

## **Subject – History of Economic Thought - II**

### **Notes Unit 2 Part B**

**By -**

*Dr. Nafees Hashim Rizvi*

*Assistant Professor*

*Department of Economics,*

*Shia P.G. College, Lucknow*

### **Marx's theory of history**

The Marxist theory of historical materialism understands society as fundamentally determined by the material conditions at any given time - this means the relationships which people enter into with one another in order to fulfill their basic needs, for instance to feed and clothe themselves and their families. In general Marx and Engels identified five successive stages of the development of these material conditions in Western Europe.

The First Stage may be called Primitive Communism, and refers in general to the hunter-gatherer societies in which there are many individual possessions but no private property in the Marxist sense of the term. Many things, such as land, living quarters, food and other means of existence, may be shared (commonly owned) in various ways.

The primitive communism stage begins with the dawn of humanity and ends with the development of private property, such as cattle and slaves, and the rising of city-states.

**Private property** in the terminology of Marx's time, for Marx himself, and for Marxists today, does not mean the simple possessions of a person, but the ownership of productive property or property which produces a profit for the owner, such as corporate ownership, share ownership, land ownership, and, in the case of slave society, slave ownership, since the slaves worked the land, mines and other means of producing the material means of existence.

The Second Stage may be called Slave Society, considered to be the beginning of "class society" where private property appears.

The slave-owning class "owns" the land and slaves, which are the main means of producing wealth, whilst the vast majorities have very little or nothing. Those with no property were the slave class, slaves who work for no money, and in most cases women, who were also dispossessed during this period. Slave society collapsed when it exhausted itself. The need to keep conquering more slaves created huge problems, such as maintaining the vast empire that resulted. The Roman Empire, for example, was eventually overrun by what it called "barbarians."

The Third Stage may be called Feudalism, where there are many classes such as kings, lords, and serfs, some little more than slaves. A merchant class develops. Out of the merchants' riches a capitalist class emerges within this feudal society. However, the old feudal kings and lords cannot accept the new technological changes the capitalists want. The capitalists are driven by the profit motive but are prevented from developing further profits by the nature of feudal society where, for instance, the serfs are tied to the land and cannot become industrial workers and wage earners. Marx says, and then begins an epoch of social revolution (The French Revolution of 1789, Cromwell in Britain, etc) since the social and political organization of feudal society (or the property relations of feudalism) is preventing the development of the capitalists' productive forces.

Marx paid special attention to the next stage. The bulk of his work is devoted to exploring the mechanisms of capitalism, which in western society classically arose "red in tooth and claw" from feudal society in a revolutionary movement.

## **Capitalism -**

Capitalism may be considered the Fourth Stage in this schema. It appears after the bourgeois revolution when the capitalists (or their merchant predecessors) overthrow the feudal system. Capitalism is categorized by the following:

- **Free Market economy:** In capitalism the entire economy is guided by market forces. Supporters of Laissez-faire economics argue that there should be little or no intervention from the government under capitalism. Marxists, however, such as Lenin in his Imperialism, the Highest Stage of Capitalism, argue that the capitalist government is a powerful instrument for the furtherance of capitalism and the capitalist nation-state, particularly in the conquest of markets abroad.
- **Private property:** The means of production are no longer in the hands of the monarchy and its nobles, but rather they are controlled by the capitalists. The capitalists control the means of production through commercial enterprises (such as corporations) that aim to maximize profit.
- **Parliamentary democracy:** the capitalists tend to govern through an elected centralized parliament or congress, rather than under an autocracy. Capitalist (bourgeois) democracy, although it may be extended to the whole population, does not necessarily lead to universal suffrage. Historically it has excluded (by force, segregation, legislation or other means) sections of the population such as women, slaves, ex-slaves, people of color or those on low income. The government acts on behalf of, and is controlled by, the capitalists through various methods.
- **Wages:** In capitalism, workers are rewarded according to their contract with their employer. However their hours or rate of work are often subject to increase outside their immediate control, and their wage is, in any case, but a fraction of the true value produced by their labor. The unpaid labor of the working class is the essential component of the profit for the capitalist, because the worker is not paid the true value of his labor: he is exploited
- **Warfare:** Capitalism spreads from the wealthiest countries to the poorest as capitalists seek to expand their influence and raise their profits. This is done directly through war, the threat of war, or the export of capital. The capitalist's control over the state can thus play an essential part in the development of capitalism, to the extent the state directs the warfare or other foreign intervention.
- **Monopolistic tendencies:** The natural, unrestrained market forces will create monopolies from the most successful and/or vicious commercial entities.

In capitalism, the profit motive rules and people, freed from serfdom, work for the capitalists for wages. The capitalist classes are free to spread their laissez-faire practices around the world. In the capitalist-controlled parliament laws are made to protect wealth and the wealthy.

But, according to Marx, capitalism, like slave society and feudalism, also has critical failings—inner contradictions that will lead to its downfall. The working class, to which the capitalist class gave birth in order to produce commodities and profits, is the "grave digger" of capitalism. The

worker is not paid the full value of what he or she produces. The rest is surplus value—the capitalist's profit, which Marx calls the "unpaid labour of the working class." The capitalists are forced by competition to attempt to drive down the wages of the working class to increase their profits, and this creates conflict between the classes, and gives rise to the development of class consciousness in the working class. The working class, through trade union and other struggles, becomes conscious of itself as an exploited class.

In the view of classical Marxism, the struggles of the working class against the attacks of the capitalist class lead the working class to struggle to establish its own collective control over production - the basis of socialist society. Marx believed that capitalism always leads to monopolies and leads the people to poverty; yet the fewer the restrictions on the free market (for example, from the state and trade unions), the sooner it finds itself in crisis.

## **Socialism -**

After the working class gains class consciousness and mounts a revolution against the capitalists, Communism, which may be considered the Fifth Stage, will be attained, if the workers are successful.

Lenin divided the period following the overthrow of capitalism into two stages: First socialism, and then later, once the last vestiges of the old capitalist ways have withered away, communism. Lenin based his 1917 work, *The State and Revolution*, on a thorough study of the writings of Marx and Engels. Marx uses the terms the "first phase" of communism and the "higher phase" of communism, but Lenin points to later remarks of Engels which suggest that what people commonly think of as socialism equates to Marx's "first phase" of communism.

Socialism may be categorized by the following:

- **Decentralized planned economy:** Without the market, production will be directed by the workers themselves through communes or workers' elected councils.
- **Common property:** The means of production are taken from the hands of a few capitalists and put in the hands of the workers. This translates into the democratic communes controlling the means of production.

- **Council democracy:** Marx, basing himself on a thorough study of Paris Commune, believed that the workers would govern themselves through system of communes. He called this the dictatorship of the proletariat, which, overthrowing the dictatorship (governance) of capital, would democratically plan production and the resources of the planet.
- **Labor vouchers:** Marx explained that, since socialism emerges from capitalism, it would be "stamped with its birthmarks." Economically this translates into the individual worker being awarded according to the amount of labor he contributes to society. Each worker would be given a certificate verifying his contribution which he could then exchange for goods.

Marx explains that socialist society, having risen from a self-conscious movement of the vast majority, makes such a society one of the vast majority governing over their own lives:

The proletarian movement is the self-conscious, independent movement of the immense majority, in the interest of the immense majority. The proletariat, the lowest stratum of our present society, cannot stir, cannot raise itself up, without the whole superincumbent strata of official society being sprung into the air.<sup>[9]</sup>

Now the productive forces are truly free to develop, but in a democratically planned way, without the vast waste of anarchic capitalist society, its wars and destruction of the planet. One of the primary tasks of the workers in the socialist society, after placing the means of production into collective ownership, is to destroy the "old state machinery." Hence the bourgeoisie's parliamentary democracy ceases to exist, and fiat and credit money are abolished. In Marx's view, instead of a dictatorship of capital, in which rulers are elected only once every few years at best, the state is ruled through the dictatorship of the proletariat with the democratically elected workers' commune to replace the parliament:

The Commune was formed of the municipal councilors, chosen by universal suffrage in the various wards of the town, responsible and revocable at any time. The majority of its members was naturally working men, or acknowledged representatives of the working class.... The police, which until then had been the instrument of the Government, was at once stripped of its political attributes, and turned into the responsible, and at all times revocable, agent of the Commune. So were the officials of all other branches of the administration. From the members of the Commune downwards, the public service had to be done at workmen's wages. The privileges and the

representation allowances of the high dignitaries of state disappeared along with the high dignitaries themselves.... Having once got rid of the standing army and the police, the instruments of physical force of the old government, the Commune proceeded at once to break the instrument of spiritual suppression, the power of the priests.... The judicial functionaries lost that sham independence... they were thenceforward to be elective, responsible, and revocable.<sup>[10]</sup>

The commune, in Marx and Engels' view, modeled after the Paris Commune, has a completely different political character from the parliament. Marx explains that it holds legislative-executive power and is subservient only to the workers themselves:

The Commune was to be a working, not a parliamentary, body, executive and legislative at the same time... Instead of deciding once in three or six years which member of the ruling class was to represent and repress [ver- and zertreten] the people in parliament, universal suffrage was to serve the people constituted in communes, as individual suffrage serves every other employer in the search for workers, foremen and accountants for his business.

Marx explained that, since the first stage of socialism would be "in every respect, economically, morally, and intellectually, still stamped with the birthmarks of the old society from whose womb it emerges," each worker would naturally expect to be awarded according to the amount of labor he contributes, despite the fact that each worker's ability and family circumstances would differ, so that the results would still be unequal at this stage, although fully supported by social provision.

Fiat money and credit whose values were determined by anarchic market forces are abolished. Instead, in his Critique of the Gotha programme, Marx speculated schematically that from the "total social product" there would be deductions for the requirements of production and "the common satisfaction of needs, such as schools, health services, etc" which latter deduction "grows in proportion as the new society develops," and, of course, deductions "for those unable to work, etc." After these deductions the workers could divide up the wealth produced by their labor and everyone could be simply given a "certificate from society," which could then be exchanged for products. This schematically introduces a means of exchange ("the same principle" that is, money) in socialist society but with the speculative element removed.

In this way, each worker is paid according to the amount of labor contributed to society, in other words according to the agreed difficulty, length of time, and intensity of his labor. All goods (such, for instance, as housing) are priced in a greater degree according the amount of labor required to produce them, which the individual worker can buy with his labor voucher.

What he has given to it is his individual quantum of labor. For example, the social working day consists of the sum of the individual hours of work; the individual labor time of the individual producer is the part of the social working day contributed by him, his share in it. He receives a certificate from society that he has furnished such-and-such an amount of labor (after deducting his labor for the common funds); and with this certificate, he draws from the social stock of means of consumption as much as the same amount of labor cost. The same amount of labor which he has given to society in one form, he receives back in another.

Here, obviously, the same principle prevails as that which regulates the exchange of commodities, as far as this is exchange of equal values. Content and form are changed, because under the altered circumstances no one can give anything except his labor, and because, on the other hand, nothing can pass to the ownership of individuals, except individual means of consumption. But as far as the distribution of the latter among the individual producers is concerned, the same principle prevails as in the exchange of commodity equivalents: a given amount of labor in one form is exchanged for an equal amount of labor in another form.<sup>[11]</sup>

Only if this new socialist society manages to end the destructiveness of capitalism and leads to a higher quality of life for all will socialist society be successful. As socialism raises everyone's quality of life above the precarious existence they knew hitherto, providing decent health care, housing, child care, and other social provision for all without exception, the new socialist society begins to break down the old inevitably pecuniary habits, the need for a state apparatus will wither away, and the communist organization of society will begin to emerge. Socialism, in the view of Marxists, will succeed in raising the quality of life for all by ending the destructive contradictions which arise in capitalism through conflicts between competing capitalists and competing capitalist nations, and ending the need for imperialist conquest for the possession of commodities and markets.

## **Communism -**

Sometime after socialism is established society leaps forward, and everyone has plenty of personal possessions, but no one can exploit another person for private gain through the ownership of vast monopolies, and so forth. Classes are thus abolished, and class society ended. Eventually the state will "wither away" and become obsolete, as people administer their own lives without the need for governments. Thus, communism is established, which has the following features:

- **Statelessness:** There is no government or nations any more.
- **Classlessness:** All social classes disappear, everyone works for everyone else.
- **Moneylessness:** There is no money; all goods are free to be consumed by anyone that needs them.

### **In the Communist Manifesto Marx describes communism as:**

When, in the course of development, class distinctions have disappeared, and all production has been concentrated in the hands of a vast association of the whole nation, the public power will lose its political character. Political power, properly so called, is merely the organized power of one class for oppressing another. If the proletariat during its contest with the bourgeoisie is compelled, by the force of circumstances, to organize itself as a class; if, by means of a revolution, it makes itself the ruling class, and, as such, sweeps away by force the old conditions of production, then it will, along with these conditions, have swept away the conditions for the existence of class antagonisms and of classes generally, and will thereby have abolished its own supremacy as a class. In place of the old bourgeois society, with its classes and class antagonisms, we shall have an association in which the free development of each is the condition for the free development of all.<sup>[9]</sup>

Few applications of historical materialism, the philosophical system used by Marxism to explain the past progressions of human society and predict the nature of communism, account for a stage beyond communism, but Marx suggests that what has ended is only the "prehistory"<sup>[8]</sup> of human society, for now, for the first time, humans will be no longer be at the mercy of productive forces (for example, the free market) which act independently of their control. Instead human beings



can plan for the needs of society and the preservation of planet, inclusively, democratically, by the vast majority, who now own and control the means of production collectively. By implication, then, only now does the real history of human society begin.

## **References -**

### **Books -**

1. Schumpeter, J A – History of Economic Analysis.
2. Stigler, G J – Essay in the history of Economics.
3. Dobb, Maurice- Theories of Value and Distribution.
4. Obrien – Classical theory of Value and Distribution.
5. Gide and Rist – History of Economic Doctrines.
6. Clair, St. Oswald – A key to Ricardo

### **Websites –**

1. What is historical materialism? | Historical Materialism | History & Theory (marxist.com).
2. Historical Materialism by Karl Marx - UPSC OPTIONAL.
3. <https://www.marxists.org/history/erol/new-zealand/nunes-marx-mao/hist-mat.pdf>