.blogspot.com/2009/07/when-will-recovery-begin-never.html>, accessed 14 July, 2009.

Ritzer, George; Goodman, Douglas. (2004). *Sociological Theory*. 6th ed. New York, N.Y.; McGraw-Hill Inc.

Spero, Joan; Hart, Jeffrey. (2003). *The Politics of International Economic Relations*. Belmont, CA; Thomson Wadsworth Inc.

Troubled Asset Relief Program, June 2009 Status of Efforts to Address Transparency and Accountability Issues, Government Accountability Office report, available at <http://www.gao.gov/new.items/d09658.pdf>, accessed 18 October, 2009.