

# Was Marx Right?

<http://www.youtube.com/watch?v=7RSCT9QJbNE&feature=related>

# What did Marx think of Capitalism?

- A. It resulted from a shift in the forces of production
- B. It reproduced the exploitation in the relations of production characteristic of previous modes of production but in a way that conformed to the industrial era
- C. It represented historical progress
- D. He liked it better than previous modes of production
- E. All of the above.

# Today's Menu

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# The three Laws of Capitalism (expanded outline)

- Exploit Others!
  - Private property
  - Labor becomes a commodity
  - Extraction of surplus value
- Expand or Die
  - The realities of competition
  - Surplus value will always decline
  - Capitalists will respond with both market and non-market strategies
- Capitalism will die anyway
  - Commodification of labor is not sustainable
    - Commodity Fetishism
    - Alienation
    - immiseration
  - Deepening cycles of recession and depression
  - Class warfare and revolution

# Three Laws of Capitalism

## A. Exploitation : The ingredients

1. Class
2. Private Property
3. Labor becomes a commodity
4. The capitalist extracts surplus value from the worker



# 1. Class: Individuals are **not** the key actors

- Your economic class is determined by where you are in the production process
- Historically, every kind of production produces class conflict
- Where you work and what you own determines who you are!
- And your identity is submerged in the class of people that you fall into: owners or workers

## 2. Private Property



- Marx critique based on “Freedom” principle
- Private ownership denies freedom to the both those who do not own property and those who do!
- It grants a right of inequality

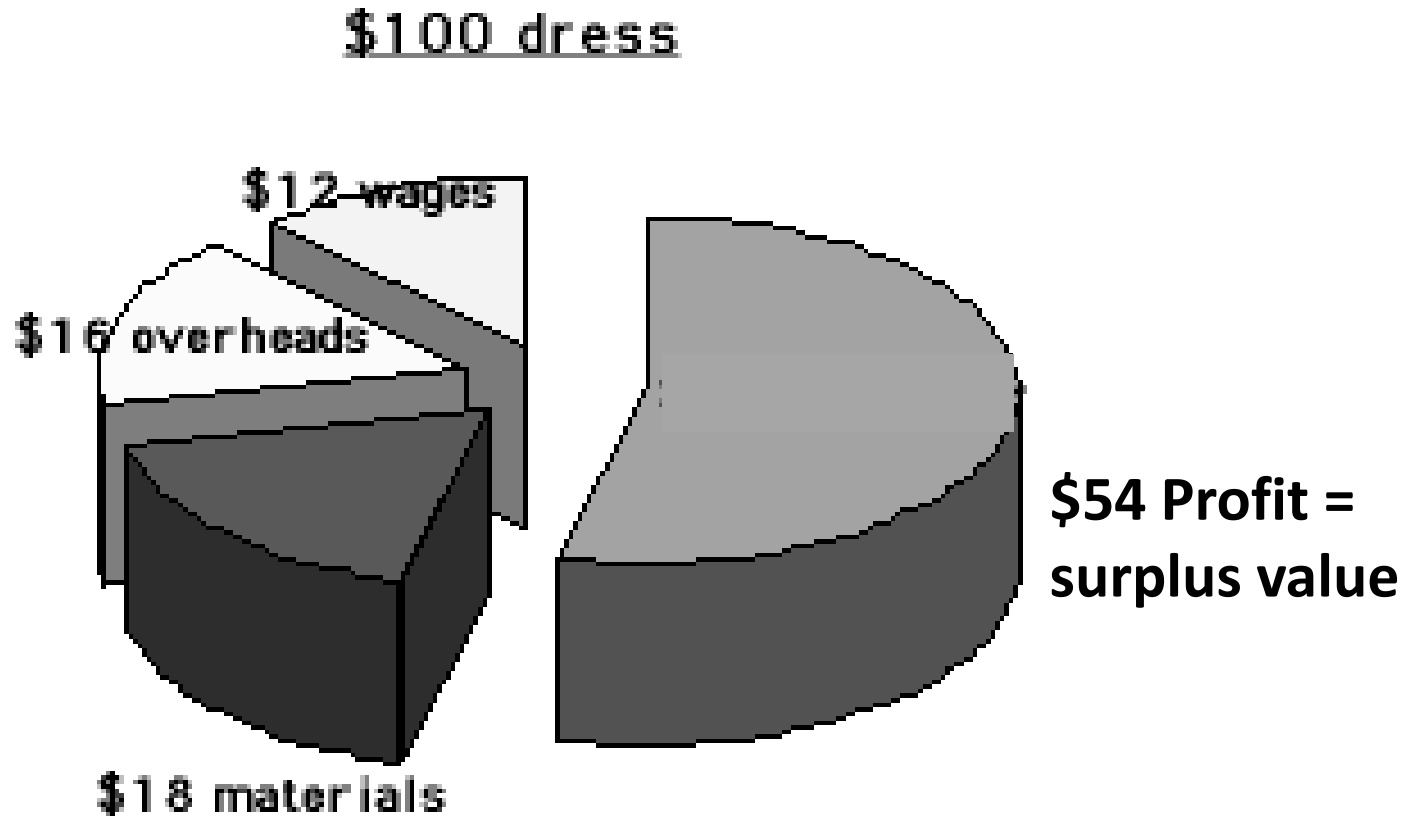
### 3. Labor is turned into a commodity to buy and sell

- Labor Theory of Value
- But, though they are the creators of value, Human beings are a cost in the production process
- This alienates people from their true selves
- Opposite of Liberal theory





# 4. Extraction of surplus Value



# What did Marx mean by his concept of “class warfare?”

- A. He meant that the capitalist class (property owners) are always waging war on the working class by trying to lower their own taxes and raise taxes on the poor.
- B. He meant that there is a necessary conflict between the capitalist class and working class because the rich exploit the poor by extracting surplus value
- C. He meant that the working class will rise up against the capitalist class because they've HAD IT with all that exploitation!

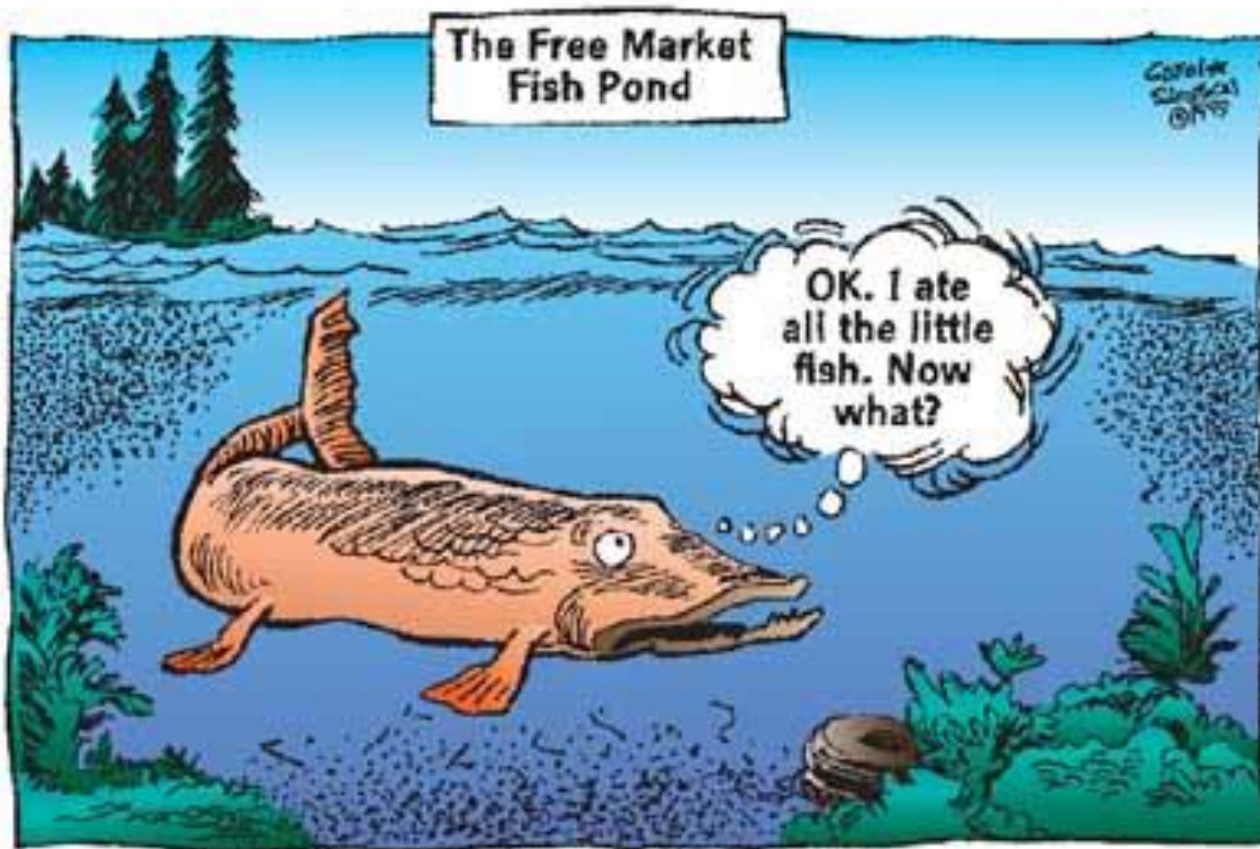
# Second Law of Capitalism: Grow or Die

- The reality of competition
- Leads to the need to make workers more productive and cheaper
- Which leads to attempts to replace labor (variable capital) with machinery (fixed capital)
- And the threat that someone else will be able to make a better product at less cost
- But the rate of profit will continue to fall because surplus value can't be extracted from machinery

### 3. Capitalist Response: use the following tactics

- Scour the earth for cheap labor
- Find new markets
  - "The need of a constantly expanding market for its products chases the bourgeoisie over the entire surface of the globe. It must nestle everywhere, settle everywhere, establish connexions everywhere."
- Persuade people to buy what they don't really need
- Find the cheapest materials
- Use ideological weapons of the superstructure "don't bite the hand that exploits you!"
- Find an illusion of security through the concentration of wealth—creating giant corporations that are "too big to fail"

Capitalist “gobbles up his own” (but then what? Profit continues to decline)



# Third Law: Capitalism's ultimate Death

The commodification of labor is not sustainable

- **a. Commodity Fetishism**
  - People's relationship to things becomes more important than their relationship to people and people's labor is already a commodity
  - NIKE example
- **B. Alienation**
- **The Worker becomes really miserable (immiseration of the working class)**



# Immiseration of the working class

“The worker becomes all the poorer the more wealth he produces, ....

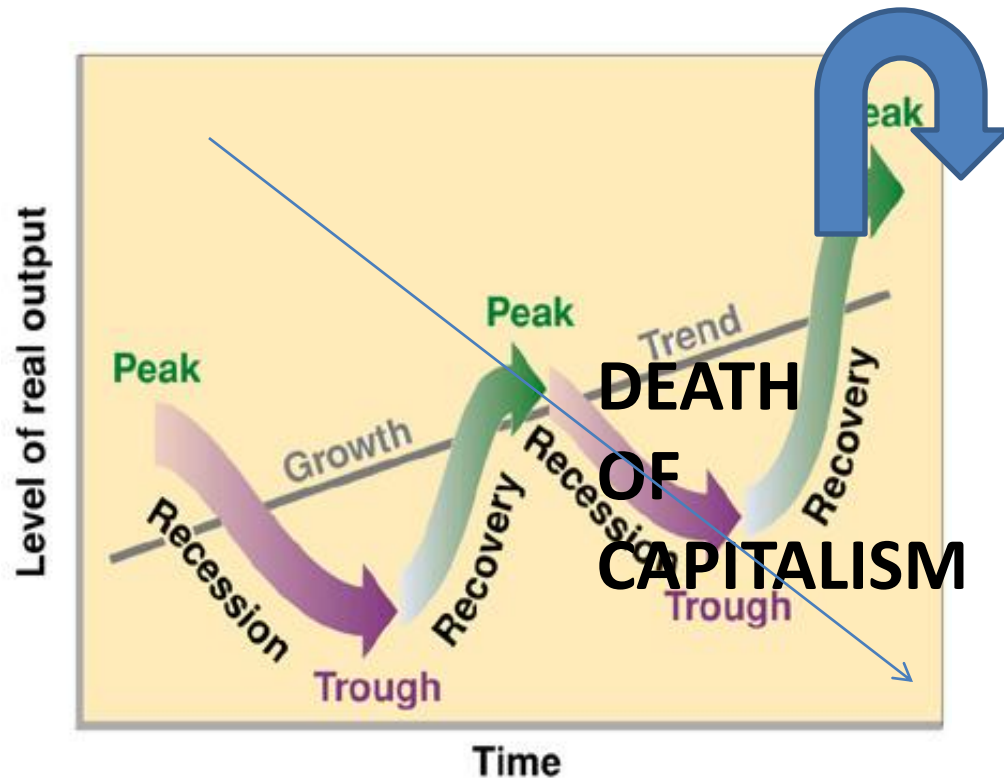


The worker becomes an ever cheaper commodity the more commodities he creates.

The *devaluation* of the world of men is in direct proportion to the *increasing value* of the world of things. Labor produces not only commodities; it produces itself ... as a *commodity* –.

# All of this causes Deepening cycles of Recession and Depression

- Technological advance leads to unemployment and underemployment →
- Overproduction and underconsumption lead to Deepening cycles of recession and depression





# The ultimate “double movement:” Revolution



- The knell of capitalist private property then sounds. The expropriators are expropriated.”
- Class warfare is inevitable



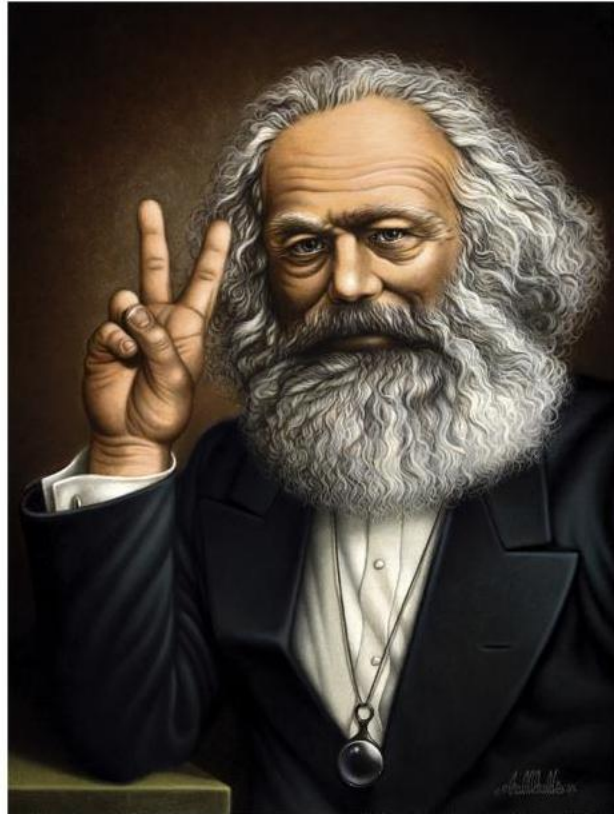
## II. Marx's Utopia after capitalism: Communism and Communal Sharing:



"From each according to his ability;  
to each according to his need."



# III. Was Marx right?

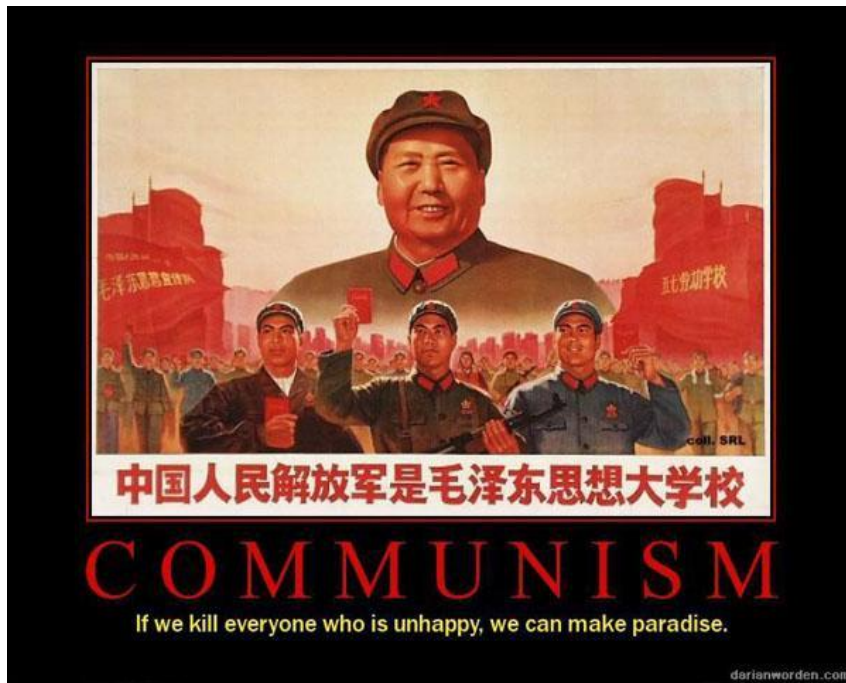


# What do you think?

- A. No, he wasn't right about anything. People's lives are better under capitalism and most communist regimes have gone bust. Even China is now increasingly capitalistic. A communist utopia isn't possible.
- B. He was right: Capitalism is headed for the dustbin of history
- C. He was right about the concentration of wealth, globalization, and exploitation but Capitalism is still strong. Class warfare isn't inevitable and communism and a gift economy

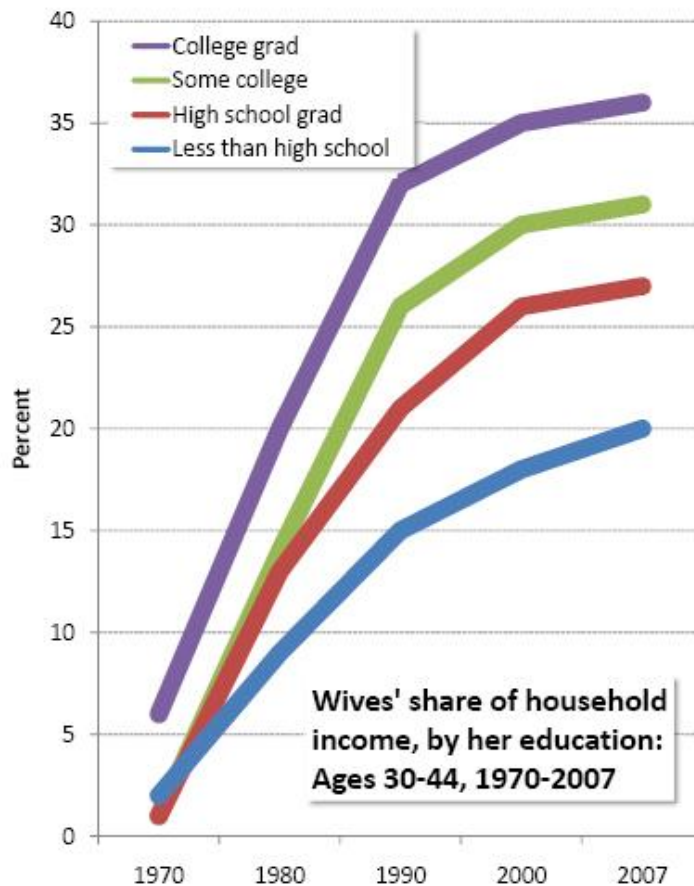


# A. Communism Didn't work out so well in practice



## B. Some evidence against Marx In the United States.....

- Women's earning power increased



# All groups saw their incomes rise since 1947

## MEDIAN FAMILY INCOME

INCOME IN CONSTANT 2006 DOLLARS



## C. But in fact, Income Distribution has favored people at the top

- Like a rowboat chasing a speedboat
- Rise in average incomes skewed by inequality

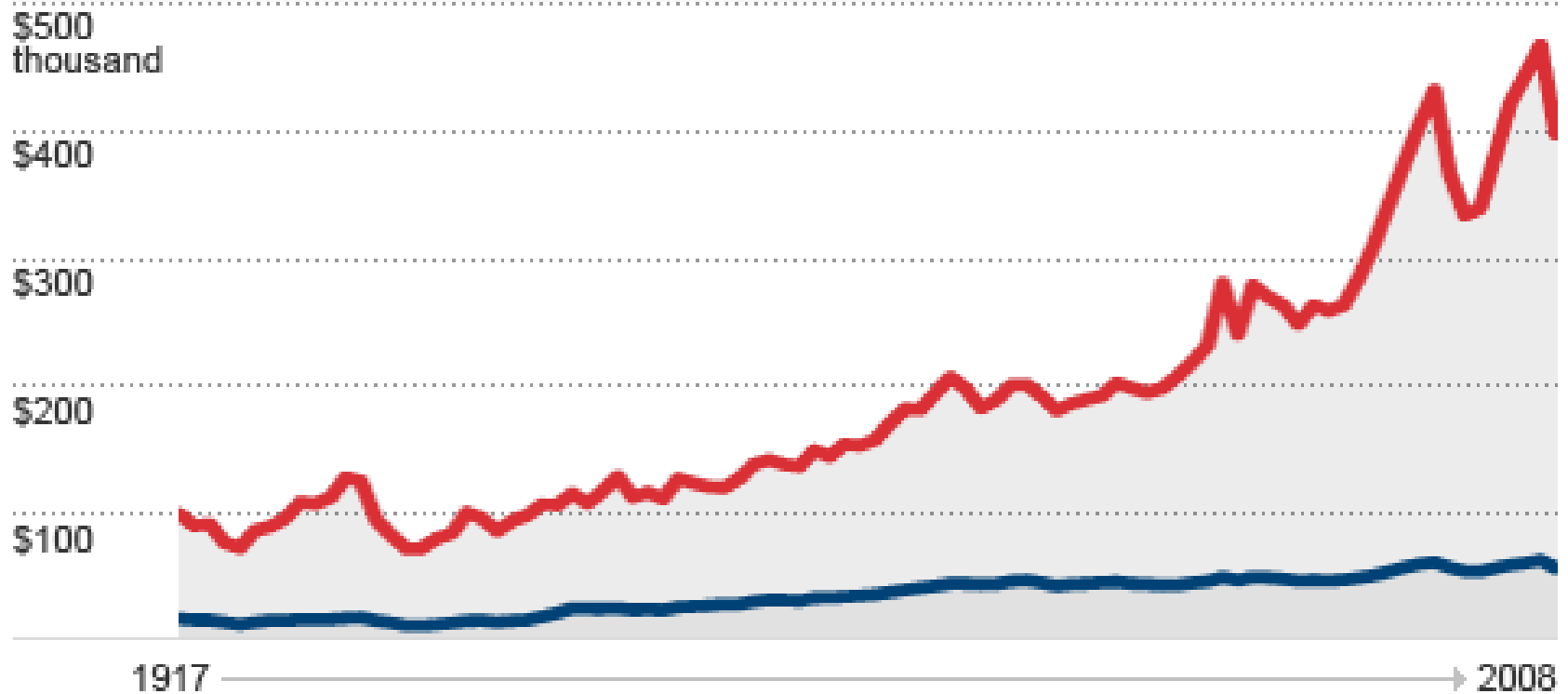




# Income gap grows

## RISE OF THE SUPER RICH

■ MEDIAN INCOME ■ TOP 5% INCOME

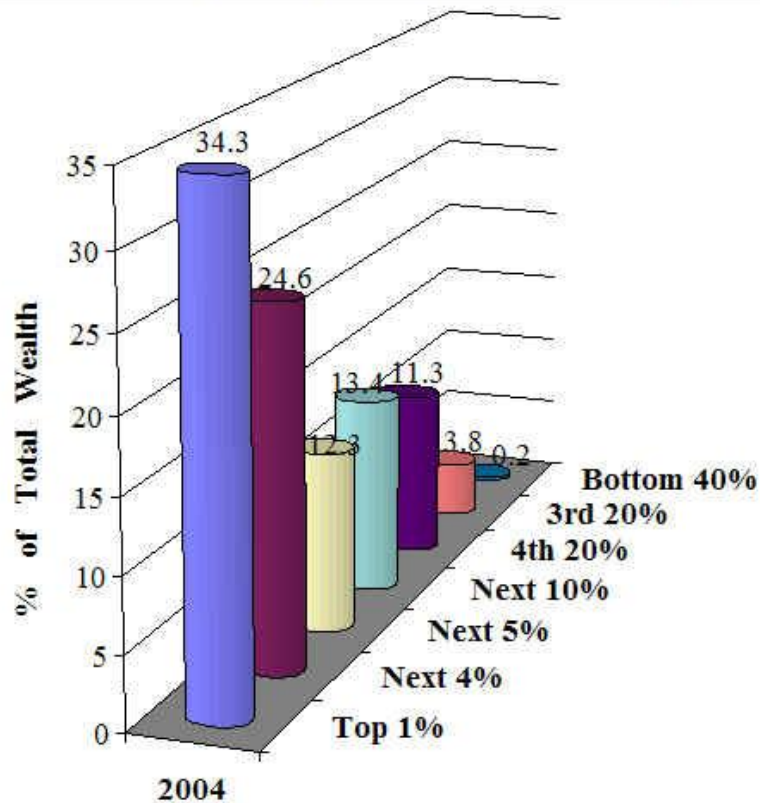


SOURCE: PIKETTY AND SAEZ (2008); IRS

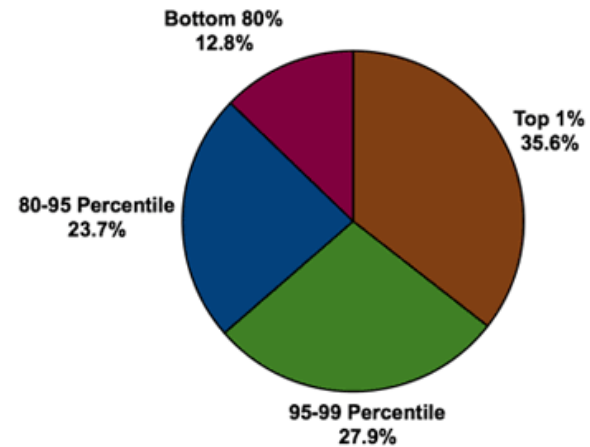
# D. Wealth has become more concentrated....

Distribution of Wealth, U.S. Households, 2004

■ Top 1% ■ Next 4% ■ Next 5% ■ Next 10% ■ 4th 20% ■ 3rd 20% ■ Bottom 40%



Distribution of U.S. Wealth, 2009



# Decline in real (adjusted for inflation)wages

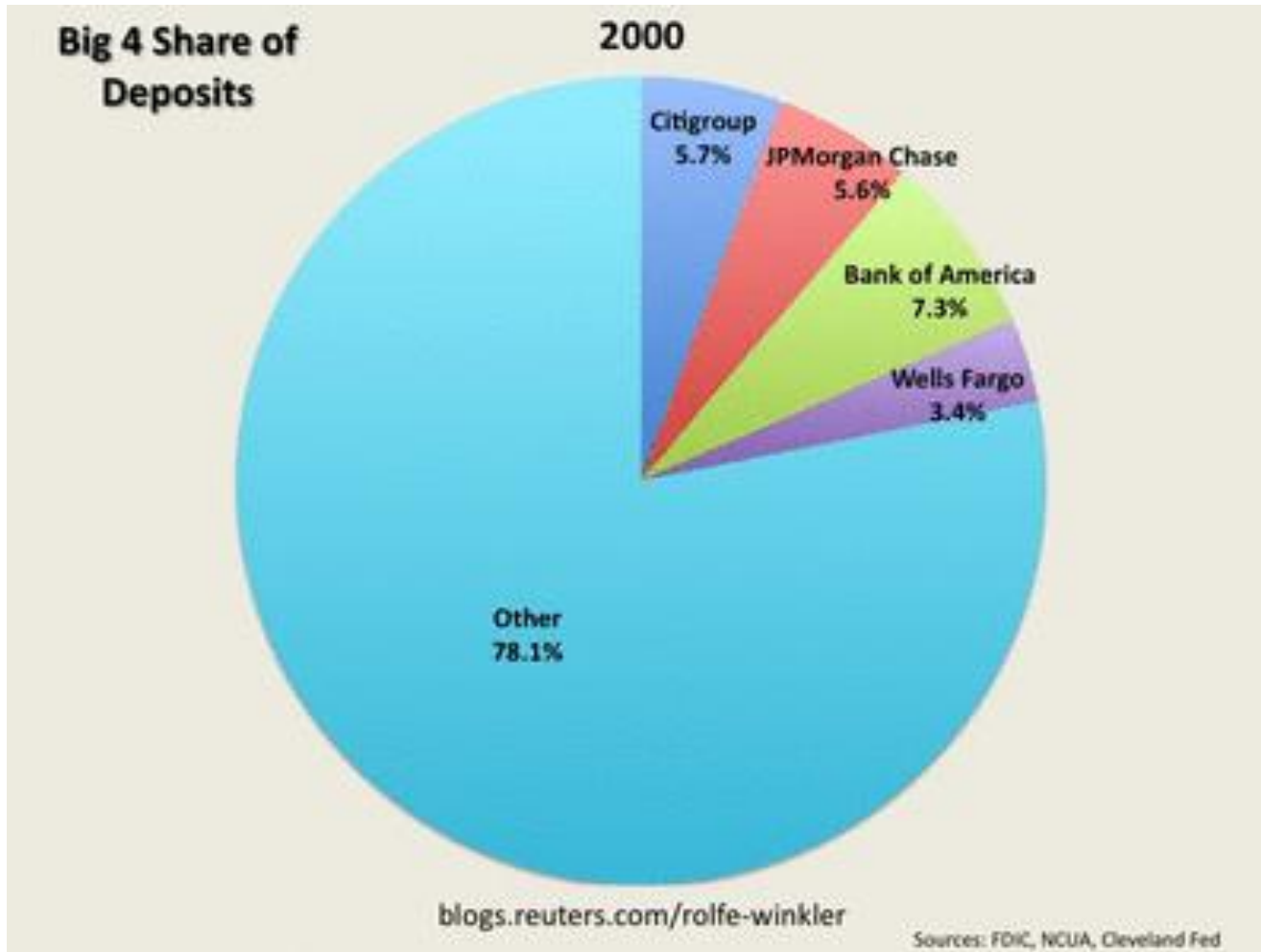
## Real Wages Struggle

Average weekly earnings of U.S. workers in 2008 dollars, since 1964



Source: Federal Bureau of Labor Statistics, FactSet

# corporate consolidation---the rise of the huge corporation



## C. Why is inequality rising in the United States?

- Marx saw globalization as one way that capitalists saved themselves from decline and pushed down wages
  - Freedom of goods, people, and money to move beyond national borders leads to.....
    - Outsourcing production to low-wage regions and...
    - Importing goods from low wage regions, which...
    - Reduces demand for American labor, which in turn.....
      - » Weakens trade unions
    - The weaker the wage earners, the more power for those at the top to increase their own incomes

# 1. A global Labor Market focuses on classes not nations

- Not “Wealth of Nations” but wealth of Class
- Corporations locate production centers where wages are low
- So American workers have to settle for lower wages
- Growth of the large corporation  
(concentration of capital in a few companies)
- Higher incomes for corporate executives

## 2. Three Categories of work (Reich).....

- work that delivers high level management services for capitalists **The Symbolic Analyst**
- work that delivers routine production services **Routine Production Workers**
- work that delivers routine personal services. **Routine Personal Service Workers**

# a. The Symbolic Analyst





# High level symbolic analysts account for 10 per cent of U.S. jobs

- Services are in global demand
- So their standard of living has risen
- They are part of a global, not a national labor market
- Services are scarce
- More productivity redounds to their benefit
- The job is to CUT COSTS, increase profits, push up share price...
- **SYMBOLIC ANALYSTS R US!!!!!!**

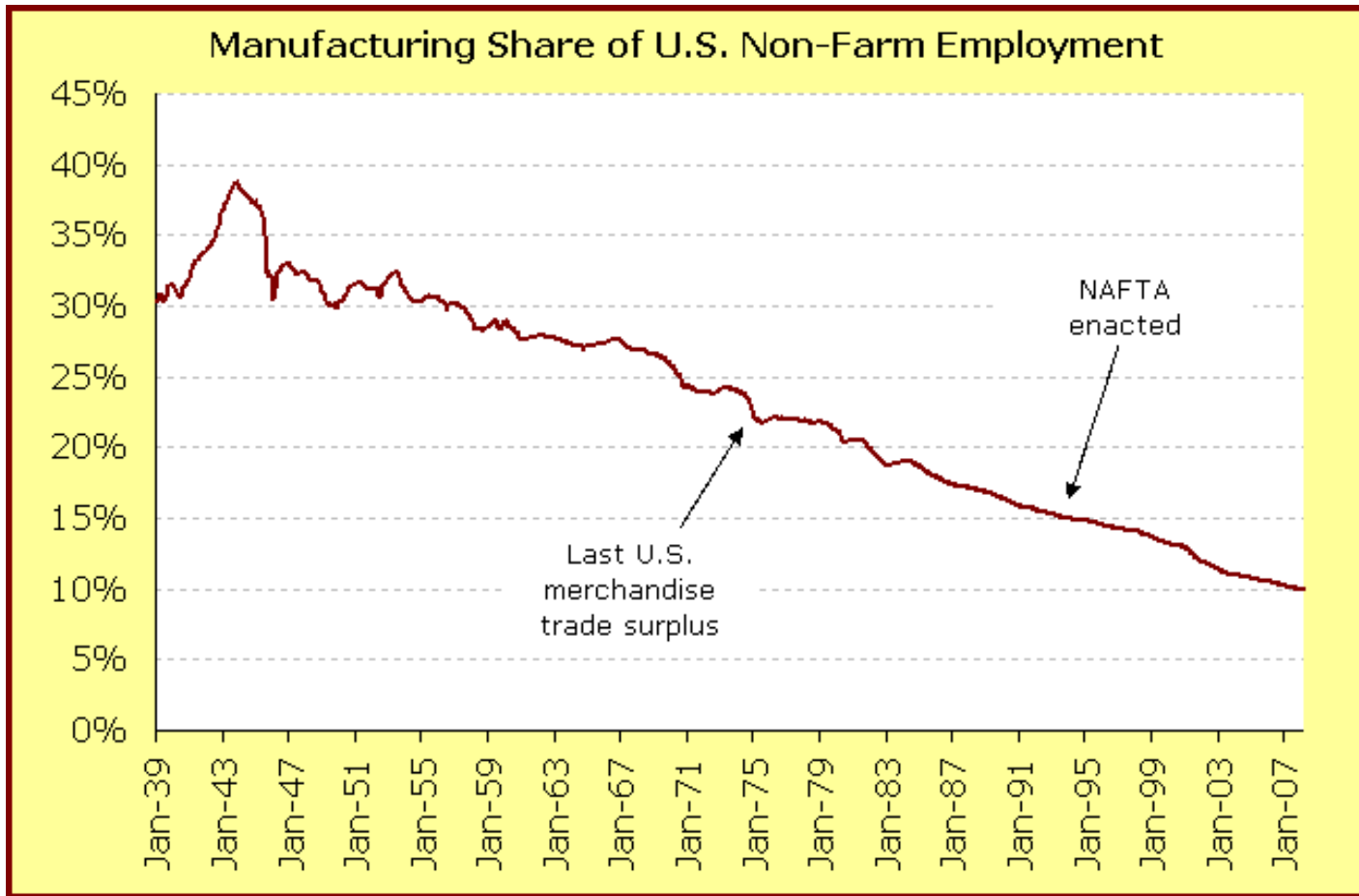
## b. The Routine Production Worker



**But now no longer competitive...**



# Jobs in manufacturing in the US have declined

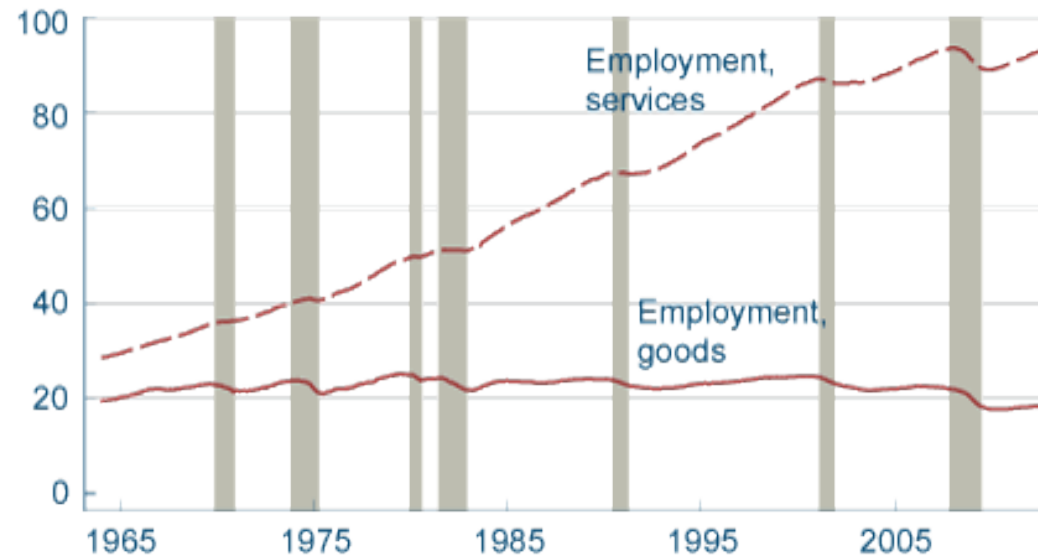


# While service jobs grew.....



## Employment, Goods and Service Sectors

Employment, millions



Note: Shaded bars indicate recessions.

Source: Current Employment Statistics/Bureau of Labor Statistics.



# Routine Personal Service workers: Sheltered from the direct effects of global competition.....

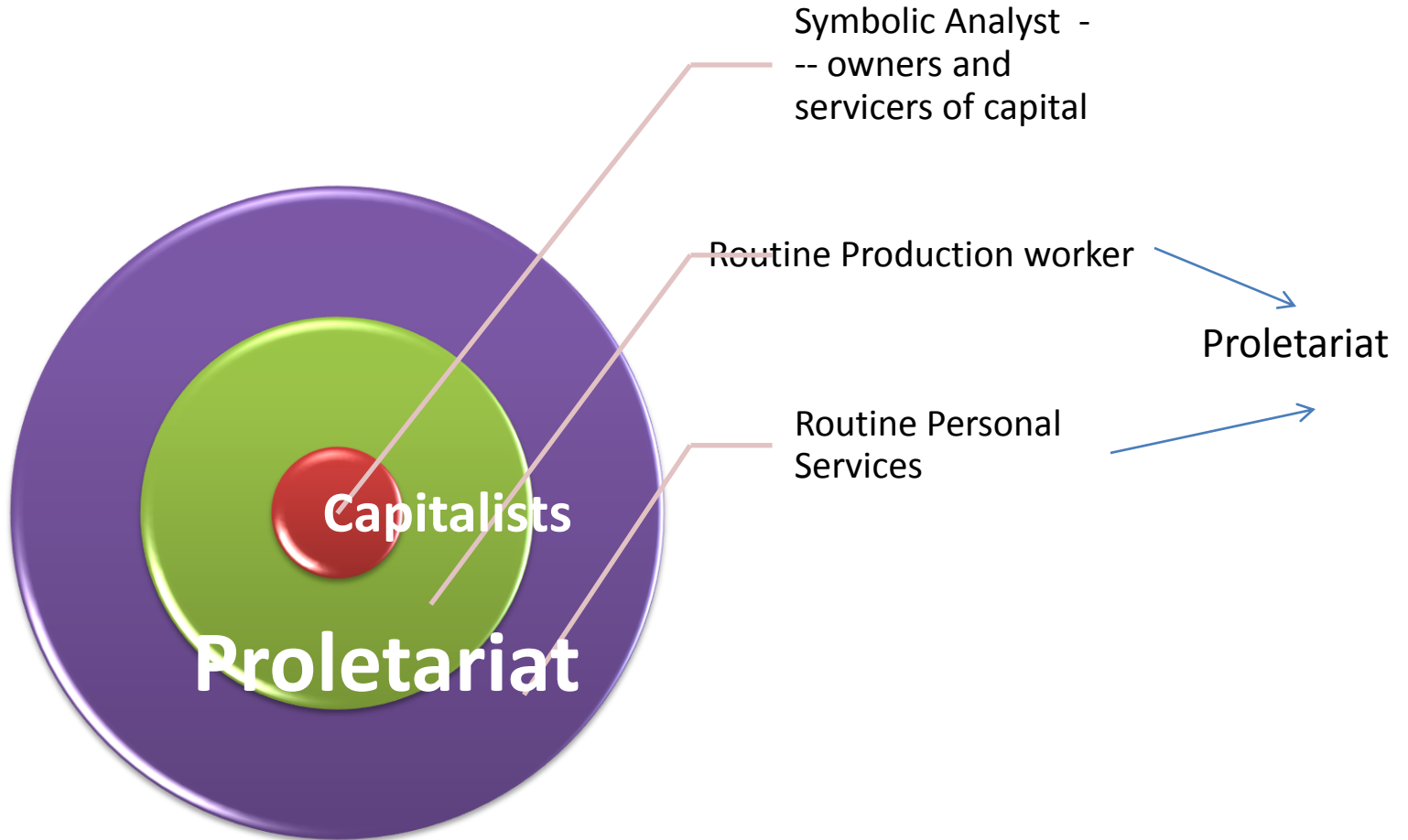
- But not the indirect effects.....



### **3. Growth of a low wage work force**

- Low wage work force grew 142 per cent between 1975 and 1990
- No Jobs, Temp Jobs, low pay
- Means growing inequality as a few symbolic analysts make more.....

# D. A Marxist analysis.....





# A Marxist perspective....

- It is the nature of capitalism to push labor costs (wages) down as far as possible
- But this contradicts the necessity for capitalism to sell goods and services
- Low wages constrict consumption and eventually.....
- Class Warfare directed by the top 1%
- Capitalist crisis!

Class

Property

Labor creates value

Capital's expropriation of surplus value + exploitation, commodity fetishes, commodification and alienation

Diminishing of the surplus under market competition

Wage suppression, outsourcing, technological advance, search for new markets, capture of the state

But continued diminishing of the surplus

Inevitable decline of Capitalism or Revolution?