

Marx Was Right. Capitalism May Be Destroying Itself

By [Nouriel Roubini](#)

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Nouriel Roubini: "Karl Marx had it right. At some point, Capitalism can destroy itself."

Nouriel Roubini is a mainstream economist who teaches at New York University and may be best known as one of the early predictors of the '08 crash.

He is no Marxist.

But today, in an interview with the Wall Street Journal, Roubini admitted that Marx was right about Capitalism and raised the possibility that Capitalism is destroying itself in the way Marx outlined more than a century and a half ago.

TRANSCRIPT

(Courtesy of B.J. Murphy)

I've produced a rough transcript (Roubini's accent gives me some trouble) of the critical portion of this very interesting interview. I urge you to read each word carefully at least once, if not twice. B. J. Murphy

WSJ: So you painted a bleak picture of sub-par economic growth going forward, with an increased risk of another recession in the near future. That sounds awful. What can government and what can businesses do to get the economy going again or is it just sit and wait and gut it out?

Roubini: Businesses are not doing anything. They're not actually helping. All this risk made them more nervous. There's a value in waiting. They claim they're doing cutbacks because there's excess capacity and not adding workers because there's not enough final demand, but there's a paradox, a Catch-22. If you're not hiring workers, there's not enough labor income, enough consumer confidence, enough consumption, not enough final demand. In the last two or three years, we've actually had a worsening because we've had a massive redistribution of income from labor to capital, from wages to profits, and the inequality of income has increased and the marginal propensity to spend of a household is greater than the marginal propensity of a firm because they have a greater propensity to save, that is firms compared to households. So the redistribution of income and wealth makes the

problem of inadequate aggregate demand even worse.

Karl Marx had it right. At some point, Capitalism can destroy itself. You cannot keep on shifting income from labor to Capital without having an excess capacity and a lack of aggregate demand. That's what has happened. We thought that markets worked. They're not working. The individual can be rational. The firm, to survive and thrive, can push labor costs more and more down, but labor costs are someone else's income and consumption. That's why it's a self-destructive process.

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