

## Subject – History of Economic Thought - II

### Notes Unit 2 Part A

By -

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**Marxism** refers to the philosophy and social theory based on Karl Marx's work on one hand, and to the political practice based on Marxist theory on the other hand (namely, parts of the First International during Marx's time, communist parties and later states). Marx, a 19th century German, Jewish-born atheist, socialist philosopher, economist, journalist, and revolutionary, often in collaboration with Friedrich Engels, developed a critique of society which he claimed was both scientific and revolutionary. This critique achieved its most systematic (albeit unfinished) expression in his most famous work, *Capital: a Critique of Political Economy*, more commonly known as *Das Kapital* (1867).

The theories and debates considered to be "classical Marxism" are those that were already being discussed during the lifetimes of Karl Marx and Friedrich Engels, in the period of early socialism and within the socialist labour movement, particularly within its organisations and political parties. The term "classical Marxism" is used here to specify a certain temporal and logical field; it does not reflect a value judgement.

Three generations can be distinguished within "classical Marxism." The first comprises the theories of early socialism and the debates conducted during the lifetimes of Karl Marx and Friedrich Engels. The Marxism of the Second International (1889–1914/1918) constitutes a second generation, following which "Marxism-Leninism" (ML) developed into a state doctrine – first in the Soviet Union, following Lenin's death, then in the Third International and, later still, in the real socialist states.

Within this third generation, however, a rupture within Marxism becomes evident. For while Marxism-Leninism situated itself within the tradition of the "classics" and claimed to engage in their "creative application," the genuine advancement of Marxist theories occurred elsewhere: first in "Austro-Marxism" and later in left socialism and left communism, which are treated as variants of "Classical Marxism" here. Thereafter, a Marx-based critique of society developed and renewed itself mainly within those currents that are summarised in the second major category, namely "Western and Heterodox Marxism." On the other hand, some later 20th century currents, such as Trotskyism and Maoism, are attributed to "Classical Marxism".

### **Class conflict and the demise of capitalism -**

Marx's class theory portrays capitalism as one step in the historical progression of economic systems that follow one another in a natural sequence. They are driven, he posited, by vast impersonal forces of history that play out through the behavior and conflict among social classes. According to Marx, every society is divided into social classes, whose members have more in common with one another than with members of other social classes.

The following are elements of Marx's theories of how class conflict would play out in a capitalist system.

- Capitalist society is made up of two classes: the bourgeoisie, or business owners, who control the means of production, and the proletariat, or workers, whose labor transforms raw commodities into valuable economic goods.
- Ordinary laborers, who do not own the means of production, such as factories, buildings, and materials, have little power in the capitalist economic system. Workers are also readily replaceable in periods of high unemployment, further devaluing their perceived worth.
- To maximize profits, business owners have an incentive to get the most work out of their laborers while paying them the lowest possible wages. This creates an unfair imbalance between owners and laborers, whose work the owners exploit for their own gain.

- Because workers have little personal stake in the process of production, Marx believed they would become alienated from it, as well as from their own humanity, and turn resentful toward business owners.
- The bourgeoisie also employ social institutions, including government, media, academia, organized religion, and banking and financial systems, as tools and weapons against the proletariat with the goal of maintaining their position of power and privilege.<sup>3</sup>
- Ultimately, the inherent inequalities and exploitative economic relations between these two classes will lead to a revolution in which the working class rebels against the bourgeoisie, takes control of the means of production, and abolishes capitalism.

Thus Marx thought that the capitalist system inherently contained the seeds of its own destruction. The alienation and exploitation of the proletariat that are fundamental to capitalist relations would inevitably drive the working class to rebel against the bourgeoisie and seize control of the means of production. This revolution would be led by enlightened leaders, known as “the vanguard of the proletariat,” who understood the class structure of society and who would unite the working class by raising awareness and class consciousness.

As a result of the revolution, Marx predicted that private ownership of the means of production would be replaced by collective ownership, first under socialism and then under communism. In the final stage of human development, social classes and class struggle would no longer exist.

### **Criticism of Marxism -**

Although Marx inspired multitudes of followers, many of his predictions have not come to pass. Marx believed that increasing competition would not produce better goods for consumers; instead, it would lead to bankruptcy among capitalists and the rise of monopolies as fewer and fewer were left to control production. Bankrupt former capitalists would join the proletariat, eventually creating an army of the unemployed. In addition, the market economy, which by its nature is unplanned, would experience huge supply-and-demand problems and cause severe depressions.<sup>4</sup>

Yet over the years, capitalism has not collapsed as a result of fierce competition. Although markets have changed over time, they haven't led to a preponderance of monopolies. Wages have risen and profits have not declined, although economic inequality has increased in many capitalist societies. And though there have been recessions and depressions, they are not thought to be an inherent feature of free markets. Indeed, a society without competition, money, and private property has never materialized, and the history of the 20th century suggests it is likely an unworkable concept.

## **Main ideas -**

The main ideas to come out of Marx and Engels' collective works include:

- **Means of production:** The means of production are a combination of the means of labor and the subject of labor used by workers to make products. The *means of labor* include machines, tools, equipment, infrastructure, and "all those things with the aid of which man acts upon the subject of labor, and transforms it".<sup>[1]</sup> The *subject of labor* includes raw materials and materials directly taken from nature. Means of production by themselves produce nothing—labor power is needed for production to take place.
- **Mode of production:** The mode of production is a specific combination of productive forces (including the means of production and labour power) and social and technical relations of production (including the property, power and control relations governing society's productive assets, often codified in law; cooperative work relations and forms of association; relations between people and the objects of their work, and the relations between social classes).
- **Base and superstructure:** Marx and Engels use the “base-structure” metaphor to explain the idea that the totality of relations among people with regard to “the social production of their existence” forms the economic basis, on which arises a superstructure of political and legal institutions. To the base corresponds the social consciousness which includes religious, philosophical, and other main ideas. The base conditions both, the superstructure and the social consciousness. A conflict between the development of material productive forces and the relations of production causes social revolutions, and the resulting change in the economic basis will sooner or later lead to the transformation

of the superstructure. For Marx, though, this relationship is not a one way process—it is reflexive; the base determines the superstructure in the first instance and remains the foundation of a form of social organisation which then can act again upon both parts of the base-structure metaphor. The relationship between superstructure and base is considered to be a dialectical one, not a distinction between actual entities "in the world."

- **Class consciousness:** Class consciousness refers to the awareness, both of itself and of the social world around them, that a social class possesses, and its capacity to act in its own rational interests based on said awareness.
- **Ideology:** Without offering a general definition for *ideology*, Marx on several instances has used the term to designate the production of images of social reality. According to Engels, “ideology is a process accomplished by the so-called thinker consciously; it is true, but with a false consciousness. The real motive forces impelling him remain unknown to him; otherwise it simply would not be an ideological process. Hence he imagines false or seeming motive forces.”<sup>[4]</sup> Because the ruling class controls the society's means of production, the superstructure of society, as well as its ruling ideas, will be determined according to what is in the ruling class's best interests. As Marx said famously in *The German Ideology*, “the ideas of the ruling class are in every epoch the ruling ideas, i.e. the class which is the ruling material force of society, is at the same time its ruling intellectual force.” Therefore the ideology of a society is of enormous importance since it confuses the alienated groups and can create false consciousness such as commodity fetishism (perceiving labor as capital ~ a degradation of human life).
- **Historical materialism:** Historical materialism was first articulated by Marx, although he himself never used the term. It looks for the causes of developments and changes in human societies in the way in which humans collectively make the means to life, thus giving an emphasis, through economic analysis, to everything that co-exists with the economic base of society (e.g. social classes, political structures, ideologies).
- **Political economy:** The term "political economy" originally meant the study of the conditions under which production was organized in the nation-states of the new-born capitalist system. Political economy, then, studies the mechanism of human activity in organizing material, and the mechanism of distributing the surplus or deficit that is the

result of that activity. Political economy studies the means of production, specifically capital, and how this manifests itself in economic activity.

- **Exploitation:** Marx refers to the exploitation of an entire segment or class of society by another. He sees it as being an inherent feature and key element of capitalism and free markets. The profit gained by the capitalist is the difference between the value of the product made by the worker and the actual wage that the worker receives; in other words, capitalism functions on the basis of paying workers less than the full value of their labour, in order to enable the capitalist class to turn a profit.
- **Alienation:** Marx refers to the alienation of people from aspects of their "human nature" (Gattungswesen, usually translated as "species-essence" or "species-being"). Alienation describes objective features of a person's situation in capitalism—it is not necessary for them to believe or feel that they are alienated. He believes that alienation is a systematic result of capitalism.

## **Class -**

Marx believed that the identity of a social class is derived from its relationship to the means of production (as opposed to the notion that class is determined by wealth alone, that is, lower class, middle class, upper class).

Marx describes several social classes in capitalist societies, including primarily:

- **The proletariat:** "Those individuals who sell their labour power, (and therefore add value to the products), and who, in the capitalist mode of production, do not own the means of production." According to Marx, the capitalist mode of production establishes the conditions that enable the bourgeoisie to exploit the proletariat due to the fact that the worker's labour power generates an added value greater than the worker's salary.
- **The bourgeoisie:** Those who "own the means of production" and buy labour power from the proletariat, who are recompensed by a salary, thus exploiting the proletariat.

The bourgeoisie may be further subdivided into the very wealthy bourgeoisie and the petit bourgeoisie. The petit bourgeoisie are those who employ labour, but may also work themselves.

These may be small proprietors, land-holding peasants, or trade workers. Marx predicted that the petit bourgeoisie would eventually be destroyed by the constant reinvention of the means of production and the result of this would be the forced movement of the vast majority of the petit bourgeoisie to the proletariat.

Marx also identified various other classes such as the -

- **The lumpenproletariat:** Criminals, vagabonds, beggars, and so on. People that have no stake in the economic system and will sell themselves to the highest bidder.
- **The Landlords:** As a class of people that were historically important, of which several still retain some of their wealth and power.
- **The Peasantry and Farmers:** This class he saw as disorganized and incapable of carrying out change. He also believed that this class would disappear, with most becoming proletariat but some becoming landowners.

## References -

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