

John locke's and karl marx's economic ideas case study



**ASSIGN
BUSTER**

In his article *Some Considerations of the Consequences of the Lowering of Interest and the Raising of Value of Money*, John Locke outlines the main theoretical provisions of what later became known as the 'monetary' theory of economics. The article's main ideas can be outlined as follows:

In light of what are the economic realities of a post-industrial living, Locke's idea that money cannot be thought of, as such that represent the value of a 'thing in itself,' appears rather fallacious. The reason for this is quite apparent – as we are well aware of, money has long ago been turned into the commodity of its own. The validity of this suggestion can be easily illustrated, in regards to the influence of Stock Exchanges on how the world's economy functions. The functioning of the real-estate market confirms the soundness of the above-stated, as well, as it is largely concerned with the circulation of the so-called 'derivatives', which are in essence the financial contracts between two parties, backed by the third party's financial obligations that could be bought and sold in the open market. These 'derivatives' continue to spawn the generations of the new ones, backed not by a value of the concerned physical assets, but by the originally issued derivatives. This, of course, creates the situation when money can no longer be considered the economy's instrument, but rather the economy's actual 'fuel.'

Another idea, contained in the article, which appears largely outdated, is that the amount of applied labor positively relates to what happened to be the end-products nominal value. The reason for this is that, as of today, it is specifically the measure of a particular product's technological advancement, which reflects as much as 90% of its value. What it means is

<https://assignbuster.com/john-lockes-and-karl-marxs-economic-ideas-case-study/>

that the process of producing a particular good can no longer be discussed, as such that is being concerned with the mechanical formula – the end-price = the cost of labor + the cost of raw material. The validity of this suggestion can be illustrated, in regards to the fact that, as time goes on, the technologically intense manufacturing processes require the progressively reduced amounts of raw materials.

For example, whereas, as recent as 30 years ago, TV-sets used to weigh 30-40 kilograms, they nowadays rarely weigh more than 10 kilograms. The reason for this is that, as this example suggests, it is one's intellect (and not labor), out of which derives 'surplus value' of the manufactured products. In light of the above-provided example, we can even say that one's intellect is now capable of replacing the growing volume of natural resources, out of which the commercially traded products are made – in the literal sense of this word. It is understood, of course, that this exposes the conceptual erroneousness of the 'nominalist' ideas, contained in Locke's article.

Nevertheless, Locke still needs to be given credit for having criticized the idea that money can be thought of as an 'asset of its own.' After all, it was the practical implementation of this idea that caused both: the Great Depression of the thirties and the financial crisis of 2008. Therefore, despite having been written in 1691, Locke's article still represents a certain discursive value.

In The Manifesto of the Communist Party (1848), Karl Marx aimed to promote the following set of ideas:

Even though that, by the end of the 20th century, Marxism sustained an utter fiasco, as a political ideology, it would be inappropriate referring to the Communist Manifesto, as being 100% outdated. The reason for this is that this Manifesto does rightly expose what can be considered the main shortcoming of Capitalism – namely, the fact that, while obsessed with trying to generate as much profit as possible, (within the shortest period of time), the representatives of the bourgeoisie (who control the government) are naturally discouraged from investing in the long-term economic projects. In other words, despite being technologically advanced, Capitalist societies are doomed to collapse eventually.

After all, it is in the very nature of Capitalism (as an economic system that tries to optimize its functioning by the mean of reducing the affiliated operational costs) to seek out the ways to have as few people employed as possible. What it means is that, as time goes on, the socio-economic antagonisms between citizens in the Capitalist society will grow progressively more severe – especially given the exponential growth of the planet's population. The only possible solution, in this respect, can be the adoption of the Socialist/Communist paradigm of what economy ought to be all about. The reason for this is that the main challenge of Capitalism has always been the overabundance of workers; whereas, the main problem of Socialism has been the permanent shortage of the available workforce.

Nevertheless, there are also many conceptual fallacies in the Communist Manifesto, which nowadays became obvious to just about anyone. The main of them is that, as the Manifesto implies, the pathway towards establishing a fair society, is concerned with satisfying the workers' material/physiological

<https://assignbuster.com/john-lockes-and-karl-marxs-economic-ideas-case-study/>

needs alone. Nevertheless, as history indicates, there is so much more than a working individual can wish for, except for striving to fill its stomach with food.

Another conceptual shortcoming of the Communist Manifesto can be well considered the assumption that, after having been brought up by the Industrial Revolution, the main principle of what causes a particular society to remain stratified (along the line of people's affiliation with the classes of capitalists, proletarians and peasants), will never undergo any qualitative transformation. The validity of this suggestion can be well shown, in regards to the fact that, as of today, it is specifically the individuals affiliated with the economy's service-related sectors, who account for the bulk of the economically active citizens in just about any Western country. It goes without saying, of course, that these individuals can neither be referred to as the representatives of the bourgeoisie nor as to the proletarians or peasants.

Thus, just as it happened to be the case with Locke's article, the Communist Manifesto by Karl Marx can be best regarded as being simultaneously both: the intellectually enlightening and yet somewhat outdated piece of the politically-economic rhetoric.

Locke, John 1690, Some Considerations of the Consequences of the Lowering of Interest and the Raising of Value of Money. Web.

Marx, Karl 1848, The Manifesto of the Communist Party. Web.