

## Capitalism in the 21<sup>st</sup> Century: A Marxist Perspective

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Vol. II, No. I (2017)

DOI: 10.31703/ger.2017(II-I).06

p-ISSN: 2521-2974

e-ISSN: 2707-0093

L-ISSN: 2521-2974

### Abstract

*A Marxist understanding of the ills of capitalism is applicable to 21<sup>st</sup>-century capitalism. Motivated by surpluses, capitalism become global in its endeavour of outsourcing production and capital labour substitution. As a result, the capitalist core established an exploitative relationship with the developing and under-developed third world countries. In order to protect their interests and to keep the antagonistic feelings below the threshold, the bourgeoisie elite utilized every tool available to strengthen their control over the resources, maintained their hegemony and absorb counter-hegemonic ideas. The article is an attempt to understand the Marxist interpretation of capitalism and debate in its relevance to 21<sup>st</sup>-century international politics. With the help of the Iraq war, the article concludes that Marxism and Marxist inspired theoretical interpretation is the best lens to explain the operation of capitalism at the world stage.*

**Key Words:** Marxism, Capitalism, Outsourcing, Surpluses, Mode of production, Hegemony

**JEL Classification:** P17.

### Introduction

Outsourcing production, in a more critical fashion, can be referred to as the product of necessity not of choice. Capitalism requires cheap labour, low wages and more profit. The economic compulsion of the developed countries forced them out in search of labour and resources. These new outlets mainly are provided by the resource-rich and labour friendly third world countries. It helps to manage the availability of resources and ensure the supply of raw material. Alongside, these new markets solve the problem of over-production, an inherent flaw in capitalism. The capitalists generate wealth and extract resources from these new outlets and markets, keeping the third world underdeveloped. According to Lenin, overall imperialism keep the third world countries oppressed and at a disadvantageous position and the elite progress through the surplus generated (Lenin, 1939: 63). The political pressure mounting on the developed countries was the consequence of the unemployed class. The crises of unemployment were resolved through the mechanism of capital labour substitutions. Alongside that, they shifted their manufacturing units in the

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third world countries thus outsourcing their production with temporary employment (Maguire 2000, 136).

Outsourcing transnational economic activities is a manifestation of the exploitative relationship between the capitalist core and the under-developed periphery. Globalization is characterized by the outsourcing production units, which started since the industrial revolution but proliferated after the disintegration of the Soviet Union. The 21<sup>st</sup>-century capitalism is interdependency, known as 'asymmetric economic interaction' in which one party is gaining more than the other. This interaction is justified in the name of an economic activity taking place resulting in benefits for all the actors/parties involved. However, the asymmetric interaction is more beneficial for developed countries than the under-developed countries. Under the logic of 'free trade,' the developed countries make the case strongly in their favour to interfere into the markets of the underdeveloped countries resulting in progress, development and growth at one pole, while miseries, unemployment and narrow progress occur at the other. The question, however, is that the asymmetric economic interaction in actual fact is exploitative in nature, in which one party gets richer at the expense of the other. What role does the capitalist structure play in this protracted exploitation of the underdeveloped world at the hands of the developed one? Looking into the operation of 21<sup>st</sup>-century economic interaction, we can see to what extent the Marxist interpretation of capitalism holds ground.

One of the most daunting questions posed to the students of international politics would be what is Marxism and how far is it relevant in the 21<sup>st</sup>-century international politics and is not it a long-gone phenomenon after its failure in 1991? Answering the last two question first, Marxism is as relevant as it once was in explaining capitalism and it probably explains the role of economics in politics and vice versa as adamantly as ever. Marxism simplistically is the antithesis of capitalism. It examines the operation of capitalism at different levels, i.e. social, political and economic. Taking its genesis from enlightenment, Marxism strives to unearth the reality beneath appearance. Marxism explains the reality behind the contradictory appearance of progress in capitalist society. It explains the progress of history via material conditions, and says that there is no difference in the social, economic and political aspect of life. Therefore, it requires a dialectical overview of a dynamic transformative and contradictory reality, thus explaining the foundationalist ontology and scientific epistemology of Marxism. The base of a society is formed from the economics known as 'forces of production.' these forces define the social relations, i.e. the class structure. Those who are in control of the forces form the elite or dominant class, while the class dependent on the forces, forms the subordinate class. In order to strengthen its control, the dominant class takes the support of the government, law, moral codes, religion and customs in society. Thus, government acts as an agent of the dominant class (Maguire 2010: 138).

Karl Marx's outlook was global. Marx considered state/government as an agent. It acts and suppressed the subjugated class through the use of violence. State, nation and nationalism all were the creations of the dominant class. The superstructure legitimizes the exploitation of the labour class and provides justification for the social relations established by the dominant class. As it is motivated by profit maximization, the ultimate crises inherent in capitalism will yield miseries and troubles for the labour class. These miseries will be global as the circumstances are similar for the labour around the globe. After the

formal end of the Cold-War, capitalism went global, through globalization, primarily, in search of cheap labour and resources.

Globalization emerged as a new wave of transnational connectivity, connecting different nations and peoples. A new era in terms of the trade, the multinational production and international finance emerged with globalization. Marx explained that the new system of producing commodities is dominated by the high-profit margin and that will force the commodity production from low to high-profit areas (Giddens, 1990: 51). This phenomenon is known as outsourcing of commodity production. With globalization occurs outsourcing of the transnational economic endeavours. Its progress has amplified the wealth-generating capacity of individuals and corporations. Its by-product is inequality thus globalization is dialectical. Therefore, the realm of international politics is still relevant for Marx. The reason being the gap between the haves and have nots. The marginalization of the third world countries at the hand of the technologically advanced countries by different means. This marginalization connects the countries of the globe together making it relevant to study the economic aspect of political interaction and how exploitation is taking place in today's political economy.

Capitalism has been presented as a progressive and rational mode of operation. The logic of connectivity and interdependence has been presented as beneficial for all. However, beneath the apparent is the real, according to Marxism. The capitalist class pursuit of profit maximizers goes for rapid industrialization resulting in over-production. The contradiction lies in a notion like 'progress.' Not only is the global economy is ripping off the poor countries from their resources but at the same time, in their struggle for fulfilling market demands, gifts the havocs of pollution and environmental hazards, resulting in environmental degradation. Thus beneath progress, the real problem is sidelined and ignored as one cannot think beyond the capitalist structure as it is justified with rational arguments, for example, environmental degradation the product of exploitation of the resources of third world countries to fulfill the need of the developed core. (Panwar 2015).

Humans are the product of material conditions and social fabric. Their consciousness is shaped by their material conditions. Political economy, according to Marx, results in two forces; at one end the dominant class is motivated by the accumulation of surpluses; at the other the subordinate class struggle against control of the dominant class (Schumpeter, 2003). Two prepositions can be drawn; actions and behaviours are determined by the mode of production. Land, the mode of production, will result in a feudal social structure and machines will result in industrial social relations. The second is that every mode of production has its own logic supported by it and working for the survival of that mode (Schumpeter 2003, 12). This is explained by the cause and effect logic presented by Marx.

Marx held class consciousness responsible for the emancipation of the majority (labour) from the exploitative practices developed by the minority (elite) due to their control of the forces of production and the logic developed to support the structure (Schumpeter, 2003: 20). This consciousness will be the product of the surplus production; under-consumption and capital shrinkage, as fall in prices will occur due to commodity dumps and crises in the market, with the poor purchasing power of the majority in the markets. Depleting resources generate high prices and more and more capital intensive technology. All these will put pressure on the capitalist class to force labour out of work. This action will swell the belly of society as the unemployed class will increase. This class

due to its miseries will ask two fundamental questions, why are we in this state of affairs? And who is responsible for this? The answer according to Karl Marx will be in two things, forces of production and a handful of the elite (Harmon, 1964).

### **The 21<sup>st</sup> Century Political Economy**

The twenty-first century presented new challenges to political economy. Foremost are the North-South gap, Multinational Corporations and their penetration into the markets of the third world countries and the fact of the rising powers from within the third world countries. Contradiction in the logic of capitalism still prevails in the 21<sup>st</sup> century. The unequal exchange rate is responsible for poverty in the globe. The progress of one is the direct regress of the other. This unequal exploitative relation is guarded by the government, law, moral codes and ethics. Liberal democracies are the product of capitalism. They constitute moral principles, reinforcing the hegemony of the dominant class and build the consent through controlling means of communication. In the guise of representative democracy, it is the capitalist class that controls everything. The labour class, because of its poverty, is unable to contest the election and clearly has no access to means of communication; thus capitalists remain the main players (Maguire 2010, 144).

What constitutes the system? Forces of production (technology, resources) set off a particular mode and results in social relations also known as 'relation of production' (class structure) in connection with the super-structure forms the structure or system as a whole. For Karl Marx, there is no separation in politics, economics and social. Though his thesis, at that time, didn't refer to the globe. When applied to the global level, stratification occurs and states are stratified on the basis of their mode of production. In order to survive the countries adjust to the demands of the system. Presented as the only way to survive, adjustment results in developed countries taking advantage over the underdeveloped countries. The failure of capitalism is evident from on and off financial crises at the heart of liberal economies. The failure was the failure of the big financial institutions, which were bailed out by the state in 2008. Thus, one can argue that the individualistic endeavours are becoming state-centric and have developed an intricate web (Hobden and Jones, 2014).

Capital labour substitution was stated centric too in nature. After the destruction caused by the two world wars, very much the crises of imperial pursuit on the part of monopoly capitalism. European states invited the labour of third world countries (Maguire 2010, 144). With the passage of time, the burden of adjusting cheap labour forced the capitalist class to shift production units near to the resources instead of overburdening the developed centres with cheap labour. As a result, the culture of 'temporary employment' emerged in the 21<sup>st</sup> century, in which the global enterprises reap the benefits of cheap labour and low wages. What is evident in the 21<sup>st</sup> century is the operation of developed countries on a temporary basis in the underdeveloped world, for the time being, motivated by their accumulation of surpluses and least with the development of the host countries (Schumpeter, 2013).

Capitalism is a rational system. It is obsessed with maximization of surpluses. The greater the surpluses the greater the avenues for investments. This gives capitalism the characteristic of 'dynamism'. In order to be there to reap the benefits of cheap labour and abundant raw material, 'internationalization of capitalist mode of production' resulted in war, conflict and strife in international politics, more primarily in third world countries. Alongside that, the crises of inequitable exchange rate developed the relation of

dependency or imperialism in the global economy. Portrayed as ‘curse’ by liberals, natural resources due to inequitable terms of trade and external control by the elite, are exploited by the developed countries like the United States and the United Kingdom. Any resistance to it results in war (Algeria 1954–1962) or military coup (Chile 1973).

### **Iraq War 2003: From the Lens of a Marxist Interpretation**

A Marxist inspired explanation still provides a relevantly applicable lens to understand the operation of capitalism in the 21<sup>st</sup> century. Robert Cox, the exponent of the neo-Gramscian school of thought applies the concepts of hegemony developed by Antonio Gramsci to international politics and explains the nature of the world order. He has worked on hegemony. According to Robert Cox, not only coercion but also consent forms part of the order. Hegemony is established through consent and not entirely through force. For example, ideas around free trade have been presented in such a manner that the stratified international system, characterized by developed, developing and third world countries, were regarded as legitimate and made the US and her allies the custodian of the 21<sup>st</sup> world order (Cox, 1981).

Saddam Hussain was forcefully overthrown by the US in 2003. The material forces role of the government, superstructure and a group of actors established hegemonic discourse; all these factors can be deciphered in Iraq war 2003. Purely in material interests, oil, the 19<sup>th</sup>-century imperialism or monopoly capitalism of Lenin, 21<sup>st</sup>-century imperialism is in practice more through Multi-national Corporation. Thus the instability around Iraq’s oil fields forced the US to invade Iraq. This can be found in the US’s first and foremost interest, which was the seizure of the Rumaila oil field in southern Iraq. Throughout the civil war strife and US occupation, the US troops protected Iraq’s oil fields, ignoring cultural and historic monuments (Mingst, 2017).

From a neo-Gramscian perspective, the US craftily utilized global sympathy post 9/11 in its favour and built a strong case against Iraq. Liberal democracy, through a handful of representatives, shaped public opinion by controlling the means of communication. The material demand for oil satisfied the material aspect of the social forces (Maguire 2010, 145). Around the demand for oil, the elite of the US builds a hegemonic discourse too. And through the war on terror, the elite tried to present that particular discourse used alongside the coercive aspect of power.

Propaganda and other tools to shape public opinion and build consent were working even before the Iraq War. Saddam Hussain was linked with terrorist outfits like Al-Qaeda and Weapons of Mass Destruction (WMD) and tyrannical suppressing and violating human rights. Certain ideas were established that legitimized the criticism and global campaign launched against Saddam. Two important tasks were performed, firstly, via control of the means of communication and propaganda public opinion was changed against Saddam Hussain. It resulted in popular support to punish Saddam Hussain. Secondly, it justified the US to overthrow Saddam’s government and attack Iraq. At the same time, the US institutions were pressurized to act against Saddam. Thus nation-states (the US) acted as a tool of the bourgeoisie or the capitalist elite.

Later, the Invasion of Iraq in March 2003 and the toppling down of the established regime of Saddam Hussein helped Neo-Conservatives to enforce Liberal Democracy to ensure America’s Liberal Hegemony which the ‘Blue Team’ (group of politicians and journalist who hold same views of international politics, primarily characterised by anti-

Chinese sentiments) advocates being benign. The U.S. Military Industrial Complex under its slogan “Shock and Awe” – devastated the existing order and paved the way for liberal democracy to reap the rewards of using war as a profit-making business, while, bridging the gap between politics and economy by means of military force. Therefore, attesting Marx’s views regarding war being an instrument of the capitalist. The more the war prolongs, the more the profits while maximizing Marx’s concept of ‘surplus value’. These long wars also consumed the stockpiles of weapons over-produced by armaments companies and solved the capitalist problem of over-production.

## **Conclusion**

21<sup>st</sup>-century capitalism is more than an individual endeavour on the part of the bourgeoisie elite. It has developed the characteristic of building a close alliance with the nation-state. Outsourcing the production units, exploiting cheap labour and raw material resulted in labour substitution tactics with temporary employment and low wages. These tactics allowed the capitalist elite of developed countries, protect by the nation-states, to operate in the third world countries to exploit their resources without any concern about the progress of the host country. The end result remains the same, exploitation of the poor at the hands of the rich. Thus enabling us to claim that the true nature of capitalism remains the same as was analysed by Karl Marx.

Different theoretical explanations, in international relations, are inspired by Marxism which addresses issues related to international order, society, ethics and security studies to name few. Robert Cox applies Gramsci to international level and works on order and hegemony. Robert Cox argued that all values and ideas are the product of social relations and used to support the hegemony of the elite. The values of democracy, human rights violation etc. terrorist breeding states are just reinforcing the elite’s position. Saddam Husain threatened the interests of the US which provided the bourgeoisie elite an opportunity to use the pretext of September 11, exploit the sympathy mode of the international community and through control of means of communications influence perception and exert influence on state institution. Through ‘war on terror’ the elite of the US desired to enforce hegemony.

In order to understand the operation of capitalism in the 21<sup>st</sup> century, it has to be studied in its entirety. The economic class establishes its control subtly. The social, cultural, moral, political aspects of human affairs are controlled through the tool of persuasion. The elite build consent around their cause, generate discourse and propagate it through the means of communication. Connecting people and presenting their interests as a common interest. Consequently, institutions are cultivated. These cultivated institutions (the state is one of the most important cultivated institutions of social relation) are the product of social classes, which in itself are the product of a particular mode of production. These cultivated institutions, draw the support for the endeavours of the capitalist elite at the global arena.

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