Does capitalism need some Marxism to survive the Fourth Industrial Revolution?

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This article is part of the Annual Meeting of the New Champions
"Summer Davos" returns to Tianjin China next week with an almost apocalyptic feel as attending leaders and technology pioneers debate what life will look like following the robot-driven Fourth Industrial Revolution.

This is a recurring theme for the World Economic Forum, whose founder Professor Klaus Schwab made the term the title of his new book about the future of capitalism. Schwab believes that, unmanaged, the Fourth Industrial Revolution has the potential to decimate global employment levels through productivity advances inspired by breakthroughs in robotics. Unlike the previous three industrial revolutions – which the professor lists as the transport and mechanical production revolution of the late 18th century; the mass production revolution of the late 19th century; and the computer revolution of the 1960s – Schwab endows the fourth wave of creative disruption with the potential of seeing off mass employment altogether.

No doubt students of capitalism will be experiencing a pang of *déjà vu* about now. For it was Karl Marx himself that first grappled with capitalism's internal contradictions some time between the first and second industrial revolutions. Marx observed that capitalists paid workers less than the value of their labour in order to make a profit. When expressed cumulatively, it meant workers would be unable to afford the very goods they produced in the first place.

As a result, capitalists turned to issuing government and worker debt, thereby kicking the contradiction down the road. There were exceptions, however, the most famous of which saw early 20th-century industrialist Henry Ford pay his employees $5 per day, twice the average wage for automakers in 1914. In his 1926 book *Today and Tomorrow,* Ford laid bare his reasoning: "The owner, the employees, and the buying public are all one and the same, and unless an industry can so manage itself as to keep wages high and prices low, it destroys itself, for otherwise it limits the number of its customers. One's own employees ought to be one's own best customers."

But 90 years and one industrial revolution later, how on earth do we translate Ford's interwar reasoning to an impending age of human-displacing robotics? Specifically, how can we make more from wages without pricing labour out of an automated market?

One option is to literally make employment cheaper by scrapping all income taxes and shifting the shortfall to taxes on land value, corporate profits, natural resources and hydrocarbon energy generation.

Incomes could also be increased via more of us owning shares in the companies we work for or buy from. Such a vision invites more diverse forms of ownership in an economy. This could take the form of a proliferation of cooperatives alongside the requirement that all firms have employee share ownership based on length of tenure as opposed to status in the hierarchy. In parallel, enabling environments across global markets could be configured to support new entrants, help finance SMEs and take down monopolies old and new.

And finally, there is the option – currently being touted around Europe – that governments pay a basic monthly salary to all citizens. Aside from the shock value, it seems somewhat odd that governments – currently engaged in slashing budgets for public services – would suddenly find colossal funds to subsidize mass consumption.

But there could be method in the madness, should global policy-makers ever get their collective heads around how the money system actually works. At first glance, paying everyone a basic income would massively increase government debt, leading to an inevitable default. But this wouldn't necessarily be the case. If a government's power to issue notes and coins was extended to digital money, then that additional stimulus could enter circulation via the wages of its employees. This would act to reduce borrowing and tax collection while maintaining purchasing power in the economy. Sadly, most politicians don't understand that over 95% of money in most countries is now created by private banks, and they fail to see the opportunity of expanding their own fiscal power by creating their own money in line with the digital age. Governments that did lead on this issue would provide a stimulus for their domestic financial technology start-ups, that would provide wallets and payment services for this new digital cash.

Taken as a whole, the options outlined above are tantamount to systemic change to keep pace with the human fallout that Schwab warns could come our way. This is something that Asian politicians attending the meeting in Tianjin should perhaps be mindful of, given the region's preeminence as a manufacturing base. In contrast, the economies of Western Europe and North America have been de-industrializing for decades. For them, outsourcing production to and purchasing goods from lower-wage economies is an established hallmark of modern capitalism.

For now that is. The type of technical advances promised by the Fourth Industrial Revolution could see the cost of production fall way below prices currently offered by Chinese manufacturers to the rest of the world. But does the Chinese government *really* want to see hundreds of millions of its factory workers usurped by AI-enabled production line robots? Not that it matters. Logic dictates that such robots would inevitably be eating through order books elsewhere.

Hence the cross-pollination of ideas between capitalism and Marxism is worthy of serious discourse. A future characterized by mass unemployment, gross inequality and unrest demands it.

Written by

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