

# [Why Marx was wrong about capitalism](#) [1]

Type: [Think Pieces](#)<sup>[2]</sup> Written by **Dr Madsen Pirie** | Thursday 11 April 2013



*Dr Madsen Pirie's speech in opposition to the motion: "Karl Marx was right. Capitalism post-2008 is falling apart under its own contradictions."*

Like many public figures who leave a legacy, either in their writings or their deeds, Karl Marx was sometimes right and sometimes wrong. I concentrate on some of the things about which he was wrong.

He was wrong to predict that history would take us to the inevitable triumph of the proletariat and then stop. History shows no signs of doing either. Marx was also wrong to suggest that this would happen first in the most advanced economies as the final stage of capitalism. In fact such revolutions as came took place in less developed economies such as Russia and China. It has not happened in the advanced economies, and this could be because Marx was wrong about something else.

He predicted that capitalism would drive down wages to survival level before its final denouement. In fact as economies became more advanced, both wages and living standards rose to levels not even dreamt of in Marx's day, and this seems to have lowered the pressure for revolutionary change.

Marx was also wrong about something more fundamental. He was wrong about change. I don't just mean that he was wrong about the changes that would come about; more fundamentally he was wrong about how change takes place. He took the Hegelian model of change.

To Hegel change comes about through staccato triangles. A state of affairs nurtures its opposite, and from the violent clash between the two a new state of affairs emerges. Thesis, Antithesis and Synthesis. Violence is at the core of it, and hence Marx's commitment to revolution.

But Marx was a contemporary of Darwin. He had read Darwin's "Origin of Species" and admired Darwin's account of the origins of humankind. He failed, however, to spot the significance of Darwin's theory of change and to incorporate it into his own programme.

Darwin advanced a gradual mechanism of change in which small differences gradually come to dominate over time. It is evolutionary, not revolutionary, and is a much more accurate description of how change usually happens in human societies than was Hegel's account. Indeed, Darwin was right and Hegel was wrong. This means that Marx was also wrong, wrong about change, and wrong about how capitalism would develop.

The point is that capitalism changes and evolves. It has been through many transformations. The

capitalism that Marx thought would collapse under its own contradictions is not the capitalism of today - the one this motion refers to.

In the material world organisms evolve. They respond to crises and they change. A similar thing happens with our social practices. They evolve and adapt to new circumstances.

Capitalism has faced many crises, and each time it has evolved and changed. Each time a new form of capitalism has emerged to solve the problems its predecessor faced. This is how human beings progress. We solve our problems by adapting our practices.

Capitalism certainly faced a crisis in 2008, but it is still with us, as yet uncollapsed. It is evolving and responding to the changes that are needed and, as before, when the dust of crisis has settled, it will be a new version of capitalism that goes on to generate more wealth and to expand the opportunities open to humankind.

That new version of capitalism that emerges will have to be one which somehow manages to keep at arm's length the politicians wanting to fix its outcomes for political advantage. Greedy bankers can only take reckless risks if politicians make it cheap for them to do so by turning on the taps of credit and money. Politicians like booms and bubbles because they help them to win elections and office, so procedures must be found that limit their ability to do this. Those whose greed is for power are no less deadly than those whose greed is for gain, and both need rules to circumscribe their scope for action.

I wish to make a further point: that capitalism will survive because it is the only valid way we have found that works in practice to create wealth and the opportunities it brings.

Marx was wrong about another important thing. He subscribed to the labour theory of value, believing that the value of a thing arises from the labour put into producing it. Wrong. Value is based on demand. If no-one wants a thing, then no matter how much labour went into producing it, it is valueless.

We all value things differently, which is why trade takes place. We trade because we each put greater value on what the other person has than on what we are offering in exchange. We both gain more value when we trade, and that's how we create wealth.

We produce in order to trade and to create wealth, and we invest in order to produce. That's in essence what capitalism is, and it works - certainly better than anything else that has been tried. And it works more humanely, too.

Yes, capitalism grows more complicated and more ambitious as it evolves, but its principles remain. Capitalism will survive its current crisis. It will be tweaked and modified but it will not collapse, because nothing has ever been found that can replace it or do what it does, or bring the advantages and benefits it brings.

It has brought the resources that have lifted most of humankind above subsistence and starvation, that have enabled us to conquer diseases, to fund education and social services, to enable people to engage in artistic and cultural activities and to enrich their lives with previously undreamt-of opportunities.

That is why this motion, cumbersome and ambitious as it is, is also misconceived, and why I urge everyone to defeat it.

**Links:**

[1] <http://www.adamsmith.org/research/think-pieces/why-marx-was-wrong-about-capitalism>

[2] <http://www.adamsmith.org/research-type/think-pieces>