**Marx's theory on labour still has capital**

**Edmund Conway looks at Karl Marx and Communism, in an extract from his new book - 50 Economic Ideas You Really Need To Know.**

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Marx’s key point was that economies are in the midst of a process of evolution from less fair economic systems towards an ideal final destination. Having started off in feudal states (during the middle ages when land equalled power) and moved on to the modern system of capitalism - human society would naturally soon graduate to a fairer, more utopian system. That system, he argued, was communism.

In a communist society, property and the means of production (factories, tools, raw materials, etc.) would be owned not by private individuals or companies, but by everyone. Initially the state would own and control all companies and factors of supply (socialism), running them from the top down and ensuring companies did not oppress their workers. Eventually, however, the state would ‘wither away’.

This, said Marx, represented the final stage of human society, when the class barriers that had stratified nations for thousands of years would dissolve.

Marx’s point, however, was that communism would be adopted as workers throughout the world revolted against their governments and overthrew them to institute a fairer society. His rationale for this was that the existing system of capitalism was patently unfair, the rich – with more capital (possessions) – becoming richer at the expense of the average worker. He claimed that human history was a history of class struggle, with conflict between the aristocracy and the rising bourgeoisie (the capitalist middle class, who increasingly owned the means of production) giving way to a new conflict between the bourgeoisie and the proletariat (the working classes who labour for them).

At the heart of Marx’s theories was the labour theory of value. This idea, laid out in Das Kapital (1867), states that a commodity is worth the amount of time it takes for someone to make it. So, for instance, a jacket that takes twice as long as a pair of trousers to stitch and sew ought to be worth twice as much. However, he argued, those who ran companies pocketed disproportionate amounts of the profits themselves. The reason bosses get away with this, Marx argued, is that they own the means of production and so are able to exploit their workers.

There are question marks over how well the labour theory of value holds up. However, the broad thrust remains undiminished: that there is a major divide between the wealth and opportunity of those who own land and capital and of those who do not.

At one stage in the 20th century around half the world’s population lived under governments that claimed Marx as their guiding political light. However, by the end of the century only a couple of unreconstructed dictatorships remained pure communist nations. Why did the theory not stand the test of time?

In part, because Marx was wrong about the eventual evolution of capitalism. It has not descended into a monopoly situation, where markets are dominated by a single firm that exploits workers and consumers – at least not yet – thanks in part to government regulation and in part to the invisible hand. The world did not become overrun with the unemployed, and, although economic booms and busts have continued, government control is as much to blame for these as unbridled capitalist forces.

The 20th-century experiments with Marxism also underlined its inherent flaws. Most important of all, central control over an economy has proven immensely difficult to pull off – if not impossible. When the Iron Curtain fell in the 1990s and the former Soviet states were opened up to Western eyes, it became clear that, for all the bombast of the Cold War years, they were painfully underdeveloped. While the free-market, capitalist forces of supply and demand created economies that generated wealth at a rapid rate, the unadventurous, centrally controlled systems in the Soviet Union and China stifled innovation. Without competition between companies – the fundamental driving force of free markets – the economy simply trundled along. There was only one area where the Soviets truly excelled: military and aeronautic innovation. Tellingly, this was the only field in which there was outright competition – in this case with the West in the Cold War.

**QUESTIONS FROM THE ARTICLE**

1. **Who controls the factors of production in: a) socialist b) communism c) capitalism.**

1. **Explain what Marx meant by the labour theory of value and how it creates inequality.**
2. **What did Marx believe a capitalist society would evolve into? Mention monopolies in your answer.**
3. **The end of the 20th century saw the general collapse of communism. Identify the reasons why communism in practice had major weaknesses as an economic system.**