

CONCEPT: OVERVIEW OF THE COMMUNIST MODEL

- The **Communist model** was the biggest critique of the free market system
 - Developed by Karl Marx in the 1860s, notably through his publication of *Das Kapital*
 - After studying mainstream economics, Marx believed he understood the long run of the free market system:
 - > **Labor Theory of Value** – all value of a good or service is attributable to the labor involved in creating it
 - The owners of the businesses – capitalists – added nothing of value to the product
 - Their “monopoly over the means of production” (i.e. factories) allowed them to exploit workers
 - The value added by workers to production is much higher than their wage
 - > He believed that the wages eventually be driven down to “bare survival” levels
 - > Control of production would be consolidated by a few firms
 - These firms would have trouble selling their products to the penniless masses
 - > Finally, the working class would rise up and “seize the means of production” and establish **Communism**
 - Marx died in 1883 without ever providing how a Communist economy would operate
 - Communism was attempted in Russia by the Bolshevik Party in 1917
 - However, the Soviet Union was a cruel dictatorship
 - Communism spread to other countries including China and the Eastern Union
 - The Soviet Union collapsed in 1991
 - The only remaining communist countries claiming to be based on the ideas of Karl Marx are:
_____ and _____