

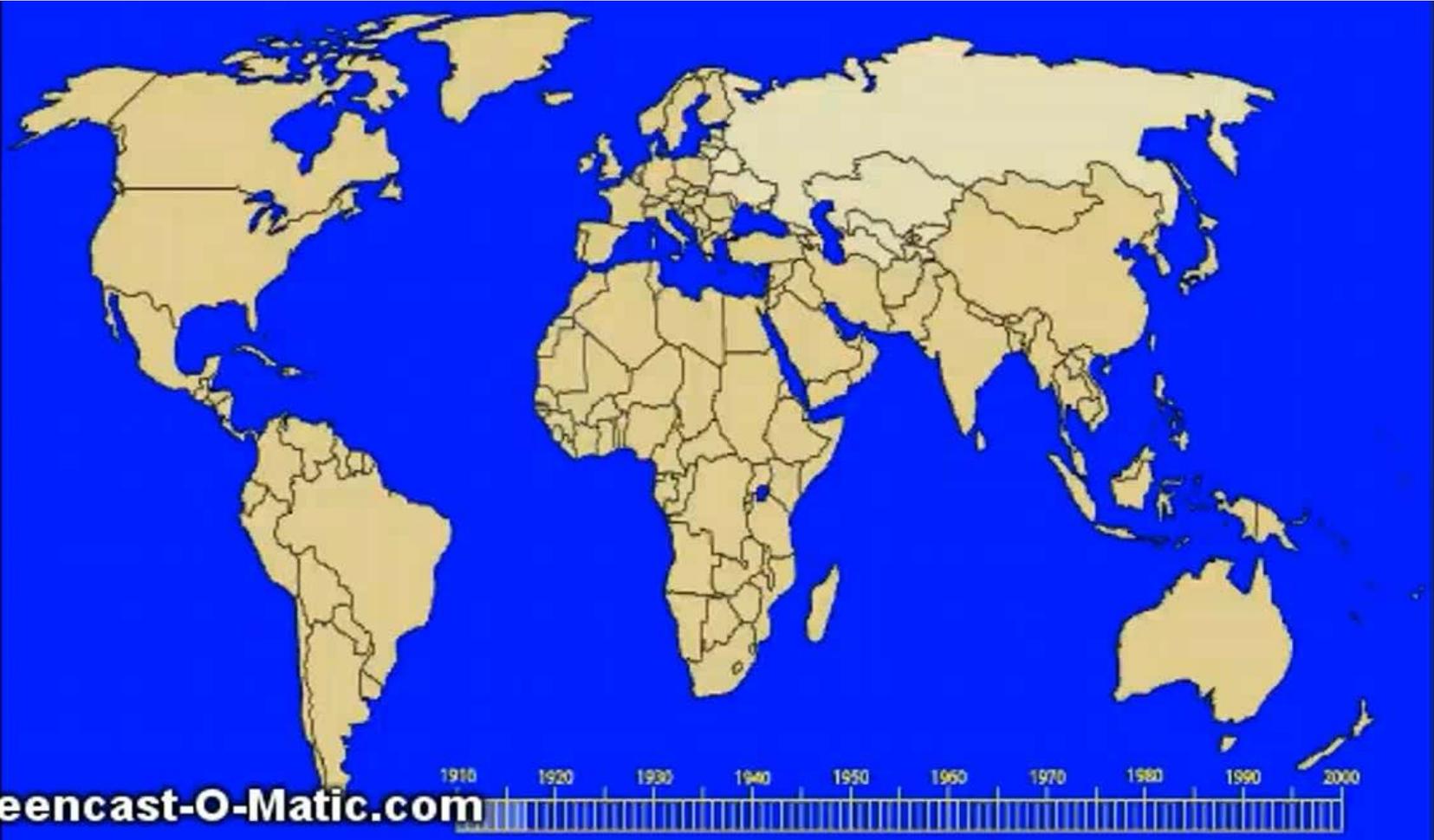
THE  
ECONOMIC  
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CHICAGO

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Discussion Series led by Henry Crown Fellows

***Karl Marx***

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# Karl Marx

- Born in Trier, Germany in 1818.
- Father was Jewish but became Protestant to help practice law.
- Fought a duel at age 17. Transferred to University of Berlin.
- Studied Philosophy (!!!) not Economics. Thesis was on Democritus and Epicurus.
- Married to Jenny von Westphalen in 1843 and had six children.
- Marx wrote for Communist Journal – *French Annals* in 1843.
- *Important – Marx joined communist organizations. He did not invent or originate communism or socialism.*





Met Friedrich Engels in 1842. Son of wealthy German cotton industrialist.

- 1843: Publishes “On the Jewish Question.” “Problem” with Jews is not their orthodox religion, but their tendency to exploit by lending money.  
Calls for “the emancipation of society from Judaism.”
- 1844: Accused by Prussian government of high treason for articles he has written calling for revolution. Effectively exiled for life.
- 1847: Marx and Engels join “The Communist League”.
- 1848: Marx and Engels selected by the Communist League to publish The Communist Manifesto.
- 1848-1849: Revolutions across Europe.
- 1849: Marx family moved to London.
- 1867: Wrote first volume of Das Capital.
- 1883: Died in England.

# Heavily Influenced by Hegel and Feuerbach

## HEGEL

- Dialectic.
- Thesis – Antithesis – Synthesis.
- Two forces in opposition produce a new third outcome.
- Human history is the story of opposing forces producing change, but always toward freedom.
- Alienation! Society forces mankind away from natural self.

## Feuerbach

- Materialism.
- How people earn their living determines structure of society and ideas.
- “Things” determine “ideas” at least as much as the other way round.

# Marx Introduces Dialectic Materialism

- Marx takes Hegel's Dialectic and adds Materialism.
- History is NOT best understood as the development of ideas (Plato's Idealism).
- History is best understood through the study of Material THINGS, the tools by which men and women earn their livings, the jobs they do.
- To understand history, you must understand economic forces and means of production.
- The SUPER-STRUCTURE (form of government, religion, etc.) based on means of production.

# Six Stages of History Driven by Economics

- Each stage of history represents more advanced technology of production.
- Movement to next stage of history caused by class conflict.
- One class controls the wealth, opposition class eventually rebels.

## 1) Primitive Communism – Tribalism

- Hunt in groups / divide food evenly.
- Everyone hunts, shares.
- No classes.

## 2) Slavery

- Domestication of animals and agriculture lead to private property and classes.
- Leads to Slave Owners who own the land and slaves who work the fields.

# Six Stages of History Driven by Economics

## 3) Feudalism – Lords and Serfs

- Technical advancement such as hand-mill lead to special skills and guilds.
- “The hand-mill gives you society with the feudal lord; the steam-mill society with the industrial capitalist.”

## 4) Capitalism – Factory Owners and Workers

- Development of Steam engine produces factories.
- Labor now concentrated in cities.
- Capitalists own factories – workers earn salaries, factory owners (Bourgeoisie) and workers (“Proletariat”).

# Six Stages of History Driven by Economics

## 5) Socialism

- Produced by workers overthrowing capitalists.
- Transition period of indeterminate length in which elite “Communist Vanguard” teaches masses about socialism.
- Equitable distribution of goods.
- State control of means of production.

## 6) Communism

- Workers state “withers away”.
- Private property, class struggle exploitation disappear.
- “From each according to his ability, to each according to his needs.”

# The Contradictions of Capitalism

- Capitalists want to maximize profits by minimizing costs.
  - Capitalist cut wages of workers to a subsistence level.
  - But now workers don't have enough money to buy the Capitalist products.
  - **CONTRADICTION!**
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- Capitalists want to cut costs by moving production overseas.
  - Local workers lose their jobs and cannot buy Capitalist products.
  - **CONTRADICTION!**
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- Capitalists want to cut costs by introducing technology.
  - Technology reduces number of workers, who cannot buy products.
  - **CONTRADICTION!**

# Path from Capitalism to Socialism

- Capitalists pay only a subsistence wage, but sell products at a profit.
- Workers have created all of the economic value, but Capitalist sells for more than he pays.
- Workers have produced SURPLUS VALUE which is stolen from them.
- Eventually workers (“the Proletariat”) realize they are being exploited.
- They rebel against the Capitalists (“the Bourgeoisie”) and form Socialist Societies and ultimately Communist Societies.
- “Workers of the World Unite! You have nothing to lose but your chains.”

# Marx Criticisms of Capitalism

- 1) Alienation - Capitalism makes man a machine.
- 2) Insecurity - A man can be fired at a moment's notice.
- 3) Competitive wage reduction - Competition to increase profits forces capitalists to cut wages to a subsistence level.
- 4) Globalization - Capitalists have incentive to move work overseas.
- 5) Technology - Capitalists replace workers with machines.
- 6) Excessive Abundance - Capitalism is so efficient it produces more goods than society needs, leading to massive economic downturns.
- 7) Demeaning of Professions - Every occupation is stripped of its awe. Lawyers, doctors, priests, poets, all become wage laborers.
- 8) Demeaning Marriage - Family ties become articles of commerce.
- 9) Expropriation of Value - Workers create all value but Capitalists steal it. Surplus Value.
- 10) Inequality - The efficiencies of Capitalism are produced by the many but captured by only a few.

# Your Questions

- Which of Marx's criticisms of Capitalism do you find most compelling?
- Where was Marx most wrong about Capitalism?
- Most Marxist countries didn't work out well. Was there a fatal flaw in Marx's philosophy that doomed future Marxist societies?
- All past economic and social systems (Slavery, Feudalism) have had beginnings, evolved and eventually ended. Why should Capitalism be different?