

# History of Economic Thought I

## 7 : III. New Science and Its Enemies (2)

### Karl Marx

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# Key Messages for Today's Lecture

- Karl Marx as the Greatest Heterodox in the history
- The last classical economist, the greatest critic of classical economics, and the greatest anti-economist
- There is no doubt that Marx was a great economist (Mark Blaug (1986), *Great Economists before Keynes*, Brighton: Wheatsheaf)
- In what sense he was, why do we study Marx?

# Karl Marx Said It Right? After GFC

- Nouriel Roubini “Karl Marx said it right. At some point capitalism can self-destruct itself because you cannot keep on shifting income from labor to capital without having excess capacity and a lack of aggregate demand. That’s what’s happening. We thought the markets work. They’re not working” (Interview by the Wall Street Journal, August 12, 2011).
- <http://online.wsj.com/video/nouriel-roubini-karl-marx-was-right/68EE8F89-EC24-42F8-9B9D-47B510E473B0.html>
- [http://www.cnbc.com/id/44147922/Is\\_Nouriel\\_Roubini\\_a\\_Communist](http://www.cnbc.com/id/44147922/Is_Nouriel_Roubini_a_Communist)



# Global Superrich

- Stephen A. Schwartzman, founder, chairman, and CEO of Blackstone
- February 13, 2007: Spent USD 3 million to his 60<sup>th</sup> birthday party
  - Among USD 1 million for 30 minutes performance by Rod Stewart
- <https://www.nytimes.com/2007/01/27/business/27party.html>

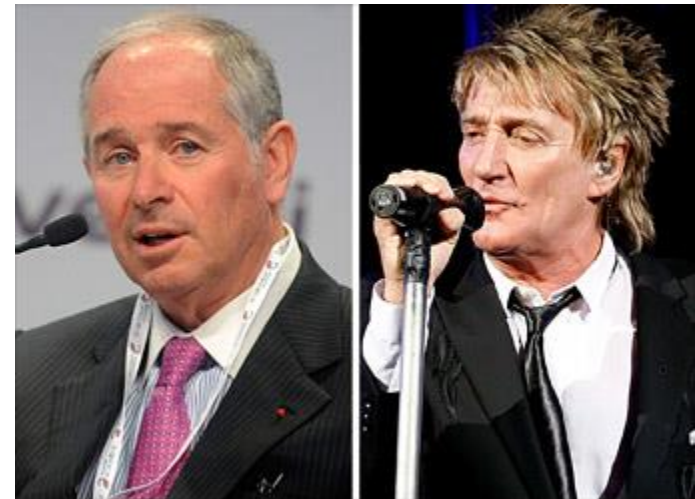


PHOTO: ANTOINE ANTONIOL/BLOOMBERG/GETTY; JACOB ANDRZEJOZAK/GETTY

# “Shohei Ohtani’s annual salary should be capped to USD 100 million”?

**ABEMA TIMES** | ニュース | スポーツ | サッカー | エンタメ | 恋愛 | アニメ | HIPHOP

2倍になる  
2倍になるグロース株の  
見つけ方

TOP > ニュース > 国内 > 「所得上限を設けて再分配。大谷選手も1億円しかもらえない」という、斎藤幸平氏が提唱する

「所得上限を設けて再分配。大谷選手も1億円しかもらえない」と  
でいいと思う」 斎藤幸平氏が提唱する“脱成長”3つのポイント

ABEMA Prime  
出演者 大谷翔平  
2023/08/04 13:20

斎藤 幸平  
東大経済学教授 マルクス主義の研究者 著書『人新世の「資本論」』が50万部を突破

週休3日制 人に余裕を生む？ 斎藤幸平と議論

【映像】 ABEMAでみる

この記事の写真をみる (4枚)

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日本で猛暑が続き、世界でも豪雨や熱波など異常気象が伝えられる中、気候変動を止める方法として「脱成長」という考え方が注目されている。

【映像】 斎藤幸平氏が提唱“脱成長”3つのポイント

2020年に著書『人新世の「資本論」』でいち早く訴えていたのが、東京大学大学院准教授の斎藤幸平氏。『ABEMA Prime』では、実現に向けてポイントとなる3つの要素について話を聞いた。

脱成長とは、経済成長やGDPを追い求めるのを止め、環境や幸せ、平等を重視した持続可能な社会に転換していく考え方。「不幸や不況になる？」「全産業が廃れる？」などの不安の声があるが、そうではないという。生活に必要なサービスは充実させ無償で提供、必要な産業の成長は否定しないというものだ。

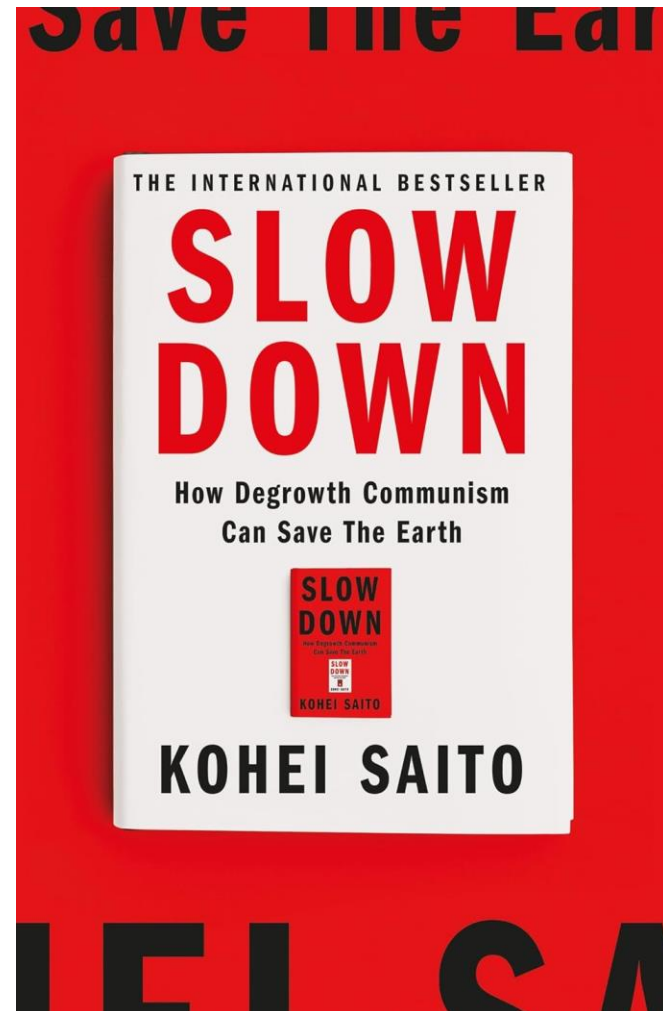
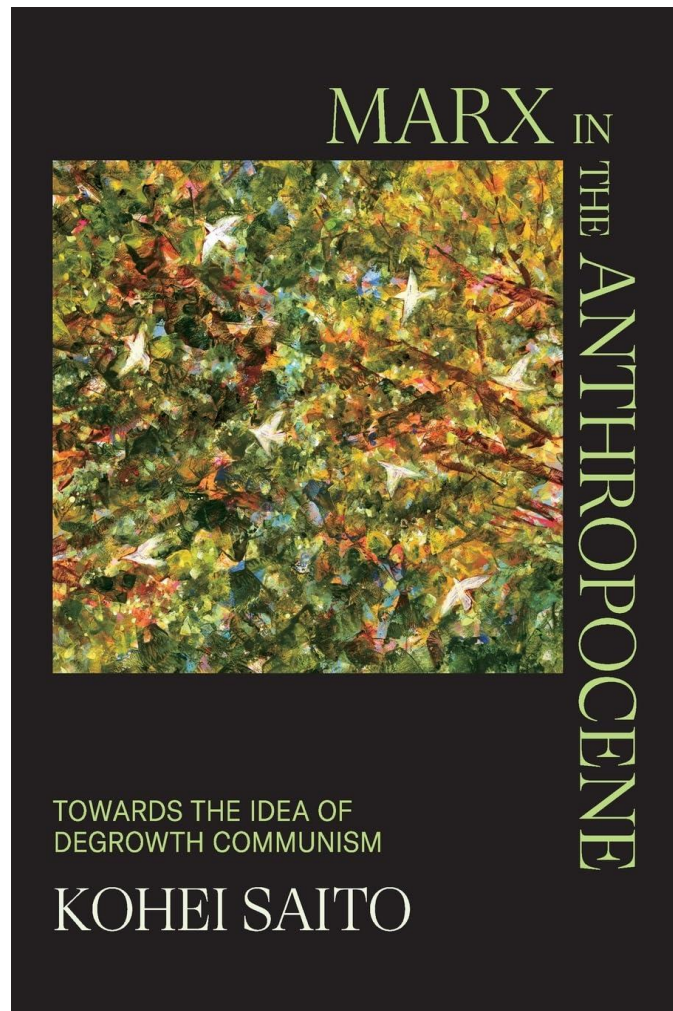


# Marx, Pioneer of Degrowth?

- Degrowth communism
  - 1 Transforming to Value-in-use economy
  - 2 Shortening labor hours
    - Stimulating people's desires by marketing, advertising and packaging unnecessary would be prohibited. Consultants and investment bankers are also unnecessary. There is no need to open convenience stores and family restaurants in midnight. They should stop opening 24/7 (p. 303; my translation)。
  - 3 Abolishing the homogenous division of labor
  - 4 Democratization of the production process
  - 5 Prioritizing essential work
- Later thought of Marx
  - Studying biology and natural sciences
  - *A Critique of the Gotha Program*







# Historical Background

- Mid to late 19<sup>th</sup> century : Integration of the world economy, “globalization”
  - A small, far eastern country (Japan) was opened up (1853: US Commodore Perry: gunboat diplomacy)
  - Colonization of many countries
- Business cycles
- Increased poor people due to urbanization : Inequality
  - 1834 New Poor Law (social welfare reform based on incentives and its criticisms)
- Emerging environmental destruction and issues
  - Smog in London
- Politics
  - 1848: European revolutions failed
  - Rise of radical “socialism”
  - Democratization: gradual enfranchisement



Engel's Pause: Real wage was increasing but the gap with growth persisted (Allen 2009)



# Business Cycles in UK

<https://escoe-website.s3.amazonaws.com/wp-content/uploads/2022/06/23095040/ESCoE-DP-2022-16-V2.pdf>

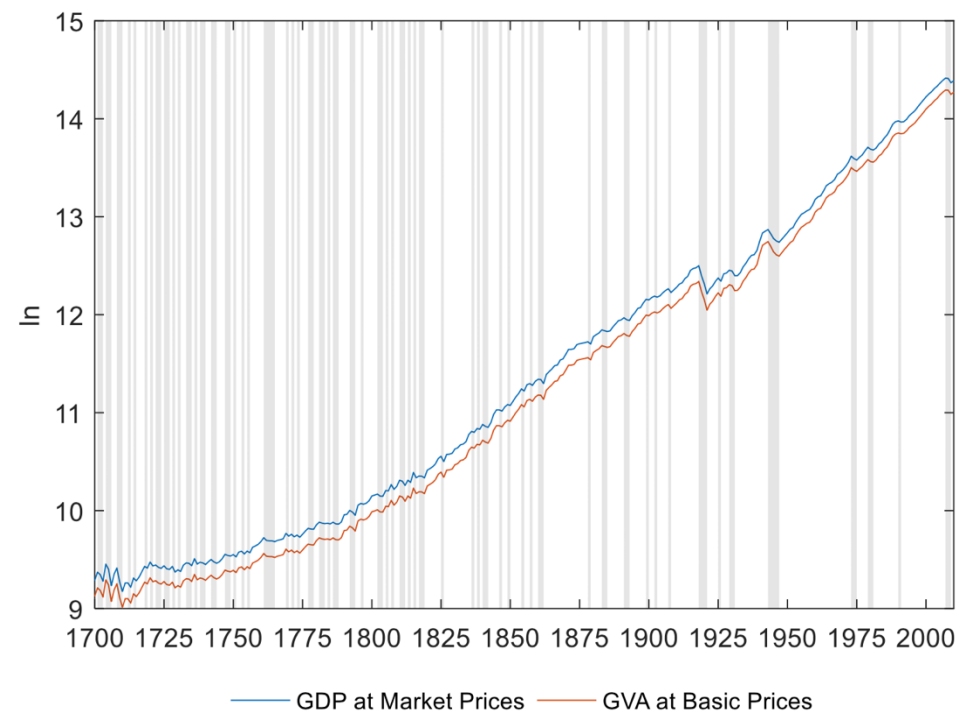
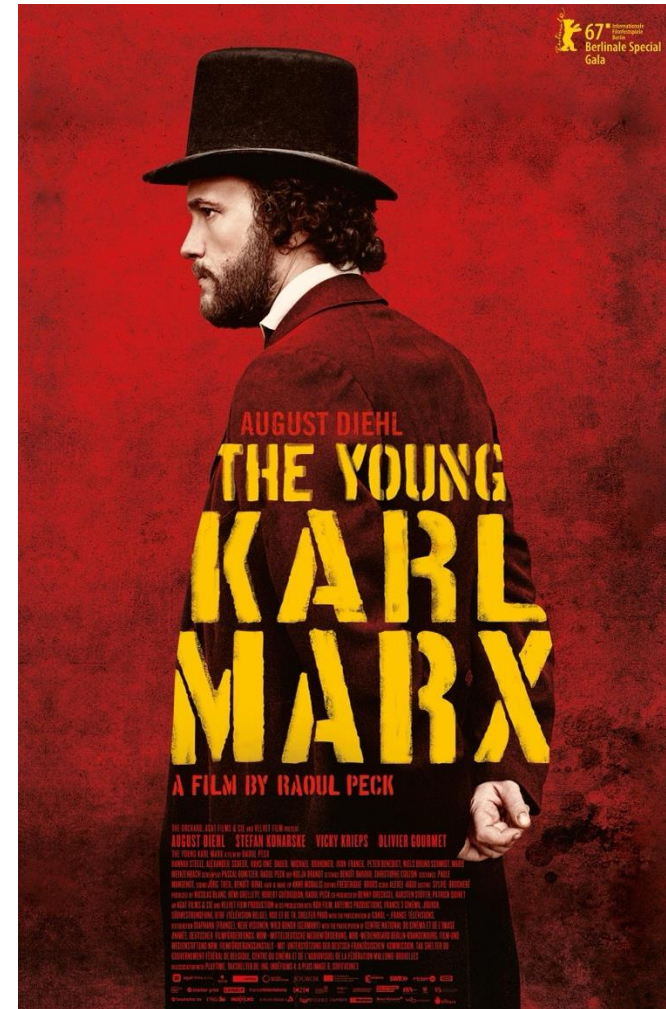


Figure 3. *New Annual Chronology of British Business Cycles, 1700-2010*

*Note:* Shaded areas represent recessions.

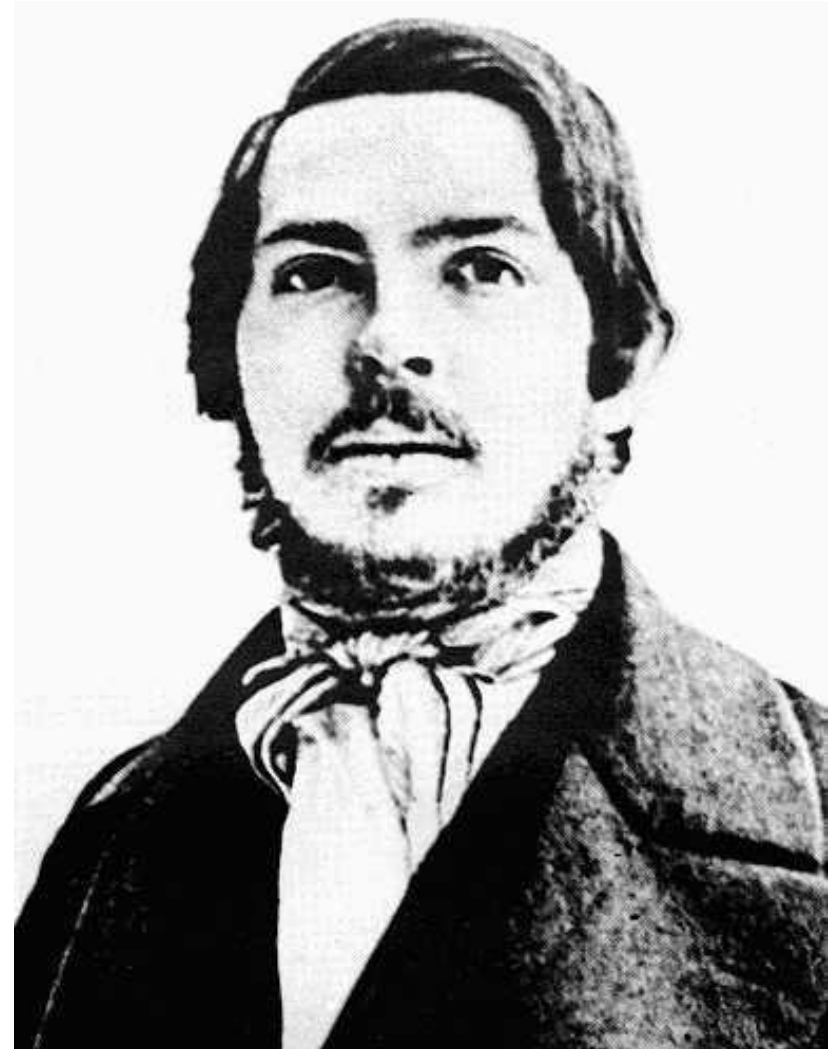
# Karl Marx, 1818-1883

- German, ex-Jewish
- Professional revolutionary?  
Journalist
  - Into exile, end up in London
- Friend and comrade Friedrich Engels (1820-95)
- *Manifesto of the Communist Party* (1848)
- *A Contribution to the Critique of Political Economy* (1857)
- Capital (Vol.1, 1867; Vol.2, 1885; Vol.3, 1894)
- *A Critique of the Gotha Program* (1875)



# Friedrich Engels (1820—95)

- German
- Son of factory owner at Manchester
- Influenced by the Young Hegelian
- Met life-long friend and comrade Marx
- *The Conditions of the Working Class in England* (1845)
- *The Origin of the Family, Private Property and the State* (1884)



# Three Sources of Marxism

- V. I. Lenin (1913)
  - ① British classical economics
    - Labor theory of value
  - ② French socialism
    - Nationalization (Babouf, Saint-Simon, Branqui)
    - Associationism (Fourier, Proudhon)
  - ③ German philosophy
    - Hegel (Dialectical idealism)
    - Feuerbach (Material alienation)

# *Manifesto of the Communist Party* (February 1848, London)

- History as class struggles
- Two large classes emerge and conflicts intensify
- The bourgeoisie played a revolutionary role in history
  - Constantly revolutionizing tools of production, production relations and social relations
  - Generate massive productive power
- Also create those who bring death to them and weapons
  - The proletariat
  - Cyclical crashes





# *The Communist Manifesto*

- A spectre is haunting Europe — the spectre of communism. All the powers of old Europe have entered into a holy alliance to exorcise this spectre: Pope and Tsar, Metternich and Guizot, French Radicals and German police-spies.
- Where is the party in opposition that has not been decried as communistic by its opponents in power? Where is the opposition that has not hurled back the branding reproach of communism, against the more advanced opposition parties, as well as against its reactionary adversaries?
- Two things result from this fact:
  - I. Communism is already acknowledged by all European powers to be itself a power.
  - II. It is high time that Communists should openly, in the face of the whole world, publish their views, their aims, their tendencies, and meet this nursery tale of the Spectre of Communism with a manifesto of the party itself.

# Manifesto

- The history of all hitherto existing society is the history of class struggles.
- Freeman and slave, patrician and plebeian, lord and serf, guild-master and journeyman, in a word, oppressor and oppressed, stood in constant opposition to one another, carried on an uninterrupted, now hidden, now open fight, a fight that each time ended, either in a revolutionary reconstitution of society at large, or in the common ruin of the contending classes.
- In the earlier epochs of history, we find almost everywhere a complicated arrangement of society into various orders, a manifold gradation of social rank. In ancient Rome we have patricians, knights, plebeians, slaves; in the Middle Ages, feudal lords, vassals, guild-masters, journeymen, apprentices, serfs; in almost all of these classes, again, subordinate gradations.
- The modern bourgeois society that has sprouted from the ruins of feudal society has not done away with class antagonisms. It has but established new classes, new conditions of oppression, new forms of struggle in place of the old ones.
- Our epoch, the epoch of the bourgeoisie, possesses, however, this distinct feature: it has simplified class antagonisms. Society as a whole is more and more splitting up into two great hostile camps, into two great classes directly facing each other — Bourgeoisie and Proletariat.
- From the serfs of the Middle Ages sprang the chartered burghers of the earliest towns. From these burgesses the first elements of the bourgeoisie were developed.
- The discovery of America, the rounding of the Cape, opened up fresh ground for the rising bourgeoisie. The East-Indian and Chinese markets, the colonisation of America, trade with the colonies, the increase in the means of exchange and in commodities generally, gave to commerce, to navigation, to industry, an impulse never before known, and thereby, to the revolutionary element in the tottering feudal society, a rapid development.

# Manifesto

- The bourgeoisie, historically, has played a most revolutionary part.
- The bourgeoisie, wherever it has got the upper hand, has put an end to all feudal, patriarchal, idyllic relations. It has pitilessly torn asunder the motley feudal ties that bound man to his “natural superiors”, and has left remaining no other nexus between man and man than naked self-interest, than callous “cash payment”. It has drowned the most heavenly ecstasies of religious fervour, of chivalrous enthusiasm, of philistine sentimentalism, in the icy water of egotistical calculation. It has resolved personal worth into exchange value, and in place of the numberless indefeasible chartered freedoms, has set up that single, unconscionable freedom — Free Trade. In one word, for exploitation, veiled by religious and political illusions, it has substituted naked, shameless, direct, brutal exploitation.
- The bourgeoisie has stripped of its halo every occupation hitherto honoured and looked up to with reverent awe. It has converted the physician, the lawyer, the priest, the poet, the man of science, into its paid wage labourers.
- The bourgeoisie has torn away from the family its sentimental veil, and has reduced the family relation to a mere money relation.
- The bourgeoisie has disclosed how it came to pass that the brutal display of vigour in the Middle Ages, which reactionaries so much admire, found its fitting complement in the most slothful indolence. It has been the first to show what man’s activity can bring about. It has accomplished wonders far surpassing Egyptian pyramids, Roman aqueducts, and Gothic cathedrals; it has conducted expeditions that put in the shade all former Exoduses of nations and crusades.
- The bourgeoisie cannot exist without constantly revolutionising the instruments of production, and thereby the relations of production, and with them the whole relations of society. Conservation of the old modes of production in unaltered form, was, on the contrary, the first condition of existence for all earlier industrial classes. Constant revolutionising of production, uninterrupted disturbance of all social conditions, everlasting uncertainty and agitation distinguish the bourgeois epoch from all earlier ones. All fixed, fast-frozen relations, with their train of ancient and venerable prejudices and opinions, are swept away, all new-formed ones become antiquated before they can ossify. All that is solid melts into air, all that is holy is profaned, and man is at last compelled to face with sober senses his real conditions of life, and his relations with his kind.

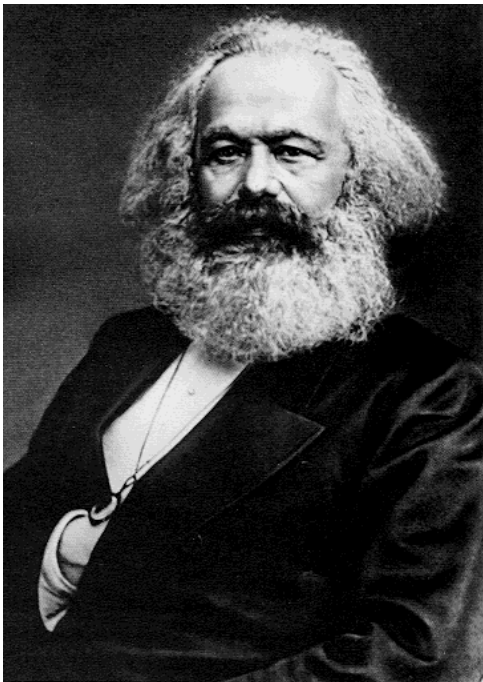
# Manifesto

- Communism = Step by step abolition of private ownership
- Making the proletariat the ruling class = democracy
- Measures
  - 1. Abolition of property in land and application of all rents of land to public purposes.
  - 2. A heavy progressive or graduated income tax.
  - 3. Abolition of all rights of inheritance.
  - 4. Confiscation of the property of all emigrants and rebels.
  - 5. Centralisation of credit in the hands of the state, by means of a national bank with State capital and an exclusive monopoly.
  - 6. Centralisation of the means of communication and transport in the hands of the State.
  - 7. 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.
  - 8. Equal liability of all to work. Establishment of industrial armies, especially for agriculture.
  - 9. Combination of agriculture with manufacturing industries; gradual abolition of all the distinction between town and country by a more equable distribution of the populace over the country.
  - 10. Free education for all children in public schools. Abolition of children's factory labour in its present form. Combination of education with industrial production, &c, &c.

# Marx's Thought

- ① Dialectical philosophy
- ② Historical materialism
  - 1. Materialistic understanding of society : Superstructure (ideology, knowledge, politics and society) and real foundation (production relations)
  - 2. Dialectical understanding of social change : contradictions between productive power and productive relations as the engine of social change
  - 3. Stage of development understanding of history: periodization based on who owns tools of production
    - Asiatic, Ancient, Feudalistic, and modern Bourgeois modes of production; class society (pre-history of humankind)
    - Positive aspect of a capitalist society
      - Schumpeter as “belated Marx”

# *Capital, Vol.1, 1867*



## **Das Kapital.**

Kritik der politischen Oekonomie.

Von

**Karl Marx.**

Erster Band.

Buch I. Der Produktionsprocess des Kapitals.

Das Recht der Uebersetzung wird vorbehalten.

Hamburg

Verlag von Otto Meissner.

1867.

New-York: L. W. Schmidt, 24 Barclay-Street.



## “Predictions” about capitalism (1)

- 1. Productive power would increase tremendously in a capitalist society; a capitalist economy entails mechanism of innovations
- 2. Class differentiation to three large classes (capitalist, laborer, landlord), demise of middle class, as class differentiates, class struggles intensify
- 3. With capital accumulation (expansion of capital size by own accumulation) and Capital concentration (expansion of capital size by M&A), wealth concentrates to the fewer and fewer capitals

## “Predictions” about capitalism (2)

- 4. The “law of immiserization” of the workers: “the accumulation of poverty, labor torture, servitude, ignorance, coarseness and moral degradation on the part of the class”
- 5. As productive power increases, the rate of profit tends to fall
- 6. Capitalism increases productive power, but contradicts with production relation; as a result, economic crashes occur periodically and they intensify.
- 7. Capitalism creates a global society. “Civilizing effects of capital”

# Marx, Economist (1)

- As a classical economist; “A Minor Post-Ricardian” (Brewer 1995) ?
- Innovation in the labor theory of value:
  - Profit originates from surplus value, difference between labor and labor power.
  - Surplus value = Value of product – value of labor power (wages)
  - Profit originates from excess labor time
  - E.g. 10 working hours per day, 5 hours for producing wage goods, the other 5 hours for producing goods for profit
  - But, fixed capital is problematic in labor theory of value

## Marx, Economist (2)

- Labor process theory : Development of the division of labor
  - Whatever happens in a factory? Marxian “economics of organization”
- Two-sector model: development of Quesnay, later to be Input-Output analysis
- Nascent business cycle theory: emphasis on fixed capital and technological change
- Economic analysis of institutions and institutional change Cf. North 1981

# Marx, the foremost critic of capitalism

- Comprehensive list of the criticisms against capitalism
- 1. Exploitation: the most fundamental.
- 2. Labor process: “tyranny within a factory”
- 3. Immiserization of workers ““at one level by the accumulation of wealth, and at the other pole by the accumulation of poverty, labor torture, servitude, ignorance, coarseness and moral degradation on the part of the class that produces its products as capital”
- 4. Business cycles with crashes
- 5. Law of the tendency for the rate of profit to fall
- 6. Original accumulation: “original sin” of capitalism
  - Violent appropriation of slave trade, pirates, colonization, enclosures
    - Hebrich et al.2023

# Problems with Marx (1)

- I . Internal contradictions
- ① “Exploitation” : Surplus value exists in *all* societies. What is the problem?  $\Rightarrow$  Surplus value is socially produced, but its use is in the hands of one class (capitalist)  $\Rightarrow$  socially produced surplus must be socially controlled
- ② Transformation problem: from value to price, from surplus value to profit
  - Fixed capital is the problem
- ③ Tendency of the rate of profit to fall
  - Technological change, falling real wages and falling profit rate do not hold simultaneously. Ladislaus von Bortkiewicz, Kei Shibata, Paul Sweezy, Nobuo Okishio



# Problems with Marx (2)

- II . Neglect and/or underestimation
  - ① the role of factor prices in resource allocation Cf.Socialist calculation debate
  - ② Possibility of institutional reforms in a market economy
    - J. S. Mill on profit sharing
  - ③ Political economy: could class be united? (Olson 1965)
    - But *Eighteenth Brumaire of Louis Bonaparte*
    - Lenin's clever solution (Olson 1965)
- III . Factual mistakes
  - ① Errors in predictions : Immiserization. At the time of Capital, capitalism finally began to benefit workers.
  - ② Errors in historical facts
  - ③ Failures of “socialism”
    - “Communist revolution” in underdeveloped countries and their demise

# What is a communist society?

## *A Critique of the Gotha Program* (1875)

<https://www.marxists.org/archive/marx/works/1875/gotha/ch01.htm>

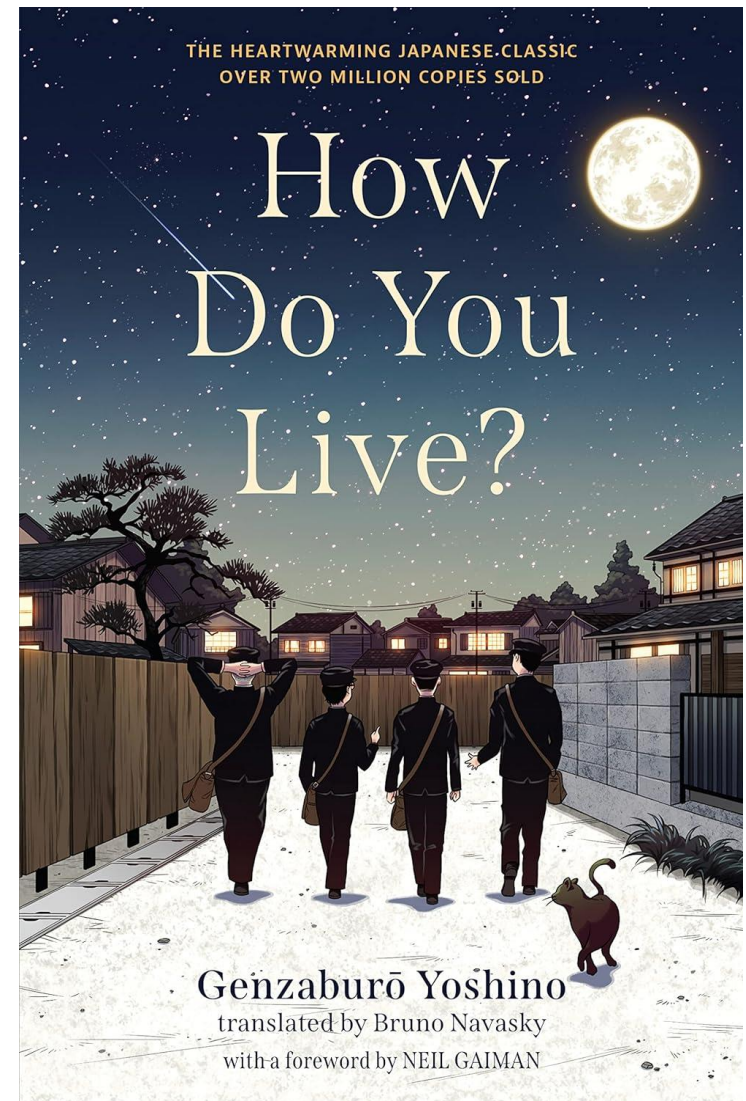
- Right can never be higher than the economic structure of society and its cultural development conditioned thereby.
- In a higher phase of communist society, after the enslaving subordination of the individual to the division of labor, and therewith also the antithesis between mental and physical labor, has vanished; after labor has become not only a means of life but life's prime want; after the productive forces have also increased with the all-around development of the individual, and all the springs of co-operative wealth flow more abundantly – only then can the narrow horizon of bourgeois right be crossed in its entirety and society inscribe on its banners: From each according to his ability, to each according to his needs!

# Marxian Influences (1)

- 1. Intellectual appeal
  - What made Marxism so irresistible was its comprehensiveness. 'Dialectical materialism' provided, if not a 'theory of everything', then at least a 'framework of everything', linking inorganic and organic nature with human affairs, collective and individual, and providing a guide to the nature of all interactions in a world of constant flux. (Eric Hobsbawm, *Interesting Times: A Twentieth-Century Life*, London, 2002, p97.)
- 2. Moral appeal
  - “If you’re not a socialist at twenty, you have no heart, and if you’re not a conservative at forty, you have no brain.” (no exact attribution)
- 3. Most significantly, Marxian criticisms of capitalism led to reforms on capitalist side

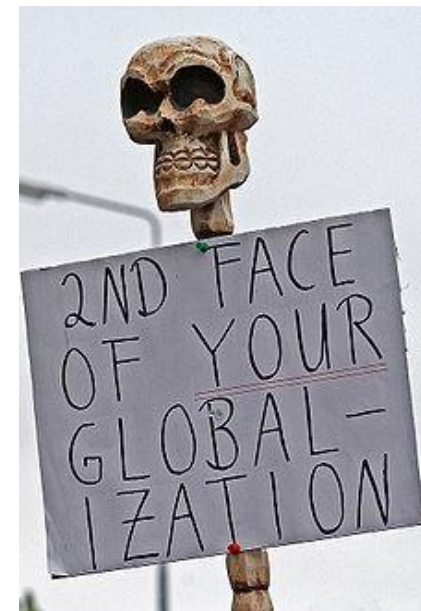
## Marxian Influence (2)

- Huge influence on the Japanese intellectuals
  - Barshay 2004
  - Enormous influence during and after 1920s
- Genzaburo Yoshino (1937/2023), *How Do You Live*



# Recent misunderstanding①: Marx supported globalization

- "civilizing effects of capital (die zivilisierenden Wirkungen des Kapital)
- Contempt toward protectionists like List
- Later Marx modified his Eurocentric view
- Rift with the recent Left



# Recent misunderstanding②Degrowth

- What is degrowth?
- Is it desirable?
- Did Marx really advocate degrowth?
- What we have to deal with here is a communist society, not as it has *developed* on its own foundations, but, on the contrary, just as it *emerges* from capitalist society; But these defects are inevitable in the first phase of communist society as it is when it has just emerged after prolonged birth pangs from capitalist society. Right can never be higher than the economic structure of society and its cultural development conditioned thereby.
- In a higher phase of communist society, after the enslaving subordination of the individual to the division of labor, and therewith also the antithesis between mental and physical labor, has vanished; after labor has become not only a means of life but life's prime want; after the productive forces have also increased with the all-around development of the individual, and all the springs of co-operative wealth flow more abundantly – only then can the narrow horizon of bourgeois right be crossed in its entirety and society inscribe on its banners: From each according to his ability, to each according to his needs!



# Classical responses : The Case of J.S.Mill

- Economics of incentives: property rights and market economy as the foundations for liberty, vitality, ingenuity, entrepreneurship
- Can reform distribution, yet should not distort incentives
- Basically, the classical growth theory
  - But, education improves the life standard of workers
- Some progress in business cycle theory
  - Money  $\Rightarrow$  General glut (recession) becomes possible (Say's law does not apply)
  - Business cycles with inventory fluctuations

# Say's Law, Loi des débouchés, Law of Markets

- According to Keynes: "supply creates its own demand"
  - misleading
- Adam Smith: Savings = investment
- Jean-Baptiste Say (1767-1832): "products are paid for with products" (*Traité d'économie politique (A Treatise on Political Economy)*, 1803: p. 153)
  - "a glut can take place only when there are too many means of production applied to one kind of product and not enough to another"(pp.178-9)
  - "It is worthwhile to remark that a product is no sooner created than it, from that instant, affords a market for other products to the full extent of its own value. When the producer has put the finishing hand to his product, he is most anxious to sell it immediately, lest its value should diminish in his hands. Nor is he less anxious to dispose of the money he may get for it; for the value of money is also perishable. But the only way of getting rid of money is in the purchase of some product or other. Thus the mere circumstance of creation of one product immediately opens a vent for other products" (pp.138-9).
- James Mill (1773-1836): "production of commodities creates, and is the one and universal cause which creates a market for the commodities produced" (*Commerce Defended*, 1808).

## J. S. Mill's Insights

- Barter economy  $\neq$  monetary economy
- Barter economy: general glut (overproduction of goods in general) impossible
- Monetary economy : Demand for money itself  $\rightarrow$  Excess demand for money  $=$  Excess supply of goods (Mill 1844, 1848)
- Theory of economic crisis

# “Of the Influence of Consumption on Production” (1844)

- Written in 1829 — 30, 30 — 31
- After 1825 — 26 economic crisis
- “There can never, it is said, be a want of buyers for all commodities...in the case of barter, the selling and the buying are simultaneously confounded in one operation; you sell what you have, and buy what you want, by one indivisible act, and you cannot do the one without doing the other.”
- “Now the effect of the employment of money, and even the utility of it, is, that it enables this one act of interchange to be divided into two separate acts or operations; one of which may be performed now, and the other a year hence, or whenever it shall be most convenient.”

# Commercial Crisis and Walrasian Law for and Monetary Economy

- At such times there is really an excess of all commodities above the money demand: in other words, there is an under-supply of money. From the sudden annihilation of a great mass of credit, every one dislikes to part with ready money, and many are anxious to procure it at any sacrifice. Almost everybody therefore is a seller, and there are scarcely any buyers; so that there may really be, though only while the crisis lasts, an extreme depression of general prices, from what may be indiscriminately called a glut of commodities or a dearth of money. But it is a great error to suppose, with Sismondi, that a commercial crisis is the effect of a general excess of production. It is simply the consequence of an excess of speculative purchases.... its immediate cause is a contraction of credit, and the remedy is, not a diminution of supply, but the restoration of confidence (Mill 1848/1965, Book III, Chapter 14) 。

# Mill's Limitations

- Business cycle is temporary
  - “this temporary derangement of markets is an evil only because it is temporary”
- Against macroeconomic stabilization
  - Against full-employment of capital
- Reject inconvertible money

# Classical responses:

## The Case of J. S. Mill (2)

- Social vision: “socialism” of a sort. Reject violent revolution, gradual reform toward market economy socialism
- ① Gradual disappearance of class society by economic growth
  - For New Poor Law
  - Profit-sharing to give laborers incentives to work
  - Against progressive taxation
- ② Importance of education: Neo-Malthusianism
- ③ Ultimate end of economic growth
  - Welcomes the “stationary state”
  - Economic improvement would stop but “human improvement” would continue
  - Concerns about the environment

# Mill on Degrowth: *Principles*, Book IV, Chapter 6 “Of the Stationary State”

- It must always have been seen, more or less distinctly, by political economists, that the increase of wealth is not boundless: that at the end of what they term the progressive state lies the stationary state, that all progress in wealth is but a postponement of this, and that each step in advance is an approach to it. We have now been led to recognise that this ultimate goal is at all times near enough to be fully in view; that we are always on the verge of it, and that if we have not reached it long ago, it is because the goal itself flies before us. The richest and most prosperous countries would very soon attain the stationary state, if no further improvements were made in the productive arts, and if there were a suspension of the overflow of capital from those countries into the uncultivated or illcultivated regions of the earth.
- I cannot, therefore, regard the stationary state of capital and wealth with the unaffected aversion so generally manifested towards it by political economists of the old school. I am inclined to believe that it would be, on the whole, a very considerable improvement on our present condition. I confess I am not charmed with the ideal of life held out by those who think that the normal state of human beings is that of struggling to get on; that the trampling, crushing, elbowing, and treading on each other's heels, which form the existing type of social life, are the most desirable lot of human kind, or anything but the disagreeable symptoms of one of the phases of industrial progress. It may be a necessary stage in the progress of civilization, and those European nations which have hitherto been so fortunate as to be preserved from it, may have it yet to undergo. It is an incident of growth, not a mark of decline, for it is not necessarily destructive of the higher aspirations and the heroic virtues; as America, in her great civil war, has proved to the world, both by her conduct as a people and by numerous splendid individual examples, and as England, it is to be hoped, would also prove, on an equally trying and exciting occasion. But it is not a kind of social perfection which philanthropists to come will feel any very eager desire to assist in realizing. Most fitting, indeed, is it, that while riches are power, and to grow as rich as possible the universal object of ambition, the path to its attainment should be open to all, without favour or partiality. But the best state for human nature is that in which, while no one is poor, no one desires to be richer, nor has any reason to fear being thrust back, by the efforts of others to push themselves forward.
- It is scarcely necessary to remark that a stationary condition of capital and population implies no stationary state of human improvement. There would be as much scope as ever for all kinds of mental culture, and moral and social progress; as much room for improving the Art of Living, and much more likelihood of its being improved, when minds ceased to be engrossed by the art of getting on. Even the industrial arts might be as earnestly and as successfully cultivated, with this sole difference, that instead of serving no purpose but the increase of wealth, industrial improvements would produce their legitimate effect, that of abridging labour. Hitherto it is questionable if all the mechanical inventions yet made have lightened the day's toil of any human being. They have enabled a greater population to live the same life of drudgery and imprisonment, and an increased number of manufacturers and others to make fortunes. They have increased the comforts of the middle classes. But they have not yet begun to effect those great changes in human destiny, which it is in their nature and in their futurity to accomplish. Only when, in addition to just institutions, the increase of mankind shall be under the deliberate guidance of judicious foresight, can the conquests made from the powers of nature by the intellect and energy of scientific discoverers, become the common property of the species, and the means of improving and elevating the universal lot.



# Johan Norberg, *The Capitalist Manifesto*

- Marx and Engels were right when they observed in the *Communist Manifesto* that free markets had in a short time created greater prosperity and more technological innovation than all previous generations combined. A century and a half later, all the evidence shows that capitalism has lifted millions and millions from hunger and poverty.

Today's story about global capitalism, shared by right-wing and left-wing populists, but also by large sections of the political and economic establishment, does not deny that prosperity has been created, but it says it ended up in far too few hands. This in turn has made it popular to talk about the global economy as a geopolitical zero-sum game, where we have to fight to control new innovations, introduce trade barriers and renationalize value chains. While, more broadly, capitalism is accused of fueling glaring inequality, populist revolts, climate change and China's global conquest.

In this incisive and passionate investigation, Johan Norberg instead states the case for capitalism and the vital role played by the free market in today's uncertain world. Ultimately, he argues that a move away from global capitalism would not only squeeze the growth out of the economy but also deepen an already large social exclusion for the vulnerable — for the world's poor, it would be a killing blow.

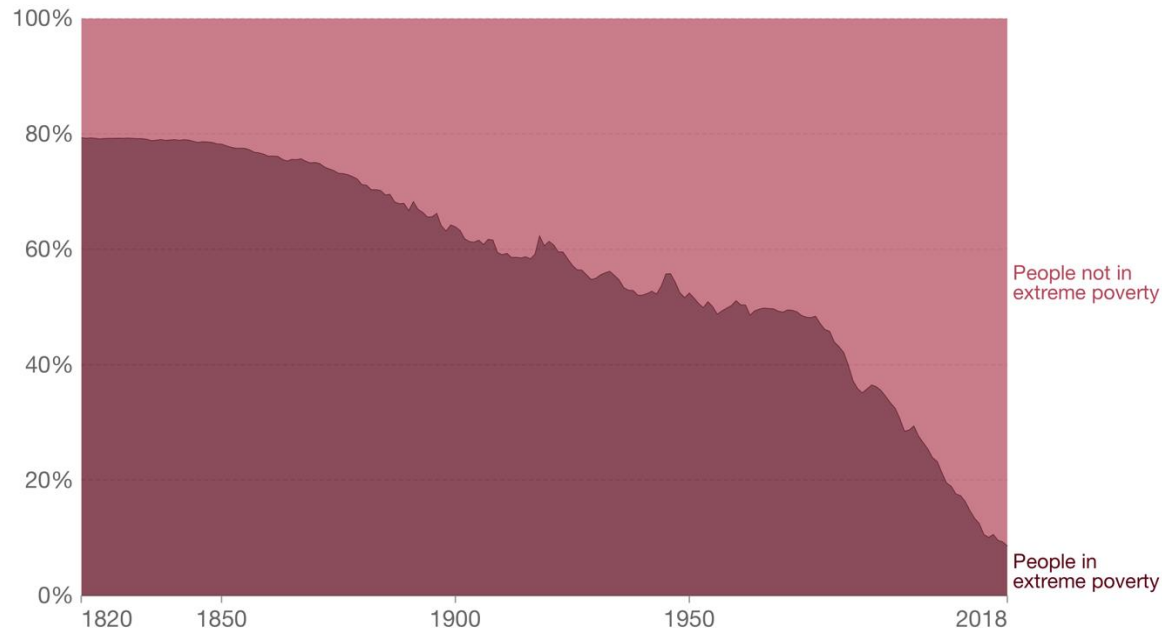
- <https://www.cato.org/books/capitalist-manifesto>



# Extreme Poverty is decreasing

## Share of population living in extreme poverty, World, 1820 to 2018

Extreme poverty is defined as living below the International Poverty Line of \$1.90 per day. Data after 1981 relates to household income or expenditure surveys collated by the World Bank; before 1981 it is based on historical reconstructions of GDP per capita and inequality data.



Source: Moatsos (2021)

[OurWorldInData.org/poverty](https://OurWorldInData.org/poverty) • CC BY

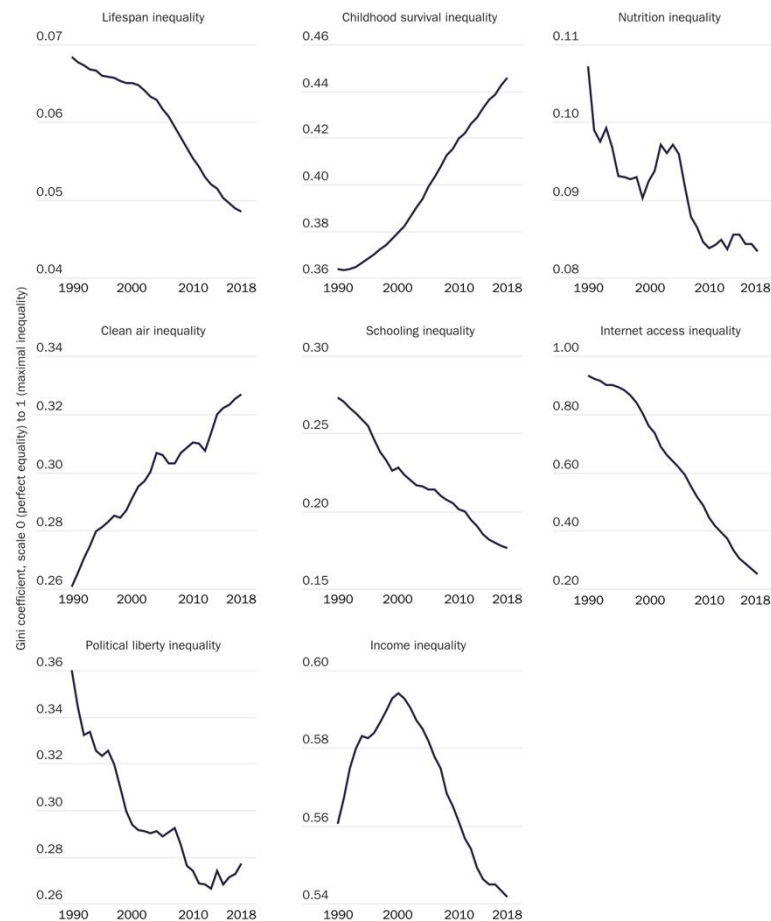
Note: Data is measured in international-\$<sup>1</sup> at 2011 prices to account for inflation and differences in the cost of living between countries.

**1. International dollars:** International dollars are a hypothetical currency that is used to make meaningful comparisons of monetary indicators of living standards. Figures expressed in international dollars are adjusted for inflation within countries over time, and for differences in the cost of living between countries. The goal of such adjustments is to provide a unit whose purchasing power is held fixed over time and across countries, such that one international dollar can buy the same quantity and quality of goods and services no matter where or when it is spent. Read more in our article: What are Purchasing Power Parity adjustments and why do we need them?

# Global inequality is decreasing in many areas:

<https://www.cato.org/policy-analysis/global-inequality-well-being-has-decreased-across-many-dimensions>

Inequality has declined in many areas (Gini, weighted for population)



Source: Authors' calculations.

- 1. Lifespan: life expectancy at birth, years
- 2. Childhood survival: infant mortality rate, per 1,000 live births
- 3. Adequate nutrition: food supply, per person, per day
- 4. Safe environment: outdoor air pollution death rates
- 5. Access to opportunity: mean years of schooling, number
- 6. Access to information: internet users, per 100 people
- 7. Material well-being: GDP per person
- 8. Political freedom: democracy versus autocracy over time, scale 0 to 40 (rescaled from source)

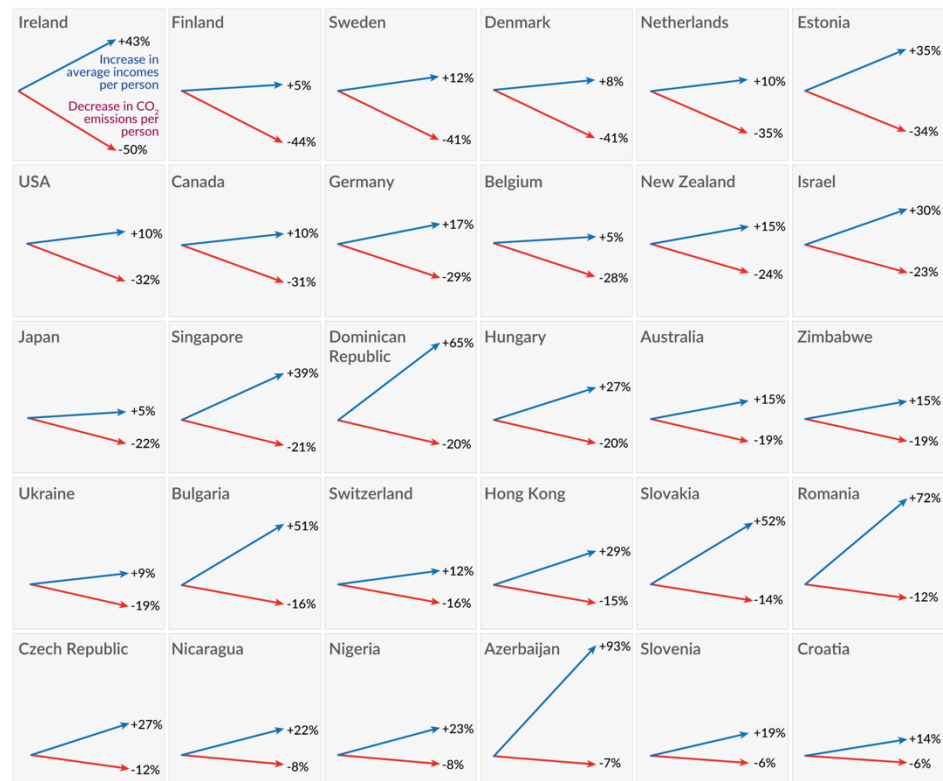
# The Great Decoupling

## Decoupling: Countries that achieved economic growth while reducing CO<sub>2</sub> emissions, 2005–20

Our World  
in Data

Emissions are adjusted for trade. This means that CO<sub>2</sub> emissions caused in the production of imported goods are added to its domestic emissions – and for goods that are exported the emissions are subtracted.

Average incomes are measured by GDP per capita (except for Ireland, for which it is measured by GNI per capita).



Data sources: Global Carbon Project & World Bank.

There are more countries that achieved the same, but only those countries for which data is available and for which each change exceeded 5% are shown.

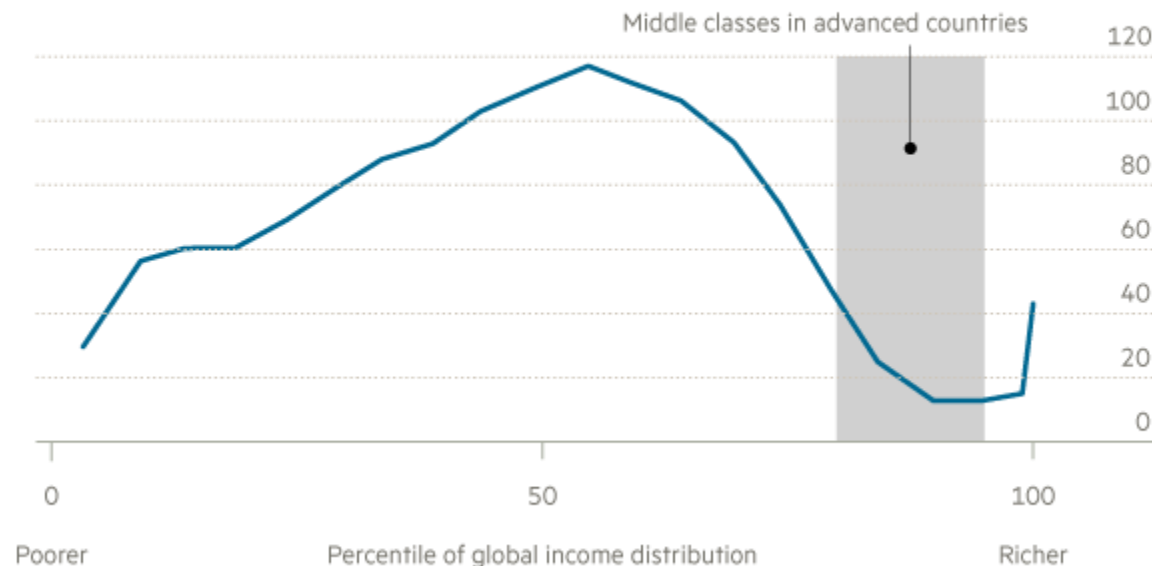
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# The world becomes richer, but the middle class in advanced economies stagnates

## Standing still

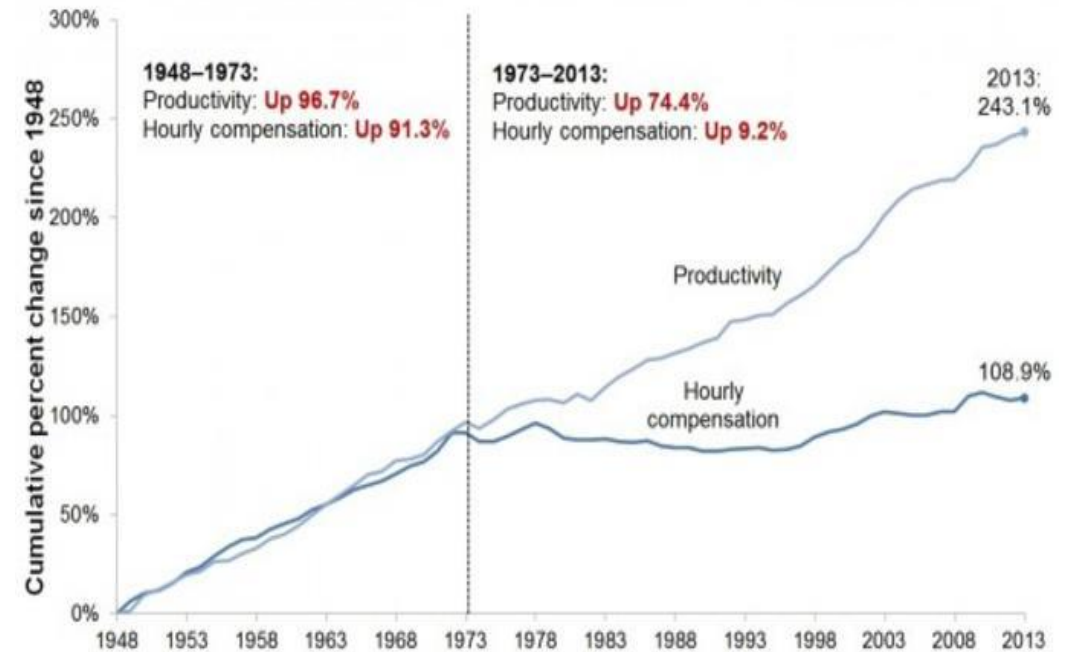
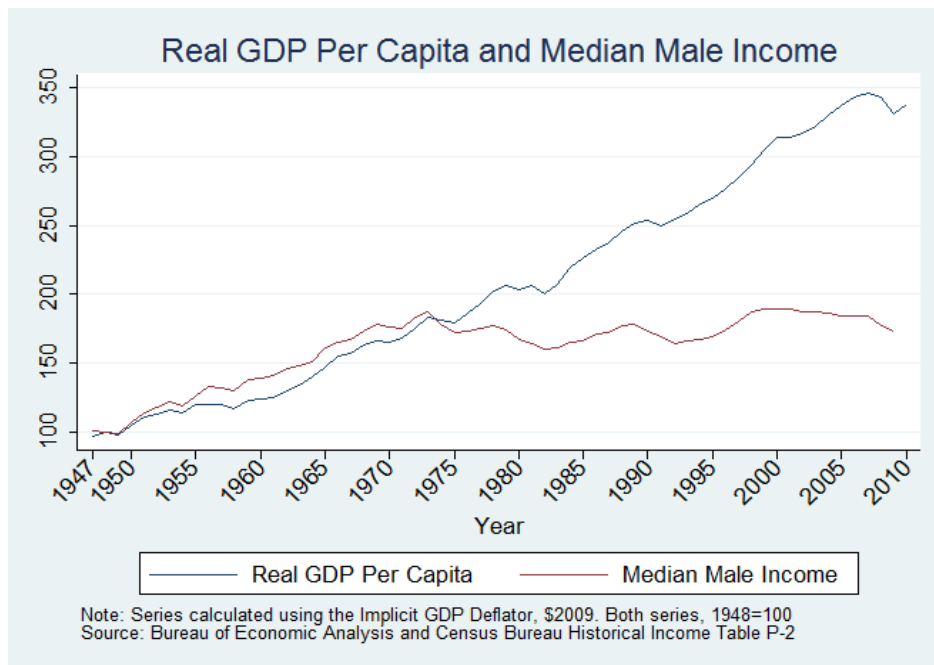
Cumulative gain in real per capita income, 1988-2011 (%)



Source: Branko Milanovic – 'Global inequality' (Harvard University Press, 2016)


FT

# Stagnation of US Median Income



# Who are Superriches?

<https://www.forbes.com/billionaires/>



### The 2023 List: Facts and Figures

Inside Forbes' 37th-annual billionaires ranking.

[READ MORE](#)


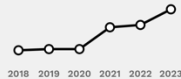
## The Richest People In The World

FILTER LIST BY:

OVERALL WOMAN NEW TO LIST INDUSTRY COUNTRY / TERRITORY

CHANGE IN WEALTH KEY: ▲ UP ▼ DOWN ● UNCHANGED + NEW TO LIST ○ RETURNEE

SEARCH

RANK	NAME	NET WORTH	AGE	COUNTRY / TERRITORY	SOURCE	INDUSTRY
1	Bernard Arnault & family	\$211 B ▲	74	France	LVMH	Fashion & Retail
<div><p>Bernard Arnault oversees the LVMH empire of 75 fashion and cosmetics brands, including Louis Vuitton and Sephora.</p><p><a href="#">FULL PROFILE</a></p></div> <div><h4>WEALTH HISTORY</h4><p>2018 2019 2020 2021 2022 2023</p></div>						
2	Elon Musk	\$180 B ▼	51	United States	Tesla, SpaceX	Automotive
3	Jeff Bezos	\$114 B ▼	59	United States	Amazon	Technology
4	Larry Ellison	\$107 B ▲	78	United States	Oracle	Technology
5	Warren Buffett	\$106 B ▼	92	United States	Berkshire Hathaway	Finance & Investments
6	Bill Gates	\$104 B ▼	67	United States	Microsoft	Technology
7	Michael Bloomberg	\$94.5 B ▲	81	United States	Bloomberg LP	Media & Entertainment
8	Carlos Slim Helu & family	\$93 B ▲	83	Mexico	Telecom	Telecom
9	Mukesh Ambani	\$83.4 B ▼	65	India	Diversified	Diversified
10	Steve Ballmer	\$80.7 B ▼	67	United States	Microsoft	Technology
11	Francoise Bettencourt Meyers & family	\$80.5 B ▲	69	France	L'Oréal	Fashion & Retail
12	Larry Page	\$79.2 B ▼	50	United States	Google	Technology
13	Amancio Ortega	\$77.3 B ▲	87	Spain	Zara	Fashion & Retail
14	Sergey Brin	\$76 B ▼	49	United States	Google	Technology
15	Zhong Shanshan	\$68 B ▲	68	China	Beverages, pharmaceuticals	Food & Beverage

# Think Further

- Suppose that there is a country with 100% income tax. What would happen to national income, tax revenue and the supply of labor in this country?
- “One feature of a free society is surely the freedom of individuals to advocate and propagandize openly for a radical change in the structure of the society—so long as the advocacy is restricted to persuasion and does not include force or other forms of coercion. It is a mark of the political freedom of a capitalist society that men can openly advocate and work for socialism. Equally, political freedom in a socialist society would require that men be free to advocate the introduction of capitalism. How could the freedom to advocate capitalism be preserved and protected in a socialist society?” (Milton Friedman, *Capitalism and Freedom*, University of Chicago Press, 1962/1982, p.16). Discuss.
- What do you think about J. S. Mill’s embracing of the “stationary state”? Is this consistent with his prediction for “human improvement”?
- What is degrowth? Should we stop economic growth?
- Read Johan Norberg’s *Capitalist Manifesto* and compare it with Marx and Engels’ *Communist Manifesto*.



# Next Week

- Read the following:
  - W. S. Jevons, *Theory of Political Economy*, Preface to the First edition, and Chapter 1
    - <https://oll.libertyfund.org/title/jevons-the-theory-of-political-economy>
  - Carl Menger, *Principles of Economics*, Author's Preface, Chapters I and VI
    - [https://cdn.mises.org/principles\\_of\\_economics.pdf](https://cdn.mises.org/principles_of_economics.pdf)
  - Alfred Marshall, *Principles of Economics*, Preface to the First Edition,
    - <https://www.econlib.org/library/Marshall/marP.html>

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