

Comparison and contrast analysis of three historical economists essay

[Business](#), [Entrepreneurship](#)



AbstractThe present global financial crisis has made a great impact in the livelihoods of many. In fact everyday, the government is doing its very best in order to at least minimize the struggles of the present society brought by the consequences of recession. But even as ordinary citizens, we must not only rely and wait on the government to tell us what should be done.

Instead, one must do his part in understanding how the economy works.

This paper is only fitting with today's economic issues. The purpose is to go back in time and once again learn from the great minds who laid the foundation for the principles of economics. It is but important that we truly understand what these economists meant by properly managing scarce resources, producing commodities, and consuming those commodities in order to improve the standard of daily living. The main objective is to not only learn the theories of economics but more importantly, to be able to imbibe those ideas and see how a person can apply them in a practical way whether he or she is just an ordinary individual or not. Table of

ContentsBiographies: Karl

Marx.....

. 4 BIOGRAPHIES: Karl MarxKarl Heinrich Marx was the third of the seven children of couples Heinrich Marx and Henriette Pressburg. He was born on May 5, 1818 in Trier, Prussia from the Province of the Lower Rhine where he was brought up with the place's traditional education.

Later on in his life he decided to study law in places like Bonn then afterwards Berlin, however lost interest after discovering a certain passion for philosophy. After five years in Berlin where he was honed with

intellectual upbringing, he returned to Bonn. The year was 1841 and opposition groups against Prussia's "authoritarianism" were at its height. This was also the time when the famous and controversial newspaper Rheinische Zeitung ("Rhenish Newspaper") was established in Cologne. This paper paved the way for Marx's earlier stages of popularity as the latter bravely wrote articles that contained his disapproval of the debates being made by the Rhine Province Assembly. His articles have drawn so much interest from the readers that one year later in 1842 he assumed the position as the paper's editor. Throughout the entire year, Marx determinedly led Rheinische Zeitung in expressing its distaste for the present state of the Prussian government by suggesting that it be replaced and defying all its restrictions. This led to a decree resulting to the paper's end of publication in the first quarter of 1843.

But this was only the beginning of Marx's many success stories in the field of economics and in the year 1848, he even started the Neue Rheinische Zeitung ("New Rhenish Newspaper"). Marx's passion for knowledge and headstrong character earned him both acknowledgement from the public and disapproval from the government due to his outspoken support for democracy and ideologies of communism. He was several times driven out from countries like France and Belgium because of this. Karl Marx died in the year 1883. But up to this day, many Marxist economists still continue his legacy (Engels, 1869, page 1).

John Maynard Keynes
John Maynard Keynes was born in 1883. He was the son of an economist from Cambridge named John Neville Keynes. The young

Keynes was privileged enough to be raised among the British elite from Eton and King's College Cambridge. At the age of 17 in 1906, he became part of the British civil service however decided to return to Cambridge after three years. He was married to the Russian ballerina, Lydia Lopokova, in the year 1925.

Just like Karl Marx, Keynes was a prolific writer and had an almost life-long commitment as an editor of the Economic Journal. But Keynes's life would not be all economics as he also had the time to spend with friends like the famous author Virginia Woolf and other writers like Clive Bell and Lytton Strachey. They would later on be referred to as the " Bloomsbury Group," a group based in London and composed of intellectual people who discuss almost anything from all walks of life like arts, sexuality, etc. (Fonseca, 2009, page 1) Keynes lived in an era where the Great Depression was at its height and unemployment was enormous. This was even coupled by world wars and solving the economy's problems just became too hard to handle.

Keynes used his knowledge of economics by formulating theories that would battle the issues of unemployment and losses brought about by the war. He also continued to take part in debates and official missions, the last part of which involved the replacement of the Gold Standard. The result of this however led to the acceptance of the American " White Plan," where " countries would retain fixed exchange rates against the dollar, while the dollar itself would be matched to gold" (Fonseca, 2009, page 4). The whole strenuous process took its toll on Keynes's already fluctuating health. He died in the year 1946. Joseph Alois Schumpeter].

A. Schumpeter was born the same year as John Maynard Keynes in 1883. He was considered as the one who popularized the expression “ creative destruction” in the field of economics as his way of describing the process of extreme transformation through innovation, a process, which he said, will make way for a better standard of living in a society.

He was indeed considered as one of economics’ great contributors.

Compared to his fellow economists, he is remembered for having been able to lay out the framework of entrepreneurship. He had a keen sense of business which probably began since his childhood as his parents owned a textile factory in Austria where he was born. He studied in the University of Vienna where he pursued economics and law, and was considered as one of its best students. “ His giftedness brought him many accomplishments in life that is why later on in 1911, Schumpeter taught economics at the University of Graz where he was considered as Austria’s youngest professors. This was followed by him becoming a minister of finance in 1919. In the years 1925 to 1932, he was working as a professor at the University of Bonn but decided to leave Europe for the United States in order to escape the then-rising Hitler dictatorship. He was fortunate enough to be accepted at Harvard University where he worked as a professor until 1949.

To add to his already long list of accomplishments was his presidency in the American Economic Association in 1948” (Author unknown (Joseph Schumpeter), 2008, page 2). His brilliance was well known that he even had a student who became a Nobel Prize winner and gratefully acknowledged his skill to Schumpeter himself. Perhaps it was his brilliance that made

Schumpeter almost over confident that often he made remarks that made quite a stir. Some of these remarks were about other economists, who, according to him are either “ unoriginal” or “ confused” (Author unknown (Joseph Schumpeter), 2008, page 2). However despite of Schumpeter’s well-known intelligence, he also underwent several dark episodes in his life like the passing of his mother. Another tragedy came when he lost his wife in child birth.

These tragedies almost pulled him down yet Schumpeter chose instead to devote his time and energy in publishing his books. Yet another trial came when some of his books received poor reviews from critics. To make things worse, he was outshined by Keynes whom he, according to some chroniclers, was jealous from. Yet all these tragedies, political intrigues, and series of depressions did not prevent Schumpeter in staying true to his concept of “ creative destruction.

” Several years after his death up to the present times, Schumpeter’s ideas are continuously adopted by many industrialized countries, in fact outliving the principles promoted by his rival Keynes. MARX, KEYNES, AND

SCHUMPETER: THEIR WORKS AND THEORIESMarx’s Historical

MaterialismThis theory is considered as Marx’s most significant legacy in the history of social sciences. It deeply stresses that the existence of social organization is important in order for human beings to succeed his/her everyday struggles. Although several times criticized for containing messages that support communist ideals, historical materialism has definitely made a lasting impression and has been used by many

philosophers (often by influential communist leaders) as a means of promoting their own social standards or defending their rights, especially when that particular group has experienced oppression from people with authority. Marx made particular mention of this theory as referring to the social effects on the quality and quantity of “ production,” a word often used in economic parlance.

However, he pointed out that quality is more affected by social organization as compared to the quantitative aspect. According to Marx, qualitative production can be made more effective if there is “ a complete social upheaval, a social revolution or counter-revolution” (Mandel, date unknown, page 1). To illustrate, he pointed out that there should be a harmonious relationship between groups like “ producing units (circulation of tools and raw materials) and between production units and consumers” (Mandel, date unknown, page 1).

Marx was also quick to point out that the theory of historical materialism does not intend to disregard the role of “ free will.” However, the choices that people make even for themselves greatly depend on the kind of group that they choose to belong with for whether they like it or not, it is man’s nature to always feel a sense of belongingness, and this is impossible without other people’s approval of his actions. As the saying goes, no man can stand alone. This is where historical materialism intends to establish its point that the entire flow of a working environment depends on the greater many and not with the lesser few, or with the “ masses” and not with the “ capitalists.” John Maynard Keynes’s *The General Theory of Employment,*

Interest, and Money This theory is considered to be John Keynes's most significant contribution to society as this helped alleviate certain economic issues like unemployment in the 1930's. Keynes hypothesized that the "classical economic tradition" during his earlier days has not done well in solving the issue of unemployment.

He further explained that this custom is "based upon the wrong assumption that sufficient jobs for people can be assured as long as there is balance between supply and demand" (D. Yergin, 1998, page 1). Keynes further explained that this is due to the fact that the economy is filled with uncertainties and is therefore subject to "fluctuations as brought out by factors like insufficient investments and oversavings" (D. Yergin, 1998, page 1). After pinpointing this problem, Keynes was able to provide a so-called simple solution by "replacing the missing private investment with public investment, financed by deliberate deficits. The government would borrow money to spend on such things as public works; and that deficit spending, in turn, would create jobs and increase purchasing power" (D. Yergin, 1998, page 1). By stating this, Keynes clearly indicated the importance of the government's role in addressing economic issues by being a financial advocate and being the proper guide on how to properly invest assets.

This principle paved the way for the now famously called macroeconomics, a field of economics "which treats the economy as a whole and focuses on government's use of fiscal policy—spending, deficits, and tax" (D. Yergin, 1998, page 1). Indeed this Keynesian Theory has brought many benefits to many industrialized nations even after Keynes's death.

In fact many have admired him for coming up with this idea which served as the foundation for a reformed capitalism which is “ managed and welfare-oriented in its form” (D. Yergin, 1998, page 2). Joseph Alois Schumpeter’s *Capitalism, Socialism, and Democracy* In the year 1942, Joseph Schumpeter came up with the book titled “ *Capitalism, Socialism, and Democracy*” in which he coined his trademark expression, “ creative destruction.”

Unfortunately during his time, Schumpeter’s ideas were overshadowed by Keynes’s very well-meaning and nationalistic idea of capitalism. Yet little did Schumpeter know, that his legacy and hard work would come to fulfillment in the modern times.

For even in his younger days, he was able to analyze and almost predict the outcome of an improving economy, and that is through the presence of innovation. Right now, many nations continue to undergo different struggles in order to adapt to constant economic changes which become more and more felt. The present global financial crisis has resulted to drastic changes like the downsizing of many companies both big and small. But as one author put it, if Schumpeter were alive today, he would have referred to these changes, including the rising of new technology to replace the old ones, as a process of creative destruction (A. Millmow, 1991, page 1). This is a big fact which everyone must learn to compromise with, otherwise the economy would continue to collapse if the people running it do not know how to adapt to their ever changing environment. It is the nature of man to not be easily contented and to search for new things that will satisfy his desires. That is why in Schumpeter’s principles, he explicitly mentioned that it is not

enough to just come up with new inventions, but one must also learn how to “innovate” those inventions.

In other words, this principle urges us to see the bright side and opportunity when faced by recession for it does not necessarily constitute a bad ending. It also suggests that if a person responds to economic crisis by deciding to rise above it instead of being buried underneath it, then there is always the chance for a better standard of living. To illustrate this, Schumpeter stated in his book while referring to the effects of competition “What counts is competition from the new commodity, the new technology, the new source of SUPPLY, the new type of organization ... competition which ...

strikes not at the margins of the PROFITS and the outputs of the existing firms but at their foundations and their very lives.” (Author unknown (Joseph Alois Schumpeter), 2008, page 2). Marx, Keynes, and Schumpeter: Comparison and Contrast of Their Works One thing in common about these three economists is all of them have the passion to improve only one thing which is “capitalism.

” Each of them has the intention of formulating principles in order to maximize the benefits of entrepreneurship but they have little in common on the approach to this particular objective. Just like Marx for example, with his leftist ideas, explicitly stated how it would be better for everyone if capitalism would be destroyed. This had been shown on his strong encouragements for revolution which, according to him, will improve the quality of living.

He also believed that the destruction of capitalism will be done and should be done by the working class who carried much of the great burden in order to keep business going. Schumpeter almost had the same vision about capitalism. That one day, it will meet its doom.

However unlike Marx, Schumpeter is not exactly anti-capitalism, but what he really stated was the real essence of entrepreneurship, which is constant improvement through innovation, by replacing obsolete products with new and better ones, by cutting off employment in order to lessen the risk of bankruptcy, etc. as properly demonstrated by his coined terms “creative destruction.” Unlike Marx, Schumpeter viewed the destruction of capitalism not as an end in itself but as a means of making way for a better one. Marx on the other hand, settled for the idea that people can go on without its existence. Keynes, on the other hand, shows the exact the opposite of Marx’s principles.

He encouraged unity with the government by relying on its capabilities of managing the economy. Keynes believed that the government has the strong capability of solving the issues of unemployment as it holds a very strong monetary power, which up to this point is being relied on by citizens in starting up new business and maintaining economic growth. Unlike Marx, Keynes encouraged unity of the people instead of dividing them into social groups which have proved somehow in history to have resolved the problems of unemployment to some extent. However, Keynes’s ideas is not always practical or permanent compared to that of Schumpeter’s. Just like Marx, Schumpeter had a strong sense of independence in handling

capitalism. He never relied much on the government unlike Keynes, and his principles, compared with his two fellow economists, have proven to be the most realistic and shall go on with the passing of time.

Conclusion Economics is a very important form of social science which can help everyone improve the standard of living. It allows us to attain the gift of foresight in order to predict the trends of supply and demand, inflation, etc. After all, survival is all about knowing the appropriate action at any given time, especially if those times are very critical. That is the very important legacy given to us by the fathers of economy. It is not necessary that we fully embrace all their ideas, but instead to apply them even on a piecemeal basis in a practical manner when the time and place calls for it.

ReferenceF.

Engels. July 28, 1869. Marx-Engels Biography: Karl Marx. Retrieved 8 March 2009 at <http://www.marxists.org/archive/marx/bio/marx/eng-1869.htm>.
Fonseca.

2009. John Maynard Keynes. Retrieved 8 March 2009 at [http://cepa.](http://cepa.newschool.edu/het/profiles/keynes.htm)

[newschool.edu/het/profiles/keynes.htm](http://cepa.newschool.edu/het/profiles/keynes.htm) Joseph Alois Schumpeter. 2008.

Retrieved 8 March 2009 at <http://www.econlib.org/library/Enc/bios/Schumpeter>.

htmlE. Mandel. Date unknown. Basic Theories of Karl Marx: Materialism.

Retrieved 8 March 2009 at <http://www.internationalviewpoint>.

orgD. Yergin, J. Stanislaw. 1998. The Commanding Heights. Retrieved 8 March 2009 at http://www.pbs.org/wgbh/commandingheights/shared/pdf/ess_keynesiantheory.pdf. A.

Millmow. 1991. Richard Swedberg, Joseph A. Schumpeter: His life and work.

Retrieved 8 March 2009 at <http://hetsy.fec.anu.edu.au/review/ejournal/pdf-back/22-RA-5.pdf>.