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**KARL MARX AND HIS DIAGNOSIS OF CAPITALISM**

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***Abstract***

Methods used in this work: convergence of economic and medical approaches to the analysis of the capitalist mode of production; method of evaluation of the economic system as a biological (living organism). From the standpoint of these methods, it is concluded that the economist whose ideas had the greatest impact on the recovery of the economic system, is the largest economist of his time. The results of research, conclusions, discoveries and recommendations of the largest scientists, economists and practitioners are a kind of anamnesis of life and disease, diagnosis, treatment plan and epicrisis (discharge or posthumous) capitalism. The role of economic science outstanding scientists of the 18th-20th centuries. The role of Karl Marx - the largest economist of the 19th century. He saw numerous symptoms of the developing and progressive disease of capitalism, the first to put the capitalist system a reasonable clinical diagnosis-the deepening of the main contradiction of capitalism leads to the death of the system. Now it is necessary to clarify the methods of diagnosis, treatment plan of capitalism and therapeutic methods successfully used in the past by prominent economists of the 20th century, based on the diagnosis made by K. Marx. Therefore, the value of the brilliant Marx's discoveries today increases in theoretical and applied scientific and practical terms. This is particularly important for the reformed Russian economy, where the depth of the disease of capitalism has reached extreme severity.

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**Keywords:** Convergence of the economic and medical approaches to the analysis, diagnosis, treatment plan and epicrisis of capitalism, the actual saviours of capitalism from destruction, a combination of therapeutic and surgical methods of treatment of capitalism, the depth of the disease of capitalism.



## **1. Introduction**

May 5, 2018 marks the 200th Karl Marx's anniversary (1818-1883). The glorious anniversary gives an opportunity to evaluate his historical role in Economics and the importance of his economic ideas and discoveries for the present.

Now the world economic system (entirely capitalist) is experiencing a new deep systemic crisis, similar to the world great economic depression of 1929-1933. Therefore, the value of Marx's brilliant discoveries again sharply increases both in theoretical and applied scientific and practical terms. The publication of K. Marx's Capital has been resumed not only in Russia and China, but also in the West. In the world scientific literature is discussed again the current value of Karl Marx's economic theory (Jones, 2016; Megill, 2011; Rockmore, 2011; Yakovleva, 2014).

As Galbraith rightly wrote in 1973: "Marx did not possess supernatural powers that allowed him time to anticipate that, eventually, will happen. After Marx much has happened that it is necessary to take into account right now" (Galbraith, 1976, p. 74).

The unsolved problems of establishing elementary social equality (the absence of which according to Marx is the main painful problem of capitalism) do not allow the former socialist countries, and, above all, Russia, to build the most perfect economy for the 21st century - the social market economy (Noskov, 2003).

## **2. Problem Statement**

In the context of the systemic crisis of the world economy, the most important task of economic science is the development of methods of reforming and regulating the entire world economy and national economies that have been successfully used in the past. Including and on the basis of wide use of technologies of digital economy. It is necessary to clarify from the standpoint of scientific discoveries Made by K. Marx, the state of the modern capitalist economic system in the context of its globalization and the emerging polycentric nature of the world economy.

## **3. Research Questions**

It seems that now it is necessary to clarify the General diagnosis of the modern economic system, in the context of its globalization and the emerging polycentric nature of the world economy, breaking it into subsystems. This will be followed by the study of new modern methods of therapeutic (conservative), and maybe complex (including surgical interventions) treatment of chronic disease of capitalism.

## **4. Purpose of the Study**

Unfortunately, the old disease of capitalism is manifested to a greater extent in the countries of the former socialist system, especially in Russia. Figure 1 shows how inequality has changed in Russia since 1905 to 2015. As a result, Russian society has come to the same level of inequality as 110 years ago, only at a different level of consumption.

Another confirmation of the need for enhanced integrated technology of the capitalist system existing in the current Russia in the context of the new industrial economy and the so-called "revolution of managers" are the data on the amount of wages in Russia at the beginning of 2017 (Fig. 2). The graph

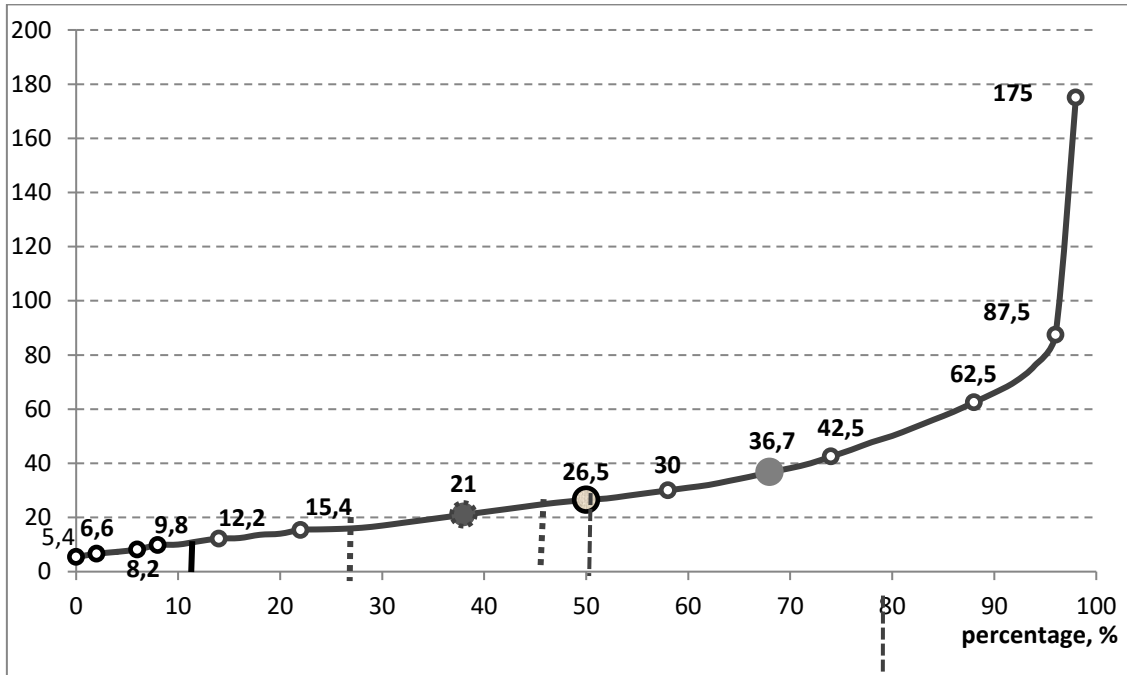
is the curve of the American economist and mathematician M. O. Lorenz (1876 - 1959). We see that 10% of the least paid employees had a salary below the subsistence minimum as of 01.01.2017 - 10678 rubles. While less than 5% of employees received more than 175 thousand. rubles per month, and 0.4% - more than 300 thousand rubles, etc. The Considered form of the Lorenz curve is a visual sign of the anomaly of the parameters in Russia of the income inequality index of the Italian statistician and demographer Corrado Gini (1884-1965): 1 – complete inequality, 0 – complete equality of income. By the value of the index (more than 0.5) Russia is adjacent to the United States, Brazil, Bolivia, Botswana, Zambia, Namibia, etc.



**Figure 01.** How inequality changed in Russia (1905-2015). Source: Noskov (2018).

This is clear evidence that in Russia there is an unjustifiably large difference between the incomes of low and high-paid workers, the poor and the rich. The best indicators in the world for countries with socially oriented economy are: Denmark, Norway, Sweden, Czech Republic and others (0.2 – 0.3). In Japan, the UK, Germany, Spain, France – the Gini coefficient is on average about 0.35.

Effective therapy of modern capitalism requires highly educated, but objective, combining different approaches to solving economic problems, and not standing on the extreme, narrow positions and views, and therefore actually not enough competent economists – practices. They are designed to conduct effective therapeutic, and can be Surgical treatment of the sick economic system in the new conditions. This is especially true for Russia.



**Figure 02.** Distribution of the number of employees in the Russian Federation by the size of wages in thousands of rubles on 01.01. 2017. Source: Noskov (2018).

- Notes:
- - average salary; ○ - median salary;
  - ★ - modal wages; □ - the range of modal wages;
  - ▭ - Wages below the subsistence level

We know from history and remember 2 brightest stages of incompetent management of the Russian economy. Stage 1 – 1918-1921 - the era of "war communism" carried out the most educated in the world that the government of V. I. Lenin, but standing on the extreme left positions. And stage 2 – 1992 – 1998 – the period of artificial deindustrialization and destructive privatization, organized by the government of E. T. Gaidar (1992 – 2009). It was a competent government of "senior researchers" - candidates and Doctor of Sciences, but standing on the extreme right, neoliberal positions. In both cases, sad results have been achieved for the Russian economy.

## 5. Research Methods

Once two physicians who became great economists of their time, the Englishman W. Petti (1623-1687) and the Frenchman F. Quesnay (1694-1774), using the methods of the natural Sciences for the first time in economics, obtained outstanding results – in particular, formulating the concept of "the natural order".

The methods used by us in this work: the convergence of economic and medical approaches to the analysis of the capitalist mode of production; the method of assessing the economic system as a biological (living organism).

From the standpoint of these methods, an additional justification is the assessment of the greatness of the economists of the past, given by the outstanding British economist John. M. Keynes (1883-1946) in his work "The General Theory of Employment, Interest and Money" (1936) (Keynes, 1993).

The ideas of the world's largest economists contribute to the development of the vital energy of the economic system. The economist whose ideas had the greatest impact on the recovery of the economic system was the largest economist of his time. Capitalist mode of production is the leading in the world for 3 centuries. In accordance with this approach, the largest are economists who have made the greatest contribution to the improvement of capitalism, denoting its ailments (contradictions) and determine the methods of their treatment.

The largest economists-practitioners are those who successfully applied methods of treatment of capitalism as operational (revolutionary), and conservative, therapeutic (evolutionary reforms). It should be borne in mind that in modern medicine, conservative methods of treatment are recognized as preferable to surgical. This is also true in the economy.

Thus, the results of research, conclusions, discoveries and recommendations of the largest scientists, economists and practitioners are, using medical terms, a kind of anamnesis of life and medical history, diagnosis, treatment plan and epicrisis (discharge or posthumous) capitalism.

## 6. Findings

Smith (1723-1790) – the largest economist of the 18th century showed the prerequisites, heredity, sources and conditions for the successful formation of the capitalist economy. He revealed the mechanism of its functioning-justified the concept of laissez-faire (principle of non-interference), emphasized the special importance of the division of labour and the vastness of the market for the development of capitalism, and defined the doctrine of free enterprise. That is, anamnesis of the life of capitalism is established.

Speaking about the scientists of the classical school, it is necessary to recall the outstanding French economist Sei (1767-1832). Sei identified three factors of production: labour, capital, and land. All economic benefits are created with their participation. According to the Sei, the capital is involved in the production process along with the person and his activities should also be rewarded. Interest on capital is an analogue of wages (Boehm-Bawerk, 2009). The fundamental idea of J. B. Sai's about equal involvement of 3 factors of production in the creation of new wealth has become a classic. And for the first time it gave rise to the idea of the fundamental need for cooperation and peaceful creative coexistence of the owners of various economic resources.

K. Marx - the greatest economist of the 19th century. He saw numerous symptoms of the developing and progressive disease of capitalism. He was the first to reveal its main contradiction – between labour and capital, having formulated the theory of surplus value on the basis of the development of the theory of labour value of his predecessors, revealed the essence of profit, rent, wages, showed his vision of the exploitation of workers. That is, using the anamnesis of the life of the capitalist system, established anamnesis of its disease. K. Marx was the first to make a reasonable clinical diagnosis to the capitalist system – the deepening of the main contradiction of capitalism leads to the death of the system. Such a diagnosis assumed, in fact, the predicted posthumous epicrisis of capitalism, formulated in Chapter 24 of the 1 volume of "Capital": "the Monopoly of capital becomes the shackles of the mode of production that grew under it and under it. The centralization of the means of production and the

socialization of labour reach a point where they become incompatible with their capitalist shell. It explodes. It's the hour of capitalist private property. Expropriators are expropriated" (Marx, 1960, p. 117).

Unfortunately, Marx's plan of treatment of the social economic system did not involve the use of conservative methods. Treatment was supposed by surgical intervention, that is, by force, revolutionary methods, based on the establishment of the dictatorship of the proletariat. In this case, the plan of surgical treatment in K. Marx is not described in detail. His great follower and collaborator F. Engels (1820-1895), the editor of 2 and 3 volumes of "the Capital", published after K. Marx's death, also said nothing about specific measures of operative treatment of capitalism.

Detailed plans for operational (revolutionary) intervention in the social economic organism suggested the largest theorists of Marxism – Marx's followers: V. I. Lenin (1870-1924), L. D. Trotsky (1879-1940), I. V. Stalin (1879-1953), Mao Zedong (1893-1976). They also carried out practical actions to revolutionize the economic system of their countries, virtually eliminating the capitalist system of economy in the USSR and China. Post mortem epicrisis of capitalism have already been formulated in 1959 on the 21 Congress of the CPSU, which announced the complete and final victory of socialism in the USSR.

Great depression 29-33g.d. the 20th century forced the representatives of the neoclassical school of economic theory to turn again to Marx's legacy. This, for example, noted the outstanding American economist Vasily Leontiev (1905-1999) in his work "The Modern Value of Marx's Economic Theory"(1938) (Leontiev, 1990).

In the most developed countries of the world by the 30s of the 20th century, the economic prerequisites for conservative, therapeutic treatment of the disease of capitalism are ripe. And this treatment plan was based on the diagnosis made by K. Marx.

John. M. Keynes - the largest economist of the 20th century showed the possibility of conservative, therapeutic, without operations (revolutions) treatment of the capitalist system of economy. He developed a conservative treatment plan, a system of recommendations not only to prolong the life of capitalism, but also to improve the entire economic system of capitalism.

Finally, the great economists-practices: the 32nd American President F. D. Roosevelt (1882-1945), and the Federal Chancellor of Germany L. V. Erhard (1897-1977), who pursued an economic strategy, which was later called "Social and Market Economy", actually applied in practice to improve capitalism recommendations developed by J. Keynes, based on a diagnosis made by K. Marx.

They were the first economists who managed to achieve the recovery of the capitalist system in practice. L. V. Erhard their basic ideas and conclusions described in his book "Welfare for All" (1956) (Erhard, 2001).

And here we have the right to apply the medical concept of "discharge epicrisis", which is issued when the patient is preparing for discharge. It specifies therapeutic measures, necessary preparations, recommendations on diet, physical activity and working capacity.

All such economic regulations (in the form of recommendations to governments, Central banks, economic subjects of the market) for the economic system of capitalism were developed by representatives of the Keynesian trend in economic theory during the 40-70s of the 20th century. These recommendations were successfully and effectively used by social democratic governments that were in

power in a number of Western European countries in 40-70 and did a lot to give capitalism not only a "human face", but also a very attractive content. The Soviet expression of 70-80g.g. "Beautifully Rotten Capitalism" - that important confirmation. And, of course, the social Democrats of the West have never forgotten their theoretical and spiritual connection with Marx's teaching.

In the same years, the outstanding American economist John. K. Galbraith (1908 – 2006) are developing very constructive ideas about the inevitability of eventually combining conservative and surgical approaches to improving the socio-economic system (the treatment of capitalism), which of course perfectly matches medical theory and practice (Galbraith, 1988). He formulates, in particular, the convergence theory of market and planning systems. In the book "Economic Theory and Goals of Society" (1973) J. K. Galbraith noted that: "a Market system must exist alongside a planning system" (Galbraith, 1976). In another of his work "New Industrial Society" (1967), he states: "in General, it seems that the problem of industrial enterprise management in the Soviet conditions is solved in the same way as in the West.... Since then, the pressing demands of technology, organization and planning have been the same in all industrialized countries and have led to very similar results" (Galbraith, 2004, p. 102).

## 7. Conclusion

Thus, the economists who rendered the greatest help to formation, development and survival of modern economic system of economy, that is, the actual saviours of capitalism from inevitable death under the influence of development and aggravation of the immanent internal contradiction can be considered:

- 1) A. Smith, who established the anamnesis of the life of the capitalist system of the economy.
- 2) Karl Marx, who based on the study of the history of life and the history of the disease of capitalism justified his clinical diagnosis and tried to predict his posthumous epicrisis.
- 3) John. M. Keynes, who proposed a real practical plan of conservative, evolutionary without operations (revolutions and dictatorship of the proletariat) treatment of capitalism, prescribed the necessary therapy.
- 4) F. D. Roosevelt and L. V. Erhard, who successfully applied the system of therapy of the capitalist economic system in practice and issued a prescription for capitalism at the end of the 20th and the beginning of the 21st centuries.

It is important to make positive use of the experience of Chinese economists, theorists and practitioners who not only ensured the highest rates of development of their country in the world in recent years, but also create in China a system of modern capitalist economy "with a human face". Here it should be noted the role played by the Chinese leader of 80-90 of the last century Deng Xiaoping (1904 – 1997) for his country. His statement at the meeting of the Politburo of the CPC Central Committee in October 1992 should be considered as fundamentally important. Deng Xiaoping said that, all people should benefit from the distribution of national income. In the case of polarization, China will face the question of a possible revolution.

Therefore, the development of new methods, probably complex therapy capitalist mode of production is especially important for our country. The concern for the active longevity of modern capitalism is, of course, the concern of the most developed countries of the world.

It is hoped that in Russia During his next presidential term Vladimir Putin (b. 1952) will take all possible efforts for deep therapeutic treatment of the existing painful capitalist system, by giving her at last the human form (Chekmarev, 2003). He noted before the elections: "We need to understand the state of our state, economy, political and social sphere, the main priorities of world development, trends - what will make... the country great - in terms of the quality of life of people, in terms of prospects for self-preservation and development for the future" (Putin, 2018, p.49).

Only a courageous and moral politician can cure the Russian economy on the basis of a clear understanding of the diagnosis made by K. Marx to the capitalist system.

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