

MARX'S REVENGE

The Resurgence of Capitalism and
the Death of Statist Socialism



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VERSO

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Two Revolutions and a Demolition

The year 1989 was a historic one for two reasons. These reasons, though separate, are intimately linked. One was the fall of the Berlin Wall, symbolizing as it did the collapse of Soviet hegemony over Eastern Europe, followed soon after by the death of the one-party state in the Soviet Union itself. The other was that it was the bicentenary of the French Revolution.

Zhou En Lai, asked what he thought about the French Revolution, is said to have replied: 'It is too soon to give a verdict.' Indeed, the bicentenary became an occasion for the airing of widely divergent interpretations of the meaning that the French Revolution had for the late twentieth century. Francois Mitterrand, as a Socialist president, wanted to claim the Revolution for socialism emphasizing the rights of man. One of his guests was rude enough to claim that human rights had been earlier and more enduringly established by the Bloodless Revolution of 1688 and the Bill of Rights which followed the year after. President George Bush was too diplomatic to agree with Margaret Thatcher, who had made this claim, but then the American Revolution of 1776 had benefited from French material support as much as French, as well as English, ideas.

The Revolution of 1789 is a perennial subject of debate among historians. François Furet and Simon Schama are merely the most recent examples of historians who have espoused major revisionist interpretations, and no doubt the battle will continue.¹ But the one interpretation which has long held sway was the one that claimed 1789 as a precursor of the later revolutions – the unsuccessful one of 1848, the Paris Commune of 1871 and, of course, the Bolshevik Revolution of 1917. The Bolsheviks knew their history of 1789 intimately, and bandied about words like Thermidor and Bonapartism. And, of course, there was the Terror. Lenin as Robespierre has been a frequently used analogy. Trotsky decried Stalin as having embodied the reaction that Thermidor represented in that earlier Revolution. But throughout much of this century, if not the last two hundred years, there has been an identification of the French Revolution as a popular, democratic uprising, which brought down a feudal,

aristocratic *ancien régime*. Its earlier idealism inspired the pioneers of socialism; its occurrence presaged the birth of the modern era; and its later perversion affected a host of European intellectuals and artists – Hegel and Beethoven among them.

The fact that an established and powerful regime can be overthrown suddenly, almost overnight, and replaced by those it previously ruled over, defines the word revolution. It is a simplification, of course. Bastille Day, 14 July 1789, did not change everything overnight. The Revolution was led by the middle class, and was not the friend of the masses at all times. But ever after, revolution has meant a sudden, total overthrow of one regime and its replacement by a rule of the oppressed.

It was this notion of the overthrow of the ruling – by definition oppressive – regime by its oppressed that haunted Europe throughout the nineteenth century. At the end of the long nineteenth century (1815–1914) came the fulfilment of this nightmare. During 1917, Russia witnessed two revolutions: in February and October. The October Revolution consciously claimed descent from the French Revolution of 1789. Uprisings in Germany, Hungary and Austria soon followed, with disturbances in Northern Italy. None, however, succeeded, except for the October Revolution. It was this Revolution, and its bastard offsprings in Eastern Europe, that ended in 1989.

The connecting link between the two revolutions was Karl Marx. It is his writings that are claimed to have inspired all the European revolutions from 1917 to 1923. The October Revolution, by its survival, appropriated Marx, and guarded its monopoly of his heritage with ferocious and, indeed, murderous tenacity. Marx was the prophet, they said, of their success, and the guarantee that the Socialist Revolution would conquer the world. This was not just the Russian boast. A lot of the ideological ferment during the short twentieth century (1914–89), and much of our social sciences and, indeed, our view of the relations between state and society, between economics and politics across the political spectrum, have been shaped by the way in which Marx was read by the Marxists and their friends – and, indeed, even their enemies. So did Marx and his influence also perish with the Wall?

When the Berlin Wall came down, the End of History was pronounced. Francis Fukuyama, who made this claim, was deeply influenced by Hegel's philosophy. Hegel has been portrayed as some horrendously opaque writer. Karl Popper's vulgar attack on Hegel in the second volume of his *Open Society and Its Enemies* castigated him as a father of totalitarianism, a philosophical pariah. It was a surprise to many English-speaking intellectuals and politicians

when Fukuyama claimed Hegel as the one person whose prophecies had been fulfilled by the collapse of the Berlin Wall. How could it be that the philosopher castigated as a totalitarian in the 1950s could be claimed, forty years later, as prophet of the triumph of liberal democracy and capitalism?²

Re-evaluations of philosophers are not unknown. Indeed, revisionism is routine in the history of ideas, as of events. The Nobel laureate, Friedrich von Hayek, was forgotten and derided in his forties and fifties, only to be fêted as one of the great economist-philosophers in his seventies and eighties. Or take the fate of John Maynard Keynes. He was said to have saved capitalism from Marx and communism. But in the hour of the triumphant resurgence of capitalism, he is pronounced dead. His ideas, which were so dominant in the 1950s and 1960s, are now devalued.

What of Marx, then? Could his ideas come back? Or is he safely dead and buried, along with socialism, to which his name has been attached?

I want to argue that in the triumphant resurgence of capitalism – and, indeed, its global reach – the one thinker who is vindicated is Karl Marx. Not only that. The demise of the socialist experiment inaugurated by October 1917 would not distress but cheer Karl Marx if, as an atheist, he occupies any part of Hell, Purgatory or Heaven. Indeed, if it came to a choice between whether the market or the state should rule the economy, modern libertarians would be as shocked as modern socialists (social democrats *et al.*) to find Marx on the side of the market.

This claim is not made lightly or facetiously. Nor is it made in some desperate attempt to prove that Marx was always invariably right. For of all those who deride or even worship Marx, how many ever read him? It would surprise them to know that Marx did not advocate nationalization of industries, or the replacement of the market by central planning. He did not look to the state, even a 'Socialist' state, to alleviate the conditions of the workers. He was a champion of free trade, and no friend of tariff barriers. He did not advocate the monopoly of one-party rule, and never said that the Communist Party – the party of Marx and Engels – would lead the proletariat. He did not found a political party and, while often insufferable and undemocratic in his dealings with his fellow socialists, he never harmed a fly in his life. The use of terror, of cliquish party rule to gain power, was to him anathema: Blanquism.

Marx was no friend of capitalism, but he was its best student. He devoted more than half his sixty-five years to studying the dynamics of capitalism, but with a view to finding the forces that would finally bring about its end and its eventual replacement by communism. This was not, however, the replacement

of the government of a capitalist state by a government which would bring about socialism. The idea that socialism would be brought about by the state was alien to everything he stood for.

Marx saw the incredible dynamic motion of capitalism, its revolutionary potential, as early as 1848. In the *Communist Manifesto* which he wrote with Friedrich Engels, he celebrated the global nature of capitalism. Barely thirty years old, he wrote about capitalism:

The Bourgeoisie cannot exist without constantly revolutionizing the instruments of production, and thereby the relations of production, and with them the whole relations of society. Conservation of the old modes of production in unaltered form, was, on the contrary, the first condition of existence for all earlier industrial classes. Constant revolutionizing of production, uninterrupted disturbance of all social conditions, everlasting uncertainty and agitation distinguish the bourgeois epoch from all earlier ones. All fixed frozen relations, with their train of ancient and venerable prejudices and opinions, are swept away, all new-formed ones become antiquated before they can ossify. All that is solid melts into air, all that is holy is profaned, and man is at last compelled to face, with sober senses, his real conditions of life, and his relations with his kind.

The need for a constantly expanding market for its products chases the bourgeoisie over the whole surface of the globe. It must nestle everywhere, settle everywhere, establish connections everywhere.

The bourgeoisie has through its exploitation of its world-market given a cosmopolitan character to production and consumption in every country. To the great chagrin of Reactionists, it has drawn from under the feet of industry the national ground on which it stood. All established national industries have been destroyed or are daily being destroyed. They are dislodged by new industries, whose introduction becomes a life and death question for all civilized nations, by industries that no longer work up indigenous raw material, but raw material drawn from the remotest zones; industries whose products are consumed, not only at home, but in every quarter of the globe. In place of old wants, satisfied by the production of the country, we find new wants, requiring for their satisfaction the products of distant lands and climes. In place of the old local and national seclusion and self-sufficiency, we have intercourse in every direction, universal interdependence of nations. And as in material, so also in intellectual production. The intellectual creations of individual nations become common property. National one-sidedness and narrow-mindedness become more and more impossible, and from the numerous national and local literatures, there arises a world literature.

The bourgeoisie, by the rapid improvement of all instruments of production,

by the immensely facilitated means of communication, draws all, even the most barbarian, nations into civilization. The cheap prices of its commodities are the heavy artillery with which it batters down all Chinese walls, with which it forces the barbarians' intensely obstinate hatred of foreigners to capitulate. It compels all nations, on pain of extinction, to adopt the bourgeois mode of production; it compels them to introduce what it calls civilization into their midst, i.e., to become bourgeois themselves. In one word, it creates a world after its own image.³

As he sought the secret of capitalism through a study of political economy, Marx had in his mind an extension of the theory of history that he had inherited from Adam Smith and the Scottish philosophers of Enlightenment via Hegel. Smith had seen the achievement of commerce and liberty as the highest and final stage of human history. It was the prospect that the fall of the Berlin Wall would now make the universal, global achievement of capitalism (commerce) and democracy (liberty) possible which led Fukuyama to celebrate the End of History. Humankind had arrived at its final destination. Marx had the idea that there was something beyond this final stage – something that would go beyond individualist, private-property-based capitalism, as well as parliamentary democracy based on class-based parties with inherent inequality in the distribution of power. This was to be communism. It was to make human beings realize that they were free only when they recognized their mutual interdependence – that no one can be free while anyone else was not. But communism was not round the corner. There was no set timetable which one could follow.

There were some lessons to be derived from the way the world had passed through the previous stages of history. This was the original programme of the Scottish philosophers – Adam Smith, Adam Ferguson, Francis Hutcheson, John Millar. They saw human history passing from hunting-and-gathering to pastoralism to agriculture, and finally arriving at commerce – not everywhere at the same time, or in the same form, but this was the unifying thread in human affairs, much as Isaac Newton had found a unifying principle in the motion of the Heavens and the Earth. Marx, going one beyond them, saw the daisy chain as primitive communism, classical slavery, and medieval feudalism which, in its turn, was overcome by the bourgeois revolution. But if you could grasp the secret of change, then you could see that change would not stop there.

What caused these epochal stages – modes of production, as Marx called them – to persist for centuries, why did they go under, and what made a new mode superior to the old? Above all, what made capitalism triumph over

feudalism, and what made it persist? What was the secret of its self-reproduction, its continued growth and survival, which made people accept wage labour when they could see that they were merely helping someone else – their employer – to get rich? Since commerce had come along with liberty, how come workers, free to do as they liked, consigned themselves to working as wage labourers?

The origins of capitalism can be placed anywhere between the fourteenth and the sixteenth century, but it was in the eighteenth century that capitalism had burst forth with immense productive powers. It had gained the ability to harness raw materials from all corners of the globe, to summon science to its aid in further revolutions in technology. It had, in short, the potential to eliminate scarcity. Why, then, was the birthplace of industrial capitalism full of misery, as Engels had so carefully observed in Manchester in 1844?⁴ Could capitalism deliver on its promise of abundance, or were there inbuilt, inherent obstacles to its doing so?

To answer these questions required a deep study of the mainsprings of capitalism. The political economists – Adam Smith, David Ricardo, James Mill, the French Physiocrats – had studied this issue, but they clearly had not done so *critically*. Critical thinking was a philosophical method. It was a tool as well as a weapon. It helped you undermine an accepted dominant philosophy from within, by locating its contradictions – the weakness embedded in its strongest points. Once you understand the world, you can then know how to change it.

But change was not an easy mechanical act, like opening a door. Historical change involved vast movements of people, of events, of institutions. The changeover from feudalism to capitalism took anywhere between two and four centuries, and even then Marx claimed to have studied only the experience of Northwest Europe. Indeed, in Eastern Europe the same period saw the strengthening of the bonds of feudalism, while they were loosening west of the Elbe. Russia was yet another uncharted territory. In the final decade of his life, Marx learnt to read Russian so that he could understand the land tenure systems of Russia – the nature of Russian feudalism. Capitalism had barely penetrated there.

By then – the 1870s – Marx was, however, a very famous (as well as notorious) man. He was regarded as a dangerous subversive, possibly a regicide, by the rulers of Germany, France and England (though allowed to live in England), and his name was celebrated among the many radical parties forming in Europe. The younger revolutionaries, especially in mainland Europe – France, Germany and Russia – read him voraciously, and took his theories very seriously. They made his theories into an ideology – Marxism – causing him to make his famous

remark that as far as he knew, he was not a Marxist. They wanted formulas and recipes for change. They were impatient to overthrow what he had taught them was an oppressive system prone to crises. But he would not oblige. When the German Social Democrats formed a political party claiming allegiance to his ideas, he severely criticized their political programme. When Russian revolutionaries appealed to him to say whether he predicted that Russia would have to go through the same stages as the most advanced countries of Western Europe, he demurred and told them that he had only studied Western European experience, and could not pronounce on this urgent request. He was still studying the Russian situation.

After his death in 1883, it somehow came to be said that Marx had indeed predicted the imminent demise of capitalism. The German Social Democratic Party, which had now firmly set Marxism on its banner, had a programme to achieve socialism. Indeed, the suggestion that capitalism might have mutated and changed, to increase its chances of survival, caused a big rift in the party between the followers of Bernstein (Right) and Kautsky (Left).

How this belief in the imminence of the collapse of capitalism came to take hold in the 1880s and 1890s is a complex issue which I shall pursue below. But even then, if this demise was to occur, it was to do so in the mature capitalism of England. This made some sense, because one brief hint Marx had given about the changeover from one mode of production to another was that any particular mode disappeared only after its full potential had been exhausted – when it had lost its dynamism, as it were. With mature capitalism came a mature, organized working class capable of autonomous collective action. The full chain of links was never specified, but it would be collective autonomous action by the workers which would overcome capitalism when it had exhausted its potential.

It is an easy conceit of each generation to believe that it stands at the pinnacle of progress. This was, after all, implicit in the celebration of commerce and liberty in the late eighteenth century. The European socialists of the late nineteenth century were impatient. Their contemporary capitalism looked to them mature and ripe for change. The change that came in 1917, however, sent out all the wrong signals. Old-fashioned Marxists denounced the Russian Revolution as not properly socialist. It could not be socialist, since Russia had not had any proper capitalism. But the change happened after the outbreak of the First World War, which had already bitterly divided the various socialist parties of Europe. The German SPD especially had shocked its admirers – and, indeed, itself – by supporting the German war declaration enthusiastically. So had the other socialist parties. Socialist internationalism was in tatters. Working-

class parties were supporting capitalist military adventurers. This Marx had not predicted.

The Russians who led the October Revolution – Lenin, Trotsky, and others of the Bolshevik tendency of the Russian Social Democratic Labour Party (later relabelled the Communist Party) – fully expected a chain of revolutions to break out in Germany, France, and perhaps even England. When they alone survived – against all odds – they were surprised. Having opposed collaboration in Russian war efforts, unlike the German socialists, they thought their ideas, their theories, their Marxism had been vindicated.

They therefore proceeded not only to appropriate Marx, but also to reinterpret and revise Marx to harness his prestige to their cause. At this distance, it is hard to realize that in those days capitalism *did* seem beleaguered, and yet another surge of revolution seemed imminent. Even the mild Fabian socialists Sidney and Beatrice Webb wrote of *The Decay of Capitalist Civilisation* in 1922.⁵ And it did not get better in the next twenty years as Mussolini, Hitler and a Great Depression visited the homelands of capitalism. It was easy to argue that socialism had indeed been established in Russia, and that capitalism had had its day. Even its best friends thought that in order to survive, capitalism would have to adopt some of the methods of socialism – control of the market, introduction of planning, social ownership.

The notion that Marx would have been shocked by the Russian situation because it was socialist, a vindication of his theories, was held by a very tiny minority, which was ceaselessly hounded by all the various Bolshevik sects: Leninists, Stalinists, Trotskyists. The delicate plant of non-Bolshevik (indeed, anti-bolshevik) Marxism withered on the vine. Even when – after 1956 and the Hungarian Revolution – the monopoly of Soviet Communist orthodoxy was challenged in the West, the New Left which appeared only encouraged the flowering of dissident sects of Bolshevism: Trotskyism, Maoism, 'original' Leninism. The rightness of the October Revolution was unquestioned. The issue was when and how the Revolution got distorted and betrayed, and by whom.

Marx's ideas were re-examined. Gaps and inadequacies were discovered. His economic theories had suffered revision and correction way back in the 1900s at the hands of Rudolf Hilferding and then Lenin. But now his lack of a theory of the state, of classes, of agency in political change, were all pointed out. His analysis of transition between modes of production was said to be too simple, too mechanistic. He had not seen the obvious weak link in capitalism and its potential as harbinger of socialism – an idea that was, fortunately, brilliantly innovated by Trotsky. He had not seen the importance of monopoly capitalism,

and why it was against all that he had praised in capitalism. Monopoly capitalism was exploitative, but without dynamism, without the revolutionary potential of the capitalism of Marx's day. Monopoly capitalism lived parasitically off the colonies, the periphery, the South – by making them underdeveloped. The dialectic of progress leading to maturity and demise that Marx had adumbrated was replaced by a dialectic of development, feeding off underdevelopment in a climate of stagnation. Indeed, bad and distorted as Soviet socialism was, its technological dynamism showed that it was progressive. It had an unfortunate dictatorial tendency, but soon autonomous working-class action within the Soviet Union would replace the regime. Trotsky said so.

It was all to end in tears. After a brief and stormy seventy-five-year life, the Russian socialist venture, the attempt to speed up the pace of history, the weak link that Marx had failed to see, came to an abrupt but complete end. Capitalism was not ready to give up yet. Lenin had proclaimed that imperialism was its highest (latest) but final stage way back in 1916. As late as 1972 another prominent Marxist, Ernest Mandel, wrote a book entitled *Le Troisième Âge du capitalisme* (literally, capitalism in its old age, though the English translation was entitled *Late Capitalism*).⁶ Decay and demise were thought to be imminent in the 1970s, just as they were in the 1890s. Even the friends of capitalism, such as Walt Rostow, predicted a convergence between Soviet and American industrial cultures.

But Marx had the last laugh. He was not wrong, not simplistic, not mechanical. Capitalism would not go away until after it had exhausted its potential. The information technology revolution has just begun. What more may come we do not know – biotechnology, new materials, outer space as colonizable land. The whole world is not yet fully integrated into global capitalism. Despite the pessimistic predictions of Marxist political economists such as Paul Baran, Andre Gunder Frank, Immanuel Wallerstein and Samir Amin, Asia is now the home of dynamic capitalism. There are Korean-owned factories in the UK, Japanese-owned factories in the USA, the UK, and many other countries. Latin America has, however, stagnated after its early integration into capitalism, and Sub-Saharan Africa is still to be globalized.

Many view the prospect of globalization with horror. They desperately hope that some limits will be found to global capitalism. Perhaps the environment. Perhaps the resurgence of the nation-state, or a regional superstate. Or even a global-level co-ordination among the nation-states through the UN or G-7 or G-77. Something to tame capitalism, to stop its rampant progress.

Perhaps. But then again, perhaps not. Marx would not have looked for limits

to capitalism in these 'external' agents. He did not see capitalism as eternal, but nor did he see it as incapable of change and innovation and adaptation. The limits to capitalism have to be sought in the weakness of the strongest points of capitalism – that is, the dialectic method. The limits to capitalism will be reached when it is no longer capable of progress, but it will be in the daily practice of the people working the machinery of capitalism that its limits will be felt, and it will be overcome by them.

The continued dynamism of capitalism at the beginning of the twenty-first century is Marx's revenge on the Marxists – on all those who, in his name, lied and cheated and murdered, and offered false hope. The detritus of that misadventure has distorted a lot of thinking about social change. It is necessary to go back to Marx to understand the strengths of capitalism and the secrets of its dynamism. But it is also necessary to understand how the limits of capitalism will be reached. It would be an act of folly, after the searing experience of the twentieth century, to ask *when* these limits will be reached. Marx was an astronomer of history, not an astrologer.

But along with Marx, we shall need to harness others. Joseph Schumpeter, John Maynard Keynes and Friedrich von Hayek were three twentieth-century economists who also studied capitalism and sought to unravel its secrets. We shall also need to go back to Marx's precursors, Adam Smith and Hegel; they, after all, started this study of the astronomy of social motion.

I shall begin this book with Adam Smith and the original venture in understanding the laws of motion of society that was started by the Scottish philosophers. The American and French Revolutions came at the end of a century of rapid change. They have to be understood if we are to see why Hegel was much taken up by the same question that Smith raised, but tackled it in a different way. Marx went from a critique of Hegel to a critique of political economy, in a sense going back over the route Hegel had travelled. The full complexity of what Marx said – and, even more, of what he did not say – have to be appreciated if we are to understand that capitalism was the lifelong subject of Marx's studies. This subject will be discussed in the middle section of this book.

The chequered history of the ideas not only of Marx but of Smith as well, for a hundred years after his death, has to be laid out. The notion of the state regulating the economy; the convergence of socialism and capitalism; the challenge of Soviet-style Marxism and its profound influence on the social sciences; the tension between the understandings of capitalism that Schumpeter, Keynes and Hayek brought to our attention; the critique of the market in the

works of Karl Polanyi, and its reversal within fifty years; the many separate attempts to search for alternatives and limits to capitalism and socialism – the Third Way; the shocked realization at the end of the twentieth century that an entire alternative philosophy – the Second Way of socialism – had disappeared from the menu of possibilities, and the desperate search for a way out – any way out – of the prospect of living under a resurgent capitalism; and the continuing relevance of Marx (and, indeed, many other nineteenth-century socialists) to that question: all these will constitute the concerns of this book.