Chapter Outline

Historical Context
Main Theories
Materialist conception of history
Theory of alienation
Surplus profit theory
Theory of Social Class

Critical Review

PART III MODERN ECONOMIC SCHOOLS OF THOUGHT

The Marxist Theory

Time Framing the Marxist Theory

• Karl Marx (1818-1883) was primarily a theorist and historian who lived after the industrial revolution (1760) which produced as much poverty as it did wealth.

• Seeing many poor people oppressed he questioned the efficiency of capitalism, and started examining social organization in a scientific way.

• He perceived human history to have consisted of a series of struggles between two main classes: the capitalists, who own the productive resources, and the workers or proletariat, who must work in order to survive. the oppressed and the oppressing.

• Marx thought that "historical materialism" was the ultimate driving force behind human endeavor: a notion involving the distribution of resources, gain, production, and such matters.
The Main theories in Marxism

The main theories that make up Karl Marx analysis:

- Materialist conception of history
- Theory of alienation
- Surplus profit theory
- Theory of Social Class

2. Main Theories

a. The materialist conception of history

- The supposedly "natural" political evolution involved "feudalism" leading to "bourgeois capitalism" leading to "socialism" and finally to "utopian communism."

- In bourgeois capitalism, the privileged bourgeoisie rely on the proletariat—the labor force responsible for survival.
- Marx theorized that when profits are not reinvested in the workers but in creating more factories, the workers will grow poorer and poorer until no short-term patching is possible or successful.
- At a crisis point, revolt will lead to a restructuring of the system.
2. Main Theories

b. The theory of alienation

Marx sought the answer to his question **How do the ways in which people earn their living affect their bodies, minds and daily lives?** He gives the answer in the theory of alienation.

Workers in capitalist society do not own the means—machines, raw materials, factories—which they use in their work. These are owned by the capitalists to whom the workers must sell their "labor power", or ability to do work, in return for a wage.

This system of labor displays four relations:

1. **The worker is alienated (or cut off) from his or her productive activity,** playing no part in deciding what to do or how to do it.
2. **The worker is alienated from the product of that activity,** having no control over what happens to it once it has left his hands.
3. **The worker is alienated from other human beings,** with competition and mutual indifference replacing most forms of cooperation, as everyone tries to survive as best he can.
4. **The worker is alienated from the distinctive potential for creativity and community we all share just because we are human beings.** Through labor which alienates them from their activity, product and other people, workers gradually lose their ability to develop the finer qualities which belong to them as members of the human species.
2. Main Theories

b. The theory of alienation

- On the other side of this separation are the products and ties with other people, outside the control and lost to the understanding of the worker.
- Submitted to the mystification of the marketplace, the worker's products pass from one hand to another, changing form and names along the way—"value", "commodity", "capital", "interest", "rent", "wage"—depending chiefly on who has them and how they are used.
- Eventually, these same products reenter the worker's daily life as the landlord's house, the grocer's food, the banker's loan, the boss's factory, and the various laws and customs that prescribe his relations with other people.

2. Main Theories

b. The theory of alienation

- Unknowingly, the worker has constructed the necessary conditions for reproducing his own alienation. The world that the worker has made and lost in alienated labor reappears as someone else's private property which he only has access to by selling his labor power and engaging in more alienated labor.
- To replace this alienation and extreme social class structure, Marx believed that capitalism had to end and be replaced by a socialist system that would make all equal and have all people's needs met.
- In his work with Fredrick Engels, The Communist Manifesto, Marx stated, 'The proletarians have nothing to lose but their chains. They have a world to win.' Thus, Marx had called for a workers' revolution where the proletarians would rise up against the bourgeoisie, overthrowing capitalism. To Marx's despair, though, such revolutions occurred in various countries such as Russia and China, but did not occur in the more industrialized nations of the time, like Britain and Germany.
2. Main Theories

c. Surplus profit theory (theory of rent)

• The profit difference between what goods are sold for and what they actually cost to make, Marxism refers to as a “surplus profit”. It simply means the “value added”.

• This is a central concept in Marx’s theory.

• According to his theory, the gigantic increase in wealth was mainly due to the competitive striving to obtain maximum surplus-value from the employment of labor, resulting in an equally gigantic increase of capital resources.
2. Main Theories

d. Theory of Social Class

Karl Marx was one of the first social scientists to focus mainly on social class. His main focus on social class was that one's social class dictated one's social life.

Basically, Marx meant that if one is in the upper class (that controls the means of production), life was one of leisure and abundance, while those in the lower class lived lives of hardship and poverty.

The wealthy would then control all elements of society - including the livelihoods of the lower, working class.

Marx wanted to better understand how so many people could be in poverty in a world where there was an abundance of wealth. His answer was simple: capitalism.

2. Main Theories

d. Theory of Social Class

Marx defines classes as people’s relationship to the means of production.

a. Capitalists (or the bourgeoisie) are people who own factories and other productive businesses.

b. The proletarians are people who sell their productive labor to the capitalists.

Eventually, years of class oppression would lead to capitalism’s demise

• Socialism will replace capitalism
3. Critical review:

a. Marxism is *revolutionary* and highly controversial.

b. Marxism has been criticized for failing to recognize that *a system of unequal rewards may be necessary to motivate people* to perform their social roles effectively.

c. The *revolutionary developments* Marx considered inevitable within capitalist societies have *failed to happen*.

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3. Critical review:

Why the Marxist revolution failed:

1. *Fragmentation and growing of the capitalist class*

2. *Rise of a higher standard of living (better life-style available for workers)*

3. *Better organization of workers (unions)*

4. *Governmental protection of workers*
The Marxist Theory

Read thoroughly and discuss Article No 7: Marxist Concepts