



Karl Heinrich Marx **1818-1883**

Life

- Born in Rhineland, son of attorney—member of haut bourgeoisie. Protestant, but of Jewish descent.
- Studied at Universities of Bonn, Berlin, and Jena—philosophy, especially Hegel. Too radical (some say—too Jewish) to get academic appointment.
- Married 1843 to daughter of high Prussian official, had seven children (three daughters survived). Constant struggle to maintain family.
- Worked as journalist. Involved in the (mostly liberal) revolutionary ferment of the 1840s.
- Forced by the unfriendly authorities to move constantly—from Koln to Paris to Brussels to Koln and Paris again—until the revolution of 1848, when he moved to London and stayed there, within circle of fellow radical exiles.
- His life was a struggle—disappointed in academic life, hardship in raising his family. His personal struggles not only embittered him toward capitalism, but made him something of a man of action, rather than purely an intellectual.
- Both a German (not committed to individual liberty, as an Englishman might have been) and an outsider (his status as neither Protestant nor Jew, his years in exile).

Ideas

- Scientific Socialism vs. Utopian Socialism
- Materialism: Means of Production → Social Relations of Production → Ideology
- Dialectic: Bourgeois (thesis) → Proletariat (antithesis) → Classless Society
- Class Conflict: Motor of History
- Modes of Production: Archaic → Tributary → Slavery → Feudal → Capitalist → Socialist → Communist

Technical Economics

- Labor Value of Goods = Wage + Surplus Value
- Profit = f(Surplus Value)
- Diminishing Rate of Profit: Surplus Value↑ → Physical Capital↑ → Number of Workers↓ → Surplus Value↓
- Crisis of Overproduction: Wages↑ → Machinery↑ → Number of Workers↓
 - 1) → Profits ↓
 - 2) → Demand for Goods↓ → Overproduction



Thorstein Bunde Veblen

(October 30, 1857 to August 3, 1929)

- Born on a Wisconsin farm, sixth of 12 children, moved to Minnesota as a child—pioneer lifestyle.
 - Native tongue Norwegian—Joseph Dorfman claims that Veblen spoke in broken English until college.
 - College: Carlton College in Minnesota, one of his teachers was John Bates Clark, an important neoclassical economist.
 - Graduate School: first Johns Hopkins and then Yale, where his most important teachers were William Graham Sumner (American disciple of Herbert Spencer) and Noah Porter (traditional New England moralist).
 - Received Ph.D. in Philosophy, but was not religious enough to find a job. Went home to Minnesota for seven years, read voluminously, especially in anthropology.
 - Eventually taught at Cornell, University of Chicago, Stanford, University of Missouri. Poor teacher, chronic womanizer, famously eccentric—he never attained the rank of full professor, and was usually unpopular with his colleagues.
- ❑ **Most influential work:** *The Theory of the Leisure Class* (1899). Coined the terms conspicuous consumption and conspicuous waste—explained consumption habits as a heritage of “barbaric” times.
 - ❑ **Work most esteemed by modern followers:** *The Theory of Business Enterprise* (1904). Set forth a theory of how business and industry are two opposing forces, in which all good things come from industry and business is only a selfish, retarding force.
 - ❑ **Work most esteemed by himself:** *The Instinct of Workmanship* (1914). Sets forth the psychological foundations of human evolution as a struggle between the “instinct of workmanship” and the “predatory animus.”

Two aspects of his contribution:

Negative (critical)—Veblen was a severe critic of classical, neoclassical, historical, and socialist economics. He argued that social science must analyze change, and must produce theories which explain change.

Positive (original perspective)—developed a view grounded in anthropology (instinct psychology, racial anthropology, comparative ethnography) describing the origins of consumption habits and business practices.

Selected ideas of use today:

- Ceremonial/Instrumental dichotomy
- Institutions are always adaptations to past conditions, and therefore never fully satisfactory in meeting the requirements of the present.
- Linkages among firms on a supply chain can explain both business cycles and the “penalty of taking the lead.”