Sustainability thoughts 191: How to link cost externalization theory with Marxism threat theory to point out all possible types of Marxism threats to pure capitalism?

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Abstract: It can be said that liberal capitalism is the model that externalizes the social and environmental costs associated with economic market activity as it is an economy only model since traditional market thinking a la Adam Smith assumes externality neutrality assumptions when at work. It can be said that red Marxism is the model that externalizes the economic and environmental costs linked to social market activity as it is a socially only model since red socialism a la Karl Marx assumes too externality neutrality assumptions when functioning. The same way we can envision the cost externalization structures of green Marxism and of yellow Marxism as one model is the environment only model and the other model is the society and environment only model. Hence, the different Marxism threats to liberal capitalism are linked to specific cost externalization structures, which when effective they become the point of entry that lead to a flip from liberal market pricing structures to specific Marxism market pricing structures as this goes one to one with the flip in paradigm structures from liberal capitalism to different forms of Marxism. And this raises the question: How to link cost externalization theory with Marxism threat theory to point out all possible types of Marxism threats to pure capitalism? What are the implications of this? The goal of this paper is to provide answers to those questions.

Keywords: Traditional market price, red Marxism market price, red Marxism, liberal capitalism, green Marxism, yellow Marxism, paradigm flip, cost externalization, cold war

Introduction

i) The standard market price structure of pure liberal capitalism analytically

The price structure of pure liberal capitalism (PCP) can be thought as that of the traditional market price (TMP), where the traditional market price structure (TMP = P) is made up of economic cost (ECM) at a profit(i), which can be stated as follows:

1) PCP = ECM + i = P = TMP

The expression 1) above indicates that economic costs at a profit (ECM + i) is the driver of pure liberal capitalism price growth (PCP) or traditional market price growth (TMP = P) and 2) that there are not social costs (SM) and environmental costs (EM) associated with economic activity reflected in this price mechanism as there is a social and environmental externality neutrality assumption at work. The traditional market price structure above (TMP) can also be derived directly using the sustainability market price (SP) when under social and environmental externality neutrality assumptions as recently shown (Muñoz 2016).

ii) The price structure of pure liberal capitalism or liberal market graphically under externality neutrality assumptions

Formula in expression 1) above can be represented graphically as indicated in Figure 1 below:

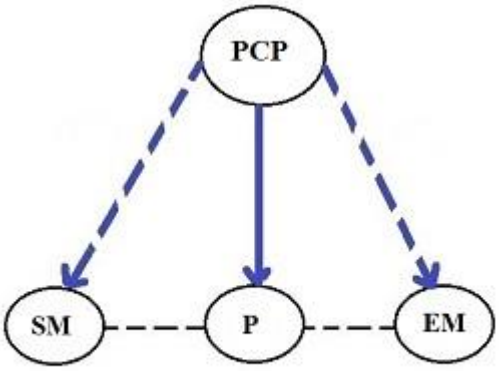

Figure 1 The price structure of pure capitalism(PC)

Figure 1 above summarizes the following: 1) In the pure capitalism market price (PCP) only the for the for profit economic price(P) matters as shown by the continuous blue line; and 2) social costs (SM) and environmental costs (EM) do not matter as indicated by the broken blue arrows. This is consistent with the idea that in the pure liberal capitalism model (PC = aBc) social issues(a) and environmental issues(c) do not matter (Muñoz 2024), which creates relevant sustainability gaps that go one to one with related cost externalization problems.

iii) The cost externality problems affecting the pure liberal capitalism model under no externality neutrality assumptions

Hence, depending on the way you would like to see it, Figure 1 above also highlights that there are different cost externality problems affecting the stability of pure liberal capitalism market price under no externality neutrality assumptions: 1) A social externality problem (SM), 2) An environmental externality problem (EM), and c) A socio-environmental externality problem (SEM = SM + EM).

iv) Linking Marxism threats to pure liberal capitalism through cost externalization theory

Based on the discussion above, it can be said that liberal capitalism is the model that externalizes the social and environmental costs associated with market activity as it is an economy only model since traditional market thinking a la Adam Smith (Smith 1776) assumes externality neutrality assumptions when at work as indicated in Figure 1 above. However, under no externality neutrality assumptions, no accounting for social cost (SM) and/or environmental costs (EM) leads to cost externalization problems that affect the stability of pure liberal capitalism model (PC) as its market price (PCP) is then a socially and/or environmentally distorted market price. Distorted traditional market pricing was behind the social and environmental sustainability problems the Brundtland Commission (WCED 1987) found and tried to fix using sustainable development thinking as this allows markets to tend towards over production and overconsumption and over population and waste. Environmentally distorted market pricing was the problem the Rio +20 Conference (UNCSD 2012a; UNCSD 2012b) was trying to fix using green market, green growth and green economy thinking. A world under distorted market prices (Muñoz 2010) has made us go backwards in terms of economic thinking (Muñoz 2012) as the world has been since 1987 trying to fix the social and environmental distortions embedded in the traditional market pricing mechanism of Adam Smith. On the other hand, it can be said that red Marxism is the model that externalizes the economic and environmental costs linked to social market activity as it is a society only model since red socialism a la Karl Marx (Marx and Engels 1848) assumes externality neutrality assumptions too when functioning, and it uses the social cost externality problem embedded in the capitalism model as the point of entry to flip the capitalism market price to the red Marxism market price. The same way we can envision the cost externalization structures of green Marxism and of yellow Marxism as one model is the environment only model and the other model is the society and environment only model. The green Marxism threat (GT 2022) and yellow Marxism threat (Löwy 2018) are getting more and more attention recently as the environmental and social crises associated with liberal capitalism tend from bad towards worsening scenarios, providing an opening to Marxism threats. Hence, the different Marxism threats to liberal capitalism are linked to specific cost externalization structures, which when effective they become the point of entry that lead to a flip from liberal market pricing structures to

specific Marxism market pricing structures as this goes one to one with the flip in paradigm structures from liberal capitalism to different forms of Marxism. And this raises the question: How to link cost externalization theory with Marxism threat theory to point out all possible types of Marxism threats to pure capitalism? What are the implications of this? The goal of this paper is to provide answers to those questions.

Goals of the paper

1) To link social and environmental problems with cost externalization problems; 2) To connect cost externalization problems with Marxism threats; 3) To point out the structure of the red Marxism threat to liberal capitalism a la Karl Marx in terms of red Marxism price threat; and 4) To state the structure of the paradigm flip from liberal capitalism market pricing to red Marxism market pricing.

Methodology

First, the terminology used in this paper is shared. Second, some operational concepts, model structures and flipping structures are given. Third, externality problems are linked to cost externalization problems. Fourth, cost externalization problems are connected to corresponding Marxism threats. Fifth, the structure of the red Marxism price threat to liberal capitalism is stressed. Sixth, the structure of the flip from liberal capitalism pricing to red Marxism pricing underlying is pointed out and linked to the period of the cold war. Finally, some food for thoughts and conclusions are provided.

Terminology

PC = Pure capitalism PCP = Pure capitalism market price
RK = Red Marxism RKP = Red Marxism market price
EM = Environmental margin SM = Social margin
SEM = Socio-environmental margin E[ ] = Cost externalization
I[ ] = Cost internalization E[A] = Social cost externalization
E[C] = Environmental cost externalization E[AC] = Socio-environmental cost externalization
TM = Traditional market TMP = Traditional market price
P = Economic cost plus profits I[a] = Social cost internalization

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Operational concepts, relevant model structures and paradigm flip structures

a) Concepts

1) Pure liberal capitalism, the one supported by the liberal economic model.
2) Pure liberal capitalism market price, the one that reflects the economic cost of production at profit only.
3) Red Marxism, the one supported by a social market based model
4) Red Marxism market price, the one that reflects only the social cost of production
5) Social margin, the one that reflects the social cost associated with production
6) Environmental margin, the one that reflects the environmental costs associated with production
7) Economic margin, the one that reflects the economic costs associated with production

b) Relevant model structures

1) Liberal capitalism model structure

TM = PC = a{B}c

This is economic freedom without equality model, and hence, it is an economy only model

2) Red Marxism model structure

RK = [A]bc

This is a social equality without freedom model, and hence, it is a society only model

c) Paradigm flip structures

1) The liberal capitalism to red Marxism model flip structure

The flip from the liberal capitalism model to the red Marxism model has the following structure:

PF

TM = PC = a{B}c----------→ RK = [A]bc

Economic freedom without equality flips (PF) to social equality without freedom.

2) The liberal capitalism to red Marxism model price flip structure

The price flip from the liberal capitalism market price (TMP = PCP) to the red Marxism market price (RKP) has the following structure:

PF

TMP = PCP = P----------→ RKP = SM

A flip from an economic cost plus profit only pricing mechanism model to a social cost only pricing mechanism model.

The three cost externalization problems affecting the pure liberal capitalism model

As mentioned in the introduction and summarized in Figure 1 above, under no externality neutrality assumptions there are three externality problems linked to the pure liberal capitalism, and for each externality problem there is one specific cost externalization structure related to it:1) A social externality problem(SM) indicates a social cost externalization problem(E[A]), 2) An environmental externality problem(EM) shows an environmental cost externalization problem(E[C]), and c) A socio-environmental externality problem(SEM = SM + EM) shows a socio-environmental cost externalization problem(E[AC])/ A situation that can be appreciated in Figure 2 below:

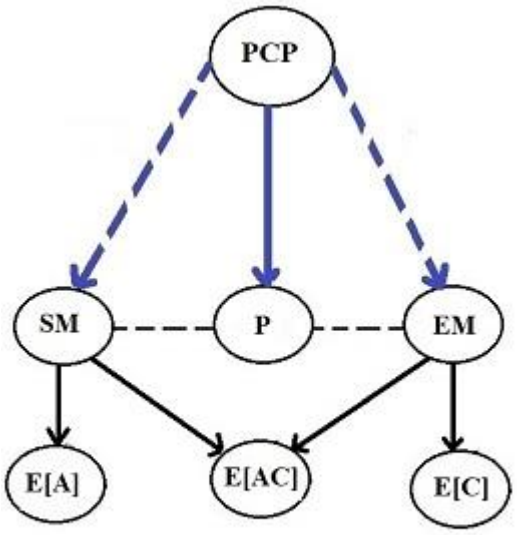

Figure 2 The cost externalization structure affecting the pure capitalism model(PC)

Figure 2 above shows the links between social and environmental externality problems and cost externalization problems(E) affecting the liberal capitalism market price (PCP) as indicated by the black arrows, and hence, we can see based on this structure in Figure 2 that the pure liberal capitalism market price (PCP) is a distorted market price. Notice that as liberal capitalism expands and tends towards the lowest market price, the externality problems worsen as more cost externalization take place, leading to even a more distorted traditional market price (PCP) in the process, which affects the sustainability of liberal capitalism and facilitates the penetration of Marxism threats.

Linking the types of Marxism threats to the survival of pure capitalism based on cost externalization theory

Marxism feeds on cost externalization problems and it uses them as a point of entry to flip systems. Hence, there is a Marxism threat(MT) for each of the cost externalization problems(E) affecting pure liberal capitalism: 1) A Marxism threat(MT1) focused on exploiting the existence of a social cost externalization problem(E[A]), 2) A Marxism threat(MT2) aimed at exploiting the existence of an environmental cost externalization problem(E[C]), and 3) A Marxism threat(MT3) directed at exploiting the existence of a socio-environmental cost externalization problem(E[AC]), a situation shown in Figure 3 below:

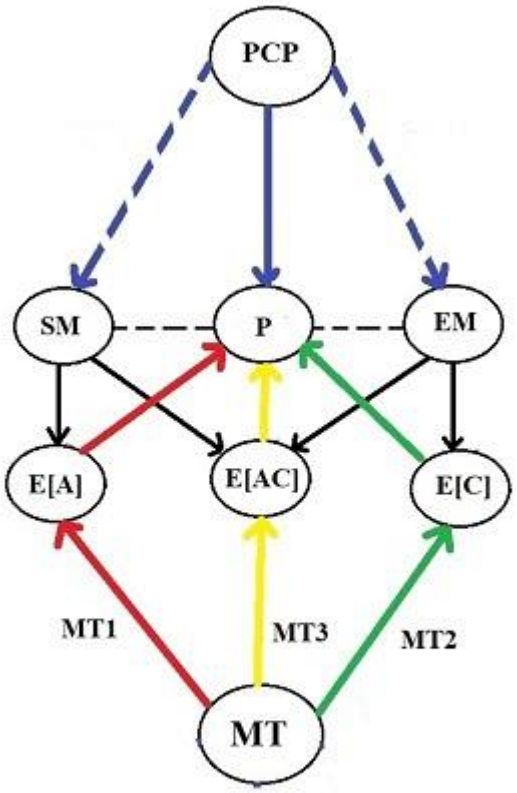

Figure 3 The three types of Marxism threats(MT) to the survival of pure capitalism(PC) using especific externality costs as points of entry

Figure 3 above displays three types of Marxism threats(MT), one per each type of cost externalization problem present in the liberal capitalism market price(PCP), the threat MT1 that uses the social cost externalization problem(E[A]) as point of entry as indicated by the red arrow; the threat MT2 that uses the environmental cost externalization problem(E[C]) as point of entry as indicated by the green arrow; and the threat MT3, which focuses its attention on the socio-environmental cost externality problem(E[AC] as point of entry as indicated by the yellow arrow.

The structure of the red Marxism threats a la Karl Marx (RKT) to pure liberal capitalism

Red marxism a la Karl Marx (Marx and Engels 1848) puts society first so it uses the social cost externalization problem as point of entry taking it as a sign of extreme social exploitation that can be only be fixed by flipping socially irresponsible market pricing mechanism like PCP to socially friendly pricing, a situation indicated in Figure 4 below:

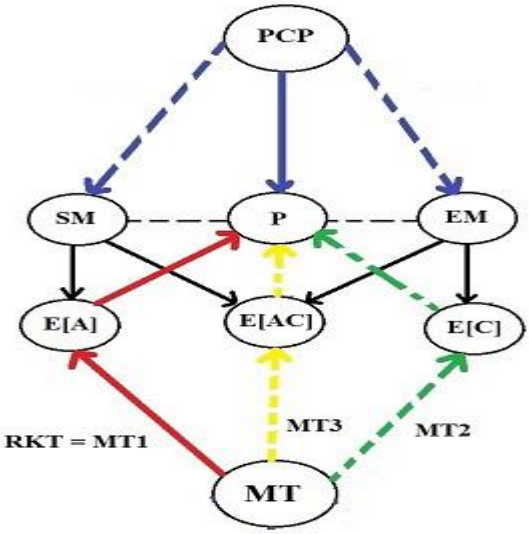

Figure 4 The structure of the red Marxism threat(RKT) to the liberal capitalism model(PC) using social cost externalization(E[A]) as point of entry

Figure 4 above indicates that Karl Marx focused its attention on the social cost externalizty problem(E[A]) as in his time only the social issue was a relevant sustainability issue as environmental issues were not critical issues in 1848 as indicated by the broken yellow and green arrows. The continues red arrow shows that to Karl Marx took issue only with the social cost externalization problem embedded in the pure liberal capitalism pricing mechanism (PCP) knowing that it is the weak link that can be exploited to flip liberal market pricing to red Marxism pricing.

The flip from liberal capitalism pricing to red Marxism pricing and the structure of the cold war in terms of market prices

When the red Marxism threat (RKT) found success the pure capitalism market pricing mechanism of economic costs plus profits (PCP = P) was flipped to the red Marxism price structure of social cost pricing (RKP = SM), creating the competing price mechanism structures of the cold war and which persisted since 1848(Marx and Engels 1848) when red Marxism became a global force to 1991 when red Marxism fell with the fall of red socialism countries (EP 2015), the situation stressed in Figure 5 below:

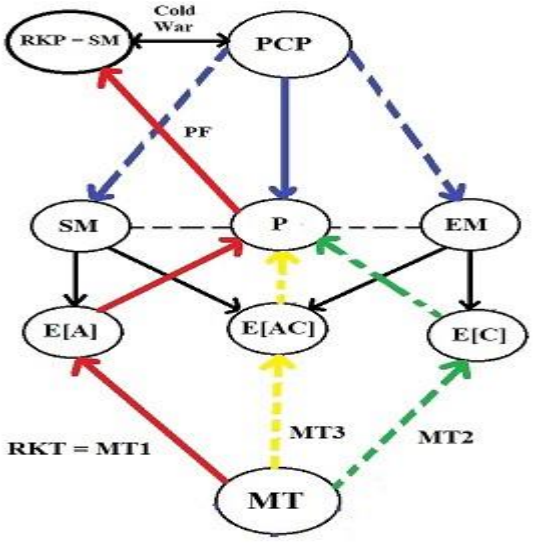

Figure 5 The structure of the flip from liberal capitalism market pricing(PCP – P) to the structure of red marxism market pricing(RKP – SM) starting the cold war structure in terms of pricing between red socialism(RK) and liberal capitalism(PC)

We can point out two aspects based on Figure 5 above: 1) Red Marxism (RK) used the social cost externalization problem(E[A]) as the point of entry to flip the socially unfriendly pure liberal capitalism market price (PCP) to the socially friendly red Marxism market price (RKP) as indicated by the red arrow from MT to RKP. In other words, the liberal capitalism market price (PCP) was flipped (PF) to the red Marxism market price (RKP) as indicated by red arrow from P to RKP so that PCP = P------→ RKP = SM; and 2) This flip (PF) created the market price cold war structure that was at play or existed between red Marxism (RK) and liberal capitalism (PC) as shown at top of figure 5 above.

Food for thoughts

a) Is the liberal market a true imperfect market? I think Yes, what do you think? b) In a world under socially friendly capitalism, can red Marxism thinking be a threat? I think No, what do you think? c) In a world under socially friendly capitalism, can green Marxism thinking be a threat? I think Yes, what do you think? and d) In a world under socially and environmentally friendly capitalism, can yellow Marxism thinking be a threat? I think No. what do you think?

Relevant conclusions

First, it was highlighted that for every externality problem affecting pure liberal capitalism there is a cost externalization structure specific for that problem. Second, it was indicated that for every cost externalization problem there is a specific Marxism threat as Marxism uses cost externalization problems as points of entry in order to be able to flip the liberal capitalism model market price. Third, it was stressed that Karl Marx used only the social cost externalization problem as a point of entry as environmental unsustainability was not an issue in his time. And finally, it was stated that the flip from liberal capitalism market pricing to red Marxism market pricing is a flip from a model that is fully socially unfriendly to a model that is fully socially friendly: a flip from liberal capitalism to red Marxism implies a cold war between models that are socially unfriendly (Liberal capitalism) as they price at economic cost plus profit only and models that are economically unfriendly (Red Marxism) as they price at social cost only.

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