Chapter 6
Marx Madness Plunges Economics into a New Dark Age

1) Karl Marx
   a) Associated with the dark side of communism—he wrote “The Communist Manifesto” and “Economics and Philosophical Manuscripts of 1844”
   b) Was the first major economics to establish his own school of thought, methodology, and language
   c) Hegel and Feuerbach influence led to radical philosophy
   d) Worked with Friedrich Engel: subsidized Marx and directed his thoughts toward political economy; wrote many publications together, first “Critique of Critical Critique”

2) Exploitation Model of Capitalism
   a) Alternative model to the classical economics of Adam Smith
   b) Argued that the capitalist system fatally flawed
      i) Benefited capitalist and big business
      ii) Exploited workers
      iii) Crisis-prone system would destroy itself

3) Labor Theory of Value
   a) Ricardo was in many ways Marx economic mentor
   b) Claimed that labor is the sole producer of value
      i) Used in exploitation model

4) Theory of Surplus Value
   a) Marx labeled profits and interest “surplus value”
   b) Capitalists and landlords are exploiters of labor if all value was the product of labor then all profits or “surplus value” is unjustly extracted from the earnings of the working class
   c) \( p=s/r \)

5) Crisis of Capitalism
   a) Caused by:
      i) Lowering costs, falling profits, monopolistic power, under consumption, massive unemployment, of the proletariat class
   b) Capitalists only grow with new markets which led to Marxists referring capitalism as “imperialism”

6) Solution
   a) Revolution
   b) 10 point program
      i) Abolition of property in land and applications of all rents of land to public purposes
      ii) A heavy progressive or graduated income tax
      iii) Abolition of all right of inheritance
      iv) Confiscation of the property of all emigrants and rebels
      v) Centralization of credit in the hands of the state by means of a national bank with state capital and an exclusive monopoly
      vi) Centralization of the means of communications and transport in the hands of the state
vii) Extension of factories and instruments of production owned by the state; the bringing into cultivation of waste lands, and the improvement of the soil generally in accordance with a common plan

viii) Equal obligation of all to work. Establishment of industrial armies, especially for agriculture

ix) Combination of agriculture with manufacturing industries; gradual abolition of the distinction between town and country

x) Free education for all children in public schools. Abolition of child factory labor in its present form. Combination of education with industrial labor, and so on.

c) Advocated an authoritarian “dictatorship of the proletariat”

d) Advocated elimination of money

e) Advocated the abolition of the traditional family to stop the exploitation of children by their parents as well as religion

7) Failure

a) Marxism is based on the wrong theory by Ricardo!
   i) Labor theory of value was defective
   ii) Rejected the sound theory of value by Say

b) Transformation Problem
   i) Profit rate and value problem
   ii) Some industries are labor intensive and others are capital intensive

8) Marxism Today

a) Stress the following
   i) The problem of alienation and monotonous work in the workplace
   ii) The issue of greed, fraud, and materialism under a money-seeking capitalist society
   iii) The concerns over inequality of wealth, income, and opportunity
   iv) Issues over race, feminism, discrimination, and environment