

Today's Menu

I. Marx

- Review capitalist responses to decline
- Was Marx right? (cont.)
- Why is inequality rising in the U.S.
 - Robert Reich's analysis
 - A Marxist Analysis and perspective
- Summary of Marx

II The political economy of community, freedom, and equality

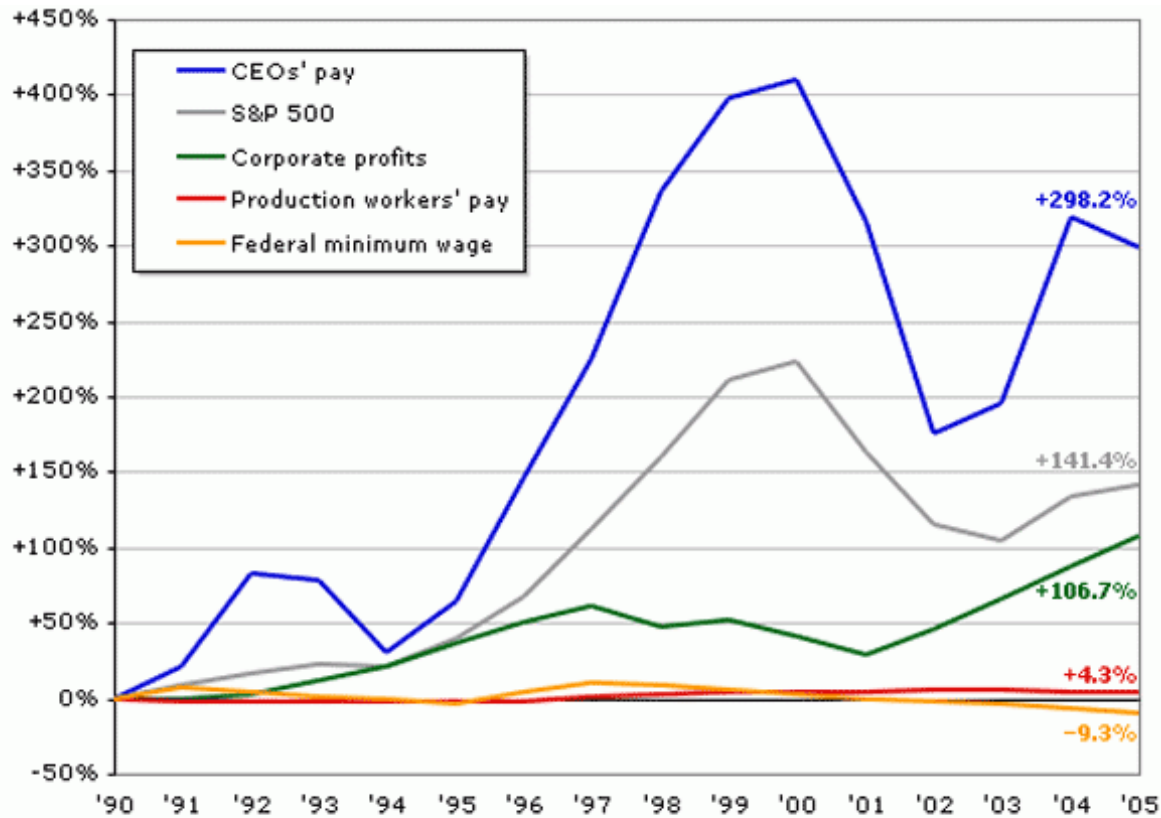
- What do we deserve? What is “justice” in the allocation of resources?
- The Market System
- Equality of opportunity
- The principle of redistribution

III. Community rises again: The Political Economy of Nationalism

Review: Capitalist Response to decline: 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"

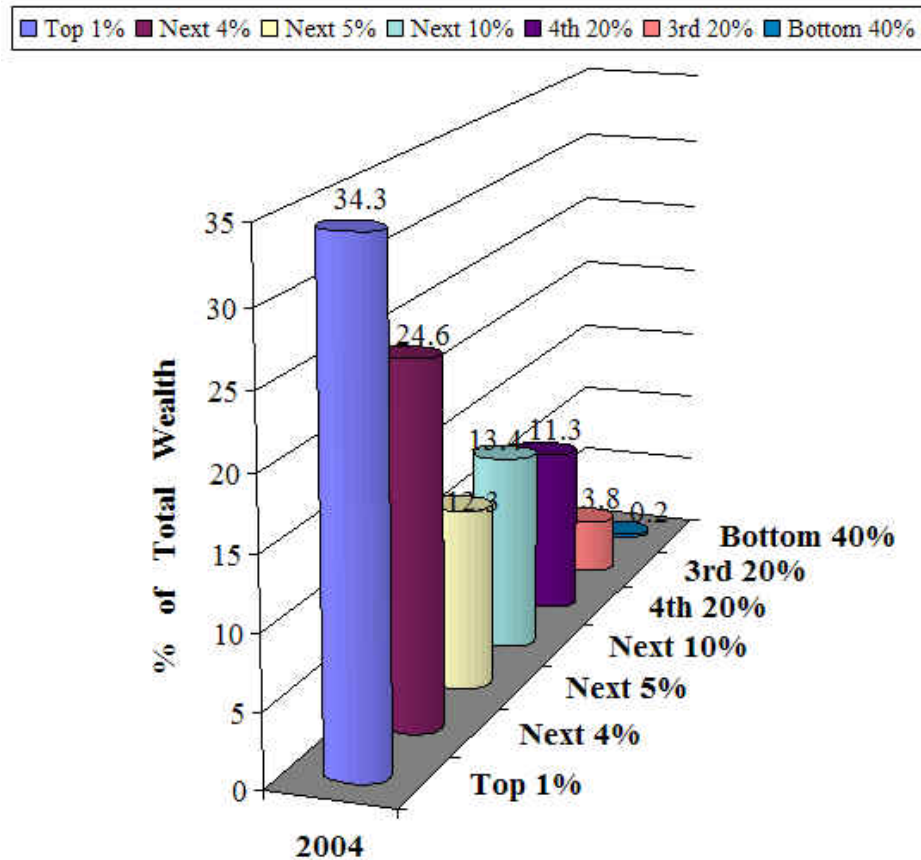
Was Marx right? (cont.) The last two decades were great...if you were a CEO or owner. Not if you were anyone else.



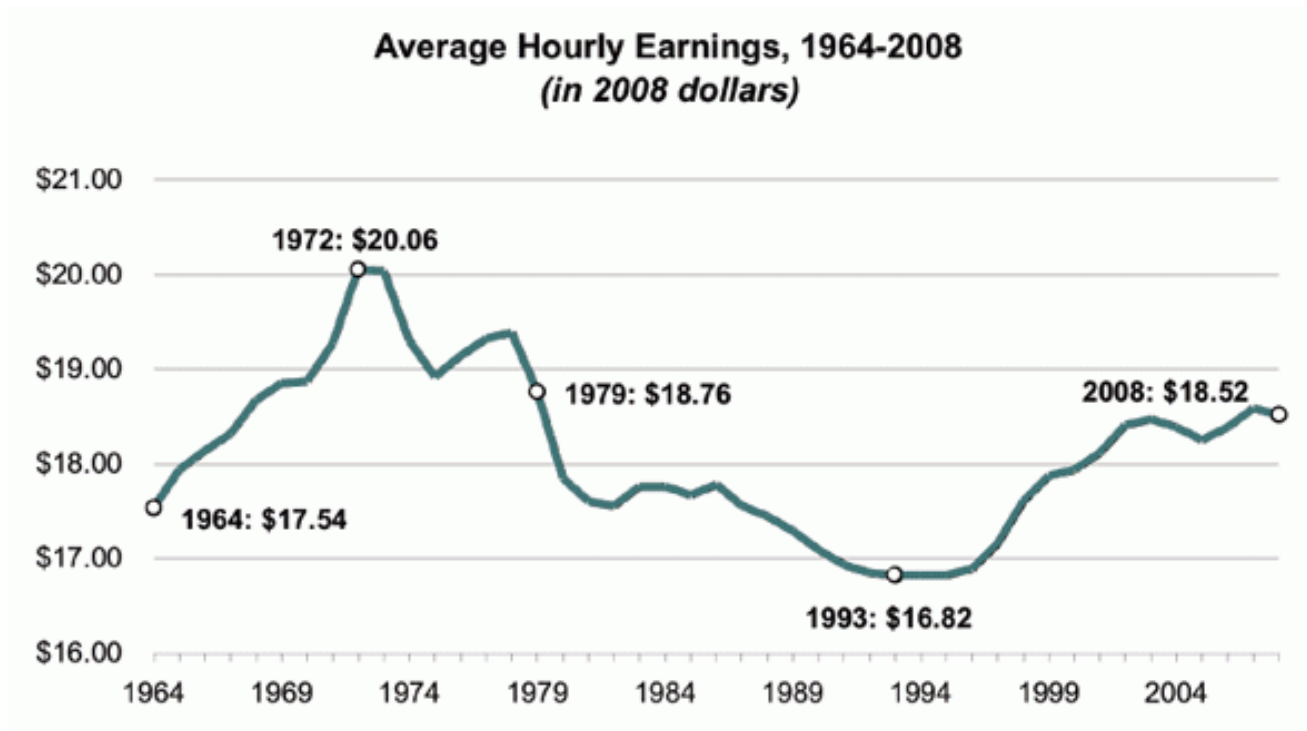
Source: *Executive Excess 2006*, the 13th Annual CEO Compensation Survey from the Institute for Policy Studies and United for a Fair Economy.

D. Wealth has become more concentrated....

Distribution of Wealth, U.S. Households, 2004



E. Real average earnings have not increased in 50 years



Source: Bureau of Labor Statistics, [Current Employment Statistics](#), Average Hourly Earnings in 1982 Dollars. Converted to 2008 dollars with CPI-U.

Decline in real wages

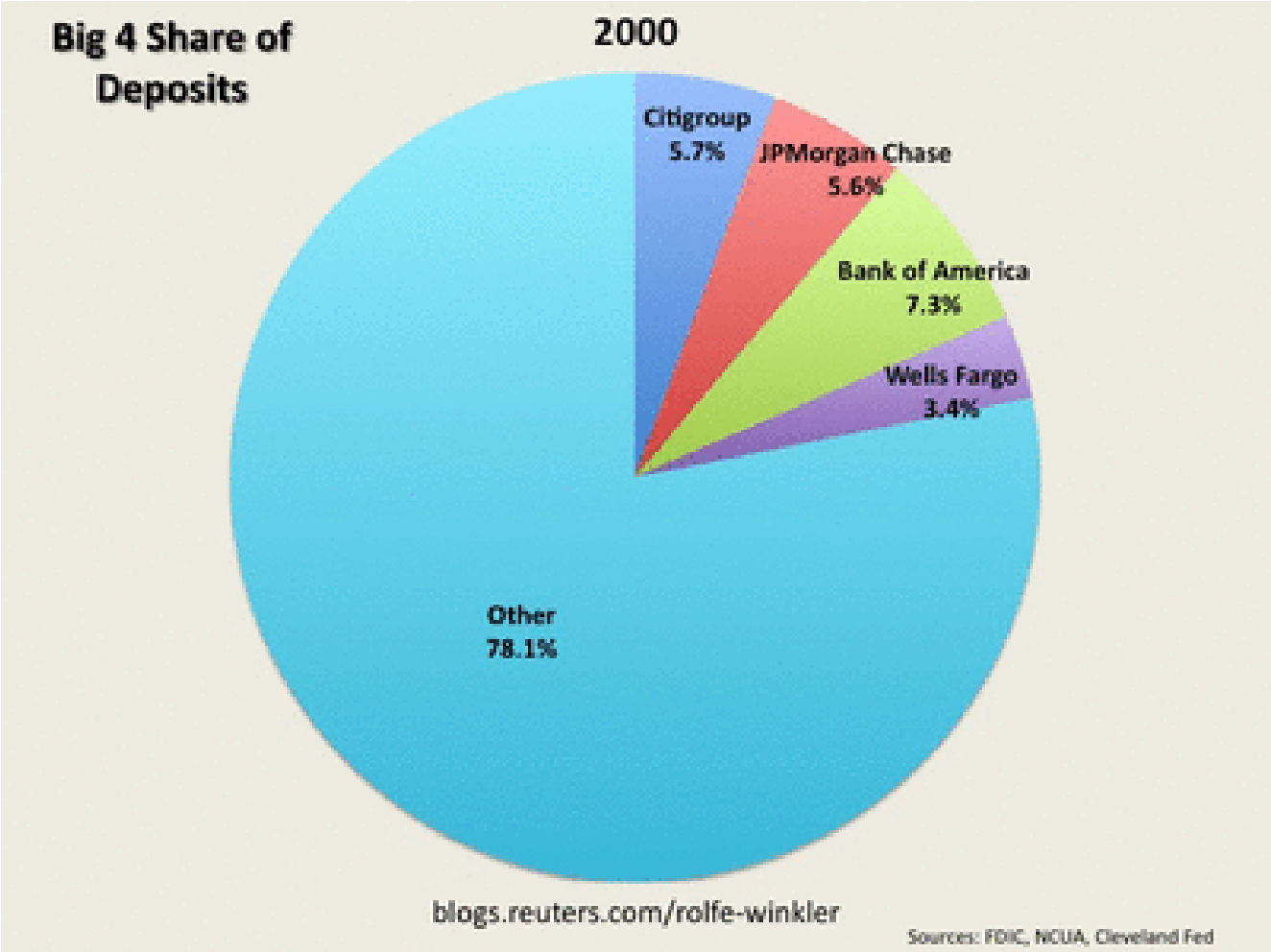
Real Wages Struggle

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



F. 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!!!!!!**

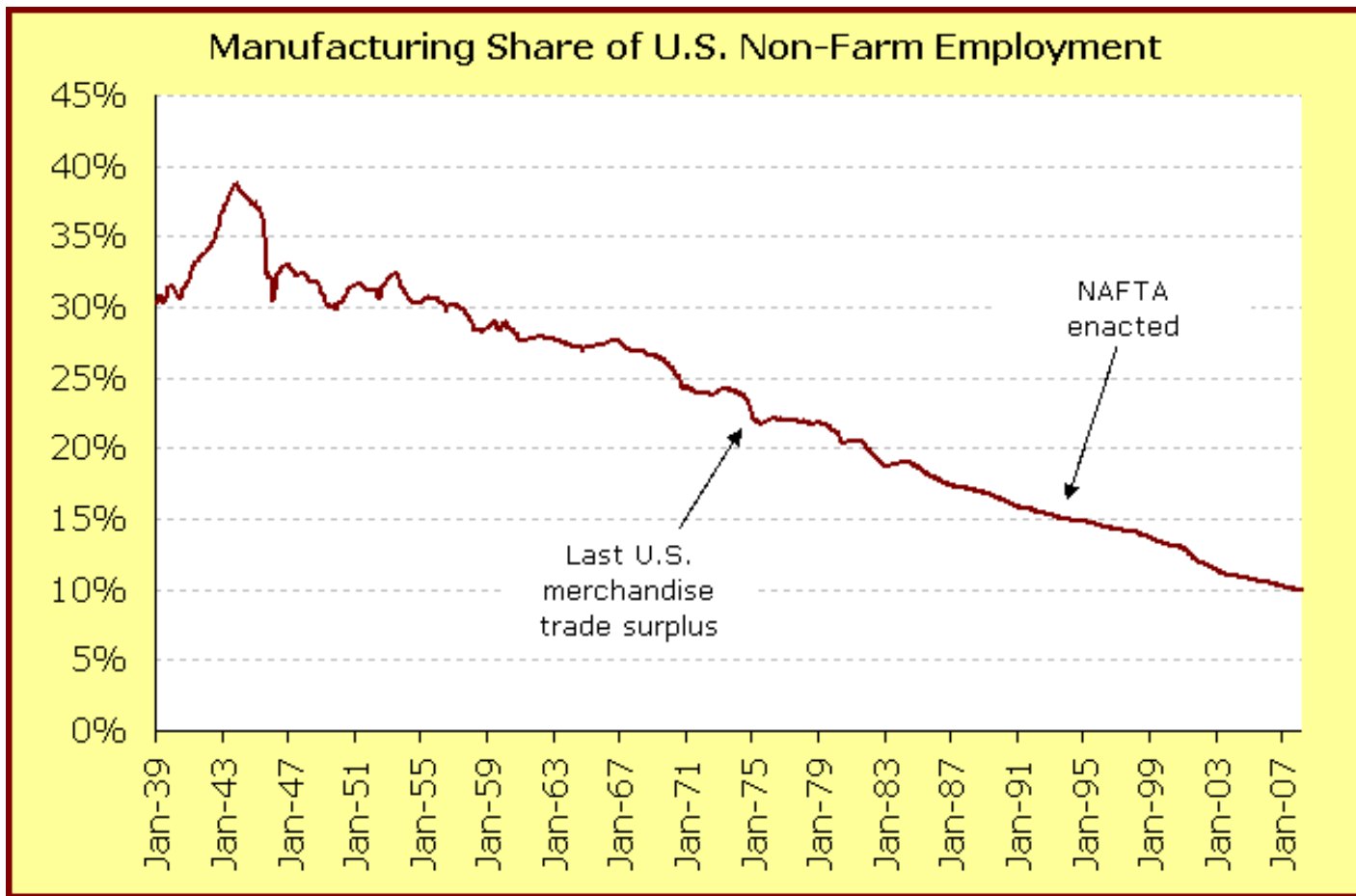
b. The Routine Production Worker



But now no longer competitive...



Jobs in manufacturing in the US have declined

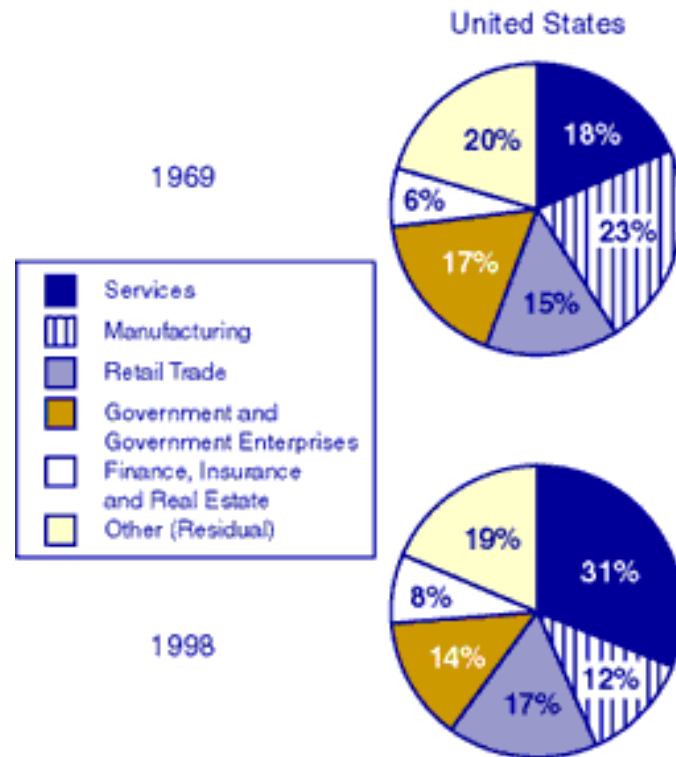


While service jobs grew.....



Major Sectors, Indianapolis & U.S., 1969 & 1998

services industries has paralleled the nation's.



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

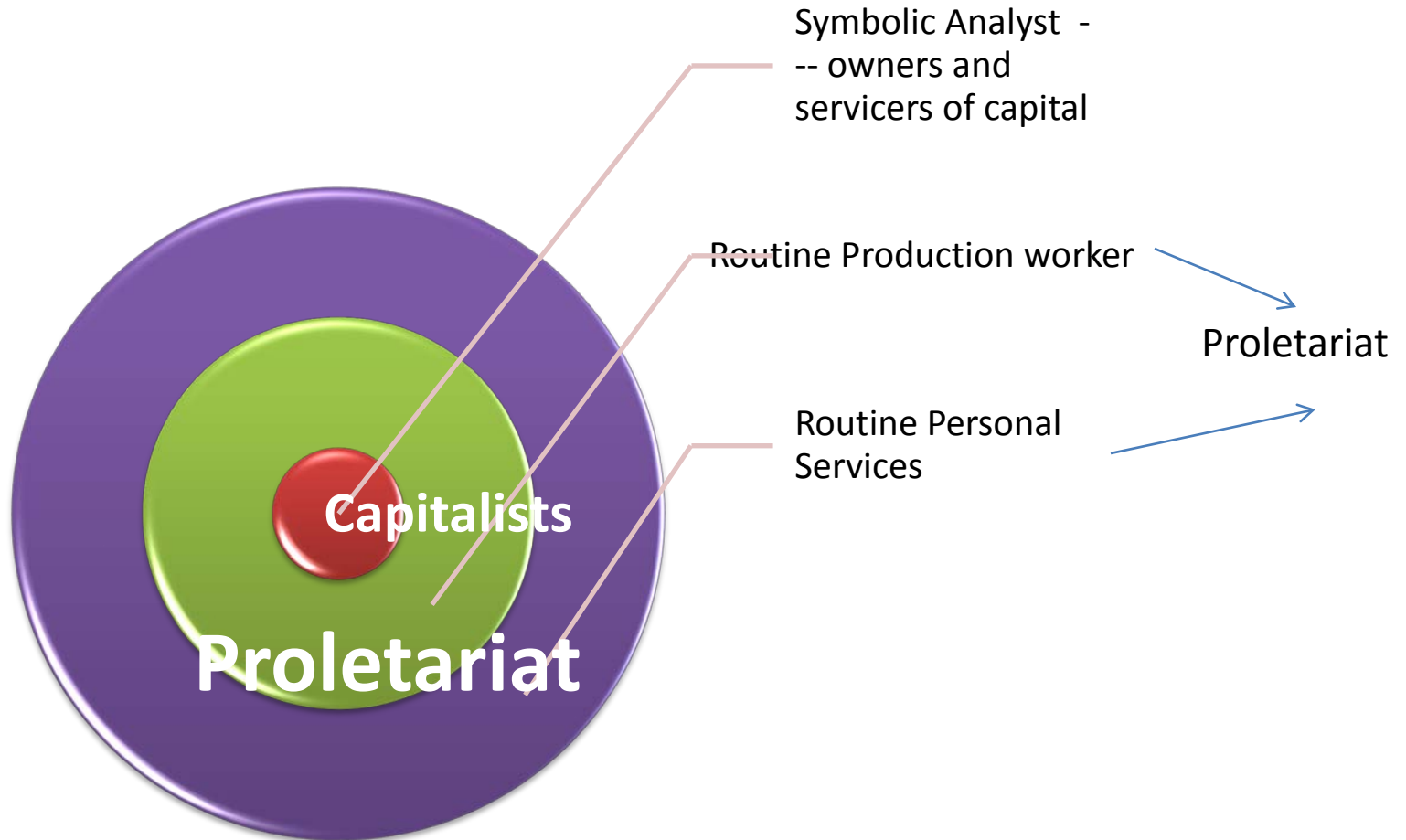
- But not the indirect effects.....



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.....

G. 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?

The political economy of community, freedom, and equality

What is the BEST Political Economy?

What is fair? What is Just?

What do we deserve?

What is the moral worth of a system of
political economy?

Group Identity

Plato
Aristotle
Aquinas
Polanyi

**Virtue and compassion
Define "The Good Life"**

Community

Bentham
Rousseau

Communism
communal giving
defines the good life

Smith
Ricardo
Redistribution

**Individual
Identity**

**Class Identity
(under capitalism)**

**Equality
(Marx)**

Egalitarianism
Wollstonecraft
Jefferson
Equal opportunity

Freedom

Markets

Mill

**Wealth and freedom
Define "The Good Life"**





\$25 million....Is it Fair?

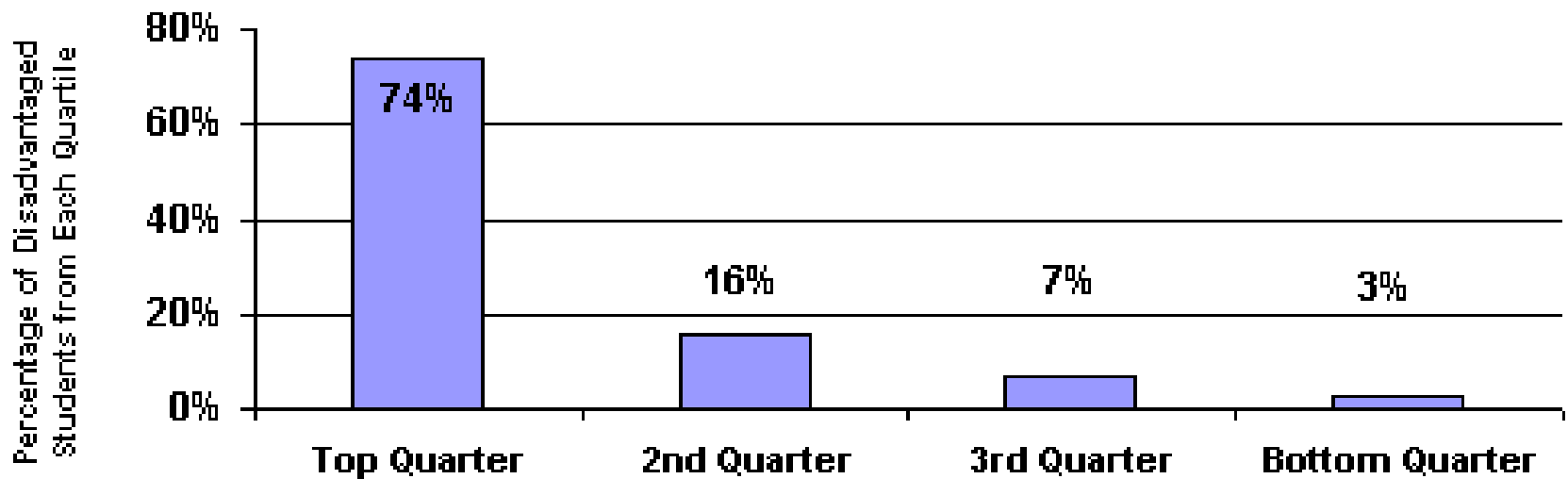


How should we decide?

- renounce old social order. Justice is Blind. It applies to all equally. (Liberal , egalitarian view)
- Equal distribution (Marxist view)
- Equality of opportunity is Necessary. (equity—fairness—based on merit)
- is it enough? (level playing field)
- Does it still leave room for arbitrary factors that create inequality? Talent? Effort?
- Redistributive Principle

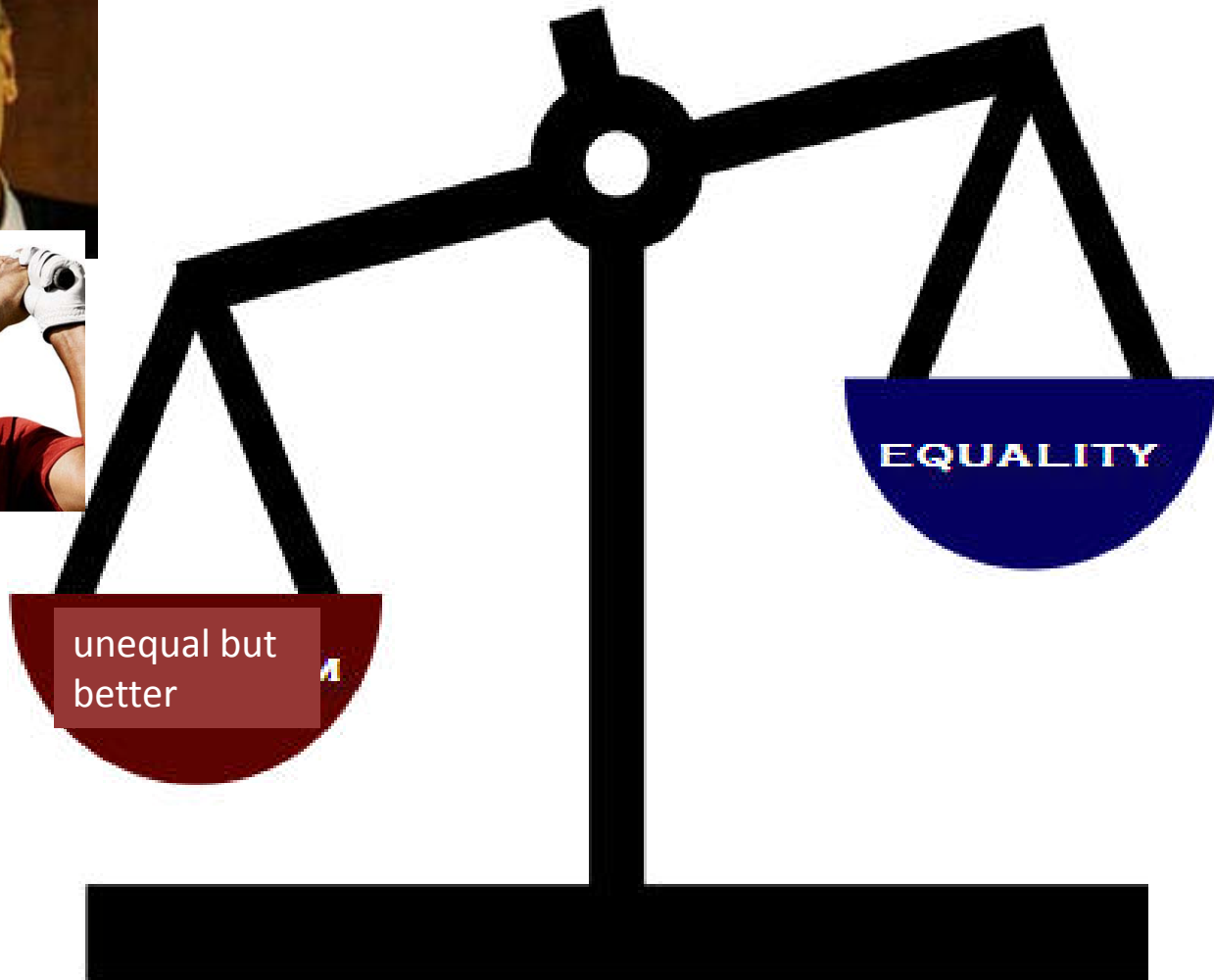


Socioeconomic Status of Students in Selective Colleges



Percentage of Disadvantaged Students Admitted to Selective Colleges
by High School Class

Smith: Redistributive Principle



The Market system

- Economy : Market provides entitlements but not what we necessarily deserve

Society

The Libertarian's Answer

- "Life is not fair. It is tempting to think that government can rectify what life has spawned." --Milton Friedman

Should we be free to own all of the
fruits of our talents?



Or Are our Talents collective assets?



The Market system is not unchangeable.....

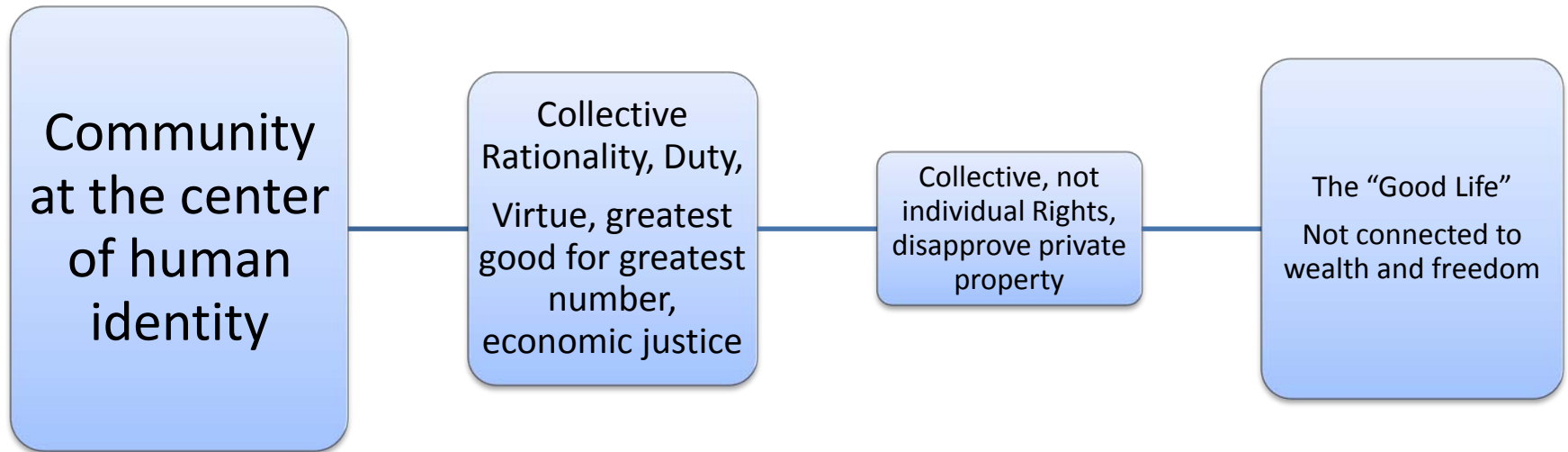
Society

"The social system is not an unchangeable order beyond human control but a pattern of human action.... The principle [of Distributive Justice] is a fair way of meeting the arbitrariness of fortune"

Market

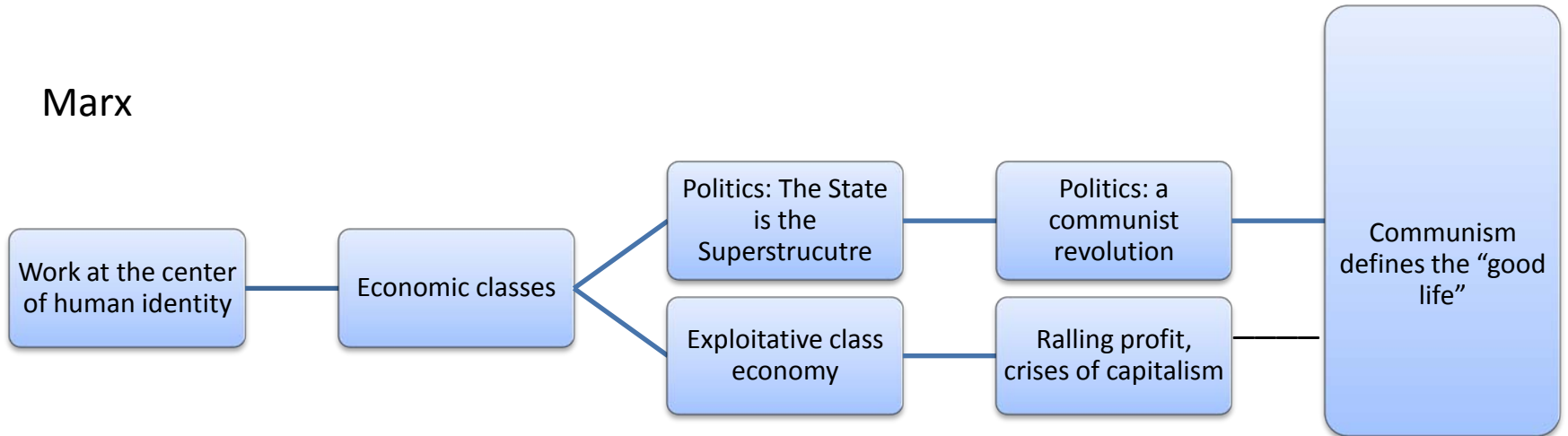
Community as the basis for political economy decisions

Plato, Aristotle,
Aquinas
Polanyi
Bentham

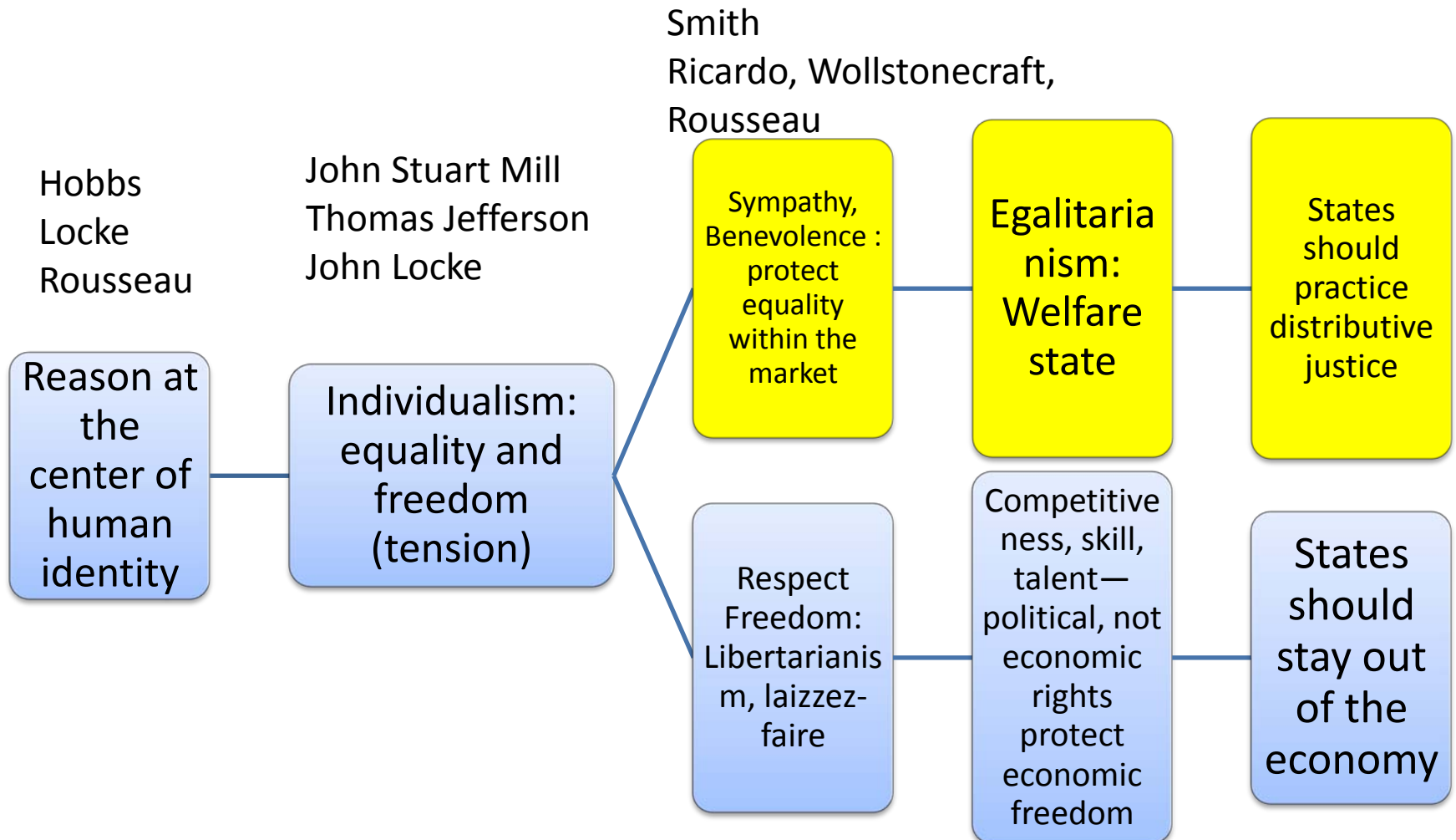


Principles of Equality

Marx



Freedom AND equality as the central political economy principles



“How can a man be truly free if the fruits of his labor are not his to dispose of, But are treated as part of a common pool of public wealth” --Barry Goldwater

Nationalism

From Ancient to Modern Theories of
Community

Group Identity

**Virtue and compassion
Define "The Good Life"**

Community

Plato
Aristotle
Aquinas
Polanyi

Bentham
Rousseau

Maxxini
Nationalism

Communism

communal giving
defines the good life

Smith
Ricardo
Redistribution

**Individual
Identity**

**Class Identity
(under capitalism)**

**Equality
(Marx)**

Egalitarianism
Wollstonecraft
Jefferson
Equal opportunity

Freedom

Markets

Mill

**Wealth and freedom
Define "The Good Life"**

Freedom and equality are not enough. Why they might not be the most appropriate allocative principles

- The focus on reason leaves out emotion or a set of higher principles to guide human behavior.
-
- the focus on freedom leaves out the human need for security
- Market makes no provision for community solidarity
 - The “cash nexus” destroys solidarity
 - Focus on the individual leaves out community
- The focus on competitiveness leaves out cooperation and heroism
- Maybe consideration for higher principles, security, human solidarity, and cooperation should also guide allocative systems
- But are these things compatible with the Market?

Whole chunks of human experience that Freedom and equality leave out.....

Freedom leaves out important social needs

- All behavior is reduced to **private choices**
- The good of the community is identified only with those individuals who are effective **competitors** in the struggle for life.
- All rationality, **no emotion**
- All law, **no heroes**
- Markets → **insecurity, fragmented community**

Equality

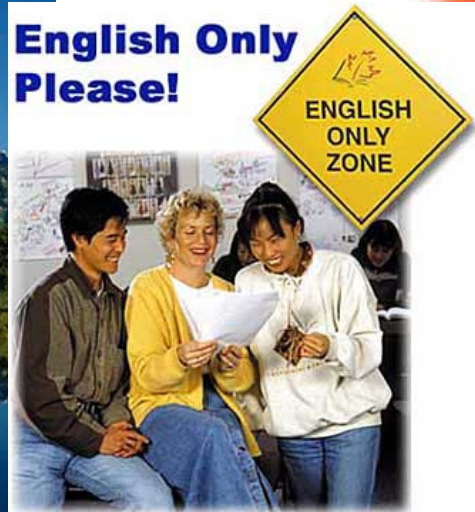
- All **class conflict**, no feeling of human solidarity
- Class conflict → **fragmented community**
- Equality does not erase **alienation**
- **equality does not create communal solidarity**

The Nation as community

- **Humans long for community**
- People crave for an identity bigger than themselves
- This was Marx's utopian vision
- "this is an age of economic interdependence and Welfare States...but also an age of spiritual insecurity..."
- **Nations are a community of strangers tied together by a common identity**

The Creation of a Common Identity.

How?



National Identity is mystical

- The identity is not an accident but a mystical “given”
 - Mazzini: "Your Country is the token of the mission which God has given you to fulfill in Humanity."
- National uniqueness
 - Mazzini: "To you, who have been born in Italy, God has allotted, as if favouring you specially, the best-defined country in Europe."
- Nations have “souls”

Emotion, land, tradition, religion, sense of historical mission,

- "My country 'tis of thee, sweet land of liberty, of thee i sing." Land of the Pilgram's pride, land where my fathers died, from every mountain side, Let freedom ring.
- My native country thee, Land of the noble free
- Thy name I love. I love thy rocks and rills, Thy woods and templed hills, My heart with rapture thrills, Like that above.
-
- Our fathers' God, to thee, author of liberty, to thee we sing.
- Long may our land be bright, with freedom's holy light; protect us by thy might, Great God our King.

Nations are communities that fill the vacuum left by freedom and equality

- They evoke emotion, not reason
- They evoke solidarity
- They provide an identity bigger than ourselves
- They provide security
- They provide an arena for cooperation
 - Mazzini: "A Country is not a mere territory; the particular territory is only its foundation. The Country is the idea which rises upon that foundation; it is the sentiment of love, the sense of fellowship which binds together all the sons of that territory."

But they depart from community in many ways

- Often hierarchical: nations create states
- Keynes: The decadent international but individualistic capitalism, in the hands of which we find ourselves. . . Is not a success. It is not intelligent, it is not beautiful, it is not just, it is not virtuous, and it doesn't deliver the goods....”
- Krasner: Stupidity is not a very interesting analytic category
 - States seek power, growth, social stability

**Liberal nations are
In tension...is liberal nationalism possible?**

- **Property rights, markets are possible in national communities but threaten them**

