Growth, Income Inequality and Self-Realisation

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A contemporary Marxist perspective on capitalism and human dignity

'Religion is the sigh of the oppressed creature, the heart of a heartless world and the soul of soulless conditions. It is the opium of the people.' Those were the words of Karl Marx in the introduction to an unpublished critique of Hegel. Speaking of spiritual oppression, Marx declared that religion serves as 'the illusory happiness', making humans unmindful of injustice. Paradoxically, Marxist ideology appears to share several common features with the Christian Bible on the subject of equality. Arguably, both the Bible's praise for the poor and Marx's ideas of a dictatorship of the proletariat may be viewed as a manifestation of a desire for equality.

Although many nations' laws seek to promote equality and to treat all citizens as equals, few realities match this ideal. While the global North continues to de-industrialise, and the global South attracts jobs as a result of mass offshoring—in accord with the North's adherence to a notion of *comparative advantage* and quest for ever cheaper factors of production—there is a renewed focus on the ecological impact of industrialisation, labour standards in evolving economies, sustainability of consumer behaviours, and inequalities *within* nations and their impact on non-economic outcomes.

Ove Jakobsen, a Norwegian professor of ecological economics and ethics, recently questioned whether the focus on economic growth undermines the wellbeing of both rich and poor, and if wealth creation has accomplished all that it is capable of achieving for humankind. Specifically, he asks three questions regarding wealth and inequality: 1) Should the economy have to grow in order to be considered healthy? 2) Do humans have to consume more in order to be happy? 3) Is the solution to poverty that the rich have to get richer?

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These questions are apposite and timely given the structural changes in the global economy, recent economic downturns, and the renewed focus on wealth creation, income inequality and our overall wellbeing. By revisiting the works of Marx, who wrestled with these issues in the nineteenth century, and examining contemporary conditions, I argue that the answer is 'no' to all three questions. I suggest that economic policies should aim to reduce local and global inequalities, and facilitate conditions that are conducive for individual self-realisation. Finally, I argue that these problems can only be solved outside the market economy.

Should the economy have to grow in order to be considered healthy?

Marx argued in the third volume of *Capital* that there are inherent contradictions in capitalism due to over-accumulation of capital and a tendency of the rate of profit to fall over time. In short, Marx maintained that the need to save and reinvest is a rudimentary driving force in capitalism. When capitalists face falling rates of profits they substitute dead labour (capital) for living labour, which is the source of their profits. Marx's logic suggests that they collectively fall victim to a 'Prisoner's Dilemma' scenario, in which they reduce costs in order to stay alive by employing machines rather than workers. A problem then presents itself because what is good for one capitalist is bad for the economy as a whole (all capitalists). Marx recognised that the self-serving individual capitalist would pay the lowest possible wages and exploit capital to its greatest extent, while it would be in his/her best interests that other capitalists pay higher wages and remain less capital intensive. If capitalists all act out of self-interest, workers collectively can no longer afford the products produced, and capitalism generates its own crisis.

Although news media referred to the 2008 economic crisis as a 'once in a century' event rivaled only by the Great Depression of the 1930s, capitalism has faced an ongoing crisis over the last two centuries. Marx asserted that as capitalists act out of self-interest, the increased production eventually produces excess capacity, which will have a detrimental effect on prices. He also suggested, well before Schumpeter used the term 'creative destruction', that recessionary trends would force a capitalist economy to cleanse itself by having firms go out of business. In short, a market capitalistic economy can grow if, and only if, it repeatedly cleanses itself of excess capacity. The recessions should therefore not be considered exceptions to ongoing growth, but rather a necessity for growth to take place. Economists refer to these as cycles of expansion and contraction, and the most dramatic contractions took place as depressions between 1873 and 1896, and from 1929 to 1939. Whereas the first two crises led to protectionist barriers, a third crisis in the 1970s resulted in a new global expansion of capital, followed by a fourth crisis in the early parts of the twenty-first century when the *financialised* world economy collapsed.

So, why do workers continue to toil under modes of production in a system that seeks growth but appears to lack rational control? It is difficult to provide a simple answer, as the explanation rests on socio-cultural, as well as economic and socio-political conditions. As McNally maintains, capitalism is a 'disciplinary system' in which individuals are coerced to obtain what they need for survival through money and markets, and therefore have to develop a work discipline that is conducive for growth. This market dependency changes our social relations, as the individual no longer owns the means of production, leaving them in a state of dispossession and experiencing what Marx referred to as alienation. In their quest for growth, capitalists appropriate part of what the workers produce and eventually rob them of their autonomy. The end result is exploitation, and Marx argued that it becomes less consequential to pay attention to economic growth for the individual worker under such conditions. Capitalism's subjugation of labour will keep them from recognising that the growth they bring about is also keeping them enslaved.

Since wealth creation does not appear to generate beneficial outcomes for humans in post-industrial societies, it is difficult to argue in favour of a continued focus on growth. In fact, a healthy economy may instead be considered one in which human beings can maintain reasonable standards of living while simultaneously easing the pressures on the environment, elevating labour standards, and fostering global solidarity between the workers and peoples of the world.

Do humans have to consume more in order to be happy?

Wilkinson and Pickett allege that inequality impacts on everyone, not only the poor, as inequality 'gets under our skin' and provokes negative affective responses. They point to the steady rise in anxiety-related illnesses in the United States over the last fifty years, and argue that inequality leads to 'evaluation anxieties' in human beings as social status, and our ongoing evaluation thereof, increases when we focus on accumulation of wealth.

Evaluation of social status was a cornerstone in the works of Thorstein Veblen in the late nineteenth century. He asserted in *The Theory of the Leisure Class* that the shallowness and superficiality of society could be attributed to the tendency to believe that true accomplishment depends on being in a position to display vulgar, or ostentatious, wealth and status. Veblen claimed that in mature societies, conspicuous leisure leads to conspicuous consumption in order for the exploiters to demonstrate their powers and social status.

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One of Veblen's key points, as it relates to consumption and status, is that a focus on conspicuous consumption leads to irrational behaviours. Consumption becomes conspicuous waste, as human beings no longer rationally pursue value and utility. Marx pointed to this in *Grundrisse* where he described consumption-oriented wealth as 'limitless waste, which logically attempts to raise consumption to an imaginary boundlessness, by gulping down salads of pearls etc.' Such economic behaviour is, according to Veblen, socially determined, and he viewed economic organisation as a process of ongoing evolution. He contended that rich and poor alike attempt to impress others and seek to gain advantage through conspicuous consumption.

Marx believed that the good life was one of active self-realisation and that capitalism only offers such opportunities to a few. He envisioned the individual's full and free use of their powers and abilities. Marx was particularly concerned that the individual would be coerced into doing something that was socially valuable at the expense of his or her own interests and he broke self-realisation down, consistent with Aristotle and Hegel, into self-actualisation and self-externalisation. The former involves the transformation of a potential into actuality, while the latter is the process of making the powers of the individual noticeable to other people.

Marx asserted that self-realisation is superior to consumption since such activities are subject to increasing marginal utility (that is, mastering a difficult task becomes more enjoyable over time as one gains new skills). Consumption, Marx argued, is dependent upon diversity (that is, an individual will get tired of consuming the same products repeatedly without diversity) and therefore the individual will be prevented from getting to higher and more rewarding stages.

Alienation, or a lack of meaning, according to Marx, was to some extent caused by unachievable self-realisation, lack of autonomy, and the alien and hostile powers of capital. He did, however, also point to economic fetishism, or the illusion that commodities, money and capital have powers and properties of their own when trying to understand how capitalism alienates human beings. Elster defines such fetishisms as 'the tendency to neglect the hidden or implicit relational structure of economic predicates', where *commodities* are believed to be exchanged because of some inherent value, *money* is believed to be productive on its own, and *capital* is believed to be able to produce as a result of its own inherent faculty, and not its underlying labour processes.

Fred Hirsch argues in *Social Limits to Growth* that continuous economic growth has dismal benefits in affluent societies because material wealth is positional, as it will always be compared to someone else's wealth. Similarly, Marx did not imply that workers' standards of living in capitalism would fall in a literal sense, but that they might fall relative to that of capitalists. There is interdependence between consumption, alienation and economic fetishism, and the interaction leads to decreased satisfaction. Hence our desire for growth will generate happiness in the same way as spectators at a sporting event will see better if they all stand up. In the end, we are all worse off.

Is the solution to poverty that the rich have to get richer first?

The term 'trickle-down theory' (in the context of economics) refers to the idea that tax breaks and other economic benefits provided to businesses and the wealthy will benefit poorer members of society by improving the economy as a whole. Although one can trace these ideas back to the late nineteenth century, most people associate these theories with Reaganomics and *laissez faire* politics.

The idea that the poor will benefit from the rich getting richer gained general acceptance in the 1970s and 1980s, supported by economists such as Friedrich Hayek and Milton Friedman, who argued that the solution to economic stagnation hinges on free trade, deregulation, privatisation and limited government control. These theories are today associated with neoliberalism, a term that can be traced back to the 1930s when it was charted as a middle ground between classical liberalism and state planning. The present version, however, is a theory with radical libertarian aspects. As McNally asserts, the global slump of the 1970s was conveniently blamed on 'lazy workers', and social programs were cut, wages reduced, and a war launched against unions and organised labour, while tax cuts were extended to the wealthy in order to spur economic growth.

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The global market economy was in a slump in the 1970s. The US economy was hit hard in 1971, while the global economy was impacted three years later. Nixon was forced to relinquish the gold standard, and in rapid succession, industrial output decreased ten per cent in the global North, banks collapsed and Wall Street lost half its value. This would not have come as a major revelation to economists who discern capitalism's internally destructive elements. Keynes had pointed out in *The General Theory* that capitalists tend to hoard their excess capital, and that governments have to step in to make sure there is enough money in circulation. Whereas Marx insisted that it is the system itself that is at fault as individual capitalists will over-accumulate capital to the detriment of the economy itself, Keynes blamed this on the psyche of capitalists.

The neoliberal agenda that swept the world in the late 1970s and early 1980s was associated with massive global economic growth as the world economy tripled between 1982 and 2007. It was, however, workers around the globe who paid the price for the growth. The trickle-down effect did not work. While incomes for the top 1 per cent in the United States rose by 100 per cent and the income for the top 0.1 per cent increased by more than 200 per cent, organised labour was defeated and real income dropped 9 per cent for the bottom 90 per cent of wage earners in the United States between 1973 and 2002.

Inequalities continued to grow throughout the neoliberal era. Whereas the top 1 per cent owned 38.7 per cent of all corporate wealth in 1991, it increased to 57.5 per cent in the early 2000s. European unemployment rates soared from about 2 per cent in the early 1970s to well above 10 per cent in the mid-1980s. Moreover, class power was restored in affluent societies. The share of national income of the top 0.1 per cent of the US population, a number that had decreased significantly since the beginning of the twentieth century, increased quickly and by the 1990s the numbers rivaled those of the early 1930s.

Global inequalities also escalated as a result of neoliberal policies. Whereas the ratio of income received by the 20 per cent richest countries to the 20 per cent poorest countries was 30:1 in 1960, the ratio was 74:1 in 1996. These ratios do not take into consideration that *within*-country differences were increasing, as noted above. Accordingly, the real differences between the rich in rich countries and the poor in poor countries were growing astronomically. Considering that Karl Marx was motivated to advance revolutionary theories in response to the inequalities he observed, it is interesting to note that the ratio was only 3:1 in 1820.

What happened in the 1980s and 1990s was fairly predictable: the wealthy did not let their wealth 'trickle down'. Instead they relied on lean manufacturing and industrial restructuring with lower wages and more automation to accumulate more capital. Capitalists, neoliberal policy makers and conservative economists did, nevertheless, ignore Marx's warnings of over-accumulation and the global economy eventually experienced reduced profitability. George Caffentzis suggests that the financialisation of the global economy that took place in the 1990s was the direct result of capitalists having to develop a new role for money in response to over-accumulation and lower profits. He argues that hedge funds and derivatives were developed to protect investors from market risks, and monetary means allowed for an aggressive war against government intervention and a general undermining of workers, as economic bubbles were combated with the help of rising prices on commodity products. With no governmental control of the free flowing money, the economy turned highly speculative, consumers were urged to borrow and the mortgage industry proliferated as the finance industry generated a variety of exotic tools for investors to earn return on surplus capital and for ordinary workers to finance their deficit spending, while the majority of them witnessed their real income continue to decline.

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The neoliberal expansion started to tumble in 1997 during the East Asia meltdown. The climax appears to be the 2008 crisis, which the media referred to as a financial crisis. It could be that this latest crisis was a manifestation of capitalism's demise, which to some extent had been delayed by the financialisation of the global economy. Case in point, Marx asserted that the end of capitalism would present itself in that manner: 'At first glance … the entire crisis presents itself as simply a credit and monetary crisis'. Investors are not 'betting' on future profits based on sales of products and services when they buy stocks and other assets. They are participating in purely speculative trading as they hope that the price of the stock itself will rise. This cannot continue indefinitely, as the events of 1929 should have taught us. Recessions and depressions may eventually end, but as McNally reminds us, the Great Depression only ended as a result of war and colossal human suffering.

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Escalating income differences between and within countries indicate that one cannot trust the market economy to produce societies in which people can improve their lives in solidarity. There are multiple reasons why we should be concerned with an economy that is 'growth dependent' and heightens inequalities between and within countries.

First, the 'free market' precipitates *alienation*. It becomes increasingly evident that self-realisation is not attainable under the influences of market capitalism. Marx recognised that advances were made under capitalism, but his analyses also demonstrated that these were accomplished to the detriment of the vast majority of people's ability to achieve self-realisation. His Aristotelian conception of the good life can only be made possible in a society in which market powers yield to 'species powers', or the exercise of creative potentials. If societal goals emphasise the improvement of the human condition, Marx's theory of self-realisation should serve as a guide for industrial reform and social and economic change in post-industrial society.

Second, we should pay attention to what Marx labelled 'exploitation', or more specifically, his conception of distributive justice. Physical coercion is still a concrete actuality in large portions of the world and is galvanised in the global market economy as the global North enthusiastically trades with countries where forced labour or slavery facilitates low cost production. Similarly, economic coercion, which manifests itself in employers' interference with alternative employment opportunities, is rampant across the globe, even in Western post-industrial societies. Payments of 'efficiency wages', coupled with keeping workers at less than full-time status, keeps unorganised labour from getting opportunities to exercise free choices in the labour market. Similarly, capitalism facilitates global exploitation by economic necessity, a situation in which workers are forced to sell their labour power and obtain what they need through the market.

Third, we have to recognise that small-scale capitalism may not be the solution. Although 'small' may allow us to be local, green, labour-friendly and socially responsible, capitalism remains a compulsive force and as Elster noted, it creates incentives for producers to 'seduce consumers, by inducing in them new desires to which they then become enslaved'. The neo-Marxists of the Frankfurt School argued that the worst aspect of capitalism is that people are completely unaware that they are being alienated. Small-scale capitalism may ease some of these concerns, but it does not address the underlying problems.

Fourth, the global economy is producing enough wealth, but there is no mechanism in capitalism that will force capitalists to share their wealth. This brings us back to the idea of exploitation under capitalism. Marx argued that a person is exploited if he or she performs more work than is required to produce his or her own consumption, or where the wage is below the *average* product of labour. This stands in stark contrast to the neo-classical model, which assumes that exploitation is an improbability in competitive markets, as exploitation would require a wage that is less than the value of the *marginal* product of labour. As workers are forced to sell their labour in order to survive and capitalists retain the profits, it does not seem realistic that the poor will become less poor as a result of the rich getting richer.

Marx's vision was one of self-realisation *with* community through self-realisation for others; as he and Engels expressed it in the *Communist Manifesto*: 'the free development of each is the condition for the free development of all'. Their vision will remain a utopian ideal as long as we think that the current system merely requires ongoing tweaking. It is time to consider the shortcomings of the prevailing system and stop delaying the inevitable. Capitalism aims to produce products for consumption at an ever-decreasing cost while it monopolises wealth and cheapens human dignity. Karl Marx stated it perfectly in the *Economic and Philosophical Manuscripts of 1844*: 'It wishes to see only "useful things" produced, but it forgets that production of too many useful things produces too large a useless population'. a