

# CHAPTER ONE

## INTRODUCTION

### 1.1 General Background

The twenty-first century is a great transitional era. During 1990's, socialist economic model of the former USSR and Eastern Europe has been collapsed. Modern capitalist economists and western government propagandist triumphed on it. According to them, the debate between capitalism and socialism is over. Globalized world and New- Laissez fair economy have been the battle cry. The followers of this New- Laissez fair economy are announcing that there is no alternative of the capitalist economy. Capitalism is the last truth according to the western spokespersons. Another massively used word is sustainable development it is said that socialism has failed or not sustained and on the other side capitalism has proved its sustained growth. However, what is the present world reality? "we are witnessing explosive growth in all directions: growth in productive capacity among the rich, population growth among the poor, wasteful opulence and grinding misery; meteoric success stories and maws marginalization, globalized competition for markets and rapid depletion of fossil fuels, increasing erosion and environmental pollution, growing conflict over diminishing resources and the proliferation of increasing lethal weaponry, of late all these historical process seem to be accelerating."

Nobody can neglect the past human history. We can change our present reality. We can make our future, but we cannot change the history. The two system's capitalism and socialism both are the experiment of the social engineering. Capitalism emerged in its natural historical stage avoiding the feudalism. During its various stages of development it has faced numerous ups and downs, turns and twists. The history of western civilization shows that from 15<sup>th</sup> century to 19<sup>th</sup> century, the capitalist social system and suffered from the old system: the feudalism, the feudal lords tried to stop the bourgeois revolution. The feudal lords and kings were able to regain power for short time. The hundred years of the struggle of French - Revolution and counter – revolution is the most suitable example. It was the historical necessity that feudalism could not survive in the western and many other parts of the world. There is still remaining feudalism in most of the third world countries but nobody can say that this is an appropriate system. The negative consensus about feudalism is worldwide. Some years before the word "feudal lord" were so much respectable, but now this is an abusive word in the field of economics and politics.

Likewise the socialism did not emerge in a day. It was the response to the failure of capitalism in eradicating the mass poverty. Merely saying that socialist model has been failed is not the correct answer, because “capitalist liberalism did not offer a solution” (Heilbroner, 1993)

It is the human nature that has been struggling for equality. The issue of equality and inequality are obviously related to economic points. Without economic equality the questions of political equality becomes a mere slogan for ages human beings have been debating and making diverse researches on the issues of improving economic conditions of society. The emergence of capitalism and socialism and so called 'the failure of the socialist model' should be taken as the experiment of the human society. However, the researchers vary in their opinions and approaches about the problem. All the great thinkers though out ages,- either from the east or from the west. - Gautam Buddha, Socrates, Plato, Aristotle, Adam Smith, David Ricardo, Charles Fourier, Robert Owen, Proudhon, Karl Marx, J M Keynes, and so on have been speculating on economic problems of human society. Here we should quote Robert Heilbronn. "It is the wealth is inextricably associated with inequality, this is an insight that we get from a most unlikely source. The first of the great philosophers of capitalism, who wrote, "Wherever there is great property, there is great inequality. The affluence of the rich supposes the indigence of the many." It is Adam Smith speaking not Karl Marx. And everybody knows that Robert Heilbroner is not a socialist.

We also see another dimension of picture after the downfall of the ex- USSR and Eastern Europe model socialism. That is the high sound of the Globalization. All the third world countries like Nepal, will gain certainly something by the process of globalization. In spite of it they will get mass poverty, depletion of natural resources, heavy burden of loan and so on.

Karl Marx, who brought forth new economic principle after criticizing capitalist economic and earlier utopian socialist concepts of 18<sup>th</sup> and early 19<sup>th</sup> century,. With the publication of Communist Manifesto in 1848 as a joint venture of Karl Marx and Frederic Engels, the Marxist socialism stood on its own solid foundation. Hence, it was only Das Capital, the major work of Marx, which provided the systematic principles of Marxist economy. Engel's Anti-Duhring and Origin of Family, Private property and the state enriched it. In

the pursuit of Marxian tenets, for the first time in human history, Vladimir Ilyich Lenin made successful implementation of it in the land of Russia.

After the great October Revolution, Marxism has gone through various experiments, turns and twist, ups and downs. Before the downfall of the former USSR and Eastern Europe model socialism, there was no debate: there was cold war between the two super powers of the world. But now serious debate has been raised. Among the Marxist, there is a debate of how to prove the superiority of Marxism-Leninism and among the capitalist, how to check the danger of out-bursting communist revolution.

In the present context of Nepal, even anti-Marxist political parties do not directly oppose the Marxist economic principles. Even politics based on provincialism and castism, somehow, avoid directly criticize Marxism. In this context, communists in Nepal have practicing Marxist theory, which is attempting to avoid errors of earlier practice. It is interesting that when Marxist regimes of ex- USSR and Western Europe have been collapsed, communist movements in Nepal is gaining new heights. Marxian economic principle has long background of support and refute, it is a very interesting and useful point to study economic programs of major political parties in Nepal.

## **1.2 Statement of the Problem**

Relation of production is the main driving force for economic development from the Marxist Economic point of view. Marxism does not accept, for any economic situation and the related problem of any country as granted. Rather, it searches for the reason of emergence of such problems, their development and present situation in a dialectical materialist method. Because of this reason, dialectical materialism is both, the philosophy and the method of Marxist. Historical Materialism is a process to analyze the emergence, development and the current economic situation of the society in materialist view.

Many Nepalese Political Parties have adopted Marxist Philosophy and Nepal has still adopted “trickle down approach’ of development. But the lack of own economic model and originality in view is the greatest weakness among the pile of shortcomings. On the basis of our investigation, it will be analyzed that what sort of Marxist model of economy will be suitable form to enhance backward economic structure of Nepal. Following issues tried to be analyzed in this study.

- Is Marxist economy still dynamic or a matter of history?
- How can Marxist economy be implemented in short run and long run?

### **1.3 Objectives of the Study**

In the economic development of Nepal, policies adopted proved failure. Economic policy framed with the advice of international agencies like World Bank, IMF and other have not progressed as per the people's expectations. Nepal urgently requires its own economic policy. For this purpose new economic concept is to be generated and developed. This study attempts to undertake these serious tasks. For this purpose serious debate is to be started. In this study, the specific objectives are as follows:

- To study the historical and dynamic roles of the Marxist thought.
- To overview of the study the impact of Marxist economic thoughts in short term and long term policy in Nepal.
- To identify the Marxian economic thought in plan, policies, and program of Nepalese Government.
- To find out the validity of Marxist economic thought in Nepal.

### **1.4 Significance of the Study**

This study is an attempt to analyze economic program of some major political parties from the Marxist philosophical vision which can validate the implication of this thought in Nepal.

There are sufficient materials on Marxist politics provided by academic intellectuals in Nepal. Likewise, Communist and non-Communist political leaders of Nepal have written sufficiently on support and against of Marxist politics in Nepalese context. Even though, a little has done in the field of Marxist economics. This research will add some dimension on Marxist thought with special reference to Nepal. Following points are taken as scope of this study:

-Implication of Marxist economic policies in Nepalese political parties.

-Influence of Marxist's Philosophy on economic policies adopted by different Government in Nepal (1990-2011)

## **CHAPTER TWO**

### **REVIEW OF LITERATURE**

#### **2.1 Conceptual Framework**

Marxism is regarded as a systematic social science, philosophically; it contains Dialectical and Historical Materialism, economically Labor Theory of Value and Theory of Scientific Communism and politically Theory of Class Struggle. Frederick Engels, Karl Marx and V.I. Lenin are the main figures of Marxian principles. The words Marxism and Leninism are inseparable from the origin and development of Marxist principles. After Lenin, various thoughts and experiments have been developed within the framework of Marxist-Leninist philosophy but any other isms cannot be found to be added with Marxism-Leninism. It is a disputed issue that some politicians in the contemporary world have started calling Mao-Thought as Maoism. Lenin defines Marxism as, "a consumable philosophical materialism, which has provided mankind and especially the working class with powerful instruments of knowledge" (Lenin, 1981). It is also considered as a scientific system of philosophical, economic and socio-political views created by Marx and Engels and creatively developed by Lenin in new conditions.

#### **2.1 Early Thoughts of Communism**

Communist ideas can be traced back to ancient times. In the 4<sup>th</sup> century in his great work *The Republic*, Greek philosopher Plato maintained that minimizing social inequality would promote civil peace and good government. In Plato's ideal republic, an elite class of intellectuals, known as guardians or philosopher-king, would govern the state and moderate the greed of the producing classes, such as craftsmen and farmers. To cement their allegiance to the state instead of their own desires, the guardians would own no private property and would live communally residing in barracks together and raising their children as a group instead of in small families. In the medieval Christian church, the members of some monastic communities and religious orders shared their land and goods. Such groups believed that private property takes away from services to God and neighbor. In the 16<sup>th</sup> century, English writer Thomas More, in his treatise *Utopia* (1516), portrayed a society based on common ownership of property, whose rulers administrated it though the application of pure reason. More evidently Mores' treatise is a satire of perfectionist projects for human betterment and is a stinging critique of the misgoverned European states of his time. In 17<sup>th</sup> century England a Puritan religion group known as the Dagers advocated the abolition of private ownership of land.

Criticism of the idea of private property continued into the Enlightenment of the 8<sup>th</sup> century, through the thinkers such as Immanuel Kant in Germany and Jean Jacques Rousseau in France. Philosophers of the Enlighten maintained that it is the natural condition of human beings to share equally in political authority and the reward of labour. The French Revolution (1789 –1799), which overthrew the monarchy, developed from this philosophical basis. The upheaval of the Revolution brought forth flurry of communistic ideas. Francois Noel Babeuf, a revolutionary firebrand, espoused the goals of common ownership of land and total economic and political equality among citizens. It is clear from the above statements that early thoughts of communist were against private property and in favors of collectivities. The issue of private property was a debatable subject form varies early period.

### **2.1.1 Concept of Ideal State**

Athens (Greece) was very significant place for the origin of philosophy in the ancient period. Plato and Aristotle both were veteran philosophers at that time. Plato belonged to the city-state of Athens and Athens was something special in Greece and in the world. It produced many philosophers and artists and it was the center of democracy and individualism. Plato wrote in the days of the decline of Athens. Athenian democracy, in his days, lost much of its democratic content. In discussing the ideas of Plato, it is important to remember that Plato was essentially an aristocrat. A new commercial class was coming up to power. There was too much of commercialism. And Plato's dislike of Athenian democracy of his days might be regarded as a spiritual revolt of a philosopher against the excess of commercialism (Haney, 1977). Plato's concept of a ruler is an ideal one. His ruler is free from any motive of economic exploitation and his rule accepts rigorous standards of conduct.

In Plato's ideal state, are two classes: the rulers and ruled. The rulers are divided into guardian and auxiliaries. The latter (the ruled) are the artisans. As the artisans are engaged in the menial occupations of the production and exchange of wealth, none of them will have the ability necessary for running the government. The members of the ruling class will be set part from early childhood. They will be carefully educated not only in philosophy but also in the art of war since they will have to protect their state against foreign attack. At the age of thirty, they will have to pass and examination. Those who pass the examination become the "philosophers' kings". In other words, they become guardians in the fullest sense (real rulers). All those who cannot pass the examination

remain auxiliaries (soldiers) and they are entrusted with general administrative duties. Thus, Plato believed in rule by elite. It was for this elite group Plato suggested a communistic way of life. The upper classes from whom leaders are trained must lead Spartan life. They must not have any property beyond what is necessary. They must not acquire homes or lands or money of their own. If they acquire these, they will become housekeepers and husbandmen instead of guardians. In other words, the upper classes will not have any private property and family. They will live together and share common meals, like soldiers in camp. And the strange thing is that they share woman too. Thus, there is communism in respect of goods as well as women. The best political community is one made up of friends who share everything such as women, children and all possessions. Members of the ruling class will not be allowed to possess gold or silver, "that mortal dross which has been the source of many unholy deeds." Plato does not want the rulers to own any property because the ruling class will be corrupt if they acquire a taste of money and possessions. There are two divergent views on the scope of Plato's communism. There is one set of writers who believe that if Plato had been alive today, he would have been the reddest of reds. For instance, Mr. Beerin "Social Struggles in Antiquity" asserts it is quite clear that "Plato advocated communism for all Helens (Greeks). Otherwise, there would be no point in the entire social criticism which he levels in both his works, against the economic, political and moral conditions of his country." But other writers such as Alexander Gray believe that Plato's communism is prescribed only for the limited class of the guardians, who are to live a semi-military life." It is in fact, the communism of the camp" (Haney, 1977). Plato recommends communism solely for the upper sections. Schumpeter is also of the opinion that "though Plato's influence is obvious in many communistic schemes of late ages, there is little in labeling him a communist or socialist or a forerunner of later communists or socialists." Plato's constitution does not exclude private property except on the highest level of the society (Haney, 1977).

### **2.1.2 Origin of State**

Aristotle understood that State was the best in which the middle class was strong enough to control the other two classes: rich and poor. He favored a city inhabited, as far as possible, by the equals and similar. According to him, citizenship rights were to be conferred on three classes of people, warriors, priests and rulers. He suggested that every individual, at different times in his life, should act as a warrior, a priest and ruler. He

excluded mechanics, artisans and merchants from citizenship because their activities were ignoble. According to Aristotle, the state, like the family and the village, "originates in the bare needs of life." He explains the origin of the state in terms of the household. The household is "the association naturally formed for the supply of wants." The village grows out of the number of households and finally the state comes into existence. Man is by nature a political animal. Not only that, he is also a social animal. The state is possible because all men live together in society. The aim of the state is promotion of good life. Thus, Aristotle attributes the origin of the state to economic and political causes.

Aristotle's view of the ideal state differed from that of Plato. Plato advocated complete communism, which embraced not only property, but also wives and children. Aristotle was against Plato's communism of wives and children. He was also for the continuation of the institutions of family and private property. In Aristotle's ideal state too, there would be the rulers and the ruled. These rulers are classified into the military class, the statesmen, the magistrates and the priests. It is quotable here "these functions are not to be divided among different groups: according to age the members of the ruling class will perform these tasks of government; they will be soldiers when they are young and strong, statesmen in the prime of life; and priests in old age" (Srivastava, 1970).

Plato and Aristotle were different greatly in their ideas as to be given communism. Plato desired a complete communism, embracing not only property, but also wives and children. He did not give the details of his scheme for communism in property. He made it clear, however, that his object was to promote harmony by removing the ground for civil suits and uniting all citizens by common interests. His ideal state is characterized by a community of wives and children, partly with the aim of population. The deformed will be put away in some mysterious, unknown place, as they should be. This must be done if the breed of guardians is to be kept pure. This Plato's communism did not stand for an absolute mechanical equality, but recognized authority and class distinctions (Haney, 1977). Aristotle tried further to develop idea of communism. However his attempt also could not escape from the ethical and religious values of the society.

### **2.1.3 Utopian Socialism: Idea of Equality, Freedom and Brotherhood**

After the class division of human society two opposite worldviews and two opposite economic interests emerged. The privilege sections of the society willingly continuous the existing situation. The other hand, the deprived section of society wants to over-throw the existing society based on the class antagonism. The establish equality in the human society



various thinkers have done experiments. Utopian ideal means any idea before going in social action, shapes itself in imagination or in utopian thoughts. Here utopian means no place in Greek language. In recent times, utopia is an ideal place or state of life. It was the common conviction that all the inequalities were related with feudal exploitation during the feudal era in Europe. Equality, Freedom and Brotherhood among men were the slogans of rising bourgeoisie force. Market economy was considered as that remedy for all economic problems. But the results of bourgeois revaluation were rather disappointing for the lower strata of the population. The freedom of property from feudal fetters becomes the freedom to the small capitalists to sell their small property to big capitalist. The concept of self-adjusting economic and neutrality of government proved itself a myth. At such a situation serious criticism stated for the classical economy from both sides: from the capitalist economists and from its opponents.

There is no agreement among expert as to what constitutes the essence of socialism. In the history of modern political thought the word 'socialism' was first applied to the teaching of men like Saint Simon, Charles Fourier and Robert Owen in the twenties of the nineteenth century. The schemes for the salvation of mankind recommended by them differ in important respects, but they have common features which deserve to be noted. The first important thing to note is that, though all of them sympathized with the plight of the poor and wanted to mitigate the hardships from which they suffered, they did not identify themselves with the cause of the working class as Marx was to do later on. Their aim was to remodel society in the interest of all. In this respect they bear a striking resemblance to the Sarvodaya movement initiated by Mahatma Gandhi which seeks to promote the goods of the community as a whole and not of any particular section of it as the communists do. This is an important feature of utopian socialism which distinguishes it from proletarian socialism.

The second point worth noting is that all the utopian socialists are non-revolutionaries. They do not think about violence or revolution for ushering in the new social order; they do not advocate the use of even the political weapon. They depend upon education and propaganda through lectures and writing for achieving their aim. We have seen that Fourier laid stress on education, and Owen even more than Fourier. For Owen knowledge was virtue, and ignorance vice and misery. The utopians were precluded from favoring violence by their belief in the inherent goodness of human nature. This may be regarded as the third common feature of utopianism. In other words, the inspiration of Utopianism was

ethical; it sought the improvement of man by an appeal to the reason in him through education. It was the fond belief of the utopians that capitalism was so manifestly unjust and unreasonable that nothing more than a laying bare of its iniquitous and oppressive nature was needed to convert mankind to their view and make socialism triumph over it.

#### **2.1.4 Pre-Marxism Socialism**

Besides the utopian socialists, there are a few other important figures in the history of socialist thought before Marx to whom reference should be made. They are Charles Hall, Thomas Hodgkin, William Thompson and John Gray. The amenities, comforts and luxuries of life made available by civilization are generally reserved for the rich; the poor are excluded from their benefit. Hall finds the reason for this phenomenon in the character of the state. 'Anticipating the Marxian theory of state as a class-structure, he tells us that in civilized states all power; legislative, executive and judicial, are located in the hands of the few rich who form an aristocracy. Hall holds that an increase of the wealth and power of the few means an increase of the poverty of people. Yet Hall anticipated Marx.

William Thompson has been described as the most eminent founder of scientific socialism and he accepted the wrong distribution of wealth as the chief causes of human unhappiness in the new social order, he envisaged to make labour free and voluntary its direction and continuance, and to secure to labour all the wealth production regarding by it.

Thomas Hodgkin is another forerunner of Marx. His small pamphlet, *Labour Defended against the Claims of Capital*, is one of the most aggressive and closely reasoned documents of the labour and socialist movement. Its central theme is that labour occupies the most important and central position in the productive system; land and capital cannot be regarded as factors of production compared with labour; whatever utility they have is derived from the labour of persons. But the workers do not and cannot obtain the wealth produced by their labour; they receive and have received as much as will enable them to subsist.

John Gray also anticipated Marx in his condemnation of the existing system on the ground that the workers who produce wealth are robbed about four-fifths of the wealth they create which is distributed among the non-producers who do no equivalent service to the community. According to him this evil is due to the principle of exchange and is aggravated by competition. If society were organized on the basis of barter, people giving and taking equal quantities of labour, society would have been happy. But the principle of

barter is elbowed out by the principle of exchange which enables merchants, traders and employers to take away a great part of the wealth created by the workers. Gray recognized the labour of only those who work in fields, factories and mines as productive; the work done by the rest is classed as unproductive, though in some cases it may be useful, e.g. physicians, scientists and artists. In this background we are in a position to discuss the scientific socialism of Karl Marx which has exerted tremendous influence in shaping human history since the publication of the famous Communist Manifesto in 1848.

## **2.2 Background of Marxist Theory**

Like all new principles, Marxist philosophy does criticize old philosophy, interest its own philosophy and refutes the charges posed by its rivals or counterparts. Marxism is basically an economic doctrine, which interprets economic phenomenon in the light of Dialectical-Materialism philosophy. Marxism takes the 'Dialectical-Materialism' as a tools and method for the explanation of economic theories. Marxist economic doctrine is closely connected with its philosophy-the dialectical materialism. According to Marxism every social system depends upon base i.e. economic relations generated from the mode of production, method of production and distribution system. Besides the economic base, everything else like the state, human consciousness and relations, all sorts of cultural activities and traditions, all kinds of ideologies and philosophies are superstructures. In a single sentence, we can say that every economy creates its own philosophy. Economics is the base and everything else including philosophy is superstructure. Economics is the content and philosophy is the form. Economic theory is the essence, which appears in a definite philosophy. The multi-mega-volumes of Marxist economy often written jointly by Karl Marx and Frederick Engels (and also their followers) are in light of dialectical-materialist philosophy.

Marx and Engels said themselves that the emergence of Marxist philosophy was no accident. It is a result of mankind's progress. Just as the whole of Marxism, the Marxist philosophy could have been elaborated only as a result of the extended development of the society, of philosophy and the natural and social sciences. "Marx and Engels were able to formulate it because definite social, natural-sciences and theoretical pre-requisites for it had taken shape by that time. "Marxism-Leninism as a new principle consists of the following three composite organs: i) Philosophy (dialectical materialism), ii) Political economy, and iii) Theory of scientific communism. As Marxism have three composite

organs: it also has three sources known as sources of Marxism, Classical German Philosophy, Classical British Economy and Utopian Socialism.

## **2.2.1 Major Concepts of Marxist Political Economic Thought**

### 2.2.1.1 Dialectical and Historical Materialism

Marx and Engels did not write separate books for dialectical and historical materialism. They used dialectical materialism as a method for the analysis of economic phenomena. Even the non-Marxist scholar have regard Marx's discovery of the dialectical materialist system of philosophy as a revolution. Just as the whole Marxism, Marxist philosophy could have been elaborated only as a result of the development of the society, of philosophy and of the natural and social sciences. "Marx and Engels were able to formulate it and definite social natural–science and theoretical prerequisite for it had taken shape by that time" (Lenin, 1982). Law of Conservation and Transformation of Energy, discovery of the Organic Cell and the theory of Evolution were the prerequisites of natural science. Ludwig Feuerbach's Materialism and G.W.F. Hegel's Laws of Dialectics were theoretical prerequisites and socio-economic conditions of the European continent were the socio-economic prerequisites. The industrial revolution brought two opposite classes: the bourgeois and the proletariat. Low wages, higher working hours, lower standard of living and exclusion of workers from the political right gave rise to the worker's movements. The proletariat's struggle was at primitive level and in the forms of sporadic action against individual capitalist at the beginning. It became gradually more organized and purposeful but the workers had no knowledge of short term and long-term goals of their movements. The situation demanded a scientific theory in favor of working class.

There are three basic laws of dialectical materialism : i) Law of Unity and Struggle of Opposite, ii) Law of Transformation of Quantity into Quality, and iii) Law of Negation of Negation.

The first law defined that every object or phenomenon possesses the unity and struggle of opposite. The unity of opposite means that they cannot exist without each other and are mutually interdependent. Struggle means the opposite aspects negate each other. This is called contradiction. The contradictions in the world and universe are numerous. More important contradictions are internal and external, antagonistic and non-antagonistic, basic and non-basic. Within the contradiction between two opposite aspects the progressive and rising aspect wins and there emerges a new object, phenomenon or society. The law of the transformation of quantity into quality states that change occurs at the beginning

quantitatively within the certain limits. When quantitative change (growth, degradation, addition and subtraction) crosses that limits or critical point, there is quantitative change. Engels says, "In nature qualitative changes can only occur by the quantitative addition or quantitative subtraction of matter or motion" (Marx, 1975). The law of negation to negation shows progressive and spiral character of the development process. The old is negated by the new. The law of negation to negation operates with the close connection of other two laws. By this law, Karl Marx wanted to prove that every mode of production would go to change. Nothing is static, all things, objects, matters, ideologies and socio-economic systems are changing and will change from time to time.

As every science and philosophy possesses its own system of categories or non-basic laws, dialectical materialism has its own categories: i) Content and Form, ii) Singular, Particular and Universal, iii) Cause and Effect, iv) Necessity and Change, v) Possibility and Reality, vi) Essence and Appearance, etc. In every object and phenomenon, matter and ideology mode of production is the content and superstructure is the form of society. Marx and Engels applied the law of possibility and reality to define the necessity of human activity for the socio-economic change (Marx 1969). Historical materialism explains human history through the application of dialectical materialism. The theory explains mode of production as the real basis and guiding force for the social existence and development. Marx and Engels expounded this theory in their various writings in the joint venture such as : i) The German Ideology (1846), ii) The Holy Family, or Critique of Critical Criticism (1845), and Engels broadly worked on this theory in his books: Anti-Duhring (1879), and the origin of the Family, Private Property and the State (1884).

Lenin further explained that historical materialism is against Vulgar Materialism. Vulgar materialism denies the role of ideal, political and other institutions, culture and customs. But the historical materialism stresses the role of the personalities through material basis. It shows the great role of the subjective factors, the action of the people, classes, parties and social consciousness of the general people or the civil society. Lenin said, Marx and Engels, as they grew out of Feuerbach and matured in the fight against the scribblers, naturally paid most attention to rowing the structure of philosophical materialism, that is, not to the materialist epistemology but to the materialist conception of history. Marx and Engels defined historical materialism as the interaction of human society with the development of productive forces.

From the materialist interpretation of history, Marx and Engels drew the conclusion that the human society continually develops from lower to higher level and from simpler to more complex. What type of society is today will not in the past and will not remain in the present shape in the future. Historical materialism divides modes of production into five stages: i) Primitive Communal society, ii) Slave-holding society, iii) Feudal society, iv) Capitalist Society, and v) Socialist and Communist materialism, to prove their economic doctrines.

### **2.2.1.2 Labour Theory of Value**

For Marx, capitalist wealth presents itself as "an immense accumulation of commodities" (Marx, 1967). He starts his investigation on value with the analysis of commodity because it is the 'cell of capitalist mode of production. Marx owes to the classical economists-William Petty, Adam Smith and especially to David Ricardo for this labor theory of value. The source of Marxian theory of value is related especially with Ricardo's theory of value but there is radical difference between the classical and Marxian labour theory of value. Marx regards labour as the only source of value, but he does not recommend labour as the only source of material wealth. There are two factors of production (source of material wealth): Nature and Labour. Marx agrees with William Petty's saying that labour is the father and nature is the mother of all material production (Engels, 1976). Other factors of production explained by classical economics (Capital, organization etc.) are only the different forms of production by the interaction between nature and labour, between man and man. For Marx, capital is "stored labour" and organization is nothing other than labour. It is more mental and less physical labour.

Marx solves the contradiction contained in the classical theory of value. If the labour is the source of value, then the price level of any commodity should be fixed by the most idle and unskilled labour. Marx considers the influence of the role of demand and supply in his labour theory of value, but he severely criticizes the vulgar economists (J.B. say, T.R. Malthus, etc.) for their explanation of demand and supply as a main factor to determine value, let us review Marx's labour theory of value under the following headings.

### **2.2.1.3 Use Value of Exchange Value**

"If the thing is useless, so is the labour contained in it, the labour does not count as labour, and therefore creates no value" (Marx, 1967). Those products "which are exchangeable with others" are commodities. Marx defines exchange value as, "The particular ratio in which they are exchangeable constitutes exchange value or expressed in money, their

price" (Marx, 1967). Marx excludes or removes use value (utility) from his economic investigation of value. He isolates exchange value (for exchange value Marx says only 'value' for the sake of convenience) from use value. In social relation commodities are exchanged for their value, the quantity of labour embodied in it. Commodities are not exchanged for their use values only. So labour is the only source of value embodied in community.

#### **2.2.1.4 Role of Competition**

Marx does not ignore the role of competition in terms of the theory of value. He gives the example of simple and expanded commodity production. In both cases, competition proves the labour theory of value. In the society of simple commodity production, explained by Marx, supply and demand will be in equilibrium only when the price (money term of value) of every commodity is proportional to the necessary labour spent to produce it. Price is monetary term of value, which fluctuates around the value (natural price in Adam Smith's analysis). Marx's solution to above problem is the value (exchange value) of a commodity that determines the relation between the supply and demand. Higher magnitude of value rises the supply and vice versa. What determines the value? The exchange value is determined by the socially necessary labour embodied in commodity in abstract form. The Cost of Production Theory of value manifests nothing more than labour theory of value in Marx's analysis. The determination of price by the cost of production, Marx says, "Is equivalent to the determination of price by the labour time necessary for the manufacture of a commodity" (Marx-Engels, 1975). The cost of production consists of i) Contribution of raw materials and instruments which has cost a certain amount of necessary social labour, and ii) Direct labour, the measure of which is also time.

#### **2.2.1.5 Money and Price**

Marx defines price as, "The exchange value of a commodity, reckoned in money is what is called its price". Marx does not regard money as a 'discovery. Money is commodity. Marx proves with practical illustrations by which process a particular commodity becomes money. Marx monetary explanation is related with precious metals (gold and silver). He says, "Although gold and silver are not by nature money, money is by nature gold and silver" (Marx-Engels, 1975). For Marx, all commodities possess partial character of money. The commodity development its form of money, contained the character of universal equivalent such as gold. According to Marx, the symbolic money "is only the

material envelop of the human labour spent on it". There lies a contradiction between he use value and value (exchange value) of every commodity. "All commodities are non-use value for their owners, and use value for their non-owner". The commodity which has use-value is completely excluded and only value remained, becomes money.

### **2.2.1.6 Surplus Value**

Capitalist buys labour-power as a special commodity. The commodity labour-power possesses peculiar character other than other commodities. Consumption of other commodities ends their value, but consumption of labour power (that is labour process) produces new value (and more value than before) in the shape of material commodities. As productivity of labour increase the value of commodity decreases but in increases surplus value. Marx defines surplus value by the general formula of capital. There are two stages of commodity production: simple and capitalistic. In simple commodity production the circulation process of commodities tends to be:

$C \rightarrow M \rightarrow C$

(Commodity  $\rightarrow$  Money  $\rightarrow$  Commodity)

In this process, the producer (actually the worker himself, two has not been deprived of the means of production) exchanges his commodity for money to receive another commodity. Here,  $C = C$ . there is no increment. But in developed commodity production (in capitalism) the circulation process runs as:

Here, the capitalist advances his capital in the form of money to buy commodities (few materials, machines, equipment and labour power) from the open market and sell them to get more money than he had initially advanced. The surplus money received over the initially advanced money ( $M - M$ ) which is called surplus value. The surplus value as a whole is not profit, but it is "a part of profit" (Agrwal & Agrawal, 1984). Marx starts his analysis of the theory of surplus value with the assumption of classical economy in which things are exchanges exactly in their values. He says, "if equivalents are exchanged, no surplus value results, and if non-equivalents are exchanged, still no surplus value. Circulation or the exchanges of commodities, begets no value." (Agrawal & Agrawal, 1984). The action of cheating one capitalist by another cannot increase value, even a penny. The buyers also become sellers and vice versa. Lifeless commodity itself cannot create value. Only living commodity (labour-power) creates value. The commodity



labour-power possesses is peculiar property "its use is a source of value, is a creation of new value" (Baran & Sweezy, 1996).

The capitalist runs business for profits. Capitalist buys labour power for the definite from the worker (contract for time-work) or for the definite output (contract for piece work). If the capitalist pays to the worker, the full value, which the worker has produced, at that time the capitalist can gain nothing. The worker is paid by definite amount of wages, not by his contribution to the creation of value. Marx's theory of surplus value lies in the point that the worker is not paid according to his work. Engels explains Marx's surplus value.

The value of the labour power is paid, but this value is far less than that which the capitalist manages to extract from the labour power, and it is just the difference, the unpaid labour, which constitutes the share of the capitalist, or more accurately, of the capitalist class. In general, it is this unpaid labour, which maintains all the non-working members of society. (Lenin, 1982).

A simple explanation is needed to clear the concept of the origin of surplus value. Suppose a capitalist hires a worker giving 100 rupees per day. The working day is of 8 hours. If the worker contributes to produce value equal to his wage within 4 hours, he has to work for remaining 4 hours for the capitalist. The production, which represents the value of initial 4 hours, goes into the pocket of the capitalist. That is the surplus value. In other words, necessary labour represents wages and surplus labour represents surplus value. It is the materialistic interpretation of human history done by Marx in his works *Wages Labour and Capital* and *Capital* that the exploitation of unpaid labour began after the class division of society. It was exploitation of the slaveholding society and exploitation of peasants and serfs in feudal society in the form of surplus product. Marx remarks, "The form now has been changed, but the substance remains" (Stalin, 1974).

Marx divides surplus value into three types: i) absolute, ii) relative and iii) excess surplus value. Surplus value can be increased through three ways. It can be increased by the increase of surplus labour time, which can be increased either by the absolute prolongation of the working hours or by the reduction in the necessary labour time of producing same amount of related commodity. Introducing more advanced technology is the third way of increasing surplus value. These three processes of increasing surplus value can be expressed in a single sentence: that is, increasing surplus labour time (or decreasing necessary labour time by various efforts) is the only way for the increment in surplus value. For the existence of the capital, it should be continuously circulated through three

steps: investment– production–exchange. This circulation is called turnover and counted in yearly basis. In the organic composition, if the ratio of variable capital (v) is greater than the constant capital (c), the turnover will occur in short period and production of surplus value will be faster and vice versa.

### **2.2.1.7 Scientific Socialism and Communism**

In contrast, to utopian socialism and so-called reactionary socialist theories (Stalin, 1953), Marx and Engels developed the theory of Scientific Socialism and Communism. Marx and Engels regarded the emergence of socialism a scientific historical process. They based their theory on the development of natural science. No utopia can change the society; no personal goodwill can change the miseries of the society as society takes its own course. Society develops on its own scientific laws outside human desire. It is necessary to understand those scientific and the use of those laws in the social revolution. Propounding theory of scientific socialism, communism is a joint investigation of Marx and Engels. This theory has been discussed mainly in the following works of Marx and Engels, either in joint venture or separately.

- Manifesto of the Communist Party (1848) - By Marx and Engels.
- Principles of Communism (1847) - By Engels
- Socialism: Utopian and Scientific (1880) - By Marx
- Anti-Duhring (1878) - By Engels

The above are the main writings of Marx and Engels about the theory of scientific socialism and communism, although, this theory has been explained in Marx's other various writings. It is Marx's peculiar style of writing that during his investigation on the capitalist mode of production in (Marx-Engels, 1975) he explains here and there about scientific socialism and communism. Marx and Engels define socialism as the lower stage of communism and communism as the higher stage of socialism. Thus, socialism is the transition period between capitalism and communism that stage of social development where no antagonistic contradiction remains in society. In communism social contradiction will turn to friendly contradiction between society and nature. There will remain a friendly contradiction between nature and society, as in accordance with Marxism, it is impossible to exist anything without contradiction. Without contradiction there will be no motion. Marx and Engels do not imagine the motionless society, because absence of motion is death. Friendly contradiction between communist society and nature is the higher and fully developed form of motion in human social development.

Production is the material basis of every society. Distribution cannot be separated from the mode of production. There remains the unity between the production and distribution process. Under capitalist mode of production, equality cannot be created by the changing distribution system; it will be quite impossible to maintain private property system and system of equal distribution. Likewise, communism cannot be established after the destruction of capitalism, it has to pass through the transitional period that is socialism. The production and distribution system of communism will be, "From each according to his ability, each according to his needs" (Stalin, 1974). This cannot be maintained at first stage in socialism.

Distribution to each will not create complete equality. Marx says that due to various reasons, in first phase of socialism, it will be impossible to maintain equal rights. There will remain relative inequality in socialism, as Marx says:

One worker is married, another not, one has more children than another, and so on as so forth. Thus with an equal performance of labour, and hence an equal share in the social consumption fund, one will in fact receive more than another, one will be richer than another.... These defects are inevitable in the first phase of communist society as it is when it has just emerged after prolonged birth pangs from capitalist society. Rights can never be higher than the economic structure of society and its cultural development conditioned thereby. (Lenin, 1982).

Rights can be equalized after establishment of communism, which can be maintained by the sufficient development of productive forces. Equality in all spheres of social life can be gained only when "antithesis between mental and physical labour" and "antithesis between town and country" will be vanished (Lenin, 1982). After the proletarian revolution and the proletarian class become a ruling class and the first or lower phase of communism (scientific socialism) will be established. A community of free individuals will carry on their work with the means of production in common interests, in which the labour power of all the different individuals is consciously applied as the combined labour power of all the community. The total product will serve, as fresh means of production and another product, one portion of the product will serve, as fresh means of production and another portion will be consumed by the members of society. The mode of distribution will vary with the productive forces attained by the producers. Marx says in this context "the share of each individual producer in the means of subsistence is determined by his labour time. Labour time would, in the case, play a double part. Its apportionment in accordance with a

definite social plan maintains the proper proportion between the different kinds of works to be done and the various wants of the community. On the other hand, it also serves as a measure of the portion of the common labour borne by each individual, and of his share in the part of the total product destined for individual consumption" (Lenin, 1982).

According to Marx and Engels, the formulation of "work according to ability, each according to his labour" will boost up social production. They claim that, this formula will boost-up incentives to work. Contemporary utopians, anarchist and reformists attacked Marxian theory of communism saying that abolition of private property would end the incentives to work and would create universal laziness.

Marx and Engels counterattacked on this type of "bourgeois notions" as they remarked, "according to this bourgeois society ought long ago to have gone to the dogs through sheer idleness; for those of its members who work, acquire nothing and those acquire anything, do not work. The whole of this objection is but another expression of the tautology: that there can no longer be any wage labour when there is no longer any capital." Marx and Engels were not against all types of property; they were against private property. "The distinguishing feature of communism", they remarked, "is not the abolition of property generally, but the abolition of bourgeois property. In this sense, the theory of the communist may be summed-up in the single sentence: abolition of private property." (Lenin, 1982)

Abolition of private property will also abolish the dependence of wives on husbands and dependence of children on their parents. Men and women will love each other more deeply, because there will be no barrier of property and income between them. Dishonesty and telling lie will be vanished, because private property teaches the things. Children will be education with productive education. After that, society can bring revolution on its productive force. After seizing the political power by the proletariats they, they bring themselves the ruling class, the political character of the state will be reduced and it will become a management organization. As the class distinctions will be abolished, the state will also be vanished. Human society will reach at the classless and stateless society that is to the stage of developed communism. This will be "a transition from the realm of necessity to the realm of freedom" (Lenin, 1982),

According to Marx and Engels, communist revolution cannot succeed in one country due to the international connection of free-market capitalism. It should be launched simultaneously in various developed countries, at least in Britain, France, Germany and

America (Borges, 1992). During Marx's times Britain was underdeveloped capitalism, so the forecasted that the revolution of new-era would be certainly started from there (Heilbronn, 1993). Whether the revolution will be peaceful or full of violence it depends on the attitude of ruling class. If the ruling bourgeois class comes peacefully against the revolutionary class, the revolution can be lunched peacefully and vice versa.

### **2.3 Development of Neo-Marxism and Leninism**

There emerged mainly two trends within Marxism after the death of Marx and Engels. One trend is known by the name of Vladimir Ilyrich Lenin as Leninism. This trend does not reconcile any deviation from the main suppositions made by Marx and Engels, such as theories of dialectical and historical materialism, labour theory of value capitalist crisis due to accumulation of capital, theory of class struggle, class partisanship of state, and inevitability of the emergence of scientific socialism and communism. This trend has been named as Orthodox Marxism by the opponents of Lenin. However, there is no problem to name Leninism to this trend, because this identification has been accepted worldwide by its opponents as well.

There is a problem to give a definite name to another trend developed after Marx. This is related with various amendments is Marxism. These "amendments" vary with each other is thoughts and experiments: there is no single lending name. Professor Schumpeter calls them neo-Marxist, as he remarks, "the writers, who amides acrimonious controversies, succeeded in working out more or less novel aspects of Marxist doctrine are usually referred to as new-Marxist". Thought, Schumpeter put all anti-Leninist Marxist to the category to as neo-Marxism, this attributes does not refer to all sects and groups of this kind. Neo-Marxism refers to the Radical Marxism emerged during 1960s. This trend is also known as Revisionism that is related, at the beginning with Eduard Bernstein. He himself claimed that he had revised various "our-dated concepts" of Marx. In Leninist camp, the word revisionism covers all the deviations and alternations from the basic concepts of Marx and Engels. There has been an irreconcilable dispute between Marxism-Leninism and "revised"- Marxism. Some followers of Marx said that Lenin applied Marxism in dictatorial way. They sought for the necessary for the liberal application of Marxism. According to them, Marxism should be combined with democracy.

This trend rejected the theory of dialectical and historical materialism and labour theory of value. They advocate combining Marxist and Capitalist economic laws. They believe that

political freedom, parliamentary democracy and universal suffrage remove the ground for the class struggle. They placed for gradual economic reforms to establish socialism.

### **2.3.1 Breakdown Theory**

Breakdown theoreticians represent the left wing of Revised Marxism. The main assumption of this sect of economic thought is that capitalism will itself breakdown because of its inherent contradictions. Karl Kautsky, Louis B. Boudin are the main representatives of this school. Kautsky's writing is strong enough to support Marxian socialism. He refuses all the deviation from Marx's economic writings and he attacks severely on Bernstein's revisionism. He only reflects Marx's theory of dictatorship of the proletarians. He pleads for socialism without proletarians' intervention on the state and social revolution thought peaceful means. He said that his thought was vastly contrasted with Lenin, "The contrast between the two social trends is the contrast between two radically different methods; the democratic and the dictatorial". Louis B. Boudin said that capitalism would breakdown due to the problem of under consumption. He seems confident that capitalist crises will become serious because capital accumulation has a definite objective limit".

### **2.3.2 Revisionism**

Eduard Bernstein was the founder of Revisionist ideology. He proudly declared himself as revisionist. He said that he had become able to add certain amendments in Marx theory, which Marx was lacking. He said, "It is the consciousness of men that determines their existence." He regarded socialism as an ideal will of civilized men in contrast to Marx's objective process of historical development. He declared outdated to Marx's theory outdated. He advocated for class collaboration in place of class struggle.

### **2.3.3 Democratic Socialism**

Democratic socialist movement declared its principles in 1951 at Frankfurt Congress of Socialist International in a systematic manner. Analyzing its economic and political ideology, we find the roots of democratic socialism in Bernstein's antithesis of Marx and the writings of Russian Mensheviks. We can say that Bernstein is regarded as Marx to the follower of democratic socialist movement. Unlike Marxist–Leninist, Democratic socialists do not take socialism as an objective development of human society. They reject historical materialism, dictatorship of the proletariat, class-rule of the state and socialist revolution. 'Socialism without revolution emancipation of proletariats without proletarian

dictatorship, maintaining economic equality without hurting capitalist class and system of private property' are the central them of the democratic socialist movements. This theory explains that modern capitalism has changed its character after the Second World War, Manifesto of the Socialist International states, "Current economic, technological, political and social changes reflect a profound transformation of our world." Democratic socialists plead for three-dimensional democratic society. Mixed Economy is their model. The problem of underdevelopment countries will be solved thought the development aids from the developed countries will be solved through the development aids from the developed countries. What is only need is social control on technological development. This trend of economic thought is positive towards economic globalization.

#### **2.3.4 New Left Movement or Radical Marxism**

Radical Marxism is regarded as left-wing Revisionism. Main leading personalities of this thought are Herbert Marcuse, M. Horkheimer, Erich Fromm, Jean Paul Sarter, Wright C. Mills, Paul Baran, Paul M. Sweezy and Maurice Dobb. It was Marx's prediction that socialist revolution first of all would occur in most developed capitalist countries. Absence of the so-called inevitable socialism turned them to seek weakness of Marxism. Marx became myth for them. Though New Leftist and Radical Marxist Movements were established in different countries and time, their ideologies and goals are common. Regarding Marxist economics as classical economic they said that it was unable to analyze contemporary world situation, they were in search of New Marx.

Rejection of bureaucratic socialism as well as capitalism, of the protocol system in political organization, of university education system, and of all cultural traditional; in other words, complete negation of contemporary world society is the basic identity of Marcuse's and other radical Marxists' ideology. Radical Marxist economic thought is related to Paul Baran and Paul M.Sweezy. We can review the basic economic ideas of these radicals in their joint work. They reject Marx's theory of value, historical process of social development (historical materialism) and concept of classes. According to them, a state does not represent any class partnership although the activities of the state may well reflect the objective of capitalism. Economic crises arise in capitalist economy due to the problem of under-consumption or deficiency at the level of aggregate demand. Mixed economic model is good in which planning co-exists with market forces. Orthodox Marxists confuse socialism with state bureaucracy. State controls over the means of production and cannot create socialism.

### 2.3.5 Leninism

Leninism has been defined as "Marxism of imperialist era". If it has to be defined in another way, it can be said that Leninist is anti-revisionist Marxism, because ideas of Lenin took shape against revisionism and opportunism. There were mainly two opposite trends within the ideas of socialism during the lifetime of Marx and Engels, as it has already been reviewed. The dispute was about the questions: how the development of society could step onto socialism. One chain of thought advocated peaceful and gradual development and another (Marx and Engels) advocated the painful, "birth pang" of revolution. Lenin represents the second trends.

Both Leninists and their opponents agree to the point that in the changed economic scenario. Old postulates cannot help to make analysis and reach in conclusion. Lenin's plead was that changed economic scenario and its effects should be interpreted keeping in mind the basic concepts of Marx and Engels. Liberalized Marxists or the revisionists pleaded that in the changed situation, the basic concept of Marx and Engels should be revised character of capitalism. Both camps agree that capitalism has been changed after 1900; it has developed in the stage of imperialism. The common point of conclusion is that capitalism has lost its national character; it has been internationalized. The point of irreconcilable dispute again arises whether the emergence of socialism will be peaceful with gradual development within the framework of capitalism having multiparty democracy or it will emerge with "painful birth pangs" in the course of proletarian revolution. Pleading for gradualism and peaceful development was revisionism for Lenin. Revising Marxism (of Bernstein, Kautsky and so on) was corrupting Marxism in Lenin's analysis. According to Lenin in the previous three stages of social development (Slave-holding society, Feudalism, Capitalism), every stage needed server birth pang. Peaceful movement can be an instrument of socio-economic development but gradual development of socialism within the reactionary framework of capitalism is quite impossible. Thus, Lenin regards explaining Marxism and says that leaving its basic concepts is an attack on Marxism.

Lenin claim is that every attack on Marxism makes Marxism stronger. His points out the struggle of Marxism against its rivals as the following: i) In the decade of 1840s, Marxism fought against theories fundamentally hostile to it (with pre-Marxian socialism), ii) In the first half of the 1840s, Marx and Engels settled account with the radical young Hegelians, with the philosophical idealists, iii) During the late 1840s struggle was against prodhonism



on the questions of economic doctrines about socialism, Lenin explains when Marxism succeeded to defeat all its opponents theories the tendencies of anti-Marxism searched another way to attack it. It was revisionism, as he comments:

The forms and cause of the struggle changed, but the struggle continued. And the second half-century of the existence of Marxism began (in the 1890s) with the struggle of a trend hostile to Marxism within Marxism, pre-Marxism socialism has been smashed. It is continuing the struggle no longer on its own independent ground, but on the general ground of Marxism-as revisionism (Kim, 1974).

Different analysis of the cause and effect of imperialism led to Lenin and his rivals to different conclusions. Bernstein and Kaustsky concluded that Cartels and Trusts would mitigate capitalist crises. Lenin's counter-point was that Revisionists come to "falsified" conclusion by analyzing capitalist economy in the time of boom period. According to Lenin, giant trusts will create giant crisis, as he comments:

While unifying the production, the cartels and trusts, at the same time and in a way that was obvious to all, aggravated the anarchy of production, the insecurity of existence of the proletariat and the oppression by capital, thus intensifying class contradictions to an unprecedented degree. That capitalism is moving towards collapse-birth in the sense of individual political and economic crises and of the complete collapse of the entire capitalist system-has been made very clear and on a very large scale, precisely by the newest giant trust (Kim, 1974).

Thus, Lenin starts his investigation on economic and political affairs with the help of basic Marxian postulates. In this way, we can define Leninism as the Marxism of the imperialist era. In this context, we have to borrow words from Stalin:

Leninism is Marxism of the era of the imperialism and of the proletarian revolution. To him more exact, Leninism is the theory and tactics of the proletariat in General, the theory and tactics of the dictatorship of the proletariat in particular (Kim, 1974).

Leinn's charge against the views of the leaders of Second International was that they took Marxism as a dogma and drew opportunist conclusions. The three main declared postulates of Second International were the following: i) Proletariats cannot and ought not to take power unless they constitute a majority in a country, ii) Proletariats must be trained about administration under capitalist condition, iii) proletariats should not accept

the method of political general strikes, they should accept strikes on economic demands only.

Lenin encountered with the revisionist and opportunist explanation of changed economic situation (about imperialism) and developed his theory. His writings are collected in 40 big volumes. Majority of his writings are about strategy and tactics of the proletarian revolution and about politics. Lenin accepted Marx's labour theory of value. He did not further develop it. He took Marx's economics as a tool of his analysis and fixed his attentions more to the revolutionary side of Marxism. However, some of his writings are about economics. They are; i) Marxism and Revisionism (1908), ii) Imperialism and The Split in Socialism (1916), iii) Imperialism, The Highest Stage of Capitalism (1916), Dictatorship of The proletariat (1919), and vi) New Economic policy (1921). Let us review the basic ideas of Lenin concerning economic and social development. The process of the concentration of capital in fewer hands gave birth to the dominance of finance capital over industrial capital and emergence of monopoly. Emergence of monopoly removed the competitive nature of capitalism and small capital merged in gigantic caters, syndicates and trusts. Thus, Lenin defines imperialism as the developed form of monopoly-capitalism. Lenin says those 30 years before his work on imperialism (before the decade of 1880's) there was competitive capitalism. Banks changed their character as modest middleman into monopolist of finance capital. Political and economic institutions started to depend on banks. As Lenin remarks, "the final word in the development of banking is monopoly" (Kim, 1974).

Colonialism emerged from the foreign policy of finance capital. It is the struggle of the great powers for the economic and political division of the world which gives rise to a number of transitional forms of state-dependence. Countries owning colonies depend on the exploitation of the colonial countries and the colonies depend on the import of capital which is exported by the big powers. The transformation of old capitalism into imperialism or "the supplanting of free competition by monopoly" is "the fundamental economic feature, the essence of imperialism."

Colonial policy and imperialism existed even before capitalism. Pre-imperialism capitalism also practiced imperialism but "the capitalist colonial policy of previous stages of capitalism is essentially different from the colonial policy of finance capital". The capitalist class of the imperialist country gets this parasitic character. This circumstance influences all the socio-political conditions of the countries concerned. This brings serve

class antagonism within the dominant countries and between the dominant and colonial countries. By this, the working class adopts an anti-imperialist class attitude and starts the movement to overthrow the "yoke of imperialist-capitalist exploitation. The working class is bound to oppose wars of re-division or imperialist wars for more exploitation of monopolistic super profit. When cheap commodities and finance capital are exported to the colonial country, the entire economy of the colonial or semi-colonial country is disrupted and collapsed.

In the about analysis of imperialist, Lenin wants to show that class antagonism has become universal. It has been sharper in colonial and semi-colonial countries than in developed capitalist countries. In developed countries, capitalism itself is decaying or moribund due to its parasitic nature, because "The more capitalism is developed, the more strongly the shortage of raw materials is felt". This antagonism puts fetters to the further development of productive forces; the final word is collapse of capitalist system. Drawing this type of conclusion, Lenin does not mean that capitalism will not develop further to same extent. Lenin seems to be very confident about the capitalist crisis and collapse of whole system. He says, "The forms, the sequence, the picture of particular crises changed, but crises remained an inevitable component of the capitalist system."

The study of Russian experiment of economic transition possesses great importance not only for the followers of Marxist-Leninist economic doctrine but also for its opponents because Soviet economy developed in the unstable years. After the declaration of revolution, the plan of Lenin was to guide Russia under the framework of mixed economy. The first declared plan was about the establishment of capitalist economic relation in rural sector, where Feudalism still nominated, and gradual development of socialist economic relation in industrial sector where capitalist relation of production had already existed. For this purpose there formed an all-party government. To overcome the war, Russian government adopted compulsory collection of surplus gains. Lenin always cited for the unity between proletariats and middle peasants. At 8<sup>th</sup> Party Congress held in March 1919, Lenin raised slogan, "Lenin to come to an agreement with the middle peasants". In October 1920, the civil war was overcome. After the civil war, Russian adopted New Economic policy (NEP), which lasted approximately for 5 years.

In the report of 10<sup>th</sup> congress, Lenin prescribed a theoretical and political substance of the necessity of transition from war communism to the New Economic Policy (NEP), Lenin realized problems connected with the lack of experience. He said that if the civil war were

imposed in Russia, the "transitional" economic policy would be launched at early times. Here, by "communism" Lenin meant the lower phase socialism. This would be the economic model for the transitional phase. Lenin's answer was-"Mixed Economy." Though war-communism saved Russia from foreign invasion, Lenin was totally against its continuation. He commented the economic policy adopted during war as, "war communism was thrust upon us by war and ruin. It was not, nor could it be a policy that corresponds to the economic tasks of the proletariat. It was temporary measure."

War communist was not a normal economic policy. When Russia was going to apply NEP, foreign capitalist economists claimed that Russia would step towards capitalism. Lenin described the system introduced by the NEP as a "transitional mixed system" and to this mixed system as a whole he gave the name of "State Capitalism." By state capitalism he mean control by the state over small commodity production; and the existing form of it different from other forms in the fact that the working class held the political power. In the Mixed System, economy would have to run smoothly under the following three sectors: Socialism+ Capitalism + Primitive economic form of peasantry (based of patriarchal production system; self-sufficient peasant economy). Exercise of socialism stated in urban areas. Market mechanism was re-established. Private capital occupied importance place. In 1922, Lenin declared that out the NEP would come socialism. In 1925, industrial production isolation and blockade in succeeding years has been an open book of world economic history.

#### **2.4 Application of Marxism Leninism and Various Thoughts**

After the October Revolution, no socialist revolution occurred in developed capitalist countries. The forecast of Marx and Engels that socialist revolution would occur in developed capitalist countries did no prove a reality. According to Marx's economic theory, capitalism should be fully developed for the emergence of socialism. Lenin's analysis of imperialism drew the conclusion that in changed situation, development of capitalism s impossible under the colonial domination. According to his theory of imperialism, development of capitalism also became impossible under the leadership of capitalist class because, feudalism and capitalism allied after the October Revolution. The general antagonism between feudalist and capitalist classes vanished due to the fear of socialist revolution thought but in remained in particular. Thus, it became necessary for the revolutionary class to develop capitalism under its own leadership. Under the guidance of Leninist analysis, various thoughts were developed during the interval between October

revolution and Second World War. The principle mission of these new ideologies was to abolish feudalist and imperialist exploitation and to get national liberation.

Anti-feudalist and anti-imperialist communist programs were named differently in different countries. In China, Vietnam, Kampuchea and Laos it was entitled New Democratic Program, in North Korea it was Juchhe Ideology, in Cuba it was National Democracy. Among these countries, some have claimed that they are exercising socialism and some have lost their revolutionary achievements due to counter-revolutions. In other Asian countries, there are three types of thoughts, which are exercising under the titles of New Democracy, National Democracy.

It is interesting to note that various thoughts do not differ in economic programs. Their minimum strategy is to establish new capitalism, in which capitalism steps towards socialism under the joint leadership of proletariats and peasants. All these sects of thoughts agree in the following points: i) Character of Revolution: Anti-feudalist and anti-imperialism, ii) First economic measure: Revolution in agriculture sector through Revolutionary Land Reform (Abolition of Landlord class), iii) Development National Capitalism, and iv) After full development of new-capitalism, measures of socialism economy would be gradually applied.

There is common consensus of the above points, but differences are in the application of the methods of movements or in tactical points. The main points of disputes are the following: i) Use of violence is necessary or not, ii) Multi-party system or multi-party cooperation under the leadership of communist party, iii) Power centralization in government or should be decentralized among different bodies (Executive, Judiciary and Legislature).

Marxism-Leninism explains every social phenomenon through economic point of view. We have also reviewed that Marxism-Leninism is more economics than politics. This means if there is common consensus about economic analysis of particular society, variation in political conclusions do not prove logical consequence. Despite this fact, phase mongering was and is still going on.

## **2.5 Mao's intellectual Marxist Development**

Mao's Intellectual Marxist development can be divided into five major periods: (1) The Initial Marxist Period from 1920–1926; (2) the formative Maoist period from 1927–1935;

(3) the mature Maoism period from 1935–1940; (4) the civil war period from 1940–1949; and (5) the post-1949 period, following the revolutionary victory.

The Initial Marxist Period from 1920–1926: Marxist thinking employs imminent socioeconomic explanations; Mao's reasons were declarations of his enthusiasm. Mao did not believe education alone would bring about the transition from capitalism to communism because of three main reasons. (1) Psychologically: the capitalists would not repent and turn towards communism on their own; (2) the rulers must be overthrown by the people; (3) "the proletarians are discontented, and a demand for communism has arisen and had already become a fact." These reasons do not provide socioeconomic explanations, which usually forms the core of Marxist ideology.

The Formative Maoist Period from 1927–1935: In this period, Mao avoided all theoretical implications in his literature and employed a minimum of Marxist category thought. His writings in this period failed to elaborate what he meant by the "Marxist method of political and class analysis". Prior to this period, Mao was concerned with the dichotomy between knowledge and action. Now, he was more concerned with the dichotomy between revolutionary ideology and counter-revolutionary objective conditions. There was more correlation drawn between China and the Soviet model.

The Mature Maoist Period from 1935–1940: Intellectually, this was Mao's most fruitful time. The shift of orientation was apparent in his pamphlet "Strategic Problems of China's Revolutionary War" (Dec, 1936). "This pamphlet tried to provide a theoretical veneer for his concern with revolutionary practice." Mao started to separate from the Soviet Model since it was not automatically applicable to China. China's historical particularism viewed through Marxist eyes served as the link between the Marxist process and China.

The Civil-War Period from 1940-1949: Unlike the Mature period, this period was intellectually barren. Mao focused more on revolutionary practice and paid less attention to Marxist theory. "He continued to emphasize theory as practice-oriented knowledge." The biggest topic of theory he delved into was in connection with the cheng-feng movement of 1942. It was here that Mao summarized the correlation between Marxist theory and Chinese practice; "The target is the Chinese revolution, the arrow is Marxism-Leninism. Chinese communists seek this arrow for no other purpose than to hit the target of the Chinese revolution and the revolution of the east." The only new emphasis was

Mao's concern with two types of subjectivist deviation: 1) Dogmatism, the excessive reliance upon abstract theory; 2) Empiricism, excessive dependence on experience.

The post-1949 period, following the revolutionary victory: The victory of 1949 was a conformation of theory and practice. "Optimism is the keynote to Mao's intellectual orientation in the post-1949 period." Mao assertively revised theory to relate it to the new practice of socialist construction. These revisions are apparent in the 1951 version of "On Contradiction". "In the 1930s, when Mao talked about contradiction, he meant the contradiction between subjective thought and objective reality. In "Dialectal Materialism" of 1940, he saw idealism and materialism as two possible correlations between subjective thought and objective reality. In the 1940s he introduced no new elements into his understanding of the subject-object contradiction. Now, in the 1951 version of "On Contradiction", he saw contradiction as a universal principle underlying all processes of development, yet with each contradiction possessed of its own particularity."

(<http://en.wikipedia.org/wiki/Maoism>)

## **2.6 Development of Capitalist Economic thought after the October Revolution 1917**

### **2.6.1 John Maynard Keynes**

It is said that Keynes "revitalized the moribund capitalism". All capitalist countries were running under the postulates of Neo-Classical Economic. Old capitalist policies were facing hard criticisms due to the emergence of socialist economic policies. In this complex situation, Keynes completed his work *The General Theory of Employment Interest and Money* (1936) and provided outlet for capitalist. The state in capitalist society has always been first and foremost the guarantor of capitalist property relations. Keynes wrote several books to reform capitalist economy. Among them *The General Theory* presents his entire ideology. He tried to borrow some of the ideas of Marx (i.e. role of government) and attempted to solve the existing problems of capitalist economy with a strong role of the state.

### **2.5.2 Robert Heilbroner**

Robert Heilbronn has written numerous articles and books on economics. Among his books, *21<sup>st</sup> Century Capitalism* presents a synthesis of capitalism and socialism. He does not regard the downfall of the Soviet-model socialism as the failure of Marxist economic doctrines. According to him, the problem of the Soviet model of socialism was the lack of

personal incentives which, "counseled leaving thing alone, not doing something". On the one hand, he regards capitalism as a natural order that creates relation between men and system just as a relation between "water and fish"; on the other hand he counts the weak points of capitalism. He says that the problem of inequality lies between the rich and poor countries, which are very serious. The uncertainty is created (since from the history of capitalism) by the private sector, not by the public sector. Heilbronn pleads for the drastic reforms in capitalism.

### **2.5.3 Emergence of Broader view on Development**

Amartya Sen regards freedom as the inseparable part of development. He has written several books on economics. Among them, *Development as Freedom* (2000) has been rewarded by the Nobel Prize. In this book, he has present broader view of development that relates to the process of expanding substantive freedom. According to him, development analyses are mainly concentrated on the limited indicators like, the growth of output per-head or industrialization. He forwards following points as the real indicators of developments: i) Political freedom, ii) Economic facilities, iii) Social opportunities (education and health), iv) Guarantee of transparency, and v) Protective security. He says that alluded freedoms contribute to quality of life whereas economic growth alone cannot do this. With adequate social opportunities, every individual can shape their own destiny and help each other effectively. Freedom enhances ability of people to help them and also to influence the world and these are the central matters of developments.

On the one hand, Sen Praises to the economic achievements of China, on the other hand, he severely criticizes the same country for lacking political freedom. Despite the results of rapid economic development of China, Sen prefers Indian way because of the political incentives generated by election that resists the famines. The argument is related to political incentive generated by election multi-party politics and investigative journalism. He says that there has never been remarkable famine in a functioning multi-party democracy though the country may be very poor such as India, Botswana and Zimbabwe. Since the economic inequality is responsible for famines and other severe crises, the absence of democracy is itself an inequality in the case of political rights and power. Thus, Sen concludes that economic growth should be integrated with political freedom because human beings are not merely the means of production, but also the end of exercise.



## **2.7 Implication of Marxian Economic Thoughts in Different Countries**

### **2.7.1 Application in Soviet Union**

Communism as a concrete social and political system made its first appearance in the Union of Soviet Socialist Republics, the state erected by the victors of the October Revolution in Russia in 1917 (see Russian Revolutions of 1917). Soviet communism took some of the core notions of Marxism extremely, realizing them through a tyrannical political structure. Within a decade, the Soviet proletarian dictatorship, having eradicated all dissent, unleashed an industrialization drive premised on near total state control of physical and human resources. Authoritarianism reached its zenith during the long reign of Soviet leader Joseph Stalin. The limited reforms undertaken after his death in 1953 did not alter the essential character of communism in the Soviet Union. Destabilized by the far-reaching reforms initiated by Mikhail Gorbachev in the 1980s, the Soviet system disintegrated in 1991. Marx and Engels expected the proletarian revolution to erupt in a highly advanced country, Russia was just entering the transition from feudalism to capitalism. Russia was, therefore, an unlikely site for either a revolution or for construction of a communist system following a revolution. Nonetheless, from the 1960s onward, it was home to a sizable revolutionary movement. Marx and Engels themselves conceded that given the speedy growth of its capitalist economy, Russia had revolutionary potential, and an uprising there might "sound the signal for a workers' revolution in the West".

The first organization of Russian Marxists, the League of the Emancipation of Labour, was established in 1883 by a group headed by Russian political theorist Georgy Plekhanov. Most members lived in political exile outside of the Russian Empire. They rebutted claims that Russia could bypass capitalism and pursue a direct path to socialism, asserting that the country needed to go through the step-by-step development seen in industrialized western countries. Adherents of the league founded the Russian Social Democratic Labor Party (RSDLP) at a meeting in Minsk in 1898. The party became a member of the Second International (Kim, 1974).

Vladimir Lenin gained political stature through his writings and then as head of the radical socialist Bolshevik Party. He led the 1917 Bolshevik takeover of Russia's Provisional Government, which had governed the country since the fall of Tsarist rule a few months earlier. After the revolution, Lenin became the leader of the new Soviet state. This audio selection contains a portion of a speech recorded by Lenin on a gramophone in

1919. The principal figure in the genesis of Russian communism was the radical socialist Vladimir Lenin. Like Marx, Lenin believed in the necessity of political revolution to achieve communism. The Bolshevik Party seized power in Russia in the October Revolution of 1917. The party was later called the Communist Party. The communists founded the Union of Soviet Republics (USSR) in 1922 and ruled that country until its collapse in 1991. Soviet Poster for the Third Communist International (1920) or Comintern was founded in 1919 to promote a world communist revolution on the Russian Communist model. It quickly became a tool of soviet foreign policy.

During the war, the Communist government rapidly implemented a series of socialist economic policies known collectively as War Communism. The government nationalized banks, insurance companies, railroads and large factories, forbade most private commerce and seized grain from the rural population, undermining peasant support for the regime. Under the rigors of War communism, inflation soared, production plummeted, and millions of urban dwellers trekked to the countryside to feed themselves by working on the land. Fearful of spread of communism, Britain, the United States, Italy and Germany came to the aid of the counterrevolutionary forces, supplying troops and imposing an economic blockade on Russia. This caused the further disintegration of Russian industry and hardship to the working class. Famine, disease, and deprivation become rampant, and much of the country's infrastructure was destroyed. In total, an estimated 7 million to 8 million people died during the Russian Civil War, more than 5 million of whom were civilians. The communist Party emerged victorious from the civil war, but it was no longer the mass workers organization of 1917. The war promoted the centralization of Communist Party and a preference for force over persuasion. The party had become increasingly coercive and authoritarian, and was now a bureaucratic apparatus beginning to be dominated by ruling elite of senior officials. In addition, the economic situation in Russia was catastrophic. As hostilities came to an end in 1921, Lenin touted his New Economic Policy (NEP) as a compromise recipe for postwar recovery. It kept the so-called "commanding heights" of the economy-finance, transportation, heavy industry and foreign trade in state hands but allowed entrepreneur and private firms to engage in domestic trade, small-scale manufacturing, and farming. There was no corresponding slackening of restrictions in the political sphere. Anti-Communist parties were not allowed to resume activity. The NEP was largely successful in restoring Russian production, and within a few years the worst of the economic chaos was over (Kim, 1974).

Joseph Stalin was supreme leader of the Soviet Union from 1929 until 1953. The death of Lenin in January 1924 triggered an impassioned struggle over political power and policy within the Central Committee and the Politburo, the top leadership body of the Communist Party. Stalin, Lenin's deputy for organizational matters, was victorious in the power struggle, demoting rivals like Trotsky, Grigory Zinovyev (the head of the comintern), and Nikoaly Bukharin to secondary positions.

Stalin adopted the catch phrase "socialism in one country" as the basis for his regime. Contradicting earlier Marxist doctrine, Stalin maintained that the complete victory socialism within the Soviet Union was not contingent upon the success of other proletarian revolutions in the West. To achieve state socialism and eventually classless communism, no sacrifice was too great. At the end of the 1920s, Stalin revoked the New Economic Polkicy and inaugurates the first of a series of Five-Year Plans, committing the regime to programs of breakneck industrial development and rorced collectivization of agriculture. The result was a radical transformation of Soviet society. The government built hundreds of factories to produce machine tools, automobiles, agricultural machinery, motors, aircraft, generators, chemicals, iron and steel, coal, oil and armaments. Construction in which forced labor played an ever-increasing role was begun on a vast network of new railroads and canals. The police chased small traders out of turban marketplaces. In the countryside, the policy of collectivization terminated private ownership of land and farm machinery and forced the Soviet Union's vast peasantry into large collective farms under state and party control. State planners, subordinated to party leadership, henceforth assigned binding production quotas, targets for raw materials and labor utilization and other directives to all economic units. Nikita Khrushchev became premier of the Soviet Union in 1953. While in office, he boasted of Soviet military power, once predicting that the Soviet Union would "bury" the United State. Despite this antagonism, Khrushchev advocated peaceful methods for overcoming capitalism. He was deposed as premier and party head in October 1964 due to the accusations of political mistakes, such as precipitating Soviet economic disorganization.

Khrushchev found it morally necessary and politically expedient to expose his predecessor's paranoia. His revelations were initially made in a secret speech at the 1956. Congress of the party, the nature of which was gradually revealed to the general population. This speech led to a campaign of de-Stalinization in the Soviet Union. Khrushchev embarked upon halting reforms of agriculture, industrial administration,

science and education, and the armed forces. Pronouncing the USSR and "all-people's state" and no longer a dictatorship of the proletariat, the leadership also widened popular participation in Soviet institutions.

The 1961 party congress promised that the Soviet people would arrive at full-blown communism within a generation and would achieve American living standards by 1980. Industrial growth, the USSR's military might, and its feats in space exploration, beginning with Sputnik I in 1957, reinforced this optimism. Khrushchev and the party carried out domestic reforms with caution concerned that any ill-considered reforms could spill over uncontrolled into Eastern Europe and Jeopardize their dominion there.

Leonid Brezhnev emerged as a leader of the Soviet after Nikita Khrushchev's ouster in 1964. Khrushchev's rule was curtailed by widespread animosity in the political establishment toward his erratic style of decision-making. Especially resented were his inconsistent personnel shake-ups, zigzagging policies and reshuffling of the bureaucracy. In October 1964 Khrushchev became the only soviet leader to be unseated by his fellow party chieftains. A conspiracy spearheaded by Leonid Brezhnev, a veteran of the provincial and central party apparatus, persuades the Communist Party's high command to topple him and denounce his "harebrained schemes" and hasty decisions "divorces from reality". Khrushchev was sent into retirement and died in 1971. In his stead, Brezhnev becomes general secretary of the party and Aleksey Kosygin, a skilled economic administrator, was chosen head of the Soviet government (Brezhnev, 1989).

The Soviet economy labored in the 1970s as its reserves of raw materials, fuel and labor began to deplete and its technological development began to decelerate. One consequence was that the country found it harder and harder to shoulder the burden of the arms race with the United States. Economic growth virtually halted by the beginning of the 1980s, while environmental and social problems accumulated and tensions among the USSR's nationality groups worsened.

### **Unsuccessful economic thought and the collapse of Soviet Union**

Mikhail Gorbachev was the last leader of the Union of Soviet Socialist Republics (USSR). Gorbachev's refers in the late 1980s called glasnost (openness) and perestroika (economic reform) prepared the country for democratic reform and an easing of tensions in relations with the West, particularly with the United States. In 1987 Gorbachev and U.S. President Ronald Reagan signed a treaty that eliminated ground launched mid-range and short-range

nuclear missiles. Gorbachev left power in 1991 when the member states of the USSR voted to dismantle the federation. Brezhnev died in November 1982. Two elderly members of the Politburo, Yuri Andropov, a former head of the KGB, and Konstantin Cherenkov, a crony of Brezhnev, filled his shoes for the next several years, before they too, expired in office. In March 1985, upon the death of Cherenkov, the Communist Party's Central committee elected Mikhail Gorbachev as general secretary of the party (Political Report, 1986).

Gorbachev launched his program of perestroika of soviet and economy to enhanced and modernize the system, not to bring it down. His initial approach was to tighten discipline within party ranks and in workplace and to stage a campaign against alcohol consumption. Within a year, Gorbachev assumed more radical positions and recruited advisors who favored a far-reaching overhaul of soviet practices and institutions. In the economic realm, Gorbachev authorized the formation of cooperation and family business and permitting collective farms to sell some of their produce on the market at the going price. The government also relaxed restrictions on foreign trade and investment and reduced central control over the managers of state-owned firms. Soviet leader Mikhail Gorbachev met with United States President Ronald Reagan, center and Vice President George Bush, left in New York City in 1988. Reagan and Gorbachev had agreed to some arms reductions. But Reagan's support of a "Star Wars" nuclear defense system for the United States was a sore point in negotiations with J.L. Gorbachev.

In addition to pursuing economic reforms, Gorbachev soon launched ambitious political and social reforms. The most dramatic change was adopting glasnost (candor or openness) about public affairs. In quick succession, the Soviet authorities released Sakharov and other dissidents from prisons and exile, relaxed censorship in the mass media, kindled debate over the sins of the Soviet past, and lifted a ban on independent associations and organizations. Gorbachev accompanied these measures with a shift in foreign policy, pledging to curb Soviet military spending and negotiate an end to the Cold War with Western nations. His most fateful decision was the electoral reforms ratified in 1988, providing for competitive, multi-candidate elections for the central government and for local and republican governments. For the first time since the early 1920s, candidates, not proposed by the communist Party, were allowed to run. Gorbachev in 1989 became chairman of the Congress of People's Deputies, an elected body that had replaced by Supreme Soviet that spring. IN 1990 the congress amended the Soviet constitution to

allow non-Communist political parties to organize and put candidates forward in elections. Gorbachev's brand of reform communism opened a floodgate of spontaneous changes in all corners of Soviet society. He was quickly upstaged by public figure who demanded an immediate embrace of Western-style democracy and a transfer of power from the central government to the 15 constituent republics of the USSR. In 1990 newly elected republican governments passed resolutions affirming their sovereignty and rights in relation to the central government. Nationalist sentiments also sprang up in the republic-level branches of the Communist Party. In response to the erosion of his power, Gorbachev had the Congress of Peoples' Deputies elect him the first ever president of the Soviet Union. Most of the republics matched this move by electing president of their own. Meanwhile, Gorbachev's economic policies did not improve living conditions and in some respects make them worse. Frustration over economic shortages fed anticommunist feeling, especially in the three Baltic republics of Estonia, Latvia and Lithuania (Encyclopedia, 200.).

The crisis hit fever pitch when a group of hardliners from the Communist Party, the Soviet military and the KGB attempted in August 1991 to institute a state of emergency and turn Gorbachev into a figurehead leader. However, the coup collapsed within two days, largely because of opposition by the popularly elected president of the Russian republic, Boris Yeltsin, who rallied crowds of demonstrators on the streets of Moscow. The leaders of the plot soon surrendered, but Gorbachev's authority had been irreparably damaged, and he resigned as general secretary of the Communist Party. Within days all Communist Party activity was suspended. Most of the Soviet republics hurriedly announced their independence from the Soviet Union, and the Communist Party was banned in Russia and many other republics. On December 8, 1991, the presidents of Russia, Ukraine, and Belarus announced the dissolution of the USSR and its replacement by a loose-knit, voluntary alliance called the Commonwealth of Independent States. On December 25, Gorbachev resigned from his post and the Soviet Union ceased to exist.

### **2.6.2 Application in China**

In 1934 Chinese Communists broke through a Kuomintang (KMT) encirclement of their base in southeastern China. Pursued by KMT forces, the Communists trekked 9600km (6000mi) across rivers, mountains and swamps in an escape that was known as the Long March. From their new base at Yan'an in northern China, the Communists eventually defeated the KMT, winning control of China in 1949. In China, the world's most populous

nations came under communist rule in 1949. IN the preceding decades, China had been racked by political turmoil. The collapse of the imperial Manchu dynasty in 1911 instigated the rise of regional warlords and of reformist and revolutionary movements. In 1919, after the United States failed to support China, its World War I ally, at negotiations for the Treaty of Versailles, a group of students gathered in Beijing to protest. These demonstrations, know a s the May Fourth Movements, set off a wave of nationalism and criticism of Western imperialism. At the same time, the successful October Revolutions of 1917 in Russia began to exert a growing influence among Chinese intellectuals, sweeping many idealistic youths into the mainstream of revolutionary Marxism. In 1921, largely on the initiative of two Beijing University professors, Chen Duxiu and Li Dazhao, the Chinese Communist party (CCP) was founded in Shanghai. One of Li's young disciples was Mao Zedung, the son of a prosperous peasant. Liu Shaoqi was a major theoretician of the Chinese Communist Party who later served as China's head of state after Mao Zedung retired form that position in 1959.

In 1923, at the urging of the Russian leaders of the comintern, the CCP allied itself with the Kuomintang (KMT, or Nationalist Party), Which then controlled a small area of southern China. The rest of the country, at the time, was split up among various warlords. With the assistance of the Soviet Union, the Kuomintang organization a military force to gain control over the rest of China. Led by the young general Chiang Kai-shek and aided by Communist mobilization of peasants and workers, the Kuomintang marched northward through China and by March 1927 had won control of most of central China, including Shanghai and Nanjing (see Northern Expedition). On entering Shanghai Chaiang ordered a violent purge of Communists, fearing that they were becoming too powerful. His troops, aided by the city's criminal gangs, massacred the thousands of Pro-communist workers and students. Similar repression soon followed in Wuhan, Nanjing and Canton. The Kuomintang established itself as the national government of China in 1928. The Communists, including Mao, retreated to a remote mountainous area in Jiangxi province, in southeastern China. Before the relocation, Mao had called for the party to base itself on rural peasants, not urban workers as in traditional Marxism. Mao saw the poor peasant masses as likely agents of revolutions, but the CCP had rejected this strategy. Now, forced form the cities, the Communists had no choice but to adopt Mao's peasant revolt strategy. Under Mao's leadership, the party soon proclaimed its territory independent as the Jiangxi Soviet Republic, and it recruited peasant supporters to establish a Communist military

force known as the Red Army. The CCP survived a series of annihilation campaigns by the Kuomintang, but in October 1934 the KMT army encircles the Jiangxi strongholds and the Communist had to flee. Mao now led 80000 Communist on a harrowing 1900km (6000mi) trek to the Shaanxi province in north central China. This trek becomes known as the Long March. Pursued by KMT troops and plagued by disease, only 8000 people survived the yearlong journey in 1936 the CCP established a new base in the Shaanxi province, in the town of Yan'lan (Xue Muqiao, 1981).

Over the next decade the CCP stressed resistance to the Japanese, who invaded northern China in 1937 (Sino-Japanese Wars: Second Sino-Japanese War). The communist helped the KMT fight Japan but remained politically independent. The resistance greatly strengthened the party and its Red Army. When Japan surrendered in 1945, the civil war between the KMT and CCP resumed. Communist units, capitalizing on the Soviet occupations of Manchuria, rapidly gained the upper hand. The Red Army, with better discipline, higher morale, and widespread peasant support, completely defeated the KMT forces in just four years. In October 1949 Mao, as Chairman of the CCP, declared the founding of the People's Republic of China, a "people's democracy" commanded in Beijing and at all levels by the party. Chiang Kai-shek's forces fled to the offshore island of Taiwan.

Mao-Zedong led the Chinese communist movement in the 1930s and 1940s and became ruler of China in 1949. Mao strayed from the Soviet Marxist model, attempting to build a socialist society based on peasant farming rather than a centralized, bureaucratic, industrialized economy. Mao reigned as the supreme authority in Communist China from 1949 until his death in 1976 (Encyclopedia, 2003).

Mao Zedong thought is the practical experience of Communist revolution in rural China, and the combative and iconoclastic personality of Mao. In its suppression of dissent, disregard of individual liberties and eagerness to bring about swift industrialization and modernization of the country, Mao's regime closely resembled unreformed Soviet communism. Industrial development was at first directly patterned on Stalin's economic policies. All large-scale industry and trade were taken over by the government. A five-year plan for the year 1953–1958, assisted by Soviet economic aid, led to rapid industrial growth and was followed by other five-year plans. The collectivization of Chinese agriculture similarly imitated the Soviet present (Encyclopedia, 2003).



## **Close Door Economic Policy and Marxist Political Economic Thoughts**

In 1958, it unveiled a radical program known as the Great Leap Forward to dramatically increase agricultural and industrial production. Mao claimed this plan would boost by Chinese economic output of British levels within 15 years. The Great Leap called for decentralization of administration of the economy to local firms and CCP units. At the same times, Mao ordered the consolidation of the country's newly formed farm collectives into thousands of huge communes where peasants would work together to increase China's agricultural production and self-sufficiency.

## **Open Door policy of China and its Version of Communication**

After the Chinese Communist Party Chairman Mao Zedong's death in 1976, Deng Xiaoping became the most influential political official in China. Deng rebuilt its organization and finances and fortified its hold on the army, security service and courts.

Reluctant as he was to effect political reform. Deng turned out of be an astonishingly ambitious and effective reformer in the economic domain. Wining over party elders and bringing more youthful advocates of change into high positions, he committed the party to "building socialism with Chinese characteristics" and revamped Chinese policy on several fronts. After some delicate first steps, the government in the early 1980s revived private trade and service in urban areas. In the countryside, the agricultural communes were reduced to empty shells and most of their administrative duties, such as setting production quotas, were transferred to village governments. Farmer where allowed to lease plots of land and sell their surplus produce on the free market. Rural industrial enterprises, operated in tandem by local governments and private entrepreneurs, become the fasts growing sector of the economy. In 1984 state run factories in the cities also began to undergo restructuring with managers given the right to shed surplus workers and the reinvest profits instead of giving them to the state. Whereas Mao had pursued a policy of national self-sufficiency, Deng endorsed an "open door" policy to start integrating the country into the international economy. Foreign trade boomed, China petitioned for entry into international financial institutions, and it carved out "Special economic zones" along its southern coasts to offer incentives to foreign investors. China's exposure to the world economy deepened further in 1997 with the return to Chinese sovereignty of Hong Kong, a vital international trading center (Major Document, 1991),

Deng's daring market reforms were spectacularly successful in stimulating economic growth. Deng defended these reforms as consistent with the regime's long-term ideological goals. He cited them as a logical part of a "primary stage of socialism" that would prepare China for its final task of constructing mature communism. Deng retired from active formulation of economic policy in the several years before his death in 1997, but reforms continued and even accelerated under his successor, President Jiang Zemin. Jiang favored the partial privatization of failing or inefficient state-owned enterprises, a move Deng had avoided. Neither Deng nor his heir's relented on the decision to go slow with political reform. From 1986 to 1989 more flexible senior officials such as Hu Yaobang, CCP general secretary from 1981 more to 1987, and Zhao Ziyang, who replaced Hu as general secretary in 1987, attempted to do more to open up the political system, with mild encouragement from Deng.

### **2.6.3 Communist Government in North Korea**

The communist government of North Korea has adopted State controlled economic policies. There are arrangement of free education, free health service, Child care center and kindergarten. In the country, two million engineers have been working for re-constructing infrastructure, road, and building. There are facilities of one doctor for one thousand citizens whereas in our country, there is hardly possibility of providing a doctor to ten thousand people. Daily consuming commodity prices are very low. Metro trains have been operated. IN the country, there is guarantee of food, clothing and housing. In agricultural sector, Co-operative and commune land reform has been forwarded. There is job guarantee for youth, equal opportunity for personality development. Major means of production, large industries, bank, insurance, mining, communication, have been nationalized. (Korea visit, Rohit 2057)

### **2.6.4 Communist Government in Cuba**

The communist government of Cuba has adopted state controlled economic policy. Government had nationalized electricity, telephone, oil companies, sugar mills, banks, industries which were under US imperialism. In agricultural sector, revolutionary land reform has been acted in favor of poor peasants. There are arrangements of child care centers, equal opportunity for women empowerment. There are 67500 doctors, mortality rate of kinds is 6.4, average life expectancy reach to 75. Among skilled human power 48% scientist are women, 28% legislatures are women. In Cuba, 85% citizens have their own

home, 95% people get electricity, and 95.3% get water services. Cuba has no trade link with US, and no membership of IMF. There are no jobless persons in the country. (Viddhyarthih Buletin of NRSU 2059, Ashoj)

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 Conceptual Background**

Marxism related the ideology of Karl Marx and Frederick Engels, which explains definite collapse of capitalist system and birth of scientific communism. The economic model envisioned by Marx and Engels, and implemented by Lenin and or tried to implement by other Marxist disciples after Lenin, for scientific socialism/communism are considered as Marxist Thought.

#### **3.2 Sources of Data and Information**

This thesis is mainly based on secondary data: i) Books on the background of Marxist economy and philosophy ii) Economic and philosophical writing of Marx-Engels and their followers iii) Economic and philosophical writings of Nepalese communist and non-communist leaders iv) Books of Nepalese economy by various communist and institutions v) Related web sites from online internet vi) Various National and international newspapers periodicals and workshop papers vii) Manifestos of the main Nepalese political parties will be regarded as the base. For facts and figures, publications and periodicals from CBN, NRB, Ministry of Finance, UNDP, and WB and from other research-work related institutions and individuals are similarly used in the study.

#### **3.3 Methods of Analysis**

A combination of Chronological and Thematic Method are adopted. Economic theories and thoughts, origin and development of Marxism, effect of Marxist economic thoughts in Nepal, economics aspects as approved by various Communist Parties are chronologically analyzed. On the other hand, Marx isolates the essential from the non-essential, makes deep analysis of the isolated factor and synthesizes it with general economic result. Hence, Marxism presents "the unity of diverse aspects." And the study has also adopted the same method and accordingly various economic ideas with the economic situation of Nepal and economic programs of the various parties of Nepal are analyzed.

Therefore, present study follows both analytical and descriptive methodology. This study covers the analysis of economic policy of the major communist party in Nepal namely:

Communist Party of Nepal (UML); Nepal Worker and Peasant's Party (NWPP); Communist Party of Nepal; CPN-Maoist; and Unified communist Party of Nepal (Maoist).

## CHAPTER FOUR

### MARXIST ECONOMIC POLICIES AND MAJOR POLITICAL PARTIES OF NEPAL

#### 4.1 Introduction

According to the Marxian economic theory every political party of a country certainly represent of definite economic class of the country concerned. In other words, economic views and policies expressed by political parties in their documents represent definite class-interest. Therefore, analysis of economic programs of the main political parties of Nepal is essential for this research work. In this chapter, much endeavor has been done to seek the contextually of the Marxian economic principles in Nepal through the economic programs and policies of the main political parties of Nepal. Economic programs of the non-communist parties have been analyzed first and economic programs of communist parties have been analyzed thereafter which are explained below.

#### 4.1 Communist Party of Nepal (UML)

This party emerged after the unification between the CPN (Marxist) that was headed by late Manmohan Adhikari and the CPN (UML) that was headed by late Madan Kumar Bhandari. The unification between these two parties was held on 26<sup>th</sup> December 1990 November 1994, which could sustain only for 9 months.

This party organized its Fifth Congress on 27<sup>th</sup> January–2<sup>nd</sup> February 1993. This congress passed new programme of the Nepalese Revolution that was entitled People's Multiparty Democracy. The CPN (UML) claims that the resolution of Peoples Multiparty Democracy is a new concept in communist movement. All the other communist parties of Nepal reject the claims of CPN (UML) and say the UML's programme is a new brand of the Khrushchevite revisionism.

Parliamentary struggle and the peaceful non-parliamentary struggles based on the popular mass support are main policies of this party. The main "element" of the UML's tactics is "to strengthen peoples' power through the progressive reforms for the preparation of decisive struggle." This party raises people's demands for the progressive reforms from the opposition bench and wants to launch such reforms when it gets the chance to form its own government (PPMD, 1999).

## **Economic Policies**

Documents of this party reports that in the Peoples' Multi-Party Democratic System the CPN (UML) will enforce "mixed economic system." There will be three phases of the economic system of the PMPD: i) first phase-the remnants of feudal mode of production and exploitations of imperialism, comprador and bureaucratic capitalism will be abolished. ii) Second phase- the economic system of the PMPD will be developed and strengthened, iii) Third phase-preparation will be made to transform the society into the socialist economic system (PPMD, 1999).

Within the mixed economic system, government will play the leading role for the development of the lower and backward strata of the Nepalese society. According to the purpose economic policy of the CPN (UML), its government will play the role of facilitator of the private sector and promoter of the cooperative sector. Thus, the three sectors; governmental, private and cooperative will exist simultaneously within the systematic central planning and leading role of the government (CPN UML, 1994).

Progressive economic reforms through the parliamentary measures are the economic policies of this party. The parliamentary struggle is the main aspect of the UML. Likewise, its economic policies are related to the operation of progressive economic reforms. To reform the agricultural sector, the slogan is, "Democratic and planned reorganization of agricultural economic by putting an end to the feudal ownership and attaining self-sustainability in food grains (Election manifesto, 1994).

CPN (UML) envisions the prosperous society through the scientific land reform and rapid agricultural transformation. The title deed distribution on the basis of land consumption/utilization, the land access through the scientific land reform, proper compensation to the land owner by the land user, overall state's protection of the agriculture, government' responsibility system of in the production and other agricultural development, the alliance of government in agricultural and supply distribution mechanism etc., are the general features. The priority to the small and medium types industry, co-operatives to control the unwanted profit by the market intermediaries, irrigation system multi-purpose utilization of the unutilized land existing in the various part of the country, composting the foddors and other product of the forest resources etc., have been utilized for the agriculture development in the days to come. (Declaration Paper 2070)

The foundation of the Nepalese economy is achieved through the utilization of the water resources, energy and consolidated infrastructure. The party thinks for the energy as the fundamental rights for the Nepalese citizens in the coming five years, investment participation of government in hydroelectricity and the public private partnership model in the various other productive investments. A high focus in the establishment of large scaled (mega) hydro projects in the coming 10 years, the establishments of the alternative energy sources, and main focus in the micro-hydro are the strategic investment focus for the economic development in Nepal. The cultural protection in Nepal is a kind of tourism development. The various parts of Nepal and cultural heritages for the tourism development are envisioned. Various trainings and the scientific education for the people is provided. Special incentives of the domestic investment and attraction of the foreign investment, import substitution and export promotion, creation of employment, use of the local resources in the production etc., are the trade, industry and investment policy of the party. The proper development in the taxation through the habit of the tax culture and reform, decision of the Nepalese people in the various production processes are to be employed. (Declaration Paper 2070).

To release the agricultural sector from the over-burden of population on it, this party purposes the policy of "one person-one profession." Establishment of Agricultural University, at least one chemical fertilizer factory, subsidy on the agricultural inputs, massive expansion of irrigation facilities and increase of agricultural productivity, priority for the irrigation facilities within the operation of hydrological projects and land consolidation etc. are its economic policies for reforming in agricultural sector of the Nepalese economy.

To bring reform in the industrial sector of the economy, the CPN (UML) purpose to encourage "labour-intensive industries." For the integrated development of the cottage and rural industries, this party state, "A coordinate policy of financing, technology, pricing and marketing will be follow for the establishment and promotion of cottage industries." It has been purposed to develop internal market for the sustainability of the national industries. For the sound development of the various sectors of the economy, the CPN (UML) purpose for the amendment in the present constitution of Nepal Reported cause for the amendment in the progressive land reform, punishment on the corrupted government officials and political leaders, proper reservation for the low caste people land women in the government service and parliament, for the protection and up-liftmen of the backward



peoples and nationalities etc. are its other purpose. This party prefers the "selective privatization." Thus, the tactical economic policies of the CPN (UML) are reform-oriented (CPN UML, 1994)

In agricultural sector, the revolutionary land form will be performed. The land of the reactionary landlords will be confiscated without any compensation and will be distributed to the real tillers and landless people. But the landlords will get proper compensation for their lands, if they do not disturb the revolution. Land consolidation, progressive taxation, guarantee to sale agriculture product, utilization of all kinds of arable lands, modernization on the agricultural sector, conservation of the forests and natural environment, integrated rural development, guarantee of the minimum wage level for the agricultural laborers etc. are the other economic policies for the agricultural sector (Krishi Karanti, 1954).

It has already been maintained that CPN (UML) is in-favor of active role of state government in the process of development. And UML wants to lunch the Industrial Revolution within the country. The industries related to the basic needs of the people such as the industries for the chemical fertilizers, construction materials, clothes, public service industry electricity, telecommunication, medicines, media-sector, defense industry and other industries directly related to the public welfare will be operated by the government sector. This party wants to develop the private sector industries through the protectionist policy. National Capitalist Class will be developed for the international competitive market. Foreign finance and investment will invited but the CPN (UML) rejects the Donor Driven foreign assistance. This party also promises to provide sufficient facilities and Trade Union Rights for the industrial workers. This party purpose for the sub situation of the foreign skilled industrial manpower from the domestic workers (CPN UML, 1999).

The Government which was formed under the Prime Ministerhip of Man Mohan Adhikari, lasted only for 9 months. Aaphono Gaun Aphai Bahaun (Trans, Develop Own Village Own Self), Program of 9 'Sa', formation of Land reform commission (Which is known as Badal commission), fast activities of the Sukambasi Problem Solution Commission and other various multi-dimensional development programs launched in the period (MOF, 1994),

#### **4.2 Nepal Worker and Peasant's Party (NWPP)**

Mr. Narayan Man Bijukchhen, a chairman of Nepal Workers and Peasants Party (NWPP) was one of the central leaders in the CPN (Puspalal's Fractions) before 1976. On 1<sup>st</sup>

September 1976, he published a book in which he criticize the leadership and appealed to revolt against the leadership. In 1976 he formed Nepal Workers and Peasants Organization (Nepal Majdoor Kishan Sangathan). This party again divided into two group; Rohit Group and Hari Ram Sharma Group. IN 1981, on the issue of the participation in the Panchayan election, Hari Ram Sharma Group again divided in 1982 in two groups. The Nepal front headed by Mr. Hari Ram Sharma and another Nepal Workers and Peasants Organization headed by Mr. D.B. Shing. The former lost its existence after sometimes and the later joined with the existing CPN (UML) in 1983. The Nepal Workers and Peasants Organization headed by Rohit continued its existence and renamed as the Nepal Workers and Peasants Party in 1990 by its first conference held in Bhairahawa. This conference has passed the new democratic program as its strategic economic program. But its second conference held in 1988 change its socio-economic analysis of the country and passed socialist programs as its economic strategy. This party blames the CPN UML and NCP as the agent of the people enemies.

This party participates in the parliamentary affairs to expose the parliamentary system. In other words this party reports that it want to utilize the parliament as a Forum to raise the revolutionary slogans. This party says that "Neither wants to participates in any type of government within present political system nor wants to form own government". It raises the economic demand to make pressure on the existing government;

#### **Short term goal of NWPP**

- Forwarding democratic movement against feudalism, that is for "Jasko Jot, Usko Pot" revolutionary land reform.
- Incensement of wages salary according to market price.
- Job guarantee
- Free education and health services

#### **Long term goal of NWPP**

- Nationalization of major means of production.
- Work according to the capacity and wage according to the work.
- Establishment of socialism and classless communism through class struggle.
- Imperialism and expansionism are major enemies. Nationalist, Democratic Workers, Peasants, and intellectual community are internal friend. All the anti-imperialist parties and organization are external friends.

## **Economic policies of the NWPP**

This Party participates in the parliament to expose the Revolutionary parliaments to propagate the socialist ideas and to play the role of genuine opposition. This party has no policy to share in present capitalist political government systems. This party has raised economic demand for the betterment of common people and wants to enforce them through the parliamentary and mass based non-parliamentary struggles. Its main economic demands are:

- Due to existence of feudal land ownership lots of peasants are landless and poor. Agricultural productivity is being low. There is need of applying Revolutionary land Reform for equal distribution of land and agricultural productivity.
- The economy of the country is in the hand of limited. Some landholders and capitalist, that's why majority of the people are suffering through poverty and scarcity,. Due to this gap between Rich and poor have become far. Therefore, there is need of properly imagination law. Nationalization of major means of production, industries, banks, insurances are to be needed. NWPP is against the economic policy allowing World Bank, IMF world Trade Organization in Nepal.
- NWPP has been criticizing the government's policy of sending Nepali youth in foreign employment. Because of the policy, Nepal is lacking youth's labor power for upliftment of the country.
- Our country is being colonized in the name of privatization, liberalization and globalization, World Trade Organization, Asian Development Bank World Bank, International Monetary fund and multi-National companies are economic weapons of imperialist countries.
- Present Loktantrik governments have handed over upper Karnali, Seti and Arun to the Indian monopolistic capitalist. Nepal sells electricity to the India in Rs. 1.35 per unit, but our government sells its own citizens in Rs. 7.30 per unit. On the other hand India sells electricity to Nepal in Rs.8 per unit. Therefore, it has been proved that Nepal government and Nepal Electricity Corporation is agent of Indian monopolistic capitalist.
- Revolutionary land reform, Jasko Jot, Usko Pot.
- Establishment of chemical fertilizer industry.

- Proper wages for industrial and agricultural workers etc.
- Nationalization of petroleum products, gas, water, electricity.
- Nepali citizens are not permitted to keep money in abroad countries.
- 50% of the budget should be distributed through local bodies for development.
- Right against exploitation
- Equal opportunity for personality development.
- Free education from pre-primary to higher level education.
- Free health service to all citizens
- Unemployment pension to jobless youth.
- Arrangement of Bridha Aashram, Shisusala, in all ward and village.
- Certainty of Job.

### **4.3 Communist Party of Nepal (Masal)**

The CPN Masal and CPN get united in September 2002 and formed a new party Nepal Communist Party. This party is underground and exercises its open political activities through its open electoral front name all Nepal National People's Front (Akhil Nepal Rastriya Janamorcha).

#### **Economic Policy**

This party analyses the present economic character of Nepal as the semi-feudal and semi-colonial. This party advocates new democratic revolution. This party advocates for revolutionary had reform protection of development of national capital.

This party participates in the parliamentary affairs to expose the parliamentary system. In other words this party reports that it want to utilize the parliament as a Forum to raised the revolutionary slogans. This party says that "Neither wants to participates in any type of government within present political system nor wants for form own government." It raises the economic demand to make pressure on the existing government;

- Registration of the real farmer.
- Landholding certificate for the real tillers
- Abolition of the bribery
- Reduce interest rate of the agricultural bank loan

#### **4.4 CPN-Maoist**

The Nepal communist Party of Nepal (Maoist) is established with a view to represent the proletarian view from the 7<sup>th</sup> conference meeting being separated from that of the Unified Communist Party of Nepal. The party envisions the scientific communism to protect the right for the weak, suffocated and marginalized people of the Nepal. The party has the route of the elimination of the old and new forms of imperialism and peoples' revolution to achieve the goal of the scientific communism in Nepal. The end of the feudal society and the foreign extension in any forms are the main goal of the short term period of the party. This party remains aware of the any kind of the new amend mends and reforms in the Nepalese party culture as the parties are carrying out the agendas for the anti-national slogans to the point of the upliftment of those marginalized and suppressed people in Nepal. The party is established in 2069 ashadh in the principles of the Marxist, Leninist and Maoist.

As the economic policy party envisions the independent economic development with the end of all forms of feudal and monopoly and priority of the low class and marginalized people in all forms of governance in the country. The ownership of wealth and provision of all basic rights will be provided through the government. The agrarian-industrial economy, which is self-reliance and independent in various systems, is conceptualized in the days to come.

#### **4.6 Unified communist Party of Nepal (Maoist)**

By the 1994, mid-term election the CPN (Unity Center) was divided into two fractions. Moderate and Radical wing, Nirmal Lama headed the Moderate fraction and another was headed by Prachanda. After the fraction both approached election committee for recognition. The group supported by Nirmal Lama was recognized whereas the later was not. Finally, the later group called for a boycott of the mid-term election. The Radical wing failed to get recognition for its original flag and symbol from the election commission. It went underground and called itself the Nepal communist Party (Maoist). It adopted violent means in 1995 and launched insurgencies in various part of the country demanding for its fulfillment of its 40 point demand including the abolition of the multi-party parliamentary system and constitutional monarchy.

## **Economic policies**

Rapid economic development and equitable prosperity is the main slogan of the (UCN) which is achieved through the production and employment oriented double digits economic growth for the independent and equitable prosperity within the upcoming 15 years. The party asserts that the prevalence of the resources like water, forest, land, medicinal herbs, monsoon, and labour (6) can transform the Nepalese economy into a miraculous development if the proper plan and policy are implemented for the resources mobilization. The party foresees for the completion of the national industrial capitalistic economic revolution by eliminating the existing poverty, unemployment and dependency (Commitment Letter- 2070).

### **i) Broad-based policy**

In the broad-based policy, the party wants to establish the nationalistic capital through the collective effort of the agriculture, industry and service sector by the mutual support of the state. It will lead to the socialism oriented national industrial capitalism. (Commitment Letter- 2070).

The party intends to promote the new producing power and want to establish the new production relation with the appropriate distribution system, appropriate consumption pattern keeping in mind for the accumulative capital development in the country. It helps to promote for the equitable prosperity in the country.

For the increase in investment, the domestic sources are prioritized and the foreign resources are scrutinized as per the demand in the country. However, the injection of the capital should increase up to the 40 percent of the GDP of Nepal to meet the double digits growth.

### **ii) Equitable prosperity**

The party envisions of the short term, medium term and long term economic policy for the 5 years, 10 years and years 20 years respectively.

The party expects for the production and productivity increment through the shocks (chhalaang and dhakka) through the modernization and commercialization of agriculture, a campaign basis national development of energy and water resources, rapid extension of the large infrastructure like road, railway, airport, drain, development of tourism and the productive sectors and the development of the service sector.

For the capital import in the country, the party demands for the effective and powerful investment board, further Bilateral Investment promotion and protection (BIPPA) Agreements with various countries and a campaign basis resources mobilization of

government and private sector as well as national and international level. The major source of investment will be from the private sector at the two third level of the total investment. The public private partnership model is the for investment promotion in the various sector. However, government's investment will be increased with the reform in revenue mobilization and administration, structural change in the government expenditure, controlling in the recurrent expenditure, capital allocation in the efficient sector for the justification of the resources.

### **iii) End of the dependency**

To decline the foreign dependency, the party seeks to rapid decline in the foreign loan within 20 years and wants to complete end in the 40 years period. However, the alliance with the international community is demanding at current time for the reduction of the Balance of Trade deficit. The import substitution and export promotion policy for the balance of trade will be adopted.

### **iv) Elimination of the unemployment**

The elimination of unemployment is envisaged immediately by the miscellaneous programs and periodic plan. The self - employment programs and special employment plan are implemented while building up the physical infrastructure, production and tourism promotion program.

### **v) Broad- based social security and poverty elimination**

It is the government responsibility to protect the disabled and handicapped people, marginalized and endangered society, untouched community, widow and the people living below the poverty line. The absolute poverty will be reduced in the coming 15 years through the national security fund established under the strategy of the national social security.

### **vi) Regional Balance**

In the forthcoming federal Nepal, The Finance Commission and the National Development Commission, in the center, plan for the regional balance in which the first will allocate the resources to the regional province and the second considers the Province Development Commission. On the basis of the capacity of the production, the physical, economic and the other developmental models will be demonstrated. Local governance takes the initiation of the development on the basis of local features and the recognition.

On the basis of need, Special packages from the center level will supply to the various local level.

### **Various Sectorial Programs**

- The Agrarian Revolution is the basic foundation of the New Peoples Democratic Revolution. Therefore, the main policy of agrarian revolution shall be to abolish the feudal, semi-feudal and bureaucratic capitalist production, relation in the land and to develop national capitalist relation of which land to tiller shall be the main policy tenet.
- Medieval feudal practices like "Kamaiya" and "Harwa-charwa" shall be completely abolished and resettlement and employment shall be arraigned for them.
- Minimum wage for agricultural labors shall be fixed and it will be strictly implemented. Woman laborers shall be provided wage equivalent to men.
- Large forest bit irrigation projects, mines, grazing meadows, large uncultivated land, rivers, and lakes shall be possession of local people's government as public properties.
- The industries shall be regarded as the leading sector of the economy. And planned attempts shall be make for its repaid development.
- For the workers, weekly 40 hour working days and minimum wages shall be fixed and strictly implemented. Participation of the workers in the management of industries shall be guaranteed. Policy of encouraging co-operative system in cottage and small industries shall be followed.
- Trade in basic goods and foreign trade shall be under the control of the state; whereas trade in other sectors shall be in the hands of the private sector. Stranglehold of India monopoly capitalists in the commerce sector shall be ended and the state shall offer protection to the national traders.
- The exploitation and oppression of imperialist financial capital in the country shall be ended the country shall be freed of foreign debts and there will be state control over major financial institutions in the country.



- Imperialist financial penetration and internal sabotage on the pretext of NGO/INGOs shall be ended).
- Instead of large and dependent hydroelectricity projects, emphasis shall be given on constructing small and medium, and multi-purpose and self-reliant projects. Attention shall be paid on developing the tourism sector in such a manner that it serves the cause of the country and the people.

## **CHAPTER FIVE**

### **ANALYSIS OF THE STUDY**

#### **5.1 Influence of Marxism on Various Economic Policies in Nepal during 1900-2006.**

##### 5.1.1 Formation of Interim Government and Economic Policy towards Liberal Economy

Panchayat System lasted for 10 years after the Referendum. During the 10 years period, King Birendra did not make any declaration to reform within his direct leadership. Democratic movement started on February 18, 1990. In the Nepalese history, Communist and bourgeois forces were involved jointly in the movement against the autocratic Panchayati system. Political protests erupted in Kathmandu under the banner of the "people's movement for the restoration of democracy." Supported by united leftist parties under the umbrella of the united left front and the NC, more than 100,000 people demonstrated in the streets demanding democracy and an end to the country's absolute monarchy. At least 50 protesters were killed and another 200 were injured when the army opened fire on the crowd. In the face of this crisis, King Birendra agreed political reforms: the ban on political parties was lifted; an interim government was formed under the leadership of the movement parties. The new government was given a mandate to draft new democratic constitution and general elections for House of Representatives were scheduled (Munikas, 2003).

During the Panchayat System, parties remained active under-grounded or based their operation outside the country. The lack of Government experience by all parties created challenges since the adoption of constitution of 1990; there had been more than six government's forms opposite ends of the political spectrum. Many of these become unstable coalition made up of right and left wing parties. Conflicts among and within parties made it difficult to sustain administrated by no power rather than one dozen prime ministers during this period. Despite this instability, power transferred peacefully.

The interim government of 1990 was led by Krishna Prasad Bhattarai, President of the Nepali Congress Party and considered of members of united Leftist Front and the King's nominees. This government was mandated to draft a new constitution and to hold general elections. A multiparty, constitutional monarchy, a model of UK west minister system, was adopted. In May 1991, the first general election was held under the new constitution and signaled a clear rejection of the Panchayat system by Nepalese citizens.

### **5.1.2 The constitution of Nepal 1990 and Influence of Marxist Economic Thought**

The constitution of 1990 was considered as document of agreement among three political forces i.e. Communist Parties, Nepali Congress and the King. Then the constitution was prepared by the representatives of aforesaid three forces. The major contribution of Marxist economic thought on this constitution was the inclusion of economic policies under the directive principles of the constitution. This was possible only due the influence of left political parties. The directive principles are considered as a guiding principle for the activities of the government. However, government cannot deny these principles only because of their location in directive principle. This has opened the door for economic right and social security to be adopted by the government (Constitution, 1990). The directive principles which were influenced by Marxist political thought were:

#### **Directive Principles of the State Influenced by Marxist Thought**

- It shall be the chief objective of the state to promote conditions of welfare on the basis of the principles of an open society, by establishing a just system in all aspects of national life, including social, economic and political life, while at the same time protecting the lives, property and liberty of the people.
- The fundamental economic objective of the state shall be to transform the national economy into an independent and self-reliant system by preventing the available resources and means of the country from being concentrated within a limited section of society, by making arrangement for the equitable distribution of economic grains on the basis of social justice, by making such provisions as will prevent economic exploitation of any class or individual, and by giving preferential treatment and encouragement to national enterprises, both private and public.
- The social objective of the state shall be to establish and develop, on the foundation of justice and morality, a healthy social life, by eliminating all types of economic and social inequalities and by establishing harmony amongst the various castes, tribes, religions, languages, races and communities.
- It shall be the chief responsibility of the state to maintain condition suitable to the enjoyment of the fruits of democracy through wider participation of the people in the governance of the country and by way of decentralization, and to promote

general welfare by making provisions for the protection and promotion of human rights, by maintaining tranquility and order in the society.

### **State Policies Influenced by Marxist Thought**

- The state shall pursue a policy of raising the standard of living of the general public through the development of infrastructures such as education, health, housing and employment of the people of all regions, by equitably distributing investment of economic resources for balanced development in the various geographical regions of the country.
- The state shall pursue a policy of mobilizing the natural resources and heritage of the country in a manner which might be useful and beneficial to the interest of the nation.
- The state gives priority to the protection of the environment and also to the prevention of its further damage due to physical development activities by increasing the awareness of the general public about environmental cleanliness, and the state shall also make arrangements for the special protection of the rare wildlife, the forests and the vegetation.
- The state shall create conditions for economic progress of the majority of the people, who are dependent on agriculture, by introducing measures which will help in raising productivity in the agriculture sector and develop the agricultural sector on the principles of industrial growth by launching land reform programs.
- The state shall pursue a policy of increasing the participation of the labour force, the chief socio-economic force of the country, in the management of enterprises by gradually securing employment opportunities to it, ensuring the right to work, and thus protecting its rights and interests.
- The state shall pursue a policy making the female population participate, to a greater extent, in the task of national development by making special provisions of their education, health and employment.
- The state shall make necessary arrangements to safeguard the right and interests of children and shall ensure that they are not exploited, and shall make gradual arrangements for free education.

- The state shall pursue such policies in matters of education, health and social security of orphans, helpless women, the aged, the disables and incapacitated persons as will ensures their protection and welfare.
- The state shall pursue a policy which will help promote the interests of the economically and socially backwards groups and communities by making special provisions with regard to their education, health and employment.
- The state shall, with a view to bringing about prosperity in the country pursue a policy of giving priority to the development of science and technology and shall also give due consideration to the development of science and technology and shall also give due consideration to the development of local technology.
- The state shall, for the purpose of national development, pursue a policy of taking measures necessary for the attraction of foreign capital and technology, while at the same time promoting indigenous investment.
- The state shall pursue a policy of creating conditions for the acceleration of the speed of rural development, keeping in view the welfare of the majority of the rural population.

### **5.1.3 First General Election and State Economic Policy**

During this period single majority government led by Girija Prasad Koirala was formed. The Eighth Plan (1992–1997) was prepared and implemented since then.

### **The major objectives and priorities of the Eighth Plan**

#### **Objectives**

The principal objectives that the plan aspires to achieve are as follows:

- Sustainable economic growth
- Poverty alleviation, and
- Reduction of regional imbalances

#### **Priorities**

The programs receiving priority in this plan were:

- Agricultural intensification and diversification
- Energy development
- Development of Rural infrastructure

- Employment generation and human resources development
- Control of population growth
- Industrial development and tourism promotion
- Export promotion and diversification
- Macro-economic stabilization
- Reforms in development administration
- Monitoring and evaluation

One of the objectives of the eight plans was poverty reduction. However, Nepali Congress followed the SAP-I, ESAP-II started by the Panchayat regime during the late 1980's. Hence the economic policies of the government were to make the national economy more liberal and market oriented (Budget Speech of 1991-92).

Nepali Congress developed a liberalization policy and liberalization act during this period. Three industries constructed under Chinese Government aid were sold to the private sector. The selling process of these industries was highly debated not only among the opposition parties rather within the ruling party (Punarjagaran Weekly, 1995).

CPN (UML) ruled for nine months before opposition parties' successes in forcing Manamohan Adhikari, who refused to forge coalition with any other parties to recommend mid-term election once again. According, the King dissolved the house and called for fresh elections. The legality of the dissolution of the House of Representatives by the king was challenged in the Supreme Court. In August 1995, the Supreme Court declared the dissolution of the house unconstitutional since opportunities for forming a government remained. In the House, a new coalition was formed ousting the minority CPN (UML).

#### **5.1.4 Period of Coalition Government (1995-1999)**

This period is the most instable period of the country. Most of the time of this period Nepali congress governed the country. They followed the policy of previous government and could not develop a new economic policy. The Tenth Periodic Plan was prepared during this period. Major policy of this plan, guided by the Marxist economic thought was the poverty alleviation; establishment of poverty alleviation fund etc., poverty reduction strategy was the main guiding principle of this plan. The major policies and programs of this plan were as follows:

## **Perspective development strategy**

The main objective of the long-term development is to free the nation from the clutches of existing poverty, and to establish a cultured, modern and competent society (NPC. 2002).

### **The long-term development perspectives in this respect were as follows:**

- To achieve broader, poverty alleviation oriented, high and sustainable economic growth rate by mobilizing and utilizing effectively the available resources facilitating the liberal and market-friendly arrangements, with reforms in policy spheres and legal matters to create suitable environment for economic, social, and institutional development. Structural reforms will be carried out for equitable distribution based on geographic and social aspect the returns of the high economic growth.
- To achieve high and sustainable economic growth rate, emphasis shall be on identification and utilization of areas of competitive along with enhancement of competitive capacity.
- The role of government shall be that of catalytic, facilitator, and regulator to strengthen the liberal and open market oriented economic activates for modern and organized sectors the role of private sector, in this perspective, shall be activated more in such sectors. The role of private sector, in this perspective, shall be activated more in such sectors where it has already been more effective and active, such as agriculture, tourism, industry, commerce, transport, electricity, communications, information technology, air services and on other additional promising sectors. The safe vault thus created in government investment shall be utilized for the development of social sectors, infrastructures development and other viable areas.

### **Tenth Plan: Objective, Target, Strategy**

The main objectives of the tenth plan is to alleviate poverty by mobilizing optimally the means and resources on the mutual participation of government, local agencies, non-governmental sectors, private sector and civil society to extend economic opportunities and open new ones enlarging employment opportunities and widen the access to means and economic achievements for women, Dalits, peoples of remote area and poor and

backward groups through programs like empowerment, human development, security and targeted projects thereby improve the status of overall economic, human and social indicator.

### **Macro strategies**

The strategies of the Tenth Plan can mainly be grouped into following categories (NPC, 2002).

#### **a) High, sustainable and broader economic growth**

The development of agriculture, forestry, industry, water resources sectors will be emphasized more as there are wide prospects to create opportunities for employment and income generation and to achieve high sustainable and broad economic growth rate. While developing these sectors, attention will be paid to keep them in line with unfolding demand schedule at national and international markets. In order to extend rural employment and income generation activities, commercialization of agriculture based Agricultural Prospective Plan (APP) shall be enhanced emphasizing on the development of service sectors such as tourism, communication and information technology, finance and real estate, construction and transport etc. (NPC, 2002)

#### **b) Social sectors and rural infrastructures development**

Social sector development is emphasized to upgrade the quality of life pattern and to development infrastructures as a fundamental basis for rapid economic growth. Economic utility aspects and qualitative improvements of services along with increased access of common people in social services sectors are duly considered while developing infrastructures (NPC, 2002)

### **5.1.5 The Royal Takeover Period of Multiparty Democracy (2002-2006)**

In 2059 King Gyanendra took the power by shaking the democratically formed government. After this the country virtually ruled by the king with autocratic forces and with the support of military. The economic during this period was nearer to bankrupted. The donor agencies did not provide the assistance and they did not support politically this step of the king. The internal conflict was in extreme form. Hence, all economic activities were also standstill. So there were not any economic policies that can be stated in this dissertation during this period.



### **5.1.6 Popular Movement of 2006 and Establishment of New Interim Government**

The popular movement was organized with the cooperation of seven parliamentary political parties and CPN (Maoist). After this popular movement of 2006, old parliament was reestablished and new government was formed. One of the major tasks of the government was to prepare common agenda for working of the government, as the government was formed the representative of different political parties with different ideology.

Similarly, according to the universal law, the government should run as per the constitution. Hence, preparation of interim constitution was also a downing task ahead of the interim government of that time. Thus, the economic policy of the present interim government is reflected in a) Broader Peace Agreement, b) Common minimum program, c) Interim Constitution and d) Documents of three-year interim plan.

After the success of the movement many economic policies are tilted to Marxist political Economic Thought. At this stage the communist were only in the influential position but they were in the position to intervene in the state economic policies. Thus, mainly following policies and programs were influenced by Marxist Economic Thought in interim government.

- End of feudal land ownership and execution of scientific land reform.
- CO-operative sector is considered as a vehicle of economic development along with private and state sector.
- Social security programs like, old age pensions, widow pensions, disable pensions, pensions to the family martyrs.
- Adoption of inclusion and positive discrimination in favor of minority and socially deprived people.
- Emphasis on human development e.g. free education up to secondary level.

### **5.1.7 Three-Year Interim Plan and Influence of Marxist Philosophy**

The country is already moving toward enduring peace after the historical struggle waged by Nepali people in the past, and the Peoples Movement of 2006. At present, an unprecedented understanding between the major political forces in the country has been attained.

By using the new opportunities arising after nearly a decade long political conflict, the feeling of self-confidence and realization among the common people. We are having a golden opportunity to waive old thoughts, structures and feudal remains, and to move forward in a determined way to raise the living standards of Nepali people living in poverty, scarcity and backwardness. It has now become the main goal of the country to make use of such excellent opportunities, to institutionalize historical achievements obtained through previous movements and to take a leap forward in development.

This plan has given emphasis to aspects like reconstruction and rehabilitation of physical infrastructures, social reintegration, economic recovery, inclusive development, and economic and social transformation. Similarly, policies will be taken to move the development process ahead by using opportunity of successful programs of poverty alleviation strategy, commitment to millennium development goals, opportunities after membership in the WTO, and industrial development and trade relations between immediate neighbors China and India.

The objectives, goals, strategies and policies of development have been formulated in this plan, together with a long-term vision, by taking as guidance the parliament's historical declaration in according with the people's spirit reflected through the people's Movement, the subsequent agreements at the political level, the state's responsibility, the directive principles and policies inherent in the interim constitution as well as the interim government common minimum program.

### **Vision**

The vision of this plan is stated as to build a prosperous, modern and just Nepali. In the envisioned situation, Nepal will be free from absolute poverty and all Nepalese will have obtained full rights to live in suitable human conditions. The people will obtain equal rights, and economic and social opportunities to fully utilize their potential. The modern way of thinking will bring about changes in the social, cultural educational, economic and financial sectors; improve people's behavior and allow them to accept appropriate technology and new concepts. In a just situation, the gap between the rich and the poor will be reduced, and all kinds of discrimination and inequality, whether they are legal, social, cultural, linguistic, religious, economic, ethnic, gender, physical condition, and geographical, will have ended. It will ensure social justice, guarantee basic human rights, and good governance.

### **Goal**

The main goal of the interim plan is to prepare a basis for economic and social transformation for building a prosperous, modern and just Nepal.

### **Objectives**

The main objectives of this plan are to realize changes in the life of people by reducing poverty and existing unemployment and establishing sustainable peace.

### **Strategies**

The strategies of this plan are as follows:

- To give special emphasis to relief, reconstruction and reintegration

Priority will be according to programs targeted by plans like rural infrastructure reconstruction, and rehabilitation, investment plan for roads, master plan for infrastructure, in order to reconstruct, rehabilitate and reintegrate physical, economic and social infrastructures damaged due to conflict, those that could not undergo maintenance, and those that could not be constructed according to program. Special emphasis will be given to relief operation and social rehabilitations of individuals or groups affected by conflict.

- Creation and expansion of employment opportunities

By making education system employment oriented, opportunities for employment will be generated for new entrants in the labor market according to their capacity and skill. Policy level improvements will be carried out to create human working environment for employees and laborers of both formal and informal sectors. Institutional arrangements will be made to provide skill and training to assist the laborers productivity. Provisions are made for training to promote skills of laborers involved in the informal sector, and to hand over appropriate technology that they can use. In this context, implementation of big projects and small participatory projects that generate employment are given special emphasis. Priority is given to programs that immediately provide large number of employment to women, dalit, nationalities, youth and Madhesi community.

- To increase pro-poor and broad-based economic growth

Strategy will be adopted to strengthen the role of private and cooperative sector for economic growth. In order to alleviate poverty existing in the country, economic activities will be created and expanded so that they can support poor people to work and increase their income. For this, the manufacturing sectors and services sector will be expanded and will be included in economic activity of their choice.

Environment will be generated for operating economic activities in transparent, legal, and secure atmosphere. Strategy will be adopted to make the concept of cooperatives, and

private-public partnership more effective in the economic activities, in addition to the private sector.

The role of agricultural sector in economic development will be made more important, and the relationship of this sector to overall economic will be increased. Special programs will be operated for poor people to use their capacity and generate income.

- Promotion of good-governance and effective services delivery

By strengthening the value of law and state machinery, and creation of people's participation, transparency, accountability and corruption-free environment, access of all Nepalese including those excluded in economic and social service delivery will be increased.

For this, the private sector, civil society (including NGOs and community organizations) will be accepted as partners in development, and necessary laws, policies and programs will be revised, formulated and implemented in addition to emphasis on decentralization, institutional strengthening and capacity development.

- Increases investment in physical infrastructures

In addition to give special emphasis on reconstruction and development of social and physical infrastructures, new concepts will also be utilized. In the context of infrastructure, strategy will be adopted for both construction of mega projects and medium and small-scale projects based on identification and participations of local people. In addition to road that connect district headquarters and north-south corridors, rapid transmit roads and network will be given special emphasis. Similarly, means of transport like cable cars and ropeways significant from the perspective of tourism will be developed. Small and medium hydro-electric projects currently being constructed will be completed, while initiatives will be taken for mega hydro-electric project. Information and communication technology will be extensively expanded. Priority will be given to regular maintenance and quality improvement to the infrastructures which were bilt pouring large investments.

- Adopt an inclusive development process

Clear policies, institutional structures and programs will be implemented by focusing on socially excluded groups, indigenous people, dalit, Madhesi/Terai people, women, deprived, people with disability, extremely poor people and groups as well as remote geographical areas due to inequality and structural weaknesses. While adopting inclusive development process, participation of groups suffering from exclusion in development inputs and outputs, as well as geographical, economic, social gender solidarity and

reintegration will be emphasized. This approach seeks to make special efforts in ending all kinds of discriminations and in promoting multiculturalism and peace. In order to ensure a basis for inclusive development macro-economic, social and political development processes will gradually be engendered.

- *Land Reforms*

The major challenges are the lack of proper data of land ownership, usage of land sources, rehabilitation of landless, no timely changes in law, settlement of landless and freed-Kamaiyas. Long-term land and its utilization policy will be formulated to increase the productivity of land, alleviated poverty by settlement of landless and squatters, and freed-Kamayyas to face the challenges. The following policies will be formulated to fulfill the objectives.

- Usages and productivity of land will be increased by land reforms. Scientific land reform program will be implemented in place of traditional land ownership system. The each of landless and squatters like agriculture labor, freed-bonded laborers, Dalits, Janajati, Indigenous, Madhesi, women will be increased in the land resources to confirm their rights on land.
- A long term land and its utilization policy will be formulated to encourage effective land management, and justifiable land distribution and plotting for scientific agricultural system. Land reforms system will be made skilled by producing skilled manpower in the fields of land management, measurement of land and collection of geographical information.
- Land Date Bank will be kept the land-ownership, land usage, and resources data up-to-date and scientific. A policy will be taken by the state to invest on the backward community and areas according to the land-information system.
- Land under Guthi will be effective managed.
- A program will be implemented for the solution of land disputes.
- *Carry out targeted programs*

The special programs for areas falling in the development in Karnali zone as well as region along district borders of the zone fall under this program. Programs will implemented that will directly target and bring to the mainstream of development of the women, socially excluded Dalit groups, marginalized indigenous nationalities, people living in the Terai (including Madhesi and backward groups), people with disability, laborers and poor. Even in the 21<sup>st</sup> century, many individuals, groups and communities are still living a life that is unacceptable from a humanitarian point of view based on food

security, health, education and other social and economic benefits. Therefore, targeted programs will seek to end these conditions. Similarly, the people affected by conflict will be provided relief, rehabilitation, and social integration (TyIP, 2064/65)

## **5.2 Linkage of Marxist Economic Thought on Presents Economic Scenario**

### **5.2.1 Marco Economic Situation**

Some of the part programs in Nepal have been implemented with the primary objective of poverty alleviation. Based on the past experiment, the target of poverty alleviation can only be obtained if the overall economic indicators are positive. The Tenth Plan categorized poverty into three dimensions; income poverty; human poverty and social exclusion. Analyzing all these dimensions in the previous years, the overall poverty and human development indices shows that the Nepalese economy has considerably improved than in previous year. The successive plans are primarily focused to the reconstruction of the ruined infrastructure and for the peace of the country.

### **5.2.2 Poverty, Employment and Inequality of Income in Nepal**

#### **5.2.2.1 Employment situation**

A majority of Nepal's population and the labor-force is engaged in agriculture sector. A large segment of the population lives below the absolute poverty line due to the lack of employment opportunities. Moreover, employed labour-force from under-employment and from low wage/salary are leading to low productivity. Most of the females are involved in unproductive sectors (domestic chores), while, due to pervasive poverty in rural areas, children below 15 years of age are also forced to work as a child labor. Unemployment and underemployment are considered as major problems inhibiting the process of employment in Nepal. On the one hand, there is lack of reliable information and data regarding the employment trends and on the other hand, there is variation in the definition and concepts of employment trends used in each census, survey and research. These have become major constraints in making a meaningful comparative as well as situation analysis and time series study of the trends in employment, unemployment and under employment.

Urban unemployment mostly represents the educated people. It indicates waste of available human resources and also highlights the need of change in the education system to generate skilled labor force. Growing underemployment (which is defined in most liberal way is another major issue as it is found increasing both in rural areas and urban areas. Rural underemployment arises because most of the rural people involve in

agriculture and engage, at least, few hours every day. It show that there is an urgent need for shifting labor force from agriculture sector productivity sector

#### **5.2.2.2 Sources of Household Income and trend of income distribution**

The analysis of the sources of household income is significant while analyzing income distribution of a country. It seems that farm income has been the major source of household income in Nepal. The share of remittance has been playing significant role in changing average income of rural households.

##### **a) Inequality in per capita expenditure**

Though there is rise in household income, there is rising inequality as well. There is increasing rate of inequality in rural areas during the period. This indicates that the reform process has resulted increase in the income disparities in both rural and urban areas of the country. The trends observed from this information are found fluctuating but it indicates two facts clearly. The fact is also indicated by the figure of the household and per capita income in urban and rural areas.

##### **b) Distribution of Per Capital HH Income by Income Category and Place of Residence**

The distribution of total income provides clear picture of concentration of income in the country. IN 1984, the bottom 40 percent of the population and top 10 percent population share same percent of total income (23 percent). The share of the top 10 percent of the population in rural area ranges from 13 percent in the Mountains to 23 percent in Tarai, and the share of the bottom 40 percent ranges from 23 percent in the hills to 33 percent in the mountains. The income share in the urban areas ranges from 24 to 27 percent for the bottom 40 percent of the population and 20-21 percent for the top 10 percent of population. Income distribution is more uneven in 1996 as the share of the bottom 40 percent people in total incomes is just 11 percent and that of the top 10 percent is as high as 52 percent.

##### **c) Distribution of household income by Farm size and region in rural areas in 1984**

There is a deep relationship between size of landholding and household income. IN 1985, the household income of large farm households was nearly 3 times higher than that of the marginal farmers (NRB 1988). Similarly, the household incomes of the large farm household was 50 percent higher than that of the medium size households, and nearly double the income of small size households. The average income of the fewer households

in the rural area was just one-third of the large size households. This indicates the positive association between household income distribution and size of landholding. The overall analysis presents some important information. Rural income disparity is associated with land distribution. As most of the population lives in rural areas, the land distribution appears to be major feature of income distribution for the average people in Nepal.

The urban income distribution is also not even in Nepal, and the income distribution is getting worse during the post liberalization period. In urban set-up, land factor may not be the significant factor. So the economic fruits created due to the liberal policies are not shared evenly. The taxation policies could be the reason of such disparity. Such changes in disparity may also be due to slack in production activities in rural areas due to conflict and low production in agriculture on the one hand and concentration of economic activities in urban areas such as housing construction, land plotting etc. such economic activities may have contributed to increase in income of the rich people leading to increase in inequality of income.

### **5.2.2.3 Basic Statistics and Trends of Poverty**

Poverty is a widespread social Phenomenon in Nepal, and its magnitude remains large. Almost on third of the populations of Nepal are below the poverty line (NLSS, 2003/04). It has been found that the incidence of poverty has increased in last two decades and it has increased more in the rural areas than in the urban ones, though there are some signs of improvement in the last five years. It is difficult to provide accurate data on the incidence of poverty in Nepal as there are methodological differences between the various surveys undertaken in different periods.

#### **a) Household and Population below poverty line**

This survey clearly indicated disparities between the rural and urban sectors in terms of poverty incidence. The NLSS (1996) conducted by the CBS has introduced new category to reveal the incidence of poverty. As in the finding of the previous studies, the proportion of the poor in the rural area is almost two times higher than in the urban area. Looking at the regional incidence of poverty, the mountain Region has the highest concentration of the poor followed by the Terai and the Hills. Regarding the concentration of the 'ultra-poor', the mountain region has the highest concentrations. Indeed, the proportion of the 'ultra-poor' in the mountain region is two times higher than the Terai. Overall, the data indicates that significant segments of the poor are hardcore poor, barely making a subsistence living in the fragile ecosystems, which lack basic infrastructure.



### **b) Poverty measurement by geographical region**

Poverty level is reduced in urban as well as rural areas, with more changes in urban areas. The poverty level is reduced in all five development regions, though the western region still exhibits relatively worst situation. The absolute poverty incidence is thus more rampant in the rural areas where people are mostly involved in agriculture. This fact also indicates that skewed land distribution could be one of the major factors for high level of absolute poverty.

#### **5.2.2.4 Land Distribution and Poverty**

Land distribution in Nepal is also highly skewed in favor of big landowners. The data on income distribution and land distribution shows that there is a strong positive relationship between consumption and land ownership. Income distribution is highly skewed between the rural and urban areas. As a result, stark difference exists in the poverty incidence by place of residence and source. The available information shows that poverty is concentrated in the rural areas but the figure of information varies greatly in one study to another as though the methodology, coverage and definition vary. But it seems that there are some improvements in the number of poor people. The incidence of poverty using the income criterion is significantly higher among landless/marginal landowner and small farmers.

#### **5.2.2.5 Poverty and Scientific Land Reform**

A confluence of the traditional inequality in the distribution of cultivable lands, extremely limited scope for expansion of the cultivated land, excessive dependence on subsistence agriculture for livelihood, failure of the non-agricultural sector to create significant employment opportunities—all amidst fast growing population, over a long period of time is at the heart of the widespread poverty, especially in the rural areas of Nepal. Fragmentation of holding is another area of concern. The already small holdings are further fragmented into several parcels.

Land as productive resources has ownership, use/utilization and efficiency issues intertwined. All the three aspects comprise the subject matter of land reform. The issue of the ownership of land is concerned with political economy; it is very much governed by historical endowment and overt concern for social justice. The other two are socio-economic in nature. After the recent political change in Nepal, the national documents

including interim constitution promise 'scientific land reform', one of the important of elements beings access to land to landless rural households (Interim Constitution, 2006), who maintain agriculture as occupation, and do not have much option outside agriculture due to slow growth in economy and their lack of education.

Utilization of land as means of production in best possible use is a key to agricultural growth and attending efficiency. Crops choice, use of technology and inputs and market access are fundamental to optimizing the land use. Subsistence production system prevails in Nepal; and growth hinges on gradual commercialization of agriculture. Along with technology and markets; land use arrangements also have strong bearing on optimal use of land. Absentee land ownership, land tenancy, and fragmentation of land holdings inhibit commercialization. Land issues are important and need to be resolved to ensure that benefits of agricultural growth are shared by all. Landownership issue, land utilization, legal framework, and land record system govern the optimal utilization of land for production and productivity increase. For example, uncertainly of tenancy preclude long term investment in land; and fragmented holdings make shallow tube well not feasible in the Terai of Nepal (Sharma, 2007). In this background, Nepal government, with its interim plan, proposed to implemented scientific land reform and provide minimum land to landless households as a use right (NPC, 2007). This may be one of the ways to reduce the poverty in rural area.

### **5.2.3 Human Development and environment Status of Nepal**

Among the South Asian Countries, Nepal is in one of the the lowest ranks in HDI. Nepal's public expenditure on health is moderate among SAARC Nations. Among the SAARC countries, the inequality of income is highest in Nepal. Per capital consumption of energy is lowest in Nepal in comparison to other SAARC countries. Nepal's GEM rank is 86 and lowest among SAARC countries. However, the ratio of female income is 0.5 (UNDP, 2007).

### **Findings**

- Growing underemployment (which is defined in most liberal way is another major issue as it is found increasing both in rural areas and urban areas. Rural underemployment arises because most of the rural people involve in agriculture and engage, at least, few hours every day. It shows that there is an urgent need for shifting labor force from agriculture sector to other productive sectors.

- The share of other income has increased significantly after economic reform after 1995-96, whereas slight changes have taken place in non-farm income.
- Higher rate of poverty is noted when it is measured on income basis.
- Land distribution in Nepal is also highly skewed in favor of big landowners.
- HDI in Nepal in improved during past 30 years. It was estimated to be 0.301 in 1975 and now it is 0.514.

#### **5.2.4 Cooperative as a Vehicle of Economic Growth**

In Nepal about 9720 primary cooperatives, 5 central cooperatives, one national cooperative Bank and 133 district level cooperatives are working in different sectors of the economy. About 1.3 million people are working as a member within these cooperatives. Total annual economic transaction within this sector is estimated to be about Rs. 50 billion. The total share capital of these cooperatives is Rs. 10.4 million and the savings mobilization by these cooperatives is Rs. 20 billion. Total investment by this sector is Rs. 24 billion. These economic activities of these cooperatives contribute about 1 percent of the total GDP of the country (NPC, 2008).

Thus, at this moment the role of cooperatives is increasing and it is playing an active role for the economic development and social mobilization of the country. This is one of the contributions of Marxist economy adopted by the society. Realizing the importance of cooperatives in the economic up-liftmen of the society, the interim constitution, 2007 had given due emphasis to the cooperative sector (Interim constitution, 2007). It is regarded as one of the basis pillars for development along with government and privates sector. The interim plan, in its approach paper, emphasized the role of cooperatives for the mobilization of savings, increases in investment. Similarly, the approach paper also aims to develop cooperatives as an important mean of economic, social and cultural development of the country (NPC, 2008). All these developments indicate the influences of Marxist economic thought in the government level and in the general public.

Facts show that there is higher level of unemployment on urban areas and higher concentration of underemployment in rural areas. The urban unemployment represents the unemployment of educated people indication waste of available human resources and also highlights the need of change in the present education system to generate skilled labor force. Growing underemployment is another issue, rural underemployment arises because most of the rural people involve in agriculture and cannot get the jobs all the time in all.

## CHAPTER SIX

### SUMMARY, CONCLUSION AND RECOMMENDATIONS

#### 6.1 Summary

After the first popular movement of 1990 some of the economic policies are influenced by Marxist political economic thought. The participation of leftist parties in the democratic movement makes it possible for the establishment of multiparty democracy in 1990. The Constitution of Nepal specially included the economic policies in the directive principle which is mainly influenced by the presence and participation of left front in preparing the constitution.

After the Royal takeover in 2001, again the left parties and the Nepali Congress party get united for the democratic movement. Ultimately, in April 2006, all the left parties and armed revolutionary party called CPN (Maoist) joined their hands with Nepali Congress and organized popular peaceful movement to throw the King with republican slogan. In this movement the communist parties were the decisive force that worked in forefront. As such, after the success of the movement many economic policies are tilted to Marxist political economic thought. The republican view is established in political program and all stakeholders agree on conducting the election of constituent assembly. All the agreements or the documents of understanding including twelve points agreement, the declaration of parliament, the peace agreement, the interim constitution, the twelve three points agreement clearly state many programs influenced by Marxist political economic thought. At this stage the communists were not only in the position of influence of their thoughts, however, they were in the position to intervene the state economic policies.

From overall study, it comes to be justified that the Marxist Economic thought is still not simply a matter of history; it is rather a genre of real science of life and experiment and so is equally contextual. Similarly, from the experience of China and Vietnam we can conclude that socialism can co-exist with capitalism in one economy.

Even the conservation and provincials Parties of Nepal do not reject the necessity and relevancy of the Marxist economic thought in the World's context as well as the context of Nepal. We can only judge the written commitments on the economic agenda of the related parties. The gap between the written economic policies and actual behavior of the conservative and sectarian parties can be a matter of separate research. Nepali Congress is

a bourgeois party. So this party always works in favor of limited capitalist. Nepali Congress serves also foreign capital and investment.

The NCP regards the Democratic Socialism as its guiding economic principle. NC is in favor of western liberalized market policy. But this party neither has ventured to make actual application of the economic theory of democratic socialism nor became serious about its election manifestos. B.P. Koirala had said that being a socialist was a matter of fashion for some persons or parties of the modern world. This type of comment made by the founder leader of the NCP applies to itself.

There are no large fundamental differences among the economic strategies of the CPN (UML), Masal, Maoist and Unity Center. All these parties believe that Nepal is a semi-feudal and semi-colonial country that the minimum, economic strategy should be to establish the New Democratic or New Capitalist Economy under the leadership of Worker's class. Thus, the UML, Masal, Unity Centre and Maoist Communist Parties of Nepal have the same economic strategy except slight variations in this or that meaningless points. However, these parties differ on the issue of immediate political tactics. Since the tactical policies are the immediate political steps, the division seems natural.

Programs and policies for the establishment of peoples' Multi-Party Democratic State have been regarded as the strategy of the CPN (UML). Parliamentary struggle is the main technical policy and the peaceful non-parliamentary struggles based on the popular mass report that in the Peoples. Multi-party Democratic System the CPN (UML) will enforce "mixed economic system." CPN (UML) was criticized as bourgeois party. AS this party did not assume people's movement of 2064 B.S. as February Revolution. It involved in the formation of interim government as men sevich and labour party involved in kurensky and churchils government. CPN (UML) assimilated people's multiparty democracy as people's democracy which was affected by revisionism. It imagined of establishing socialism thought parliamentary systems, which is affected by Revisionism. UML did not resolve the problems of Taakpur barrage, Malik commission, land reform, Das Dhunga, etc. It sent Nepali troops in Haiti under the US flag. Raadar Kanda, Mal Kanda, Corruption etc. are some examples in the period.

Agrarian Revolution is the basic foundation of the New Peoples Democratic Revolution forwarded by UCPN (Maoist). The main policy of agrarian revolution shall be to abolish the feudal, semi-feudal and bureaucratic capitalist production, relation in the land and

develop national capitalist relation of which land to tiller shall be the main policy tenet. UCPN (Maoist) is also following the path of CPN (UML) leaders of UCPN (Maoist) are busy in individual benefits, facilities, abroad visiting, NGO/INGOs programmes, commission, corruption etc. there is conflict among the leaders about holding ministries. There is quarrelling between workers unions. So called big communist parties are trapped slowly in capitalism. UCPN (Maoist) privatized water, waste management, while in government. It also did BIPPA in favor of Indian. There is also scarcity, black marketing, corruptions, violence, and abuse of states money in the name of Maoist combatants.

This party analyses the present economic character of Nepal as the semi-feudal and semi-colonial. While other Communist Parties of Nepal plead that the basic socio-economic character of the country has not been changed since past 50 year, the NWPP pleads that Nepal has entered in the Capitalist era after the restoration of the parliamentary democracy in 1990. It advocates for socialist republic in present political scenario. This party advocates for revolutionary land reform protection of development of national capital.

## **6.2 Conclusion**

Soviet Union got failure because of Revisionism. Avoiding proletariat dictatorship, beurocratic ruling practice, weakness in economic political and diplomatic policy is the major cause of faulty of Soviet Union.

Marxism should be applied creatively according to the condition of the country. In the present era, capitalist countries are facing the problems of unemployment, economic crisis, criminal activities, environmental pollution, political instability, Anarchy, Scarcity, Ethnical conflict, war, dependency, black marketing, poverty, dollar imperialism etc. workers movement is raising in the different part of the world. Protest against GATT and US imperialism, Wall Street movements are the examples.

Internationalist communist leader had said that US imperialism should be trapped into 2/3 more Vietnam. Likewise same strategy policy should be adopted for raising anti-imperialist movement.

During past a century collapse of British imperialism, raise of socialist economy in Russia, application of socialistic economy in some countries, like China, North Korea, Cuba, Vietnam, etc. after Second World War. Application of mixed economy in Third World Countries, third World countries were badly exploited and colonized by the neo-liberalized policy of World Bank, IME, Multinational companies and US imperialism.

After downfall of Soviet Union and eastern European countries liberalization and globalization policy could not be restricted. In the situation socialist countries began

discussion about application of market approach economy. As money is also a capitalist commodity, money also serves socialist economy. In the same way if market centered economy is applied in socialist way, the policy may also contribute to the development of socialism. Otherwise it will ruin the socialist movement. These types of economy policy have been being applied in China as open door policy, which is under the phase of study and experiments.

Nepal is semi-feudal and semi-colonial country. Natural and human resources are not fully utilized. After restoration of democracy, government of Nepal introduced foreign capital investment. So our country has been being trapped under the neo-liberalized policy. Present multiparty political system is a capitalist autocratic system in earns of Marxist view. IN the system, there exist far gap between poor and rich, individual private ownership on land, industries, business, trade and services etc. capitalism brings poverty, corruption, unemployment, cheating, exploitation, Anarchy, violence, and crisis etc.

The present economic scenario of the country is not so optimistic. Many difficulties are in existence for the economic development of the country. The available information shows that there is higher level of unemployment in urban areas and higher concentration of underemployment in rural areas. The urban unemployment represents the unemployment of educated people indicating wastage of available human resources and also highlights the need of change in the present education system to generate skilled labor force.

Growing underemployment is another issue. Rural underemployment arise because most of the rural people involve in agriculture and could not get the jobs all the time in all seasons due to traditional subsistence farming practices and also because of small size of land holdings. This requires the shift in farming parties from subsistence to commercial farming. It also highlights the need of shifting of labour force from agriculture sector to other productive sector. The finding also shows that in the Nepalese context, we can implement the Marxist economic thoughts by reducing poverty in rural area through revolutionary land reform and co-operatives. We can develop different industries so that urban poverty can be reduced and Marxist economy can be implemented in the economy.

Communist parties of Nepal are still lacking proper understanding and discussion. So called big parties who have governed did not work according to their political manifestos. They could not do in favor of poor people workers and peasants.

### **6.3 Recommendations**

- Communist parties are fragmented because of not seeing other positiveness, communist leaders have their own individual ego and ambition. There is lackness

of theoretical sincerity and far sightness, ethnical egoism among the communist leaders. They are narrow minded in behavior. It is the time that communist movement should unite all the progressive and nationalities. Avoiding their small party benefits. We have to unite for national integrity, sovereignty and independence against globalization.

- There is need of study research, discussion among communist parties of Nepal about creative application of Marxism.
- All communist parties of Nepal should work and unite for educating and organizing mass people by Marxist ideology.
- To get valuable ways equal opportunities, secure life, we all have to fight for socialism. We will have to continue struggle against present capitalist system unless socialism is not established.
- Electricity, waste management, hospital, nursing homes, roads, bridges, chemical industries, large industries, banks, insurances etc. are not to be privatized.
- Foreign banks are not to be established in 100 percent's foreign investment.
- Hydro-electricity projects Upper Karnali, Tila-1, Tila-2 should not be conducted in favor of India and foreign investment. As we were exploited in Mahakali, Tanakpur, Koshi and Gandaki Treaty. These projects should be conducted in own capital and capacity.
- We all should work and unite for making constitution in favor of presents and workers.
- There is need of establishment of chemical fertilizer industry, Proper wage for industrial and agricultural workers etc.
- Nationalization of petroleum products, gas, water, electricity, Nepali citizens should not e permitted to keep money in abroad countries.
- 50% of the budget should be distributed through local bodies for development.
- There should be right against exploitation, Equal opportunity for personality development,
- Free education from pre-primary to higher level education,
- Free health service to all citizens,
- Unemployment pension to jobless youth.
- Arrangement of Bridha Aashram, Shisusala, in all ward and villages, certainty of job in the new constitutions.



- "Mutual Aid teams" and "Agricultural producers cooperatives" can be used to mobilized and economize on the use of labour power in large undertaking like irrigation.
- Establishment of state trading cooperation will be beneficial to control monopoly and prevent the economy from black-marketing.
- Reduction of luxurious consumption increases domestic saving, which in turn helps to form domestic capital. It facilitates a higher rate of investment and more rapid new capital formation.
- Immediate short-term, midterm and long term development plan shall be prepared on balanced development, internal resources and people's spirit.
- Government should stabilize the price of basic goods and services through direct control and shouldn't let the chance for free play of market law.
- The wage rate of the labour should be stabilized by paying workers on the basis of wage point. The wage point can be determined on the basis of the prices of basic items of consumer goods like rice, oil, gas, clothes, rents etc.
- Peace, stability and security should be established to forward economic development rapidly.
- Strong and effective campaign should be launched against rampant corruption, bribery, tax evasion, theft of state property, waste of state property and fraud and so on.
- Proper balance should be maintained among the different regions and sector of economy.

#### **6.4 Recommendations for further research**

- For further detail study, it is necessary to analyze "New Economic Model", appropriate to our socio-economic situation.
- Study of the land reform program performed in Soviet Russia, China, North Korea, and Cuba, to share the experience for the correct application of policy in Nepal.
- Study of application of Marxist philosophy in Bhaktpur Municipality after 2039 B.S.

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