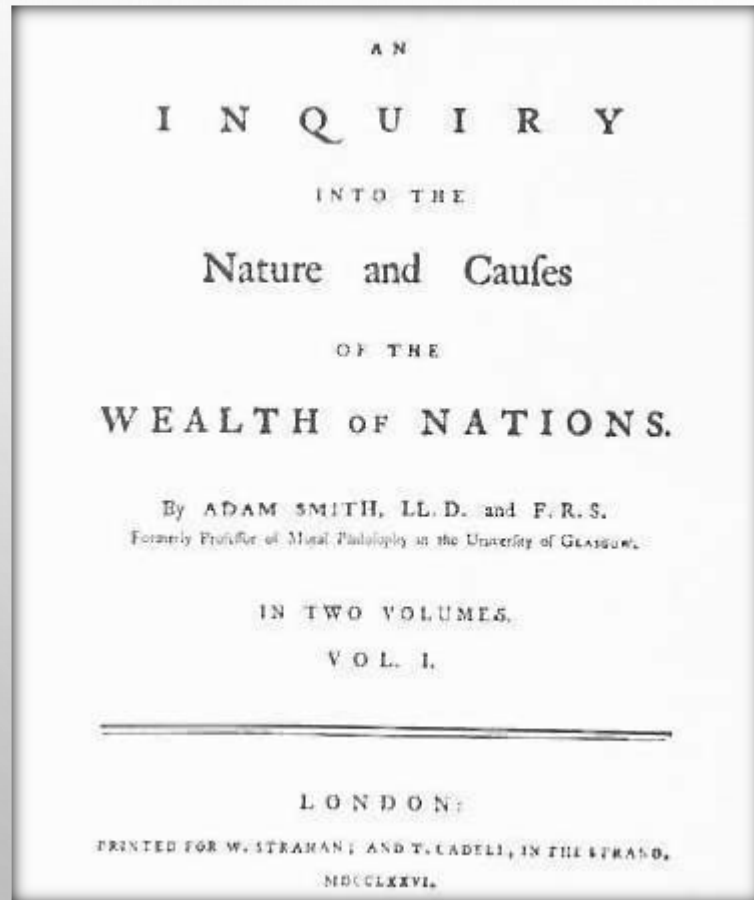


EE466 Political Economy of Development

Political Economy



THE WEALTH OF NATIONS

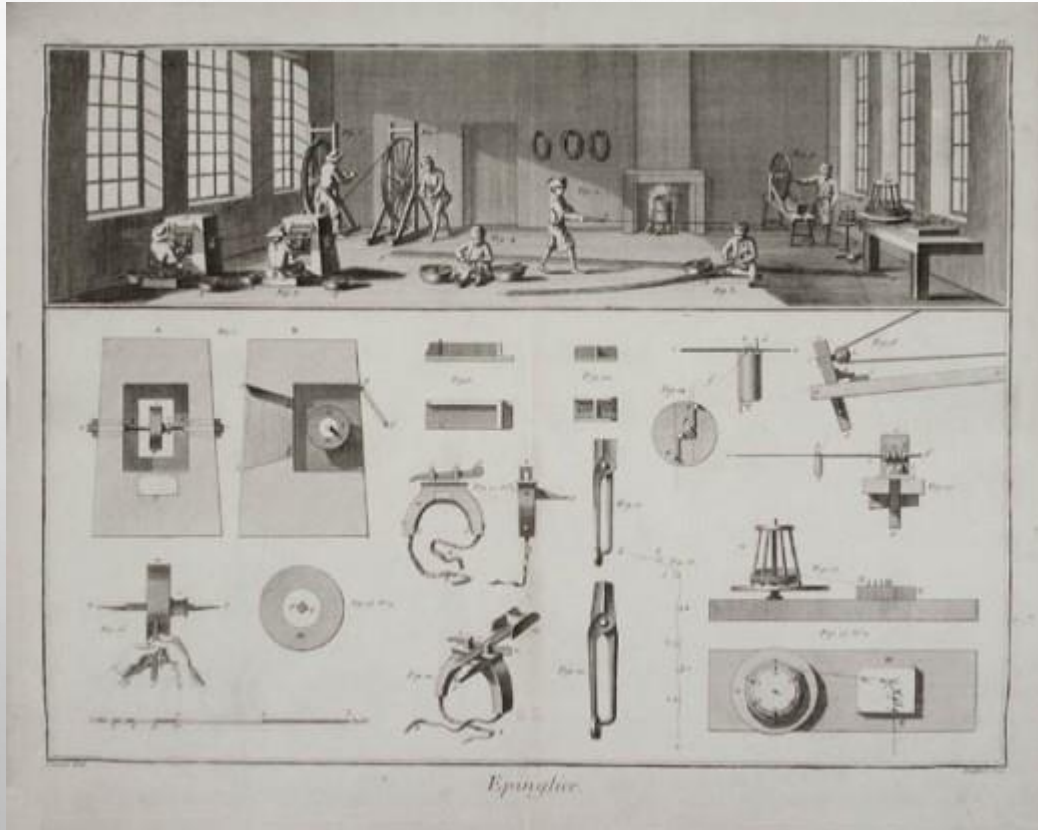


- Adam Smith wrote the *Wealth of Nations* partly to provoke politicians out of their policy of restricting and distorting commerce, rather than letting it flourish.
- He was also trying to create a *new science of **Economics***.

THE WEALTH OF NATIONS: THEMES

- *The real measure of a nation's wealth is the stream of goods and services that it creates.*
- *Productive capacity rests on the division of labor and the accumulation of capital.*
- *A country's future income depends upon this capital accumulation*
- *This system is automatic [But only when there is free trade and competition].*
- *Competition and free exchange are under threat from the monopolies, tax preferences, controls and other privileges that producers are able to extract from the government authorities.*
- *Regulations on commerce are ill-founded and counterproductive.*
- *Government must be limited.*

PRODUCTION AND EXCHANGE



- Smith shows that the **division of labor** – labor specialization – generates enormous increases in output.
- Farmers specialize in raising crops or livestock: their land is consequently much better tended, and more productive, than if they had to spend time making all their household items too.
- Similarly, countries specialize by exporting the goods they produce best and importing the goods that others produce better
- The increased efficiency comes not just from the skill acquired when people do the same task many times.

PRODUCTION AND EXCHANGE

The woollen coat, for example, which covers the day-labourer, as coarse and rough as it may appear, is the produce of the joint labour of a great multitude of workmen. The shepherd, the sorter of the wool, the wool-comber or carder, the dyer, the scribbler, the spinner, the weaver, the fuller, the dresser, with many others, must all join their different arts in order to complete even this homely production.³



- The division of labor harnesses the **cooperation** of many thousands of people in the production of even the most basic of everyday objects.
- This collaboration of thousands of highly efficient specialists is the source of developed countries' great wealth, and makes items such as woollen coats accessible even to the poorest.
- Smith calls '***that universal opulence which extends itself to the lowest ranks of the people***'.

PRODUCTION AND EXCHANGE

The mutual gains from exchange



<https://www.youtube.com/watch?v=5CrygjvyUPU>

- The propensity to 'truck, barter, and exchange' is a natural and universal feature of human behavior.
- Each party proposes and accepts the bargain entirely in their own **self-interest** and not with the other side's welfare in mind. The exchange would not occur if either side thought themselves the loser by it.
- By exchanging, both sides get the goods they want for less effort than they would have to expend in making them for themselves. The benefit is mutual.
- **Wealth is not fixed, but is created by human commerce.** It was a groundbreaking idea.

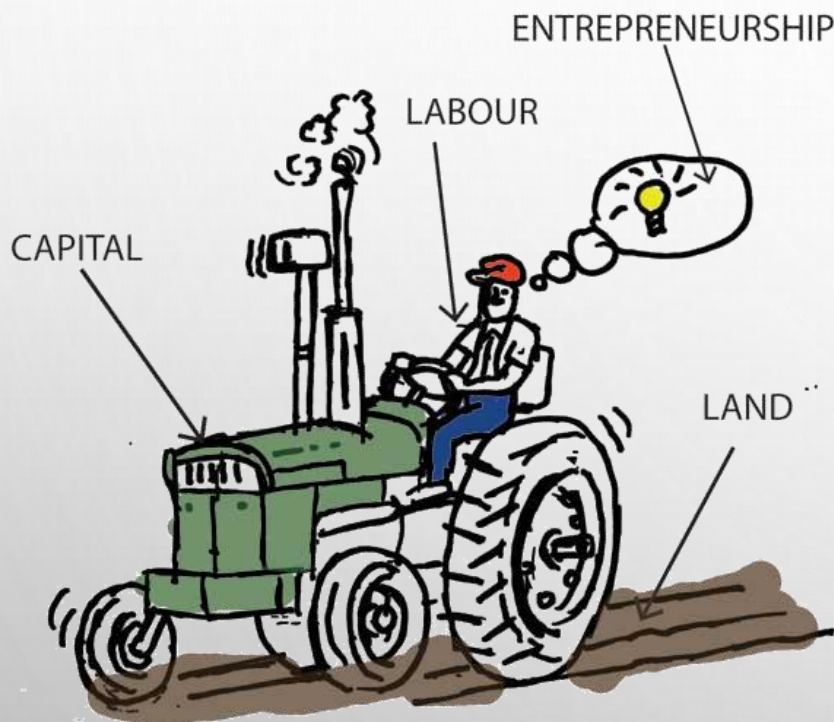
PRODUCTION AND EXCHANGE



WIDER MARKETS BRING BIGGER GAINS

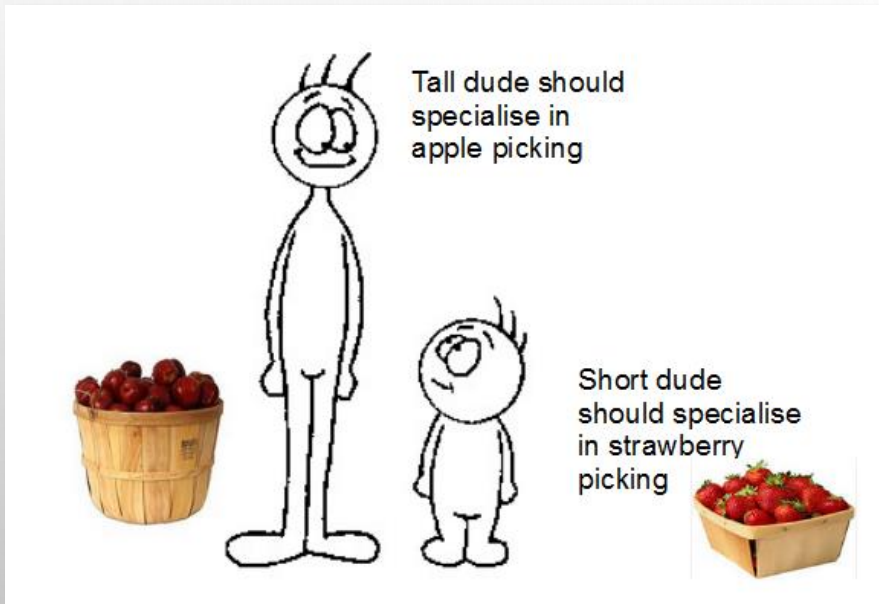
- Only a 'great town' provides enough customers for porters,
 - For example; while scattered communities may be unable to support even specialist carpenters or stonemasons, forcing people to do more of these tasks for themselves.
- What extends the market is **money**!
- It helps in exchanging surplus.
- Without money, hungry brewers always had to search out thirsty bakers.

PRODUCTION AND EXCHANGE



- Smith is leading us gradually to the realization that the **production, valuation and distribution** of the nation's **output** do not exist in isolation, but all take place simultaneously as interrelated parts of a functioning **economic system**
- A country's 'annual produce' resolves itself into rent, wages and profits, meaning that landowners, workers and employers are inevitably interdependent
- They are parts of a seamless system of flows in which goods are created, exchanged, used and replaced – and resources are put to their best use – all quite automatically

ACCUMULATION OF CAPITAL



- **Virtuous circle:** Specialization helps build greater surpluses, which in turn can be reinvested in new, dedicated, **labour-saving equipment**.
- As wealth expands, the whole nation becomes richer.
- One person (or one nation) does not have to become poorer in order for another to become richer
- The market economy is unparalleled at boosting national wealth, and this wealth diffuses right down to the poorest workers.
- The poor in the rich countries that adopt this system live better than the rich in the poor countries that do not.
- Countries make themselves better off if they do not try to remain self-sufficient or raise trade barriers against others

NEOCLASSIC BEHAVIORAL ASSUMPTIONS

1. The economic world is reasonably viewed as being in equilibrium.
2. Individual economic actors repeatedly face the same choice situations or a sequence of very similar choices.
3. the actors have stable preferences and thus evaluate the outcomes of individual choices according to stable criteria.
4. given repeated exposure, any individual actor could identify and would seize any available opportunity for improving outcomes and, in the case of business firms, would do so on the pain of being eliminated by competition.
5. Hence no equilibrium can arise in which individual actors fail to maximize their preferences.
6. Because the world is in approximate equilibrium, it exhibits at least approximately the patterns employed by the assumptions that the actors are maximizing.

FREE MARKET

We have been told that, if left alone, markets will produce the most efficient and just outcome

Efficient, because

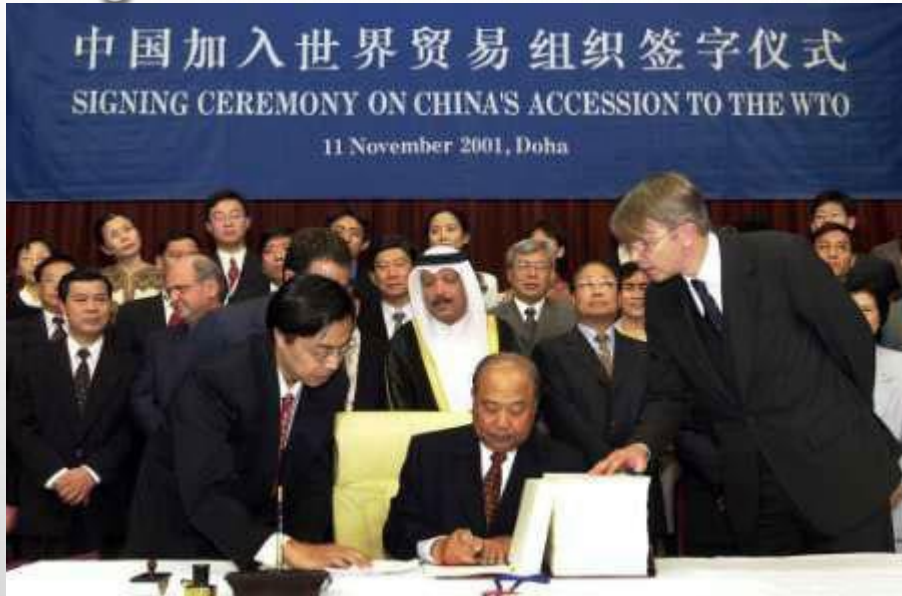
- Individuals know best how to utilize the resources they command
- Firms, being closest to the market, know what is best for their businesses and should be given maximum freedom

Just, because the competitive market process ensures that individuals are rewarded according to their productivity



**The only fair
is laissez-faire.**

FREE-MARKET



- Following this advice, most countries have introduced free-market policies over the last three decades –
 - **Privatization** of state-owned industrial and financial firms,
 - **Deregulation** of finance and industry
 - **Liberalization** of international trade and investment
 - **Reduction** in income taxes and welfare payments.

"Energy Deregulation
will be the largest
transfer of wealth
in history."

Warren Buffett



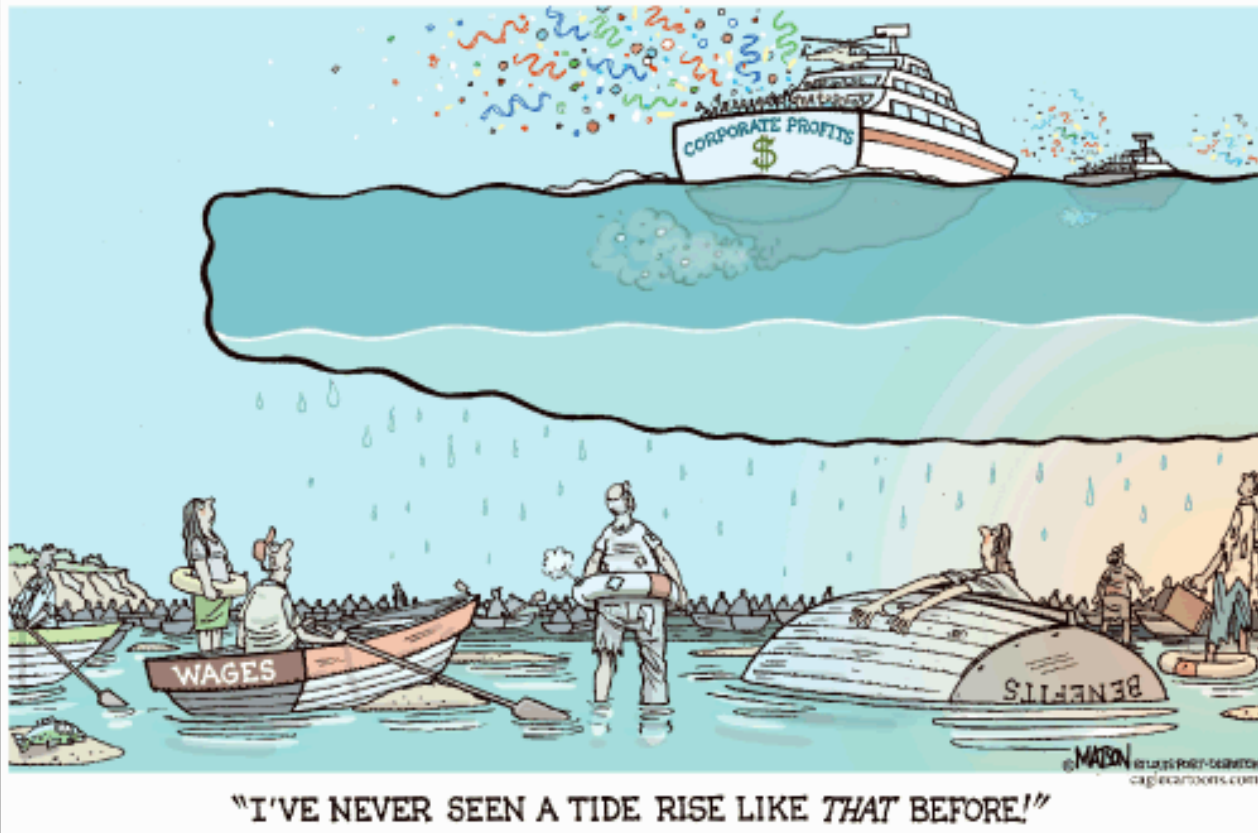
FREE-MARKET

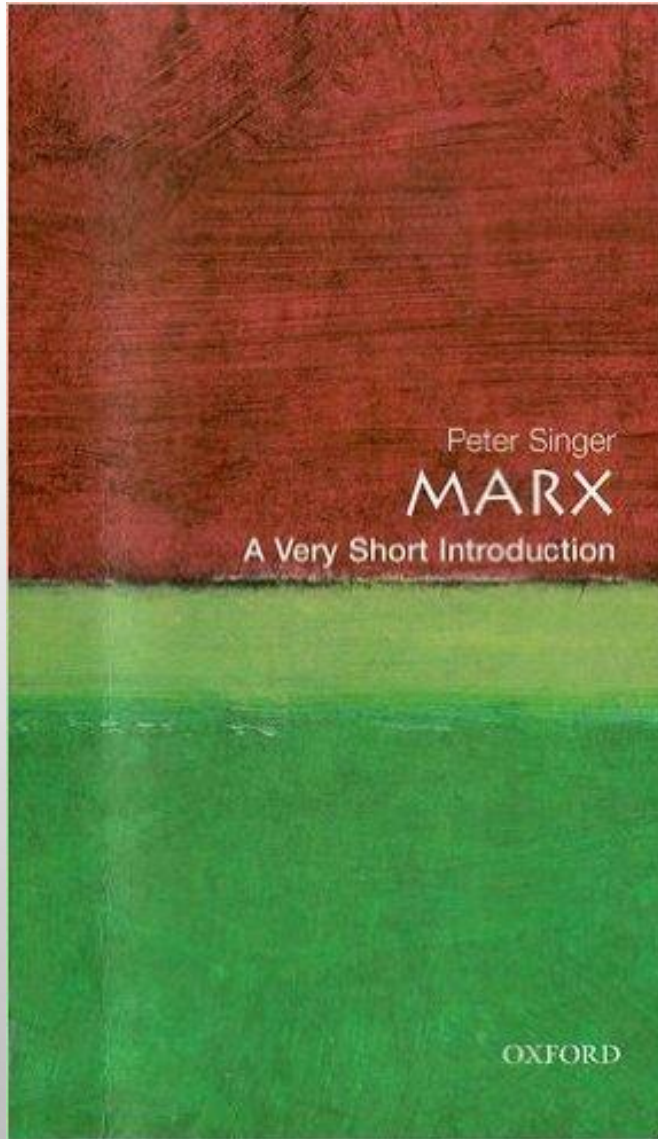


- These policies may temporarily create some problems, such as rising **inequality**,
- but ultimately they will make everyone better off by creating a **more dynamic and wealthier society**
- **The rising tide lifts all boats together!**

FREE-MARKET

- The rising tide lifts all boats together!??





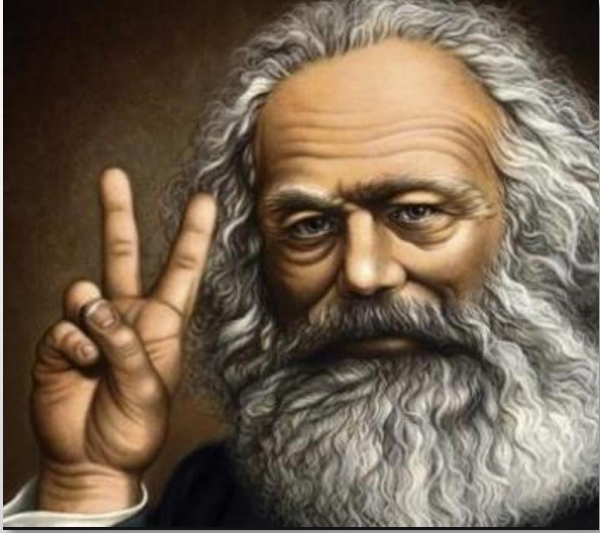
READ

Marx: A Very Short Introduction

By Peter Singer

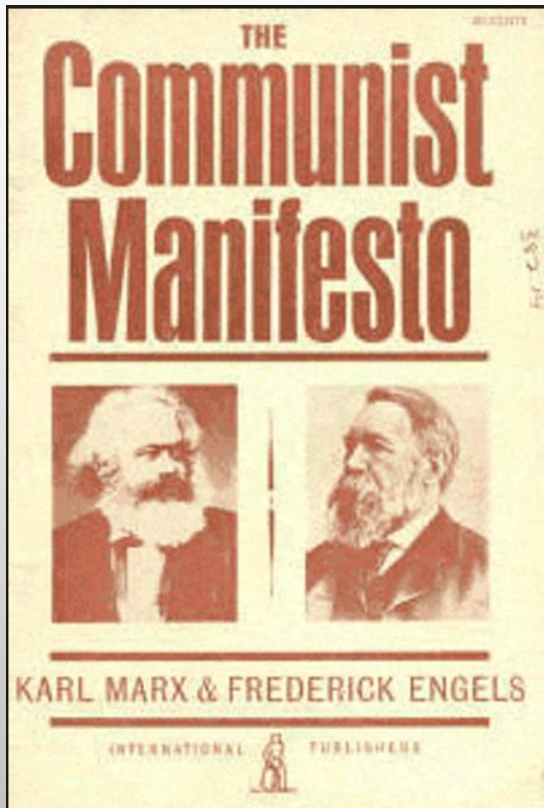
CHAPTER 5, 8

Karl Marx: Life Summary



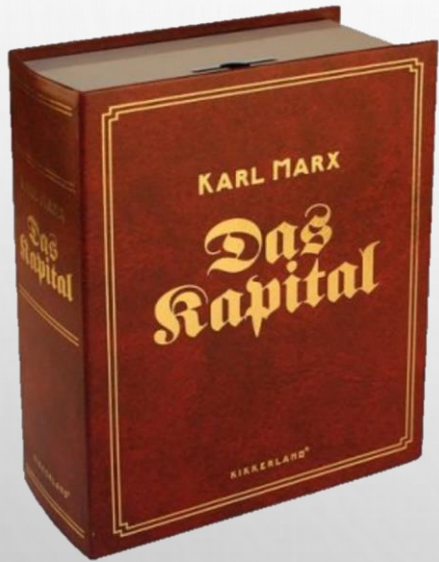
- Karl Marx was born in Trier, in the German Rhineland, in 1818.
- At the age of seventeen, he went to study law at the University of Bonn. Within a year he had been imprisoned for drunkenness and slightly wounded in a duel.
- He transferred to the more serious University of Berlin. Marx's interests became more intellectual, and his studies turned from law to philosophy.
- In 1841, Marx became interested in journalism. He wrote on social, political, and philosophical issues for a newly founded liberal newspaper.
- A series of articles by Marx on the poverty of wine-growers in the Moselle valley may have been considered especially inflammatory; in any case, the government decided to suppress the paper.
- He wanted to leave Germany, where he could not express himself freely.

Karl Marx: Life Summary



- Karl arrived in Paris in the autumn of 1843.
- Throughout 1844 Marx worked at articulating his philosophical position in a very broad sense, including politics, economics, and a conception of the historical processes at work in the world.
- By now Marx was prepared to call himself **a communist** – which was nothing very unusual in those days in Paris.
- Meanwhile the Prussian government was putting pressure on the French to do something about the German communists living in Paris.
- To obtain permission to stay in Brussels, Marx had to promise not to take part in politics.
- He soon breached this undertaking by organizing a Communist Correspondence Committee which was intended to keep communists in different countries in touch with each other.

Karl Marx: Life Summary



- Marx had an opportunity to make his own ideas the basis of communist activities when he went to London, to attend a Congress of the newly formed **Communist League** in December 1847.
- The result was **The Communist Manifesto**, published in February 1848, which was to become the classic outline of Marx's theory.
- The Belgian government gave him twenty-four hours to get out of the country. The Marxes went first to Paris and then, following news of revolution in Berlin, returned to Germany.
- On 24 August 1849, he sailed for England and lived in London for the rest of his life.
- In 1867 Marx finally completed the first volume of **Capital**.

Karl Marx: Life Summary



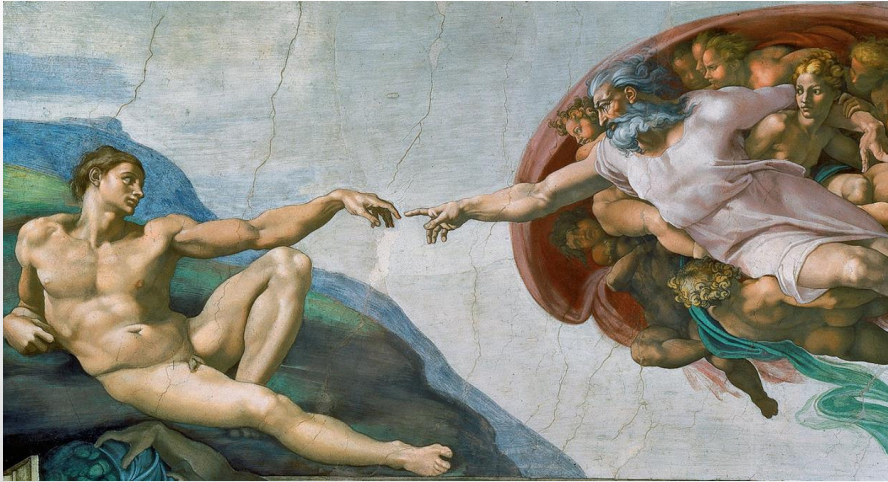
- Marx's forceful intellect and strength of personality soon made him a dominant figure in ***The International Workingmen's Association*** – later known as the ***First International*** – was founded at a public meeting in London in 1864.
- Marx became a well-known figure through the publication, in 1871, of *The Civil War in France*, that he wrote to the *International* on the *Paris Commune*, the workers' uprising which took over and ruled Paris for two months.
- Marx's ideas were spreading at last. By 1871 a second edition of *Capital* was needed. A Russian translation appeared in 1872 – Marx was very popular among Russian revolutionaries – and a French translation soon followed.
- He died on 14 march 1883.

PHILOSOPHICAL INFLUENCES



- The philosophy of **G.W.F. Hegel**, Who had taught at the University of Berlin, had influence in the period when Marx began to form their ideas.
- 'Mind' was read as 'human self-consciousness'
- Since human society is the manifestation of mind in the world, everything is right and rational as it is.
- The 'inner core' of Hegel was his account of mind overcoming **alienation**, reinterpreted as an account of human self-consciousness freeing itself from the illusions that prevent it achieving self-understanding and freedom.

PHILOSOPHICAL INFLUENCES



- E.g. 'Christianity' makes human alienated from their mortal existence and the world in which they actually live
- The goal of history became the liberation of humanity; but this could not be achieved until the religious illusion had been overcome.
- Wisdom, love, benevolence – these are really attributes of the human species, but we attribute them, in a purified form, to God.
- The more we enrich our concept of God in this way, however, the more we impoverish ourselves.

PHILOSOPHICAL INFLUENCES



- Marx had applied Hegelian philosophy to more practical issues like censorship, divorce, a Prussian law prohibiting the gathering of dead timber from forests, and the economic distress of Moselle wine- growers.
- Marx saw economic life, not religion, as the chief form of human alienation.



PHILOSOPHICAL INFLUENCES



Money is the universal, self-constituted value of all things. Hence it has robbed the whole world, the human world as well as nature, of its proper value. Money is the alienated essence of man's labour and life, and this alien essence dominates him as he worships it.



PHILOSOPHICAL INFLUENCES

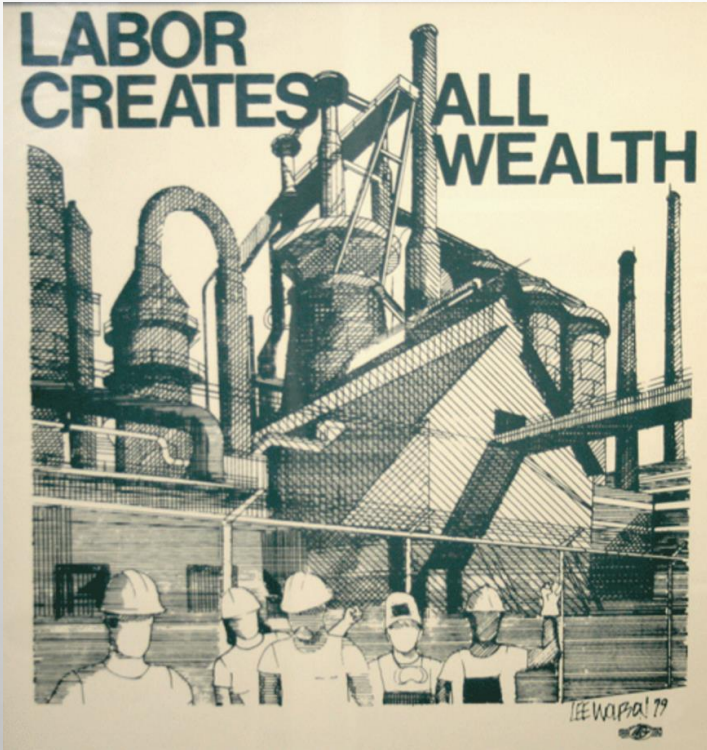
- The property-owning middle class could win freedom for themselves on the basis of rights to property – thus excluding others from the freedom they gain
- The property-less working class possess nothing but their title as human beings. Thus they can liberate themselves only by liberating all humanity.
- Marx introduces ***the proletariat*** as the material force that will bring about the liberation of humanity

POLITICAL ECONOMY



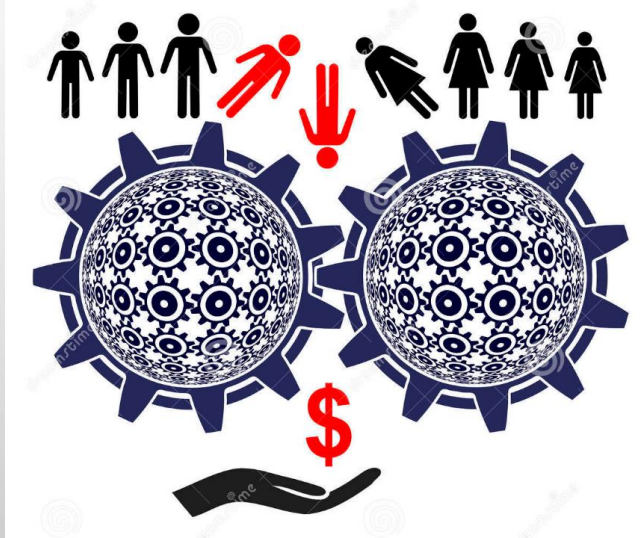
- Marx showed that according to Classical economics the worker becomes a commodity, the production of which is subject to the ordinary laws of supply and demand.
- If the supply of workers exceeds the demand for labour, wages fall and some workers starve.
- Wages therefore tend to the lowest possible level compatible with keeping an adequate supply of workers alive.

POLITICAL ECONOMY



- Those who employ the workers – **the capitalists** – build up their wealth through the labour of their workers. They become wealthy by keeping for themselves a certain amount of the value their workers produce.
- **Capital** is nothing else but accumulated labour. The worker's labour increases the employer's capital which are used to build bigger factories and buy more machines.
- This increases the **division of labour** and puts more self-employed workers out of business. They must then sell their labour on the market.
- This intensifies the competition among workers trying to get work, and lowers wages.

POLITICAL ECONOMY



- Marx wants to ask larger questions, ignored by economists:
- ‘what in the evolution of mankind is the meaning of this reduction of the greater part of mankind to abstract labour?’
- By ‘**abstract labour**’ Marx means work done simply in order to earn a wage, rather than for the worker’s own specific purposes.
- Thus making a pair of shoes because one wants a pair of shoes is not abstract labour; making a pair of shoes because that happens to be a way of getting money is.

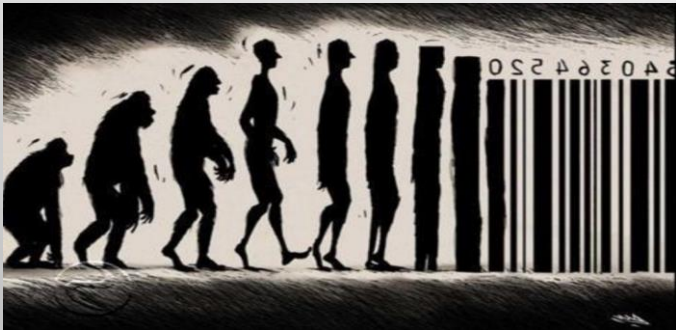
<https://www.youtube.com/watch?v=A-rEb0Kuopl>

POLITICAL ECONOMY

The more the worker exerts himself, the more powerful becomes the alien objective world which he fashions against himself, the poorer he and his inner world become, the less there is that belongs to him. It is the same in religion. The more man attributes to God, the less he retains in himself. The worker puts his life into the object; then it no longer belongs to him but to the object . . . The externalization of the worker in his product means not only that his work becomes an object, an external existence, but also that it exists outside him, independently, alien, an autonomous power, opposed to him. The life he has given to the object confronts him as hostile and alien.

(EPM 78-9)

POLITICAL ECONOMY



- A consequence of this alienation of humans from their own nature is that they are also alienated from each other.
- Productive activity becomes 'activity under the domination, coercion and yoke of another man'.
- This other man becomes an alien, hostile being. Instead of humans relating to each other co-operatively, they relate competitively.
- Love and trust are replaced by bargaining and exchange.
- Human beings cease to recognize in each other their common human nature; they see others as instruments for furthering their own egoistic interests.

POLITICAL ECONOMY



- Marx rejects the idea that anything would be achieved by an enforced wage rise.
- Higher wages Marx describes as 'nothing but a better slave-salary'. It would not restore significance or dignity to workers or their labour.
- The solution is the abolition of wages, alienated labour, and private property in one blow.
- In a word, **Communism**.

POLITICAL ECONOMY

Communism . . . is the genuine resolution of the antagonism between man and nature and between man and man; it is the true resolution of the conflict between existence and essence, objectification and self-affirmation, freedom and necessity, individual and species. It is the riddle of history solved and knows itself as this solution.

(EPM 89)

POLITICAL ECONOMY

**THE THEORY OF
COMMUNISM MAY BE
SUMMED UP IN THE
SINGLE SENTENCE:
ABOLITION OF
PRIVATE PROPERTY**

KARL MARX

PICTUREQUOTES.COM

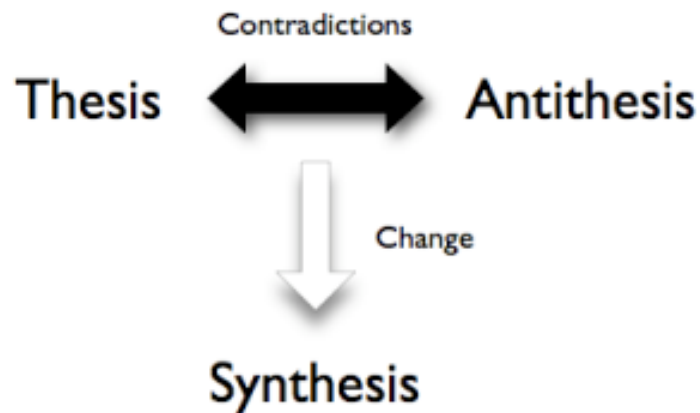
- All human senses, he claims, are degraded by **private property**.
- The dealer in minerals sees the market value of the jewels he handles, not their beauty.
- In the alienated condition caused by private property we cannot appreciate anything except by possessing it, or using it as a means.

POLITICAL ECONOMY

- The abolition of private property will liberate our senses from this alienated condition
- It would enable us to appreciate the world in a truly human way just as the musical ear perceives a wealth of meaning and beauty where the unmusical ear can find none
- So will the senses of social human beings differ from those of the unsocial.
- These are the essential points of '**the first Marxism**'.

ALIENATION AS A THEORY OF HISTORY

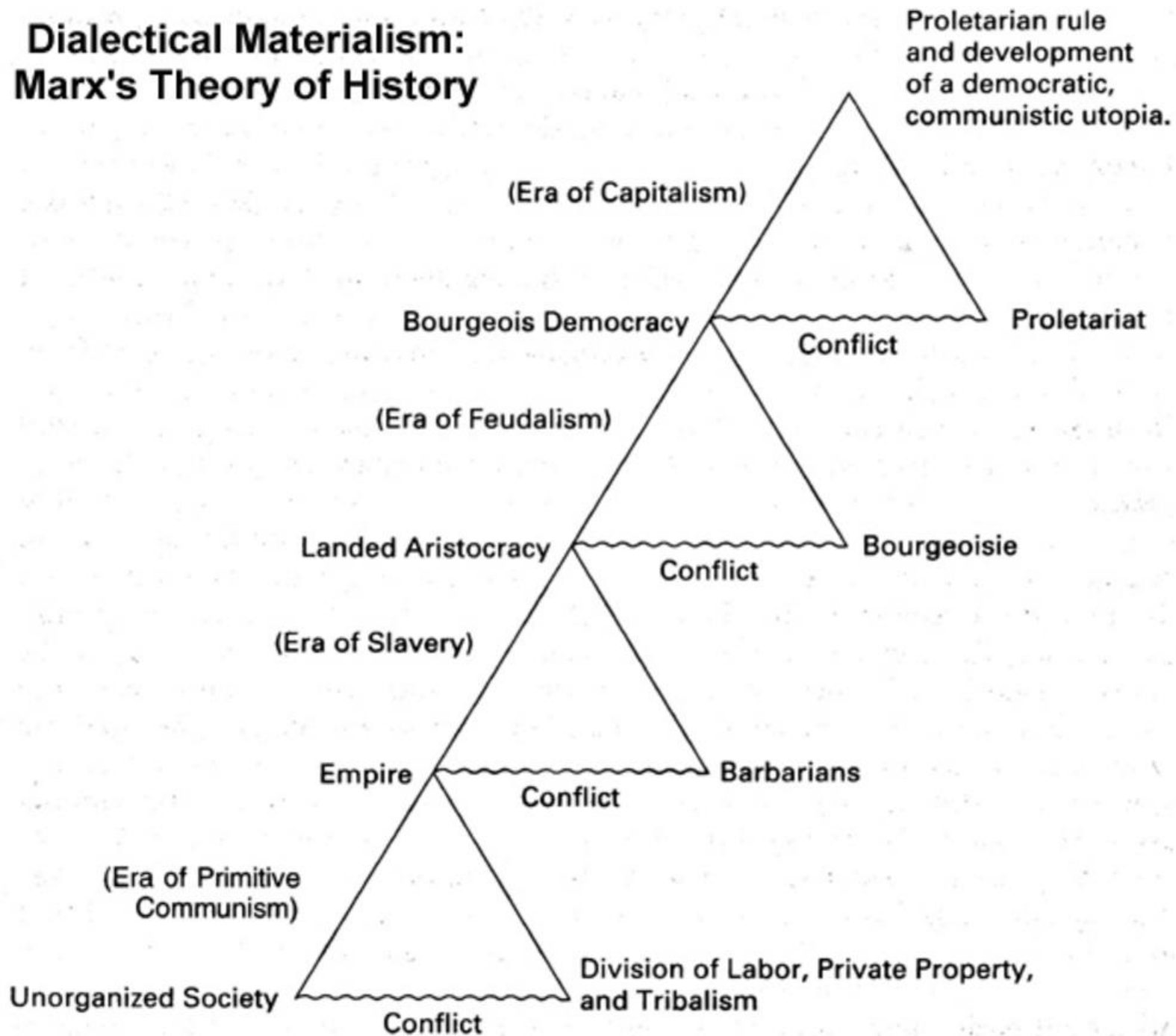
- The aim of world history is **human freedom**.
- Human beings are not now free, for they are unable to organize the world so as to satisfy their needs and develop their human capacities.
- The immediate task of revolutionary theory is to understand in what way the present situation is a stage in **the dialectical progress** to liberation.
- Then it will be possible to encourage the movements that will end the present stage, ushering in the new age of freedom.

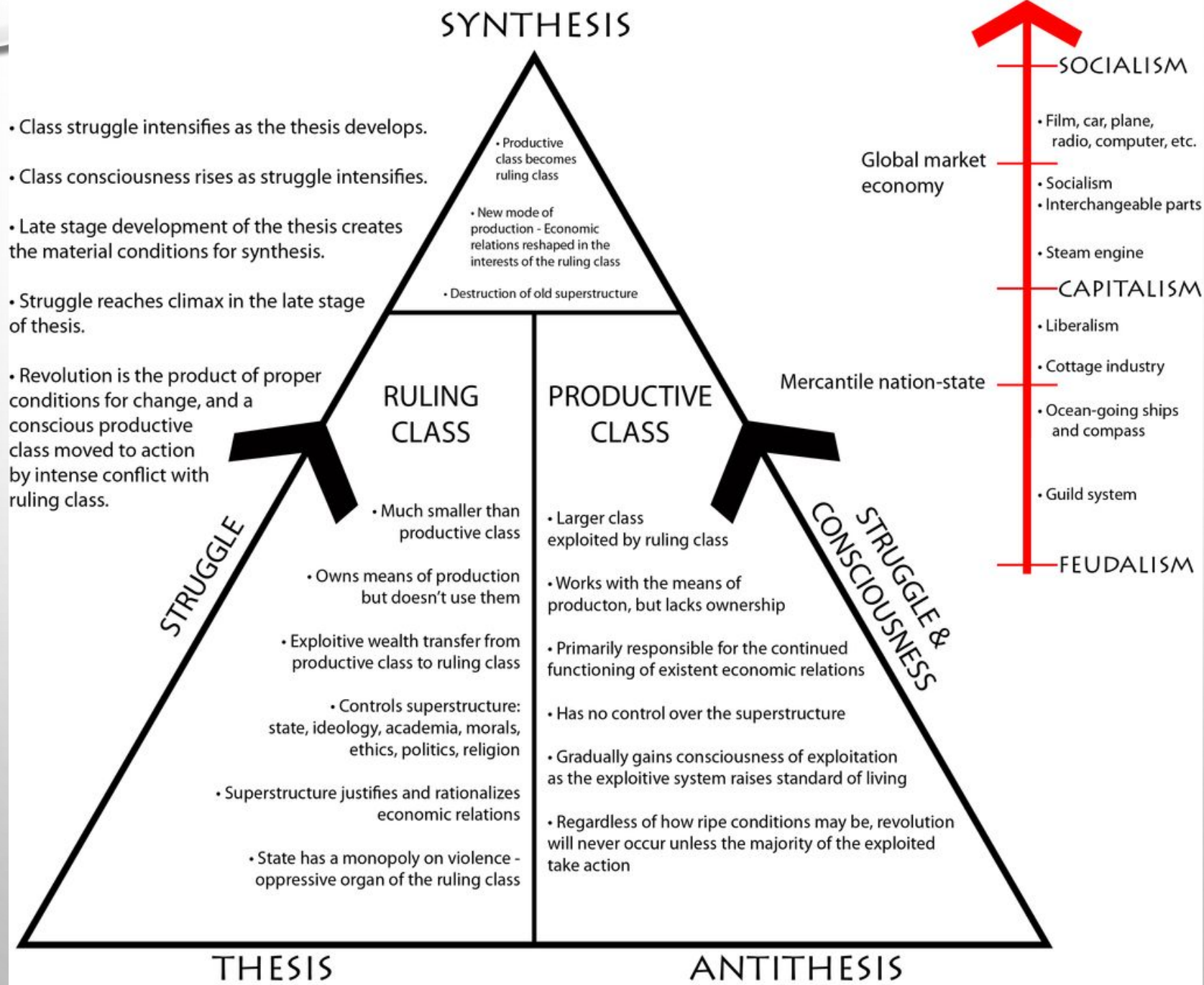


ALIENATION AS A THEORY OF HISTORY

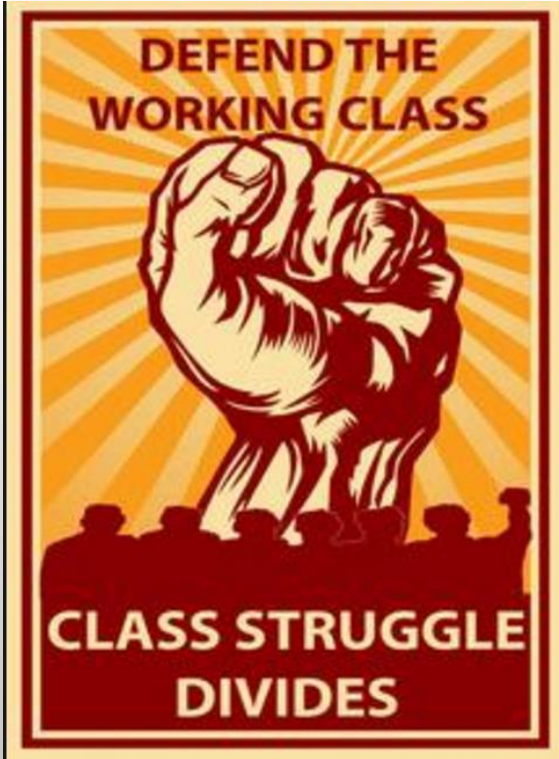
The propertied class and the class of the proletariat represent the same human self-alienation. But the former feels comfortable and confirmed in this self-alienation, knowing that this alienation is its own power and possessing in it the semblance of a human existence. The latter feels itself ruined in this alienation and sees in it its impotence and the actuality of an inhuman existence.

Dialectical Materialism: Marx's Theory of History



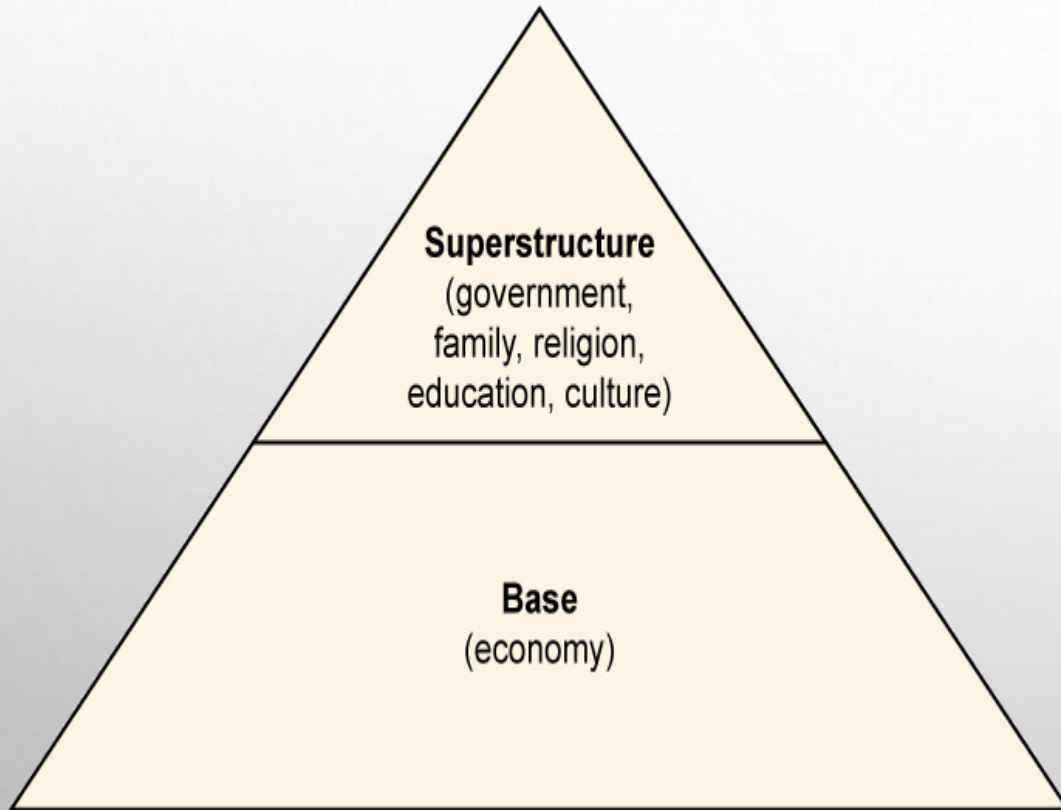


ALIENATION AS A THEORY OF HISTORY



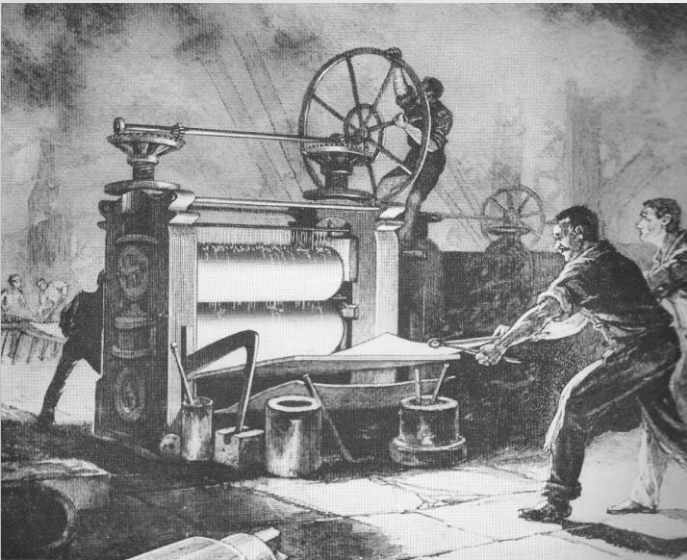
- The proletariat becomes conscious of its misery, and therefore seeks to overthrow capitalist society, but this consciousness arises only because of the situation of the proletariat in society.
- It is to solve philosophical problems that **we must change the world.**

MODE OF PRODUCTION



- Marx divided society into two elements, the '**economic base**' and the '**superstructure**', and maintained that the base governs the superstructure.

MODE OF PRODUCTION



Economic base

- **Productive forces** are things used to produce. They include labour-power, raw materials, and the machines available to process them.
- If a miller uses a handmill to grind wheat into flour, the handmill is a productive force.
- The productive forces give rise to relations of production, and it is these relations – not the forces themselves – which constitute the economic structure of society.

MODE OF PRODUCTION

Economic base

- **Relations of production** are relations between people, or between people and things.
- The miller may own his mill, or may hire it from its owner. *Owning* and *hiring* are relations of production.
- Relations between people, such as 'Smith employs Jones' or 'Ramsbottom is the serf of the Earl of Warwick', are also relations of production.



The Overseer's Rod
(from Queen Mary's Psalter)

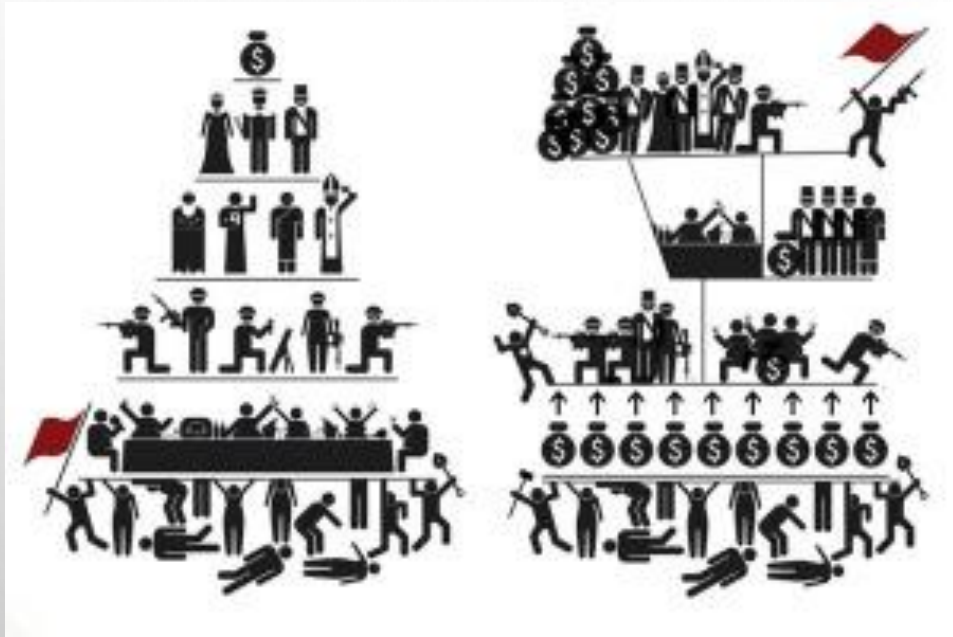
MODE OF PRODUCTION

The handmill gives you society with the feudal lord; the steam mill, society with the industrial capitalist.

(PP 202)

- When the productive forces are developed to the stage of manual power, the typical relation of production is that of lord and serf.
- The most efficient use of steam power is in large factories which require a concentration of free labourers rather than serfs tied to their land.
- So the relation of lord and serf breaks down, to be replaced by the relation of capitalist and employee.

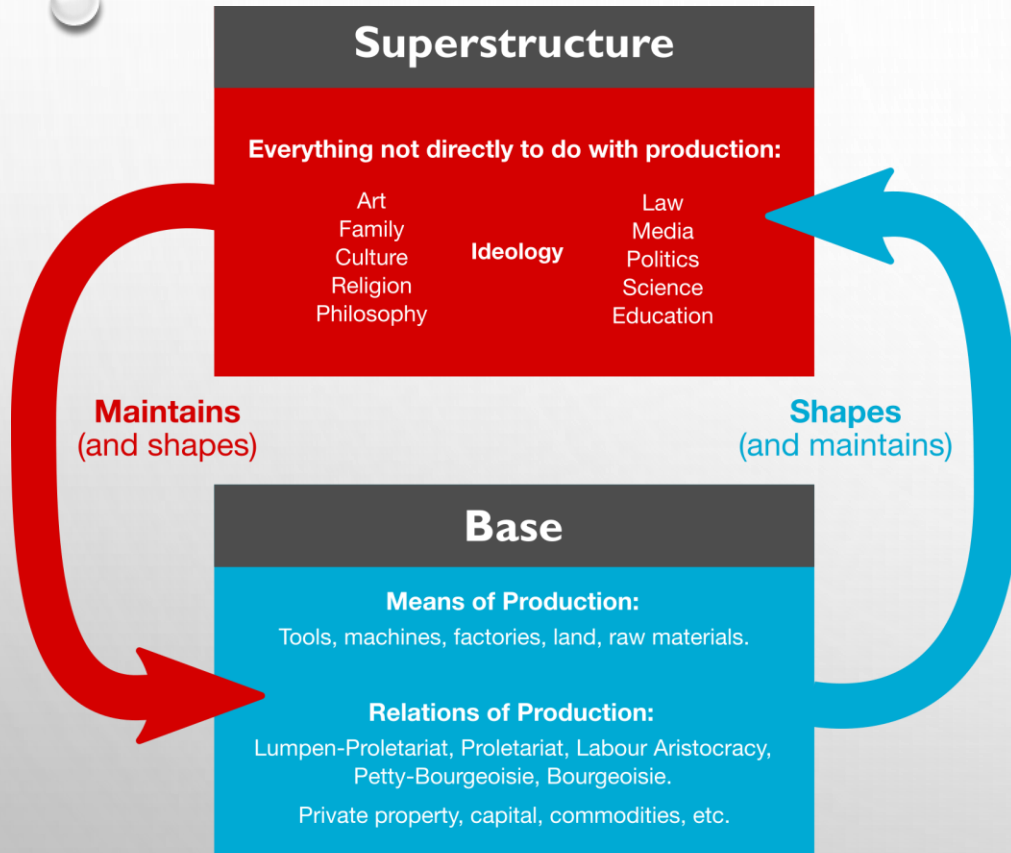
MODE OF PRODUCTION



Suprastructure

- These new relations of production constitute the economic structure of society,
- A capitalist legal and political superstructure rises, with its own religion and morality: freedom of religious conscience, freedom of contract, a right to disposable property, egoism, and competitiveness

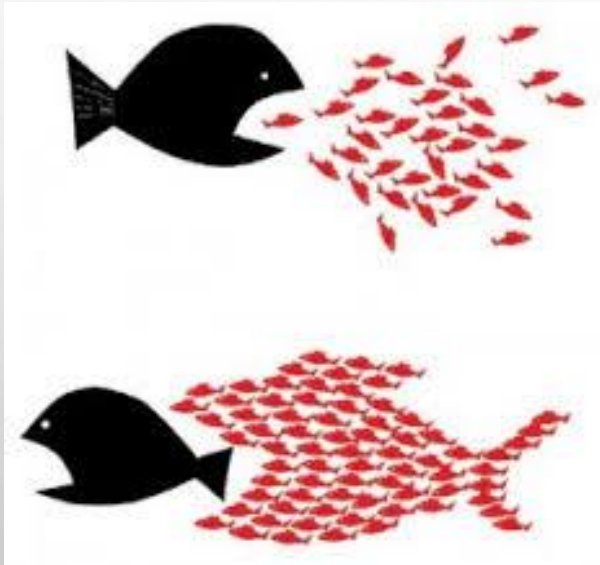
MODE OF PRODUCTION



**This moves in a spiral pattern.
The base is generally dominant.**

- We have a **three-stage process**: productive forces determine relations of production, which in turn determine the superstructure (ideas of society).
- Superstructure then lead to the further development of productive forces, which lead to new relations of production, to which correspond new ideas.
- Economic changes lead to changes in other areas of society. The productive forces are fundamental. Their growth provides the momentum for the whole process of history.

MODE OF PRODUCTION



- To which goal these forces are heading?
- The superstructure acts only as the 'unconscious tool' of history.
- England's colonial policy is no more the ultimate cause of the social revolution in Asia than my spade is the ultimate cause of the growth of my vegetables.
- The productive forces always finally assert themselves, but they do so through the actions of individual humans who may or may not be conscious of the role they are playing in history.
- Marx was acting as the tool – a fully conscious tool – of history.

CAPITALISM

- Under capitalism workers are forced to sell their labour – which Marx regards as the essence of human existence – to the capitalists, who use this labour to accumulate more capital, which further increases the power of the capitalists over the workers.
- Capitalists become rich, while wages are driven down to the bare minimum needed to keep the workers alive.

CAPITALISM



- Despite of the situation in which capital was growing, and hence the demand for labour, and the price of labour, was rising, Marx was unsatisfied.
- The reason for poverty and affluence being relative to the standard of our neighbours is that our desires are of a social nature.
- They are produced by our life in society, rather than by the objects we desire themselves.
- Thus rising wages do not produce greater satisfaction if the standard of living of the capitalist has risen even more.

CAPITALISM

A house may be large or small; as long as the surrounding houses are equally small it satisfies all social demands for a dwelling. But let a palace arise beside the little house, and it shrinks from a little house to a hut . . . however high it may shoot up in the course of civilization, if the neighbouring palace grows to an equal or even greater extent, the occupant of the relatively small house will feel more and more uncomfortable, dissatisfied and cramped within its four walls.

(WLC 259)

CAPITALISM



- If capital grows, the domination of capital over workers increases.
- Wage labour 'produces the wealth that rules over it'.
- This occurs because competition between capitalists forces them to make labour ever more productive, and the greater the scale on which they can produce, and the greater the division of labour, the more productive labour is.

CAPITALISM

THE INCREASING DIVISION OF LABOUR HAS SEVERAL EFFECTS.

- **First**, it enables one worker to do the work of ten, and so increases the competition among workers for jobs, thus driving wages down.
- **Second**, it simplifies labour, eliminates the special skills of the worker and transforms him into 'a simple, monotonous productive force'.
- **Third**, it puts more small-scale capitalists out of business. They can do nothing but join the working class.
- **Finally**, as the scale of production increases and new markets are needed to dispose of the production, economic crises become more violent.

CAPITALISM

- The classical economists see capital as natural, rather than socially conditioned, because they see it as material products – machines, raw materials, etc.
- These material products, however, are also **commodities** which can be exchanged against
- other items – for instance, a pound of sugar may be exchangeable for two pounds of potatoes, or half a pound of strawberries.
- They therefore have **exchange-value**.

CAPITALISM

- **‘Exchange-value’** is contrasted with **‘use-value’**.
- The use-value of a pound of sugar is its power to satisfy people’s desires for something sweet.
- The exchange-value of a pound of sugar is two pounds of potatoes or, expressed in terms of money, say, 20p.
- Use-values therefore exist independently of a market or any other system of exchange: exchange-values do not.

CAPITALISM

- The capitalist obtains the use of the worker's labour-power for the prescribed period – say, one day – and can use this labour-power to produce as much wealth as he is able to get out of it.
- This is what Marx means when he says that capital buys 'living labour'. The worker gets a fixed sum, regardless of what the capitalist can make out of his labour-power.
- **Surplus value** is the value the capitalist is able to extract from the labour-power he buys, above the exchange-value of the labour that he must pay.

CAPITALISM

- Suppose that the cost of keeping a worker alive and reproducing for one day is £1, and suppose that a day's work consists of twelve hours.
- Then the exchange-value of twelve hours' labour will be £1.
- If worker's labour-power can be used to add £ 1 to the value of some raw materials in only six hours. Then the worker effectively earns his wages in six hours.
- But the capitalist has bought twelve hours of labour power for his £ 1, and can now use the remaining six hours to extract surplus value from the worker.
- **The capitalist obtains the use-value of the worker's labour-power, and pays only the exchange-value.**
- This is, Marx claims, the secret of how capital is able to use the worker's creative power to increase its domination over the worker.

CAPITALISM

- How does this happen?
- It happens only when we begin to produce things not because they directly serve our wants, but in order to exchange them!
- When we produce in order to exchange, the value of our labour becomes its exchange value, rather than its use-value.
- Marx says, a 'mystical veil' over these 'life-processes of society' which would not exist if we produced 'as freely associated men', consciously regulating our production in a planned way.

CAPITALISM



- Capitalism is thus a society 'in which the process of production has the mastery over man, instead of being controlled by him'.
- Marx's Capital is based on the idea that human beings are in a state of alienation, a state in which their own creations appear to them as alien, hostile forces and in which instead of controlling their creations, they are controlled by them.

CAPITALISM

Exchange of *qualitatively different* commodities

$$C \rightarrow M \rightarrow C$$

Investment that must *quantitatively gain surplus value*

$$M \rightarrow C \rightarrow M'$$

Eternally ongoing process of **capital** in motion

$$M \rightarrow C \rightarrow M' \rightarrow C \rightarrow M'' \rightarrow C \rightarrow \dots$$

C stands for *commodity*. M stands for *money*

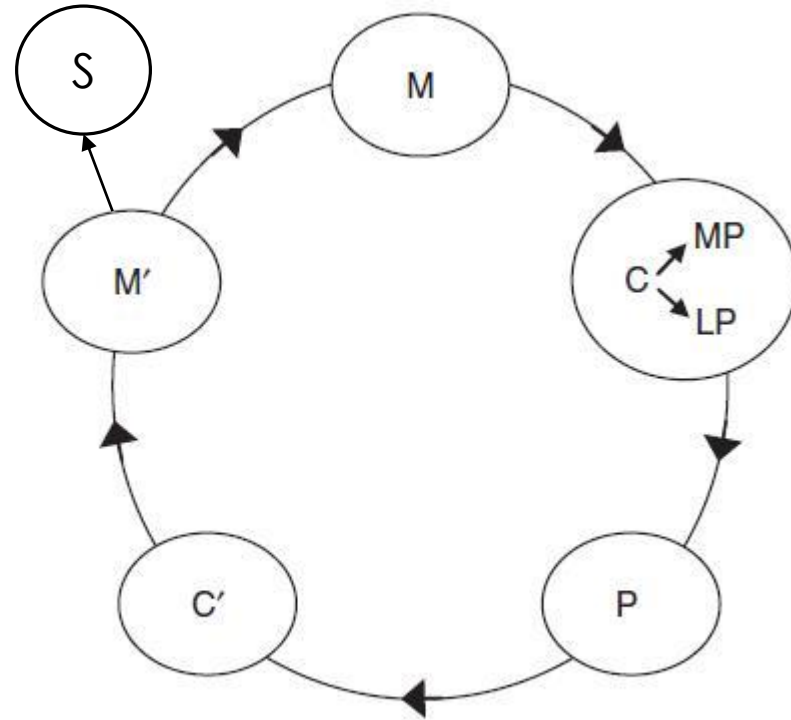
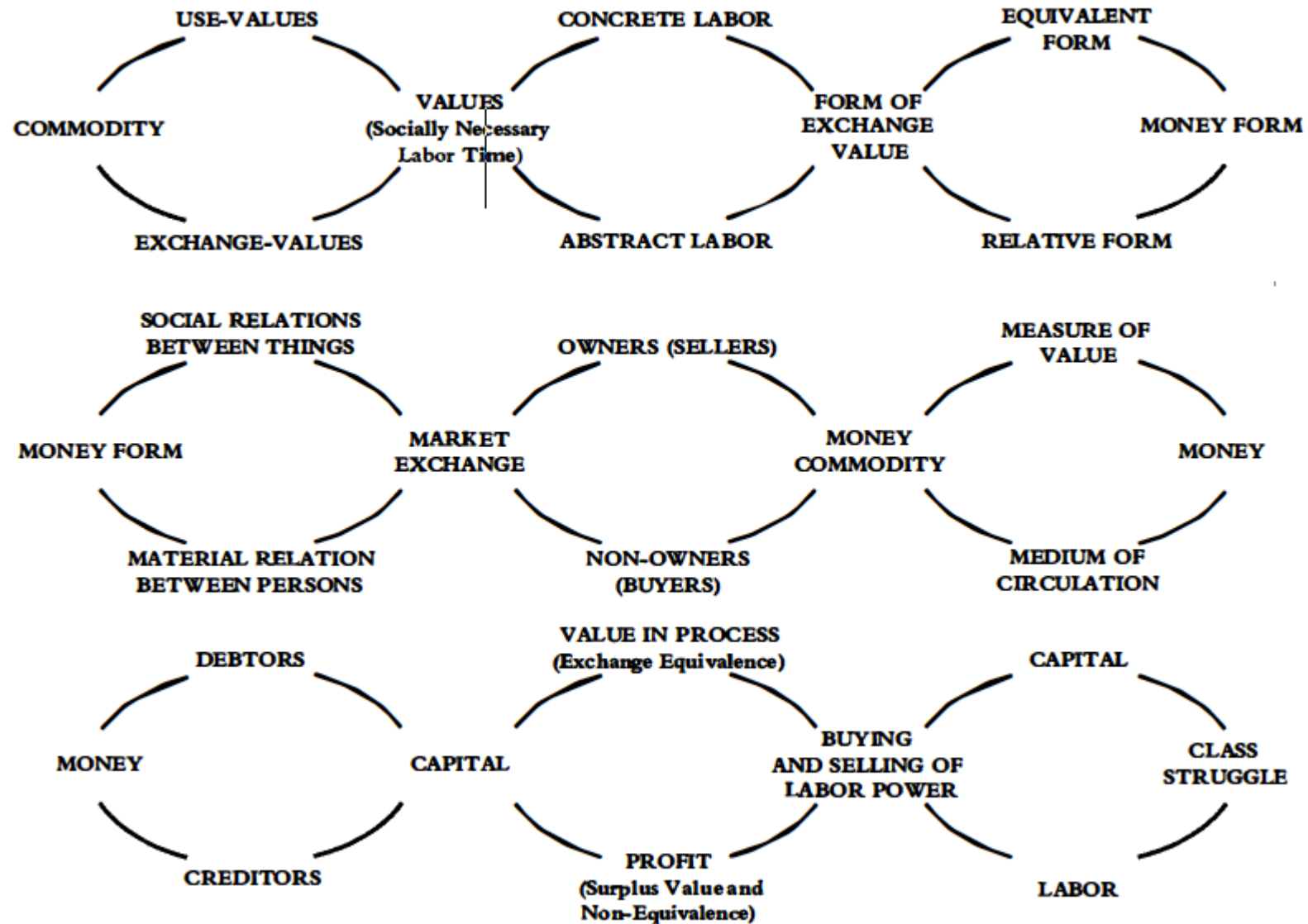


Figure 1 The circuit of capital.

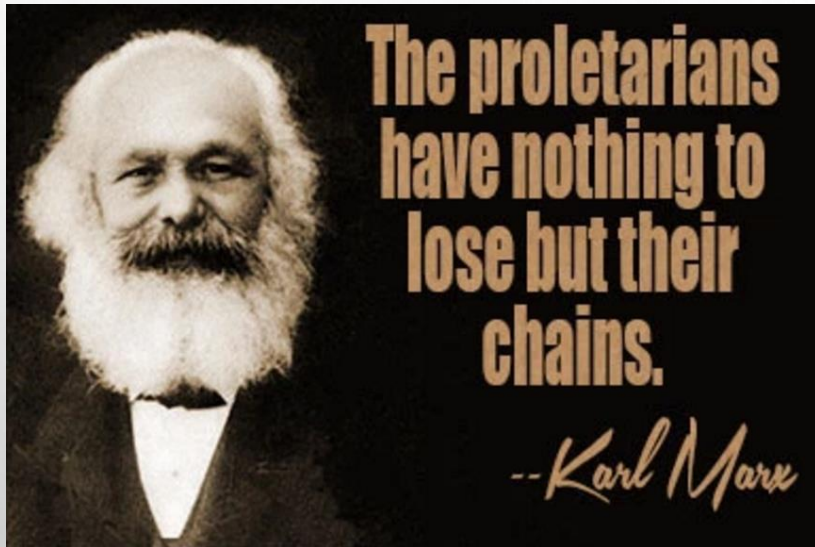
- The owner of capital invests money (M) to buy commodities (C) which include means of production (MP) (e.g., machine, energy, and raw material) as well as labor power (LP) in order to produce a new commodity (C') which is then sold for M'.
- M' includes the initial money invested (M) and a surplus (s)

CAPITALISM

THE PATH OF ARGUMENT IN VOLUME I OF MARX'S CAPITAL



CAPITALISM



- Marx sketches how the laws of capitalism will bring about the destruction of capitalism.
- Capitalists will lead to an ever-diminishing number of monopoly capitalists
- On the other hand the 'misery, oppression, slavery, degradation, exploitation' of the working class grows
- The ensuing revolution will be on co-operation and common possession of land and the means of production.
- All that is now necessary is for the mass of the people to expropriate these few expropriators.

COMMUNISM

- Marx derided as 'utopian' those socialists who sought to bring about communism by producing blueprints of a future communist society.
- He condemned conspiratorial revolutionaries who wished to capture power and introduce socialism before the economic base of society had developed to the point at which the working class as a whole is ready to participate in the revolution.
- Marx suggests that in communist society the division of labour would not force us into narrow occupational roles.
- Capitalism, however, heightened the conflict between individual interests and community interests by turning everything into a commodity with 'cash payment'

COMMUNISM



- I could, Marx says, 'hunt in the morning, fish in the afternoon, breed cattle in the evening, criticize after dinner, just as I like, without ever becoming a hunter, a fisherman, a herdsman, or a critic' (G/ 169).
- Citizens of the new society would find their own happiness in working for the good of all.
- Hence a communist society would have a new ethical basis.

COMMUNISM

- The change from one form of society to another occurs when the existing structure of society acts as a fetter on the further development of the productive forces.
- But **communism is the final form of society**.
- Communism would differ from all previous societies in that there would be no false consciousness. False consciousness involves failing to see things as they really are.
- Production will be co-operatively planned for the benefit of all, not wasted in socially fruitless competition between individual capitalists for their own private ends.
- With communist production there would be no exploitation to be concealed.
- The idea of labour as 'life's prime want' is very different from the clock-watching attitude that takes the shortening of the working day as the prerequisite of freedom.

MARXISM BEFORE 1914



- By 1914, the emergence of parties with a form of Marxist theory as the dominant ideology seeking mass membership and majority electoral support had already pushed alternative socialist traditions to the margins.
- One further element in the newly dominant tradition of socialism was its professed acceptance of working-class internationalism.
- It was generally understood that all the parties shared the view that the workers had no country because their common enemy was capitalism.

MARXISM BEFORE 1914



- Communist parties did not yet exist and social democracy covered a spectrum of views, including those that would later identify themselves with communism.
- With the formation of communist parties after the First World War, social democrats and communists would become bitter antagonists and, in the process, social democracy would change.

Timeline of key events

- ◆ 1999 – Russia activist Isayev proposes new name for the goal of the revolutionary workers' movement
- ◆ 1949 -- Victory of Chinese revolution against feudalism and US imperialism leads to greatly improved living conditions for the masses but is based on fatally flawed Soviet model
- ◆ 1935 -- Stalin (frightened by the installation of Hitler to power by the bourgeoisie) attempts to "make deal" with western imperialism and influences communist parties worldwide to turn to reformism (ie: social-democracy)
- ◆ Late 1920's (?) -- Internal suffocation of revolution
- ◆ 1922-23 -- Lenin incapacitated
- ◆ 1917 -- October Revolution in Russia
- ◆ 1914 -- World War I -- Nearly all social-democratic parties urge workers to shoot each other (do their "patriotic duty")

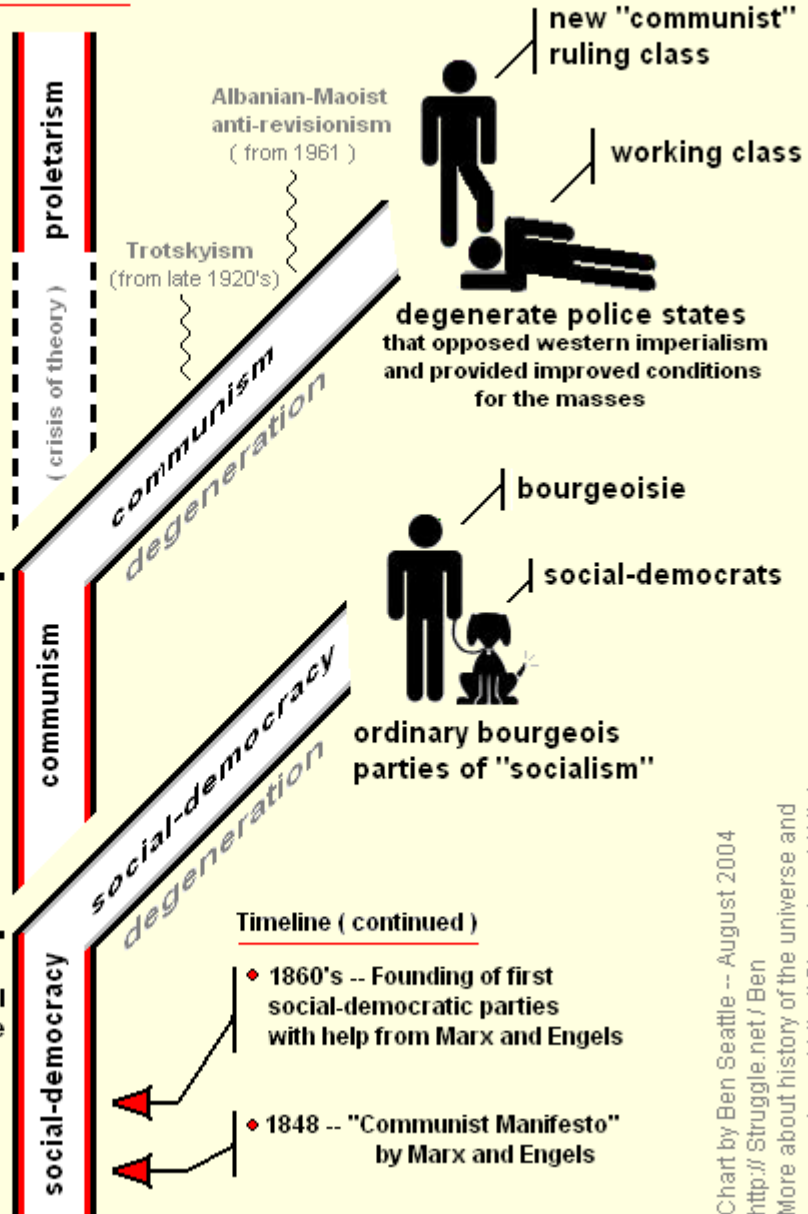


Chart by Ben Seattle -- August 2004
<http://Struggle.net/Ben>
 More about history of the universe and communism at <http://Struggle.net/History>



Marxism - Leninism

- Including **Leninism** (mid-1910), **Stalinism** (mid-1920) and **Maoism** (mid-1960)
- Ideology combining Marxist socioeconomic theory and Leninist political policy
- Official ideology of the communist international and communist parties.
- Main purpose is the revolutionary development of a capitalist state into a socialist state, effected by the leadership of a vanguard party of professional revolutionaries from the working class
- Establishes the communist party as the primary social force to organize society as a socialist state, which is the intermediate stage of socio-economic development towards a communist society—a stateless and classless society that features common ownership of the means of production

Marxism - Leninism



- The long road to socialism could only be opened by a "national, popular, democratic, anti-feudal and anti-imperialist revolution, run by the communists".
- Two imperialist states formed the "first world"—the united states and the soviet union. The second world consisted of the other imperialist states in their spheres of influence. The third world consisted of the non-imperialist countries. Both the first and the second world exploit the third world.
- Revolution is most likely to appear in third world countries, which again will weaken imperialism opening up for revolutions in other countries, too.

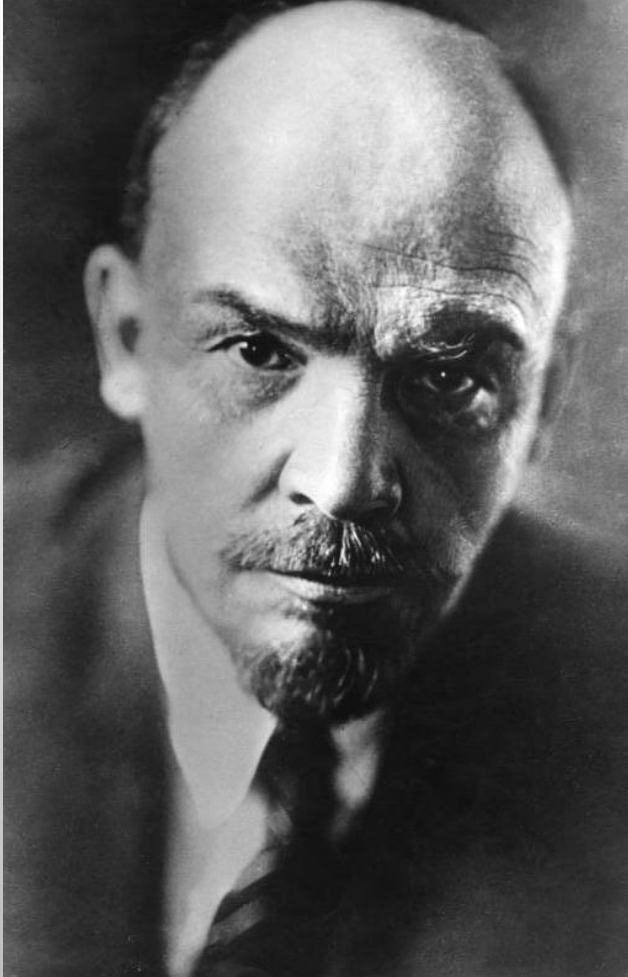
EMERGENCE OF COMMUNISM



- Modern communism was created with the assumption of power in Russia by the Bolshevik party in 1917.
- The Russian Social-Democratic Labour Party had been formed in 1899 as the main organizational focus for Russian Marxists.
- However, it had soon dissolved into factions, one of which had been led by **Vladimir Lenin (1870–1924)**.
- Bolsheviks changed their name to the Communist Party soon after the revolution (the term 'Bolshevik' had simply meant 'majority'), and Moscow became the centre of the doctrine that now became known as communism.



LENINISM



- V.I. Lenin (1870-1924) comprises socialist political and economic theories, developed from Marxism and his interpretations of Marxist theories, for practical application to the socio-political conditions of the Russian empire of the early 20th century.
- The defining document of Leninism is "imperialism, the highest stage of capitalism" (1916)

EMERGENCE OF COMMUNISM

bolsheviks



- Even after the Bolsheviks had taken over, they talked of a democratically elected Constituent Assembly as the body that would rule, and they clearly expected to win a majority there.
- However, when the election results in January 1918 showed that they had won only 21% of the seats, they dissolved the Assembly.
- It soon led to a situation in which the communists were dominating all organs of power and, by the end of the civil war, the party and the Red Army had become increasingly autocratic. Each new extension of power was justified as a temporary measure, but the party/state dictatorship was now being constructed.

EMERGENCE OF COMMUNISM

- During this period, the Bolsheviks attempted to administer Russia's economy purely by decree, a policy dubbed War Communism. Farmers and factory workers were ordered to produce, and food and goods were seized and issued by decree.
- By 1920, the economy was also destitute after six years of war, the support of the peasantry was in danger of being lost completely, and some 8 million people had died from disease and malnutrition since the Bolshevik Revolution
- When no bread arrived in Moscow in 1921, workers became hungry and disillusioned. They organized demonstrations against the Party's policy of privileged rations, in which the Red Army, Party members, and students received rations first.
- Lenin replaced the food requisitioning policy with a tax, signaling the inauguration of the **New Economic Policy (NEP)**

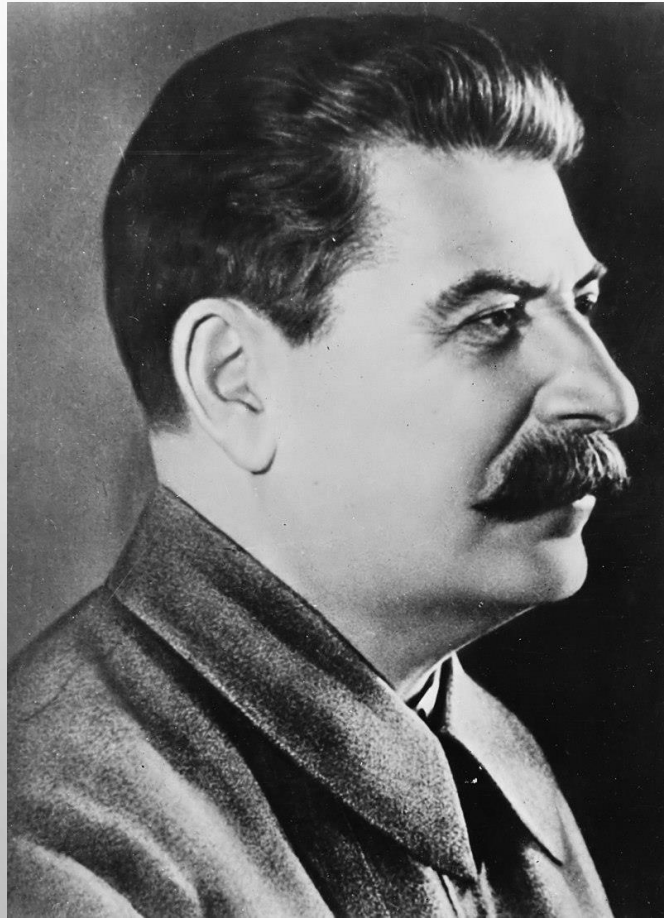
EMERGENCE OF COMMUNISM

- Lenin understood that economic conditions were dire, so he opened up markets to a greater degree of free trade, hoping to motivate the population to increase production. **NEP** economic reforms aimed to take a step back from central planning and allow the economy to become more independent.
 - an end to grain requisitions and instead instituted a tax on the peasants, thereby allowing them to keep and trade part of their produce.
 - NEP labor reforms tied labor to productivity, incentivizing the reduction of costs and the redoubled efforts of labor.
 - The NEP gave opportunities for the government to use engineers, specialists, and intelligentsia for cost accounting, equipment purchasing, efficiency procedures, railway construction, and industrial administration.

LENINISM PRAXIS

- **Creation of “vanguard party”** to establish a democratic dictatorship of the proletariat; supported by the working class. The vanguard party would lead the revolution and then transfer power of government to the working class, which makes possible for the full development of socialism
- **Capitalism could ultimately only be overthrown with revolution**, not with gradual reforms.
- **Creation of “dictatorship of the proletariat”** - state of affairs in which the proletariat, or the working class, has control of political power.
- **Nationalization of industry and established a foreign-trade monopoly** to allow the productive co-ordination of the national economy.
- **Politically educate** the workers and peasants **to dispel the societal false consciousness of religion and nationalism** that constitute the cultural “status quo”

STALINISM



- **Joseph Stalin** (1878-1953) governing soviets between 1927 to 1953 used his policies and ideas to accelerate the development towards communism
- Stalinist ideas included rapid industrialization, the theory of socialism in one country, a totalitarian state, collectivization of agriculture, a cult of personality and subordination of the interests of foreign communist parties to those of the communist party of the soviet union
- Stalinism promoted the escalation of class conflict, utilizing state violence to forcibly purge society of alleged supporters of the bourgeoisie, resulted in substantial political violence and persecution of such people



TROTSKYISM

- LEON TROTSKY (1879-1940), IDENTIFIED HIMSELF AS AN ORTHODOX MARXIST AND BOLSHEVIK–LENINIST, WERE CLOSE BOTH IDEOLOGICALLY AND PERSONALLY DURING THE RUSSIAN REVOLUTION WITH LENIN.
- TROTSKY PLAYED A LEADING ROLE WITH LENIN IN THE REVOLUTION, BUT AFTER STALIN RISE TO POWER, HE IS THE MAJOR CRITICIZER OF STALIN, STALINISM AND BUREAUCRACY DEVELOPED IN STALIN ERA.
- TROTSKY WERE EXECUTED IN 1940 AND ALMOST ALL OF THE COMMUNIST PARTY'S TROTSKYISTS WERE EXECUTED IN THE GREAT PURGES OF 1937–1938
- THE DEFINING DOCUMENT OF TROTSKYISM IS “THE PERMANENT REVOLUTION” (1930)

KEY ELEMENTS OF TROTSKYISM

- The strategy of “permanent revolution” - an explanation of how socialist revolutions could occur in societies that had not achieved advanced capitalism
- Criticism of the post-1924 leadership of the soviet union, analysis of its features and after 1933 also support for political revolution in the soviet union and in what Trotskyists term the deformed workers' states.
- Support for social revolution in the advanced capitalist countries through working class mass action.
- Support for “proletarian internationalism” - the perception of all communist revolutions as being part of a single global class struggle
- Use of a transitional programme of demands that bridge between daily struggles of the working class and the maximal ideas of the socialist transformation of society.

MAOISM



- Mao Zedong (1893-1976), ruling PRC between 1949 and 1976, creating Maoism as development from Marxism theory from 1920 until post-1949, following the revolutionary victory.
- The defining document of Maoism is “on contradiction” (1937) and “on new democracy” (1940)

China under Mao

- **The Recovery: 1949-1952**

- There was a period of recovery from the disruptions of the Sino-Japanese war and the civil war. Similar to Lenin, and for similar reason, Mao made a number of compromises with capitalism. The Chinese real GNP during this period grew by leaps and bounds, possibly at an average annual rate of almost 18 percent.

- **The first five year plan: 1952-1957**

Before long, Mao turned to Stalin. "The Communist Party of the Soviet Union is our best teacher," he said. "We must learn from it." So he adopted Stalin's system of planning and managing the economy. The agricultural surplus collected by the state from the collectives was used in three ways:

- 1) to provide raw materials and food for industrial workers,
- 2) to provide food for workers in the fields of education, health care, and research, and
- 3) to earn foreign exchange by exports.

Industrial workers, of course, were used mainly to produce capital rather than consumption goods. The foreign exchange earned from exports went to pay for the import of additional capital goods.

The “Great Leap Forward”: 1957-1962

- Output throughout the economy was to increase 100 percent in 1 year. The Chinese government initiated the second Five-Year Plan by putting on the pressure to increase output at exceedingly high rates. At the same time, many material incentives was abolished.
- Ninety-nine percent of all peasants were forced into communes, institutions in which they were to live and work together and to own jointly all the means of production and consumption.
- The “Great leap forward” turned into the “Great Crisis.” The Great leap forward had produced a zero rate of the economic growth. A severe 1960-1961 food crisis during which millions died pointed to a potential disaster on a scale unheard of human history.

“Consolidation and Readjustment”: 1962-1966

- Starting in 1962, “anti-Mao forces” under the leadership of Liu Shaoqi proceeded to restrain the revolutionary fervor. The government bureaucracy either refused to cooperate further with Mao or subtly altered his directives.



• The “Great Proletariat Cultural Revolution”: 1966-1969

- In 1966, Mao instigated the **Great Proletariat Cultural Revolution**. Mao simply called upon the youth of his country to come and see him to eliminate those “five black people”: landlords, rich peasants, counterrevolutionaries, bad elements, and rightist.
- Imagine that gigantic dawn rally in 1966, packing a million youngsters aged 13 to 22 into Beijing’s Great Square, singing “The East Is Red.” The Red Guards, as they call themselves went out “to clear the path for Mao-thought.”

Communes



- The focus was on working with the communal land, owned jointly, together with animals and simple tools, by group of about 50 families called production teams. Groups of 10 teams were organized into production brigades.
- They also made annual production decisions, allocated labor, and distributed the output. Finally, groups of 10 brigades were organized into communes.
- The portion of total commune income to be distributed was apportioned according to “work points” held by members.
- All commune members received equal quantities of such public consumption goods as child care, education, health care, retirement benefits, and vacation

China after Mao

Economic Reforms and Modernizations.

- The most powerful leftist leaders, soon to be known as “the Gang of Four,” They were duly convicted of having tried to usurp power after Mao’s death
- Deng put into motion a long-range development plan that would make China “rich and strong” and allow it to catch up with the advanced capitalist countries.
- The agricultural communes have been effectively decollectivized by the introduction of the **household contract and responsibility system**. Under the new system, the legal title to the land remained with the commune, but each household was given a specific plot of land to farm for a specified period. In return, the household contracted with the production team to deliver specified quantities of specified products at governmentally set prices. The household was free to sell the remainder of these products as well as any other products in free markets at any price.
- Deng also introduced an important set of market-oriented economic reforms designed to enhance individual enterprise at the expense of centralized direction. Joint ventures with the foreign investment have been encouraged in order to promote the import of modern technology and management techniques. To attract foreign firms, “special economic zones” were established. The reforms were quite successful.
- Gradually, the limits of the permissible have been pushed out in all areas of life: Woman could suddenly wear skirts and colorful clothes, even curl their hair.

Cuba under Castro

- **Transition to socialism: 1959-1961.**

In keeping with promise made prior to the revolution, Fidel Castro did not introduce full-fledged socialism at the time of his victory in 1959. A limited nationalization program touched only electric power and telephone companies, large landed estates owned by absentee landlords, and sugar mills. Even then, compensation payments were made to owners.

- **Sucrophobia and Superplanning: 1961-1964.**

- At about the same time, the Cuban leaders succumbed to **sucrophobia**; that is, they decided that they really disliked an economy so very much dependent on the production and export of one crop, sugar.
- The Cuban leaders turned to Stalin's model, but with one modification. They adopted Stalin's method of planning but rejected his ways of motivating workers.
- At the same time, democracy came to an end. The leadership made the decisions. With the help of Czech, Polish, and Russian technicians, short-term and long-term material balances were worked out to plan the entire economy "as one giant enterprise".

- Inability to carry out central output commands and unwillingness of undisciplined workers and managers to follow commands caused failure to plant many crops or to transport them where they were needed. In addition, bad weather reduced the agricultural yield, and bad marketing reduced export sales as a result. “**Superplanning**” had produced a negative rate of GNP growth. So it was abandoned.

- **Sucrophilia and Miniplans: 1964 -1970**

- The Cuban leaders gave up their phobia of sugar and decided to love it! They would follow the advice of, “The Road of Riches: Foreign Trade.” Embracing **sucrophilia**, Castro set a 1970 output target of 10 million ton of sugar, double the prerevolutionary peak.
- The export revenues would be used to support agriculture by importing farm machinery, fertilizer, pesticides, and transportation and milling equipment.
- The economy would be guided from the center, Castro decided, and people would receive equal income. The former would not be done by drawing up a superplan to cover the whole economy, but with the help of “miniplans” designed to draw into a given smaller project whatever resources were needed for its accomplishment.

Pragmatism: 1970 and Beyond

By 1970, Castro had learned two lessons:

- (1) If there was to be no market economy, central planning had to be comprehensive and careful, and
 - (2) for the time being, humans were still imperfect and had to be stimulated to give their best by external incentives.
- Once more, the Cubans turned to Soviet methods of central planning, but this time they introduced many material incentives as well. Plans called for the continued pursuit of the overall strategy of agricultural exports (especially sugar), but exports of mining products (mainly nickel) and the export of services (tourism) were also stressed.

Cuba in the Late 1980s

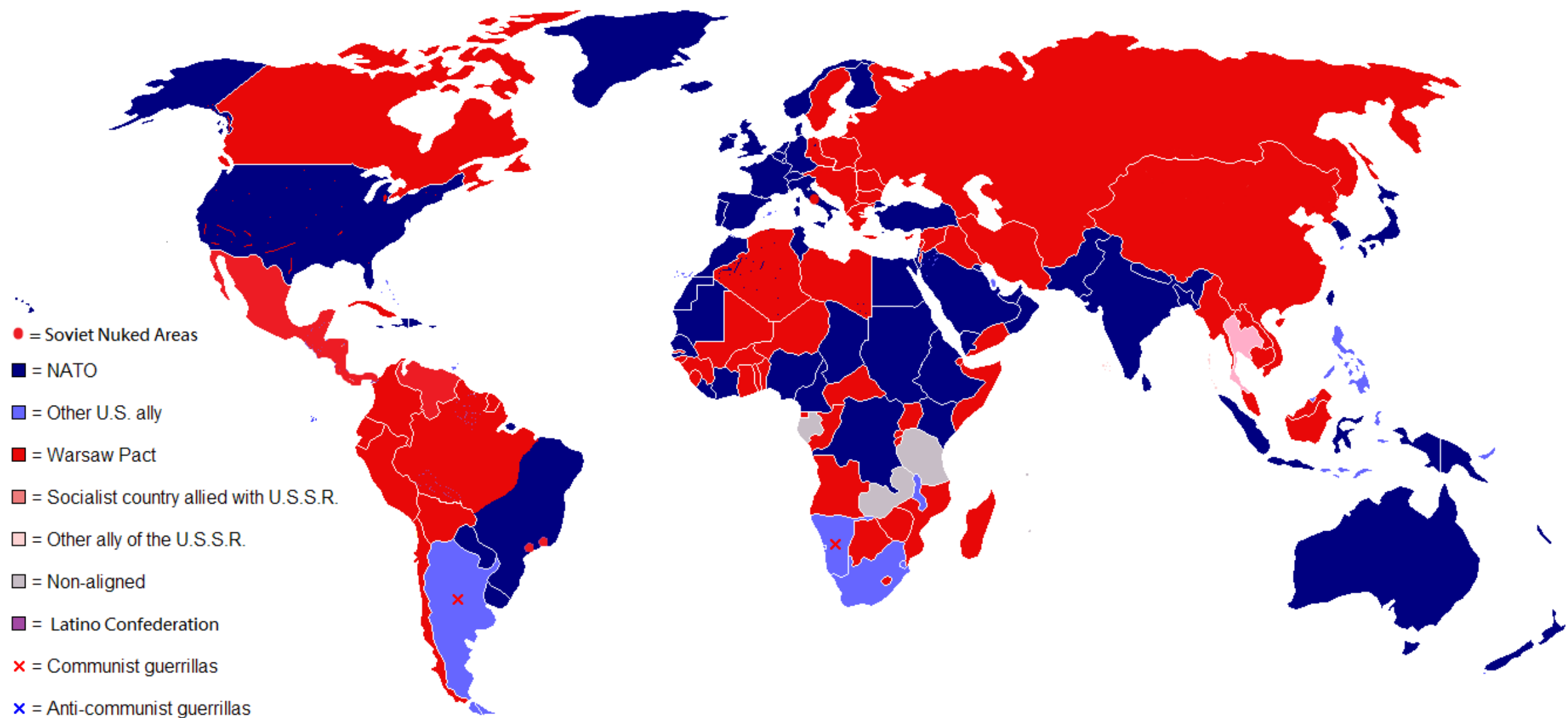
- **The Destruction of Egoism: Equalizing income.**

- By the late 1980s, although vanguard workers were better off when it came to housing and consumer durables, all Cubans received equal rations of many important items (food, clothing), and they had equal access to many others (education, healthcare)
- This was a phenomenal change from prerevolutionary days when differences were stark, especially between the residents of Havana and of the countryside.

- **The Destruction of Egoism: Equalizing identity.**

- In late 1974, Castro announced project “popular power,” designed to transfer power from the top-heavy Havana bureaucracy to the grass roots.
- At the same time, a massive propaganda campaign utilized a variety of mass organizations to tell people that power belonged to them, but its exercise required selflessness, always putting oneself at the service of the people.

Cold War



Conclusion

Most small-scale communal experiments have failed because people were not selfless enough:

- First, when everyone was free to take consumption goods “according to need,” people took too much and there was not enough to go around.
- Second, when internal incentives were relied upon to make people contribute “according to ability,” such contribution fell in an environment wherein real income could be had for nothing. Thus, people had to be induced to work by money or command.
- Third, when living in small workplaces in the countryside, the inevitable fall in output caused dissatisfaction and abandonment of the scheme.

MARX TODAY?

- Judged by the standards of Marx's time, the gap between rich and poor has narrowed dramatically throughout the industrialized world.
- Factory workers today earn considerably more than they need in order to remain alive and reproducing
- Capitalism has gone through several crises, but nowhere has it collapsed as a result of its alleged internal contradictions.
- However, As a philosopher, Marx's work endures. It has altered our understanding of our own nature, and deepened our grasp of what it is to be free.
- Marx says we are not free because we do not control our own society