

Neomarxist economic approach and regional development

Neomarxist economy

Main features

It is inspired by the studies of *Karl Marx* (1800s) and represents the answer to the economic crisis in the 1970s ⇔ response to the growing *inflation*, *unemployment* and *debts* mostly in ELDCs where another stimulation of demand was not enough.

- ambition for a radical reform of the present economic and social structures
- highly interventional approach based upon the study of a region's historical specifications => *unique structure of a society within a region*
- analysis of *work* (industry), *value* and *surplus value* => relation analysis between *social classes* (owners vs. workers, i.e. *capitalists' class* vs. *working class*)

Basic assumptions and results

- capitalist free market is heading to a world crisis
- (neo)Marxists don't try to solve the economic problems only but to explain the economic patterns in wider social structure (society)
- macro-economic analyses
- form of *productive instruments'* ownership => different relations between the social classes (owners vs. workers)
- the elimination of these conflicts should be realized by a revolution and abolishing the capitalist system
- => state control is *the only way how to distribute the wealth equally*
- => therefore regions of the world *diverge*
- but *no direct suggestions* how to eliminate the poverty and reach the equality

Geographic implications

- *Unfair division of the surplus value leads to permanent conflicts between the capitalists and the working class.*
- Economic development ensuring greater social justice and more equal wealth distribution is able to achieve only by a *radical political change*.
- They have studied the unequal economic development (of regions and the whole society) thus *regional and social disparities*.

Theory of mesoeconomics

no neoclassical assumptions of the perfect competition are valid ⇔ unequal distribution of power in the society ⇔ role of MNCs => labour in ELDCs + lobbying + capital mobility (vs. labour mobility)

Regional policy influenced by the Neomarxist economy

1970s-today: especially in developing countries, the aim is to equally distribute the wealth for everybody but: *regional and economic specialization* ⇔ globalization

Instruments:

- state should regulate the market
- state ownership of previously private firms, e.g. Venezuela, Bolivia
- isolation from the world economics (self-sufficiency), e.g. North Korea, China
- strengthening of labour union, e.g. salary negotiations within a firm
- state investments into poor areas to stabilize the equal levels of income

Keywords

inflation, unemployment, debts, surplus value, social class, working class, capitalists, productive instruments, regional/social disparities, lobbying, regional and economic specialization