

## **MODULE 3      RADICAL PERSPECTIVE IN POLITICAL ECONOMY**

- Unit 1      Marxists Theory of Political Economy
- Unit 2      Historical and Dialectical Materialism – Communalism
- Unit 3      Historical and Dialectical Materialism – Pre-Capitalist Class Divided Societies
- Unit 4      Capitalism and Communism

### **Unit 1      The Marxist Perspective of Political Economy**

#### **Unit Structure**

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#### **1.1 Introduction**

In this unit, the student is exposed to the discussion on the Marxist perspective of political economy. The Marxist perspective represents the radical approach to the study of political economy. It is a critique of both the mercantilist and liberal perspectives of political economy. It points out the ills of capitalism and condemns its drive for profit maximization on the altar of the exploitation of masses (workers). The assumption of capitalism that emphasized free market economy puts labour at the mercy of the owners of the means of production. The attempt for primitive capital accumulation by the capitalist makes room for the continual exploitation of labour through the surplus value. The theory also frowns at state control of the economy that occupies the doctrine of mercantilism. As a way out in the Marxian parlance is the total elimination of the state and an entrenchment of a stateless society as a move towards communism will be necessary for the emancipation of the masses.



## 1.2 Learning Outcomes

At the end of this unit, you should be able to:

- Discuss the basic tenets of the Marxist theory of political economy
- Analyse Marxist explanation of the state
- Apply the knowledge of Marxism to the understanding of contemporary society
- Make a critique of the Marxist theory of political economy.



## 1.3 The Marxists Perspective of Political Economy

### 1.3.1. Marxist Theory of Political Economy

The Marxist theory of political economy originated in the works of Karl Marx as a critique of capitalism. It is impossible to characterize briefly the huge literature that has expanded on or been influenced by Marx's ideas. Marxism is a method of socioeconomic analysis that uses a materialist interpretation of historical development, better known as historical materialism, to understand class relations and social conflict as well as a dialectical perspective to view social transformation (Accessed Online at [https://en.wikipedia.org/wiki/Marxian\\_economics](https://en.wikipedia.org/wiki/Marxian_economics) on 30/04/2022).

It assumes that the form of economic organization, or mode of production, influences all other social phenomena including wider social relations, political institutions, legal systems, cultural systems, aesthetics and ideologies. These social relations, together with the economic system, form a base and superstructure. As forces of production (i.e. technology) improve, existing forms of organizing production become obsolete and hinder further progress. Karl Marx wrote: "At a certain stage of development, the material productive forces of society come into conflict with the existing relations of production or—this merely expresses the same thing in legal terms—with the property relations within the framework of which they have operated hitherto. From forms of development of the productive forces these relations turn into their fetters, which begin an era of social revolution (Marx, 1859).

According to Marx, capitalism is characterized by two central conditions:

1. The private ownership of the means of production (or capital) and
2. Wage labour.

Marx argued that the value of manufactured goods was determined by the amount of labour used to produce them. However, capitalists did not pay labour the full amount of the value they impacted to the goods they produced. Instead, the capitalists who owned the factories paid workers only a subsistence wage and retained the rest as profits with which to finance additional investment. Marx predicted that the dynamics of capitalism would lead eventually to a revolution that would do away with private property and with the capitalist system that private property supported (Oatley, 2019).

The centerpiece of Marx work is an incisive analysis of the strengths and weaknesses of capitalism. Marx argued that all commodity value is determined by labour content- both the direct labour and indirect labour embodied in capital equipment. For example, the value of a shirt comes from the efforts of textile workers put together plus the value of the person who made the looms. By imputing all the values of output to labour, Marx attempted to show that profits- the part of output that is produced by workers but received by capitalists- amount to unearned income. It is the opinion of Marx that the injustice of capitalist receiving unearned income justifies transferring the ownership of factories and other means of production from capitalists to workers.

In its critical position against capitalism, Marxists advance the following claims about interests:

1. Interests arise within the structure of production. The wants of the individual depend upon his place in the process of social reproduction. The individual has "economic" or "material" interests in satisfying his private wants. Within the (civil) society, the position of the individual in the social division of labour determines his wants, which determine his interests.
2. Private (or self) interest can best be understood if we first understand the class to which the individual belongs. That is, the divisions within civil society primarily responsible for determining wants divide individuals into classes. Thus, the interests arising within civil society are implicitly class interests.
3. These interests of classes stand opposed. The degree to which one class achieves its material interest measures the degree to which the other fails.
4. Class interests arising within production become political interests involved in the struggle over state power (Caporaso and Levine, 2005).

Three dynamics would interact to drive the revolution proposed by the Marxists are;

- a. First, Marx argued that there is a natural tendency toward the concentration of capital. Economic competition would force

- capitalists to increase their efficiency and increase their capital stock. As a consequence, capital would become increasingly concentrated in the hands of a small group of wealthy elites.
- b. Second, Marx argued that capitalism is associated with a falling rate of profit. Investment leads to a growing abundance of productive capital, which in turn reduces the return to capital. As profits shrink, capitalists are forced to further reduce wages, worsening the plight of the already impoverished masses.
  - c. Finally, capitalism is plagued by an imbalance between the ability to produce goods and the ability to purchase goods.

Large capital investments continually augment the economy's ability to produce goods, whereas falling wages continually reduce the ability of consumers to purchase the goods being produced. "As the three dynamics interact over time, society becomes increasingly characterized by growing inequality between a small wealthy capitalist elite and a growing number of impoverished workers" (Oatley, 2019:35). These social conditions eventually cause workers (the proletariat, in Marxist terminology) to rise up, overthrow the capitalist system, and replace it with socialism.

In contrast to liberalism's emphasis on the market as the principal mechanism of resource allocation, Marxists argue that capitalists make decisions about how society's resources are used. Moreover, because capitalist systems promote the concentration of capital, investment decisions are not typically driven by market-based competition, at least not in the classical liberal sense of this term. Instead, decisions about what to produce are made by the few firms that control the necessary investment capital. The state plays no autonomous role in the capitalist system (Oatley, 2019). Instead, Marxists argue that the state operates as an agent of the capitalist class. The state enacts policies that reinforce capitalism, which therefore enhances the capitalists' control of resource allocation. Thus, in contrast to the mercantilists who focus on the state and the liberals who focus on the market, Marxists focus on large corporations as the key actors determining how resources are used.

The key element of Marx's argument for the emergence of classes starts by questioning the classical theory's understanding of the purpose of the market. Here Marxian theory argues that the market economy is not so much a mechanism for maximizing the private welfare of individuals generally as it is a means of facilitating the capitalist's appropriation of surplus-value and accumulation of capital. The market makes sense as a social institution because it makes possible self-aggrandizement and private accumulations of wealth in the form of capital. We can use one of Marx's better known formulations to clarify this idea (Caporaso and Levine, 2005).

Marx seems to hold various views about the historical location and comparative extent of alienation. These include: that some systematic forms of alienation—presumably including religious alienation—existed in pre-capitalist societies; that systematic forms of alienation—including alienation in work—are only a feature of class divided societies; that systematic forms of alienation are greater in contemporary capitalist societies than in pre-capitalist societies; and that not all human societies are scarred by class division, in particular, that a future classless society (communism) will not contain systematic forms of alienation (Wolff & Leopold, 2021).

Marx maintains that alienation flows from capitalist social relations, and not from the kind of technological advances that capitalist society contains. His disapproval of capitalism is reserved for its social arrangements and not its material accomplishments. He had little time for what is sometimes called the “romantic critique of capitalism”, which sees industry and technology as the real villains, responsible for devastating the purportedly communitarian idyll of pre-capitalist relations. In contrast, Marx celebrates the bourgeoisie’s destruction of feudal relations, and sees technological growth and human liberation as (at least, in time) progressing hand-in-hand. Industry and technology are understood as part of the solution to, and not the source of, social problems (Wolff & Leopold, 2021).

There are many opportunities for scepticism here. In the present context, many struggle to see how the kind of large-scale industrial production that would presumably characterise communist society—communism purportedly being more productive than capitalism—would avoid alienation in work. Interesting responses to such concerns have been put forward, but they have typically come from commentators rather than from Marx himself (Kandiyali, 2018). This is a point at which Marx’s self-denying ordinance concerning the detailed description of communist society prevents him from engaging directly with significant concerns about the direction of social change.

The scenario painted above is justified by Marx and Engels’ assertion in the manifesto of the communist party published in 1848 that the ‘state is nothing but an executive committee for managing the common affairs of the bourgeoisie’ (The Communist Manifesto, 1848). According to Marx, the state is an organ of class *domination*, an organ of *oppression* of one class by another; its aim is the creation of “order” which legalizes and perpetuates this oppression by moderating the collisions between classes. (Lenin, 1932:9)

In summary therefore, it is plausible to state the following Marxian realities about the state:

1. Irreconcilable conflict exists between the economic interests of classes. This conflict arises within society and is based upon its defined social positions.
2. This irreconcilable conflict threatens social order.
3. Social order means a social organization designed (so to speak) to work to satisfy the economic interests of one class and not the other.
4. Given irreconcilable conflict and the oppressive character of the social order, preservation of order is maintained against the interest of one class. Thus, the social order must oppress one of the two classes that compose it.
5. The state, or organ that maintains order, is an organ of class oppression (Caporaso and Levine, 2005).

In the international economy, the concentration of capital and capitalists' control of the state are transformed into the systematic exploitation of the developing world by the large capitalist nations. In some instances, this exploitation takes the form of explicit colonial structures, as it did prior to World War II. In other instances, especially since World War II, exploitation is achieved through less intrusive structures of dominance and control. In all instances, however, exploitation is carried out by large firms based in the capitalist countries that operate, in part, in the developing world. This systematic exploitation of the poor by the rich implies that the global economy does not provide benefits to all countries; all gains accrue to the capitalist countries at the top of the international hierarchy.

### **1.3.2. Neo – Marxist Theory**

Neo-Marxism is a Marxist school of thought encompassing 20th-century approaches that amend or extend Marxism and Marxist theory, typically by incorporating elements from other intellectual traditions such as critical theory, psychoanalysis, or existentialism (in the case of Jean-Paul Sartre).

Neo-Marxism developed as a result of social and political problems that traditional Marxist theory was unable to sufficiently address. This iteration of thinking tended toward peaceful ideological dissemination, rather than the revolutionary, and often violent, methods of the past. Economically, neo-Marxist leaders moved beyond the era of public outcry over class warfare and attempted to design viable models to solve it.

There are many different branches of neo-Marxism often not in agreement with each other and their theories. Following World War I, some neo-Marxists dissented and later formed the Frankfurt School. The Frankfurt

School never identified themselves as neo-Marxists. Toward the end of the 20th century, neo-Marxism and other Marxist theories became anathema in democratic and capitalistic Western cultures, where the term attained negative connotations during the Red Scare. For this reason, social theorists of the same ideology since that time have tended to disassociate themselves from the term neo-Marxism (Yates, 2014).

The terms "neo-Marxian", "post-Marxian", and "radical political economics" were first used to refer to a distinct tradition of economic theory in the 1970s and 1980s that stems from Marxian economic thought. Many of the leading figures were associated with the leftist *Monthly Review* School. The neo-Marxist approach to development economics is connected with dependency and world systems theories. In these cases, the 'exploitation' that classifies it as Marxist is an external one, rather than the normal 'internal' exploitation of classical Marxism (Foster-Carter, 1973; Taylor, 1974).

In industrial economics, the neo-Marxian approach stresses the monopolistic and oligarchical rather than the competitive nature of capitalism (Nitzan and Shimshon, 2009). This approach is associated with Michał Kalecki (Kalecki, 1971), Paul A. Baran, and Paul Sweezy (Baran & Sweezy, 1966; Nitzan and Shimshon, 2009).

In the 20th and 21st centuries, a number of sociologists have approached society with a mode of analysis very much influenced by the writings of Karl Marx, however they have gone on to adapt traditional Marxism in various ways. For example, some neo-Marxists share Marx's analysis of capitalism but do not share his belief in a communist revolution. Others (such as Antonio Gramsci or, in recent times, Stuart Hall) emphasise the cultural aspects of class conflict rather than the economic focus of Marx's original writings. Those who have adapted Marx's ideas in these ways are known as neo-Marxists

### **1.3.3. Criticism of the Marxists Theory of Political Economy**

Criticism of Marxism has come from various political ideologies and academic disciplines. This includes general criticism about lack of internal consistency, criticisms related to historical materialism, that it is a type of historical determinism, the necessity of suppression of individual rights, issues with the implementation of communism and economic issues such as the distortion or absence of price signals and reduced incentives. In addition, empirical and epistemological problems are frequently identified (Ollman, 1957; Howard & King, 1992; Popper, 2002; Keynes, 1991).

Additionally, there are intellectual critiques of Marxism that contest certain assumptions prevalent in Marx's thought and Marxism after him, without exactly rejecting Marxist politics (Baudrillard, 1975). Other contemporary supporters of Marxism argue that many aspects of Marxist thought are viable, but that the corpus is incomplete or outdated in regards to certain aspects of economic, political or social theory. They may combine some Marxist concepts with the ideas of other theorists such as Max Weber—the Frankfurt School is one example (Held, 1980, Jameson, 2002).

### Self-Assessment Exercises 1

*Attempt these exercises to measure what you have learnt so far. This should not take you more than 5 minutes.*

1. *The Marxist theory of political economy originated in the works of Karl Marx as a critique of \_\_\_\_*
  - A. *Statism*
  - B. *Capitalism*
  - C. *Pragmatism*
  - D. *Utopianism*
2. *In the international economy, the concentration of capital and capitalists' control of the state are transformed into the systematic \_\_\_\_ of the developing world by the large capitalist nations.*
  - A. *Alienation*
  - B. *Annihilation*
  - C. *Exploitation*
  - D. *Incorporation*
3. *In the Marxian tradition, the conflict that arises within the society is based upon its defined \_\_\_\_ positions.*
  - A. *International*
  - B. *Economic*
  - C. *Social*
  - D. *Political*
4. *The \_\_\_\_ approach to development economics is connected with dependency and world systems theories.*
  - A. *Neo-Marxist*
  - B. *Neo-Realist*
  - C. *Neo-Liberalist*
  - D. *Neo-Radicalism*



## 1.4 Summary

The Marxists theory of political economy has become a robust attempt at understanding the dynamics of political economy. It was a critique of both the mercantilist assumption of state control of the economy, and the classical liberal school of thought that place emphasis on individual control of the economy. To this end, the Marxists state that both approaches encourage exploitation. In the mercantilist tradition, the state is used as the agent of exploitation whereas in the classical liberal tradition, individual capitalists are agents of exploitation. In the attempt for the capitalist to accumulate capital, labour is consistently exploited. This scenario will continue until a revolution, which is in the Marxian parlance referred to as the dictatorship of the proletariat.



## 1.5 References/Further Reading

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## 1.6 Possible Answers to Self – Assessment Exercises (SAEs)

### Answers to SAEs 1

1. B
2. C
3. C
4. A

## MODULE 5      OTHER THEORIES   OF   POLITICAL ECONOMY

Unit 1	Economic Approaches to Politics
Unit 2	Power-Centered Approaches to Political Economy
Unit 3	State-Centered Approaches to Political Economy
Unit 4	Justice-Centered Theories

### Unit 1      Economic Approaches to Politics

#### Unit Structure

- 1.1 Introduction
- 1.2 Learning Outcomes
- 1.3 Economic Approaches to Politics
- 1.4 Summary
- 1.5 References/Further Readings/Web Sources
- 1.6 Possible Answers to Self-Assessment Exercises



#### 1.1 Introduction

This unit examines the economic approaches to politics. What informs the decision, action, and reaction of the political actors? Political resources are in limited supply. So, individuals have to make choices that will be economically relevant and beneficial. Economics as a field of study has evolved as a distinctive method based on the adaptation of scarce resources to competing ends. When applied to politics, the central assumption of the economic approach is that private and public decision makers can be described in the same way. Both have goals and limited resources and pursue their goals according to a rational, self-interested calculus. This brings to the fore the rational choice theory as a critical aspect of the economic approaches to politics.



#### 1.2 Learning Outcomes

At the end of this unit, you will be able to:

- Identify the economic approaches to politics,
- Explain the economic approaches to politics, and
- Apply the ideas presented by the economic approaches to politics in analysing political realities.