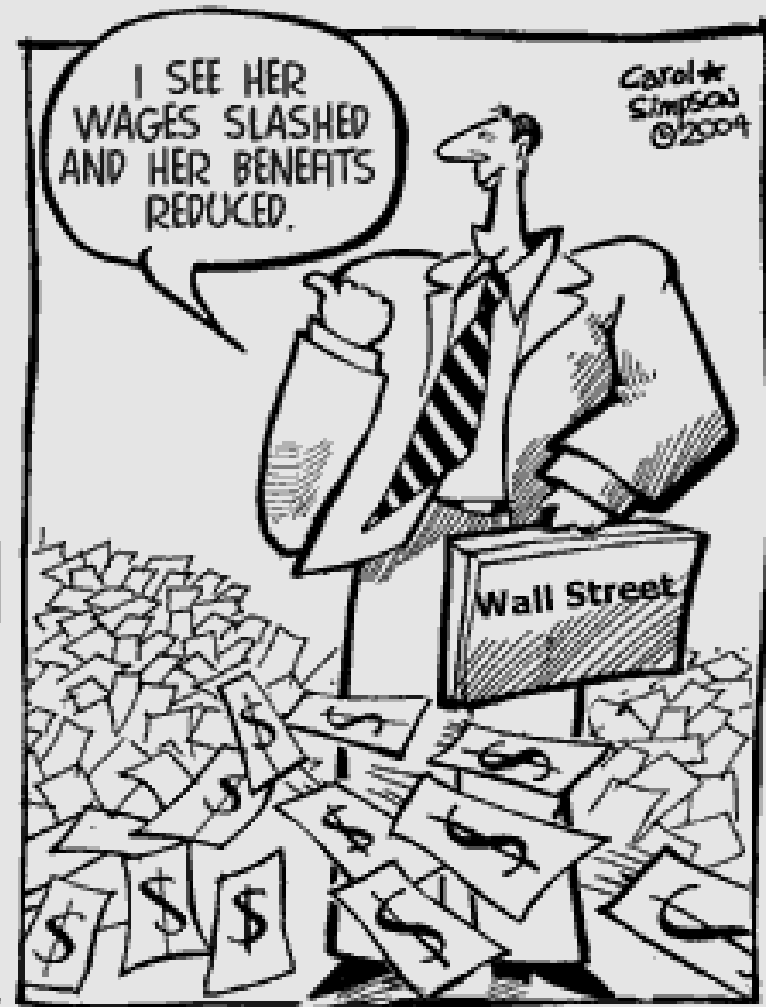




Economic Pessimist



Economic Optimist

WAS MARX RIGHT?

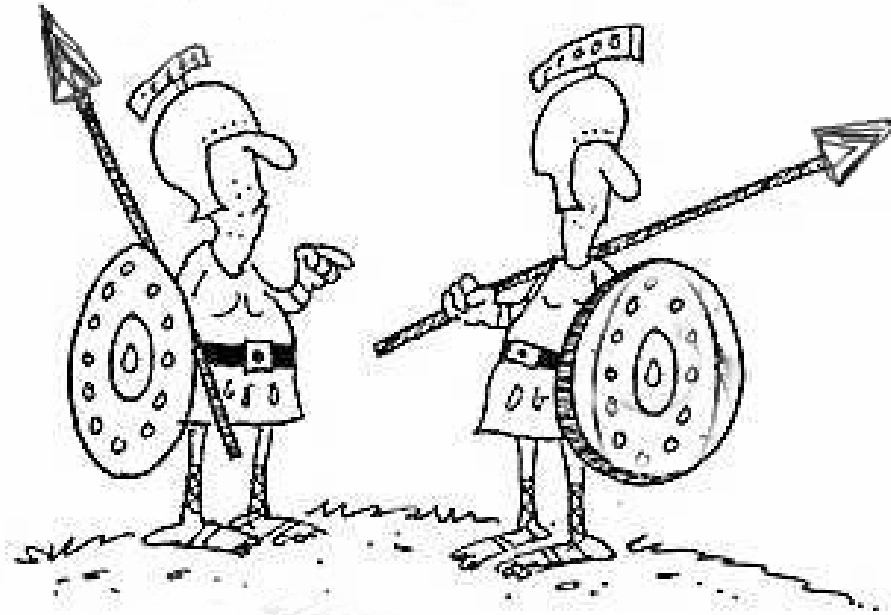
Today's Menu

- I. The Three Laws of Capitalism
 - A. Exploit Others
 - B. Expand or Die
 - 1. Commodification is not sustainable
 - 2. Surplus Value (profit) will always decline
 - 3. Capitalists efforts to save capitalism
 - C. Capitalism will die anyway
 - 1. deepening cycles of recession and depression
 - 2. Class warfare and revolution
- II. Marx's Utopia after Capitalism
- III. Was Marx Right?
 - A. Growing inequality in the U.S.
 - B. Explanations
 - 1. Robert Reich's Three Categories of Work
 - 2. Growth of a Low Wage labor force
 - C. A Marxist Analysis and Marxist Perspective
- IV. Summary of Marx

The three Laws of Capitalism

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

B. Grow or Die.... Why?



Expand Or Die

1. The commodification of labor is not sustainable: 3 Reasons

- **a. Commodity Fetishism**
- "the exchange and circulation of commodities really are the product and reflection of social relationships among people. Under capitalism, social relationships of production, such as among workers or between workers and capitalists, are mediated through commodities, including labor, that are bought and sold on the market."
- relationships between things begin to shape and dominate the relationships between people



b. Alienation



Alienation is both commodity fetishism and Commodification of labor

- Commodity fetishism....the object which labor produces – labor’s product – confronts it *as something alien, as a power independent of the producer*
- Alienated labor: the worker is related to the *product of labor* as to an *alien* object.
 - The worker puts his life into the object; but now his life no longer belongs to him but to the object.
...Therefore, the greater this product, the less is he himself.

With alienated labor.....”What is animal becomes human and what is human becomes animal”

“The worker only feels himself freely active in his animal functions...

And in his human functions he no longer feels himself to be anything but an animal”



c. 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* –.

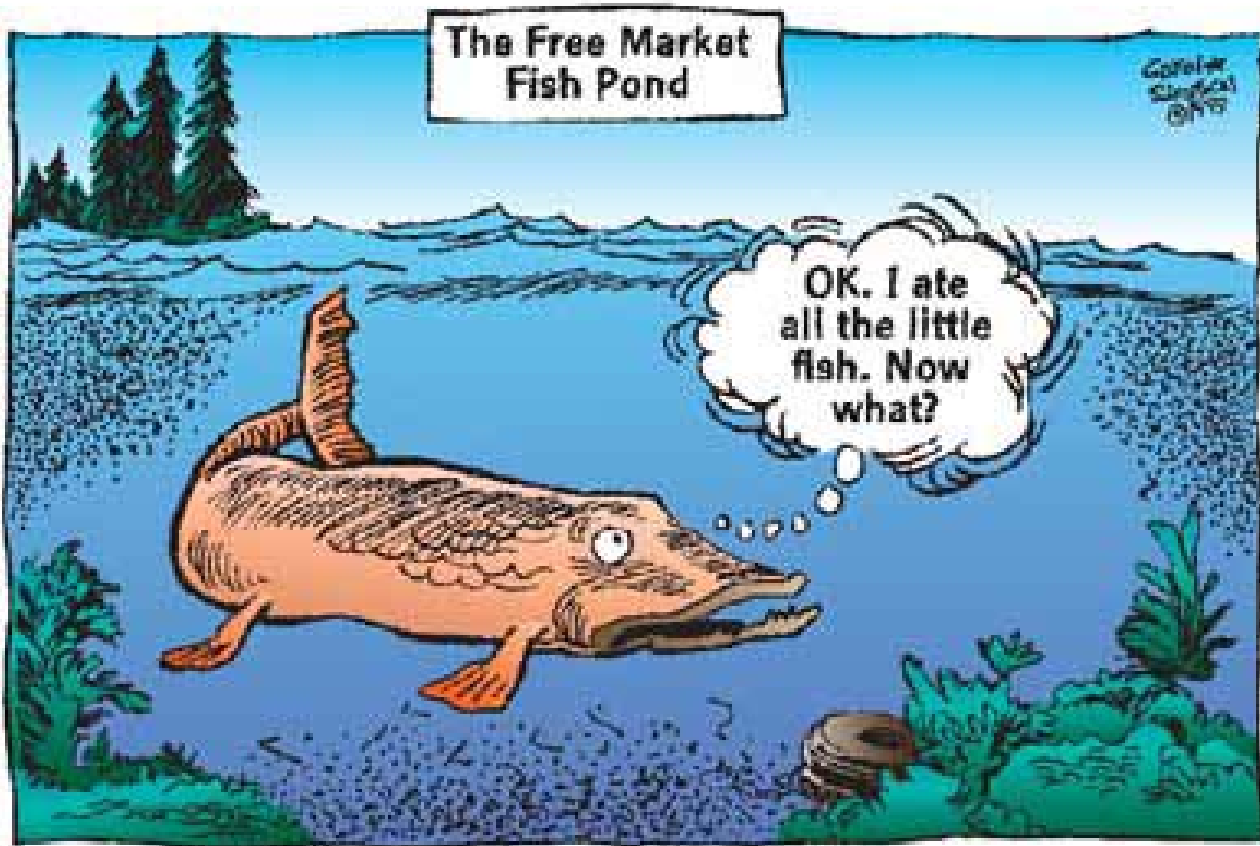
2. Surplus value will inevitably decline for the individual capitalist

- The reality of competition
- Leads to the need to make workers more productive
- Which leads to the suppression of wages
- And the threat that someone else will be able to make a better product with less cost
- Leads to overproduction and underconsumption

3. Capitalist Response to decline: use the following tactics

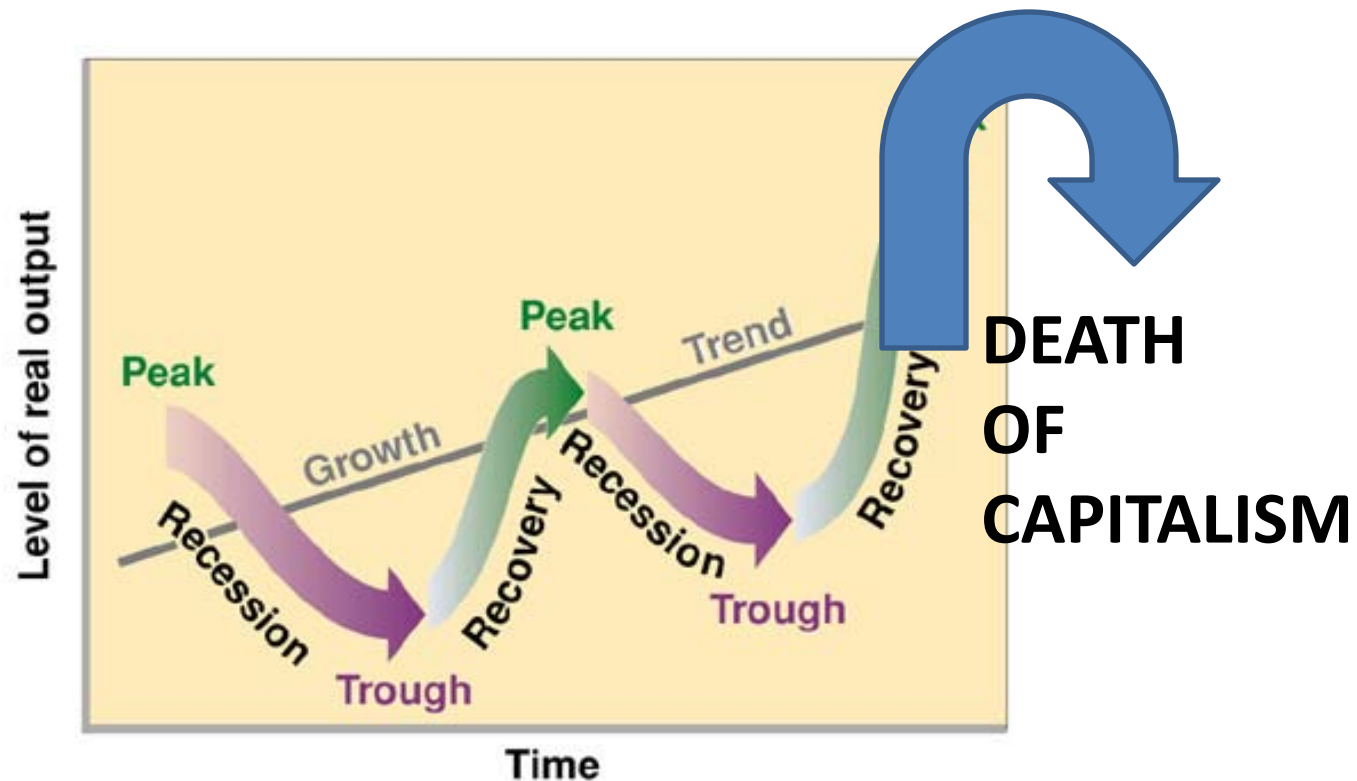
- Replace human labor with technology (lean production)
- Scour the earth for cheap labor
- Find new markets
 - "The need of a constantly expanding market for its products chases the bourgeoisie over the entire surface of the globe. It must nestle everywhere, settle everywhere, establish connexions everywhere."
- 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”



C. Capitalism's inevitable death

- 1. Overproduction and underconsumption lead to Deepening cycles of recession and depression



2. The ultimate “double movement:” Revolution



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

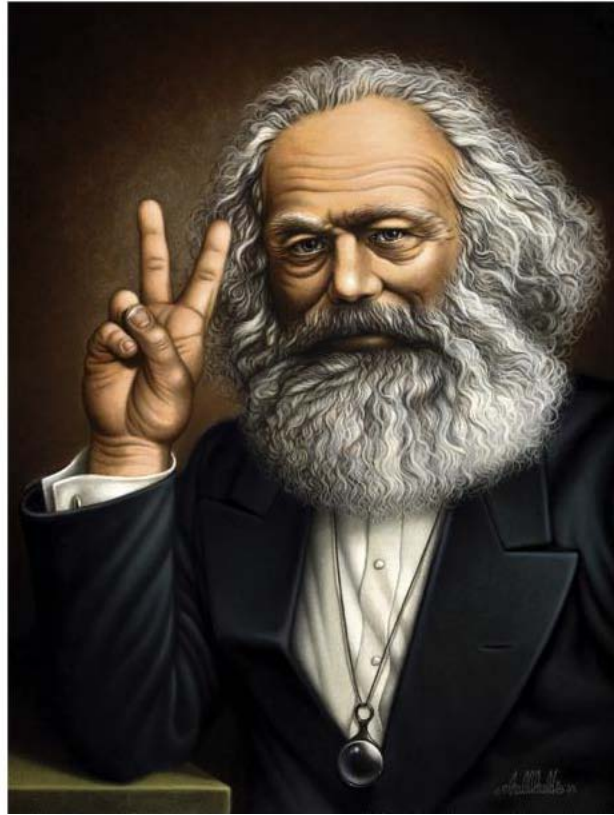
II. Marx's Utopia after capitalism: Communism and Communal Sharing:



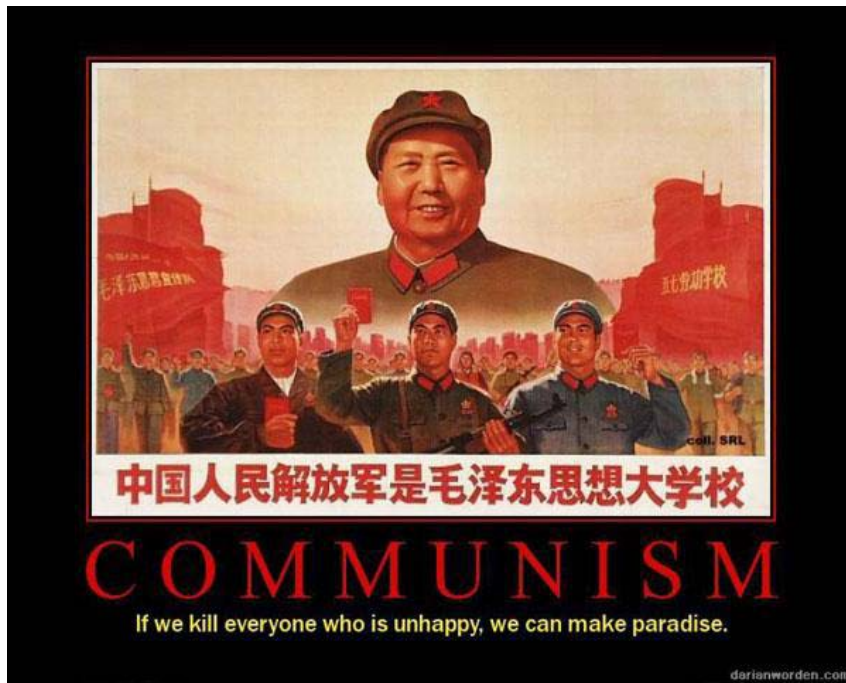
"From each according to his ability;
to each according to his need."



III. Was Marx right?



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



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

- Women's earning power increased
- Minorities saw incomes rise and poverty rates drop
- 1965-75 African American earnings rose...
- But Came to a halt after 1975
- And no substantial increase since....

All groups saw their incomes rise since 1947

MEDIAN FAMILY INCOME

INCOME IN CONSTANT 2006 DOLLARS



C. In fact, Income Distribution has favored people at the top

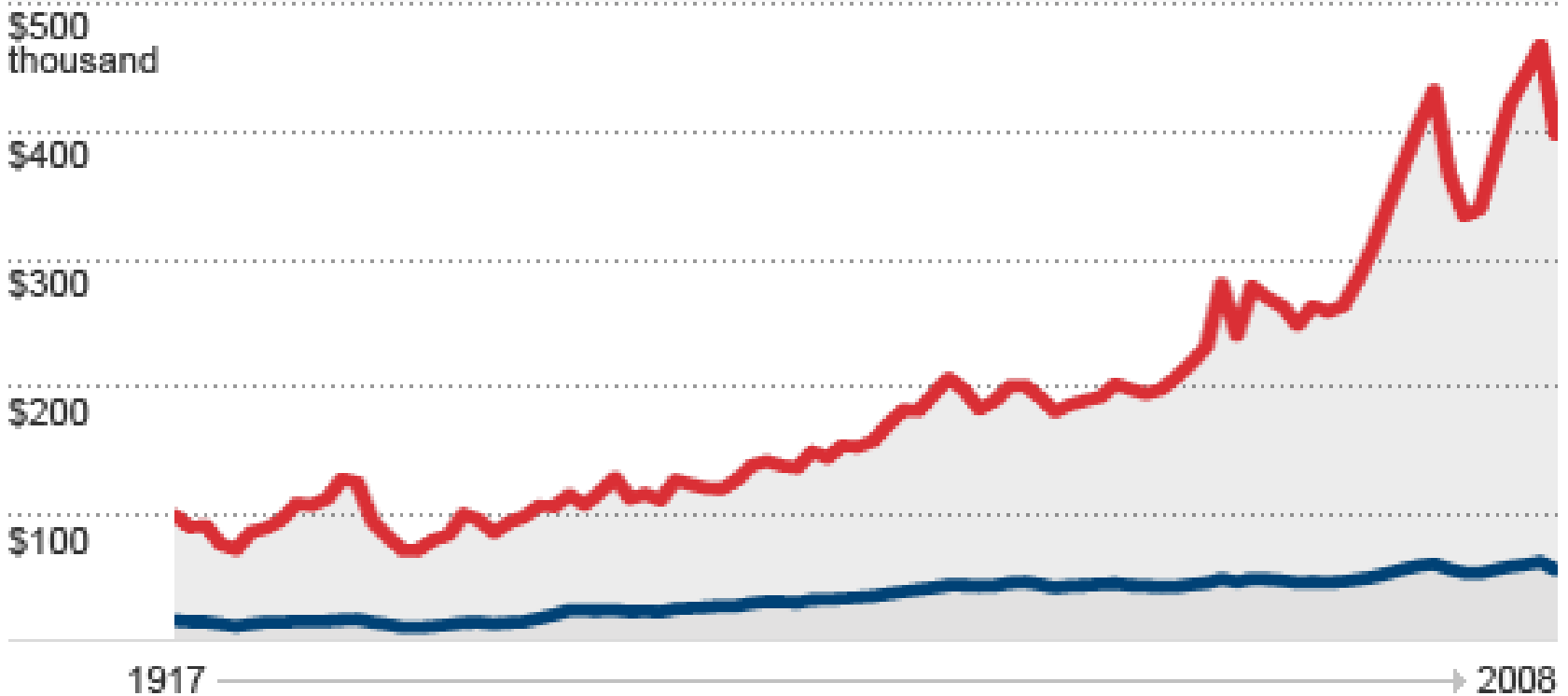
- Like a rowboat chasing a speedboat
- Rise in average incomes skewed by inequality



Income gap grows

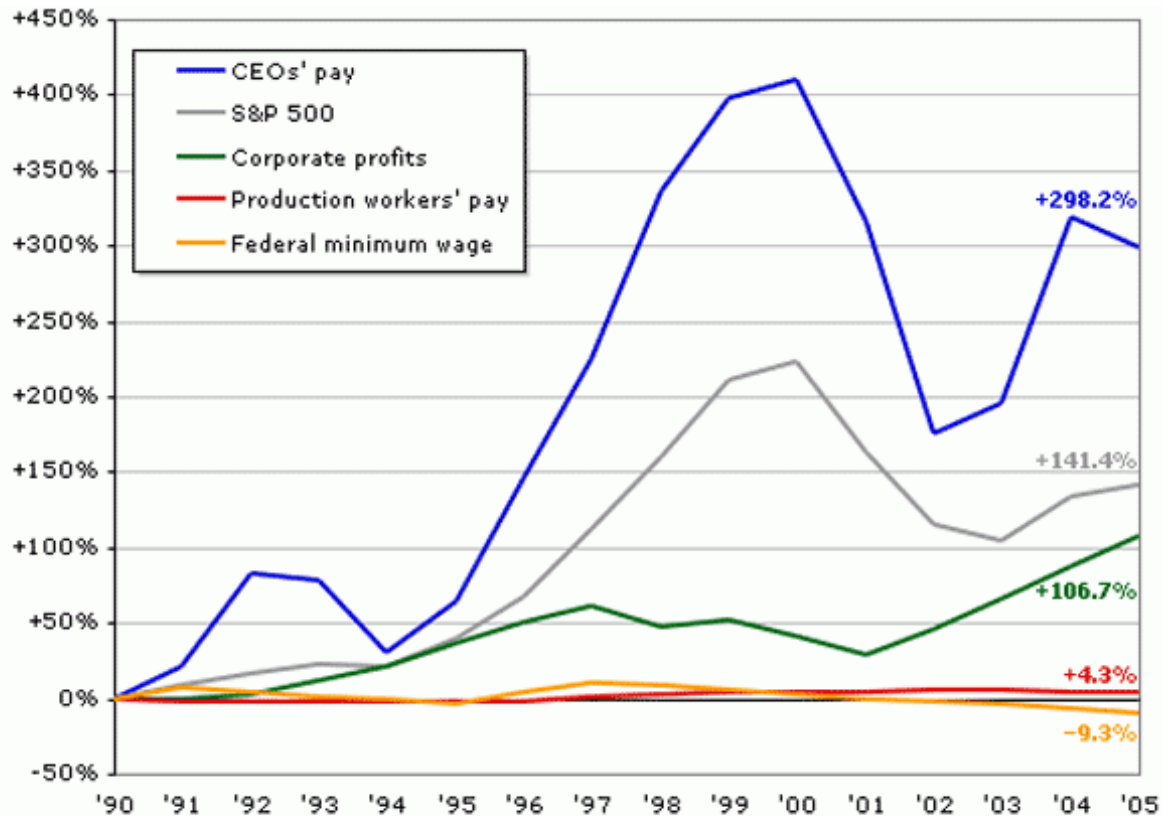
RISE OF THE SUPER RICH

■ MEDIAN INCOME ■ TOP 5% INCOME



SOURCE: PIKETTY AND SAEZ (2008); IRS

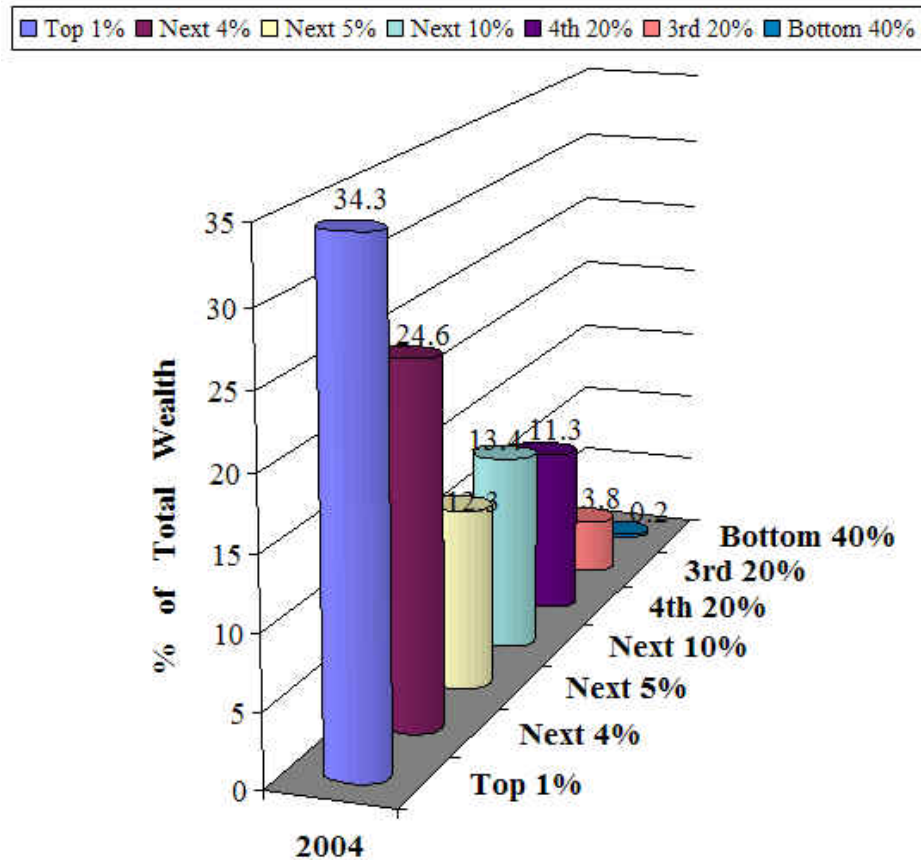
The last two decades were great...if you were a CEO or owner. Not if you were anyone else.



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

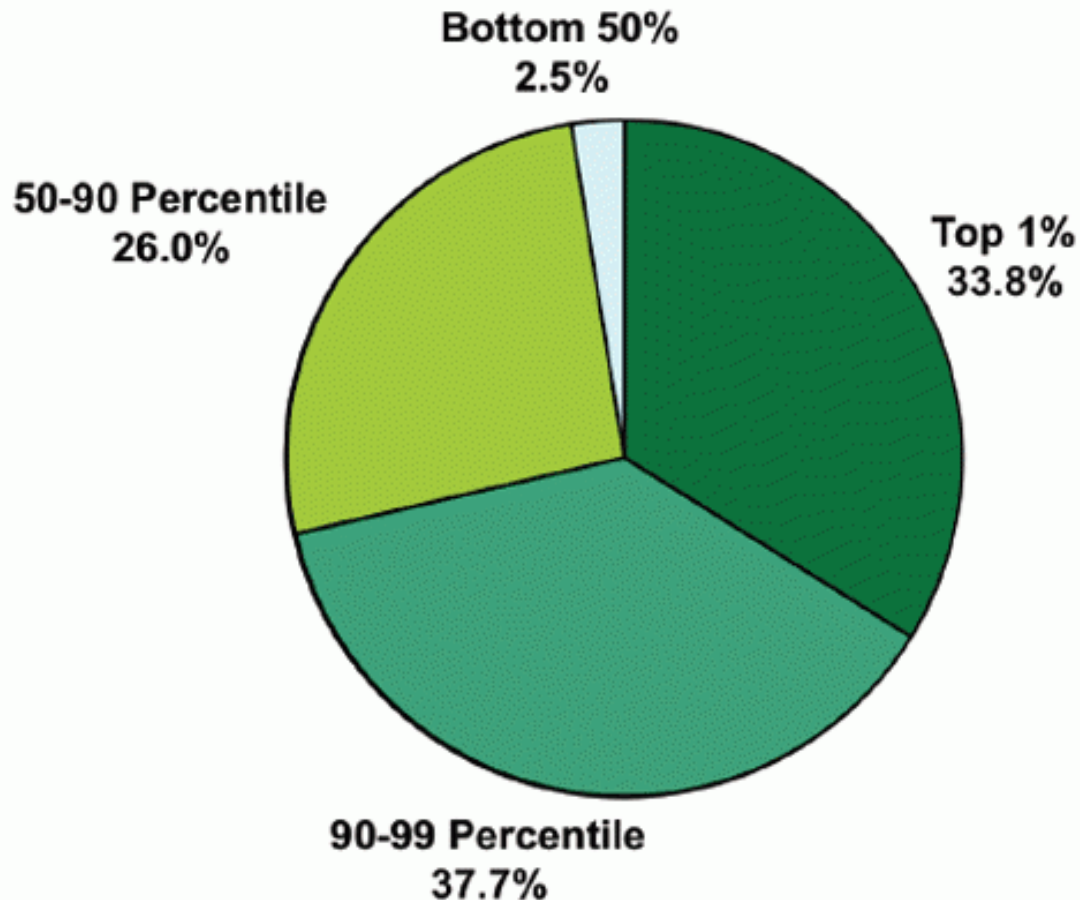
D. Wealth has become more concentrated....

Distribution of Wealth, U.S. Households, 2004



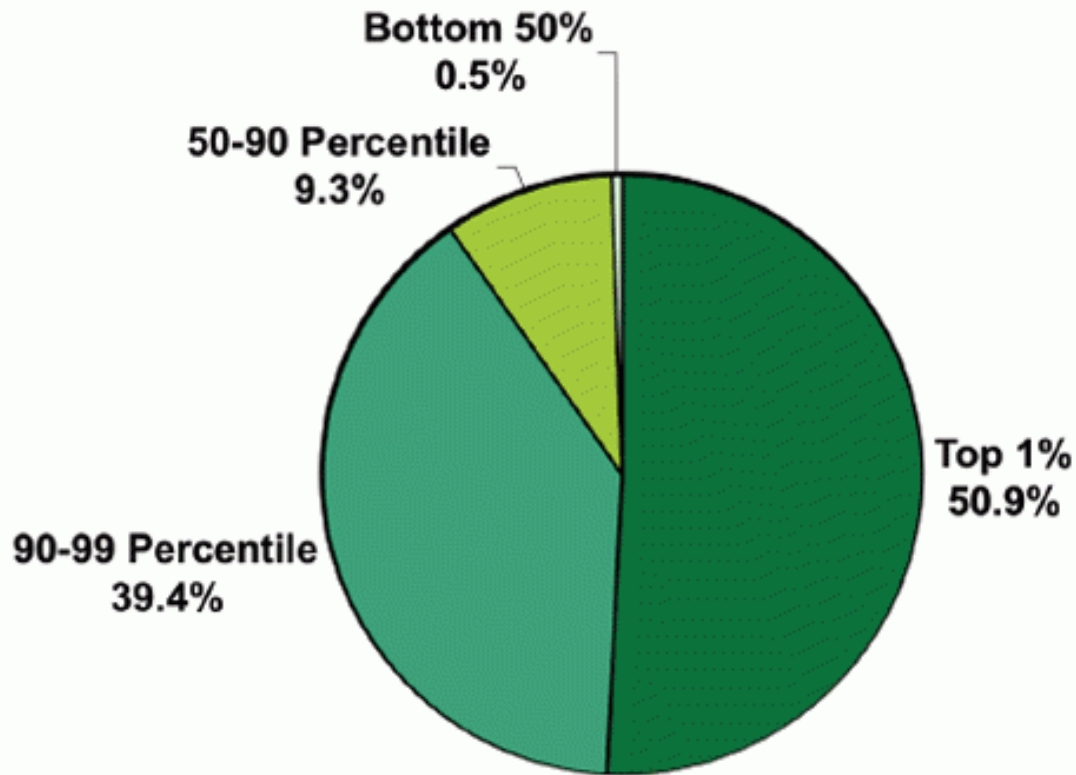
Half of America has 2.5% of the wealth

Distribution of U.S. Wealth, 2007



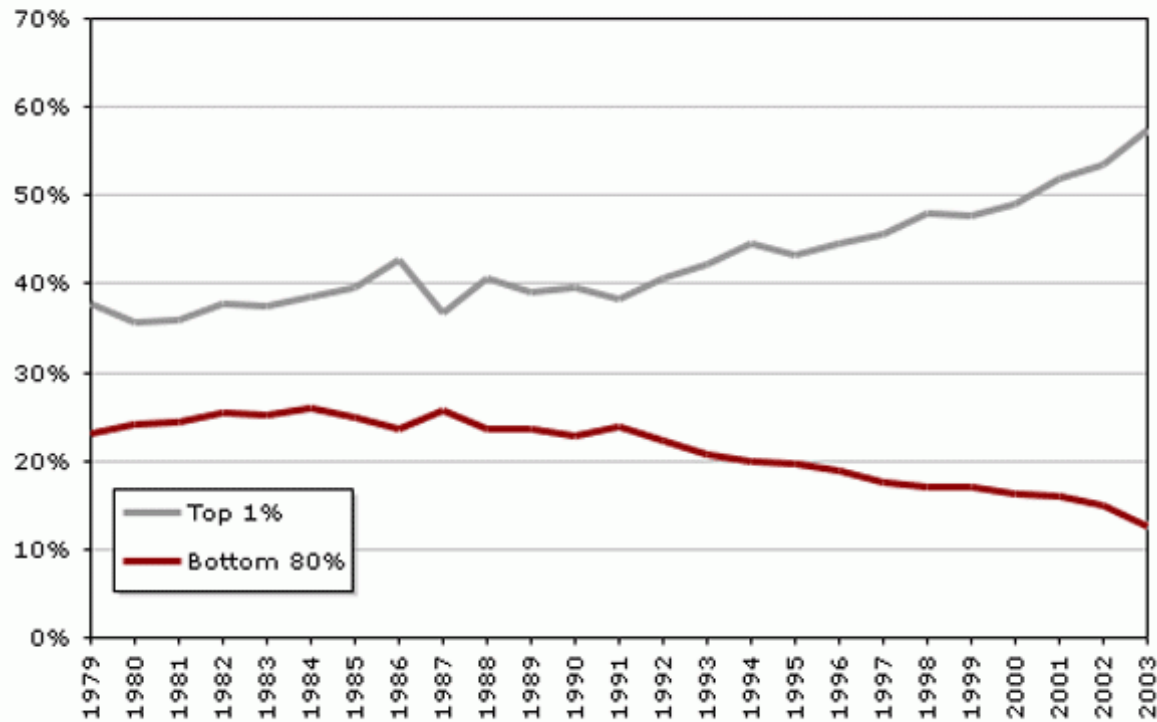
Half of America has only 0.5% of America's stocks and bonds

Distribution of U.S. Stock, Bond and Mutual Fund Ownership, 2007

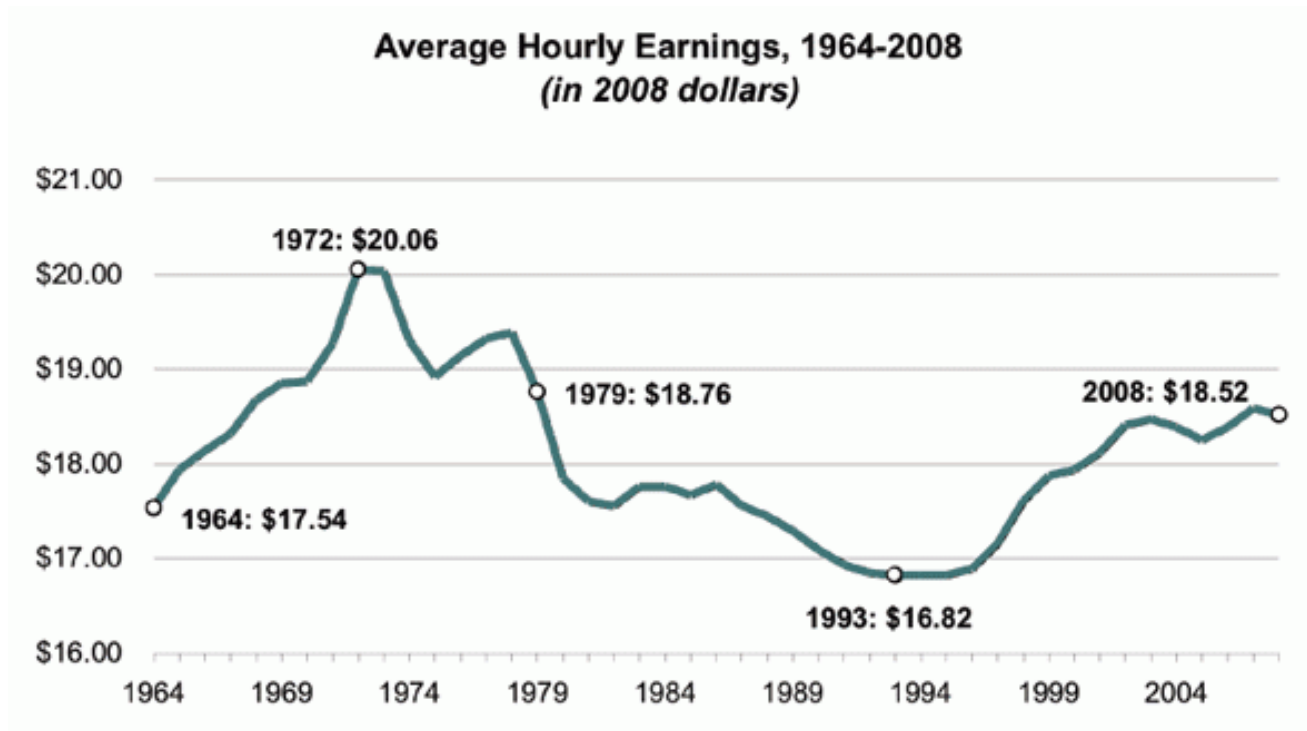


Growing gap in Shares of Capital Income between top 1% and bottom 80%

Figure 5: Share of capital income earned by top 1% and bottom 80%, 1979-2003
(From Shapiro & Friedman, 2006.)



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

F. Why is inequality rising in the United States?

- Wages are pushed down by globalization, meaning...
 - 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. An International Labor Market means functional (class) , not national wealth

- Not Wealth of Nations but wealth of Classes
- 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.....

- 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!!!!!!**

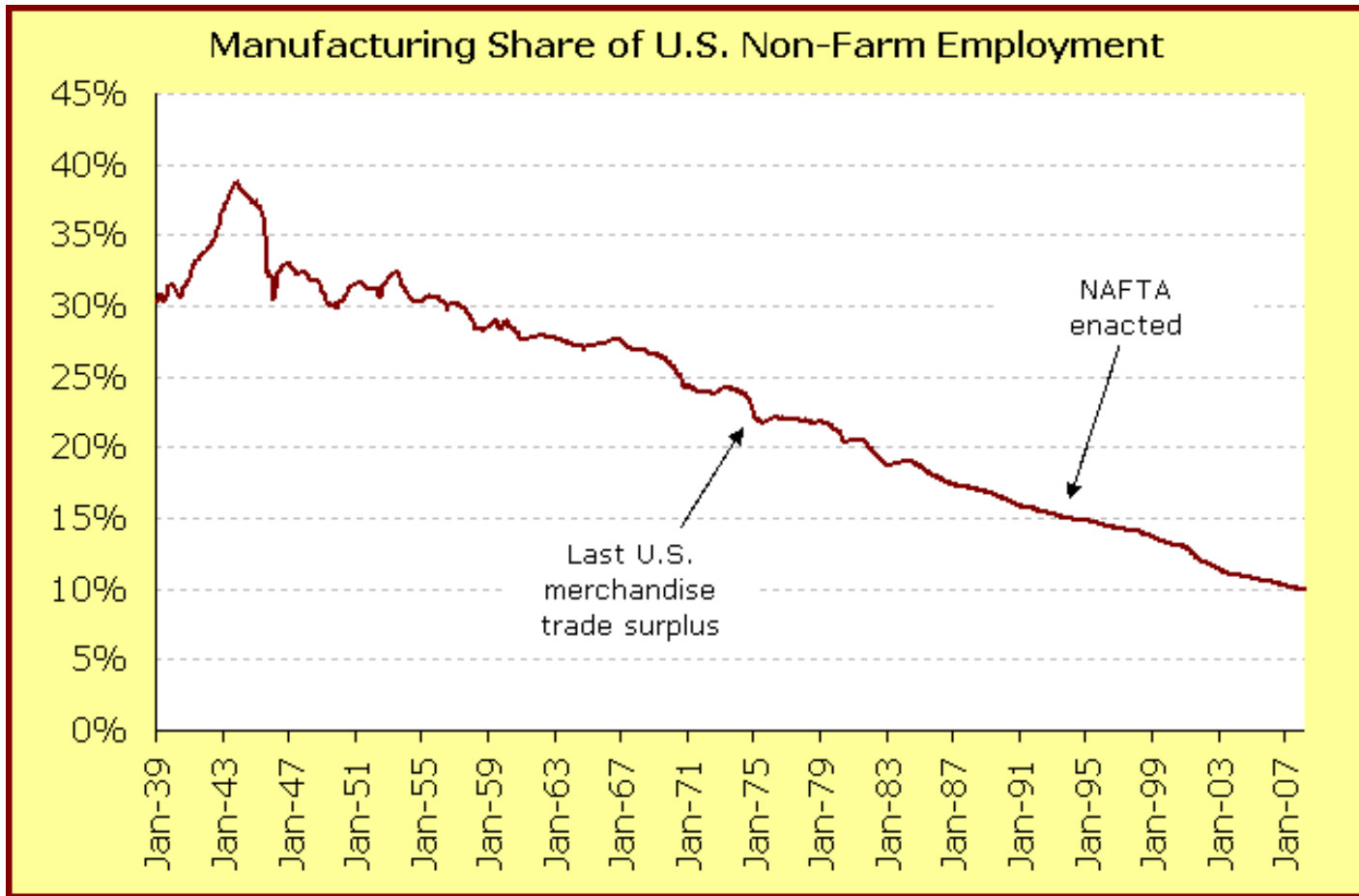
b. The Routine Production Worker



But now no longer competitive...



Jobs in manufacturing in the US have declined

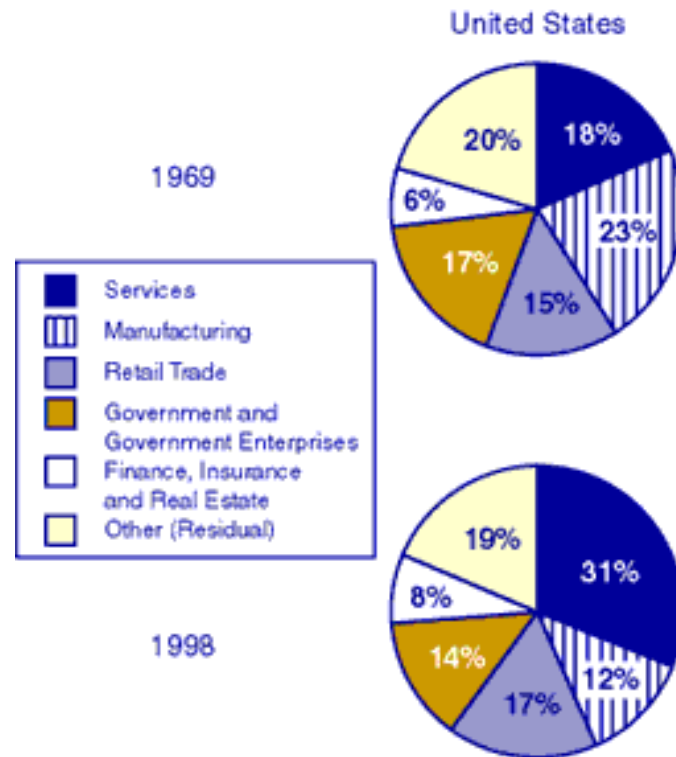


While service jobs grew.....



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.....

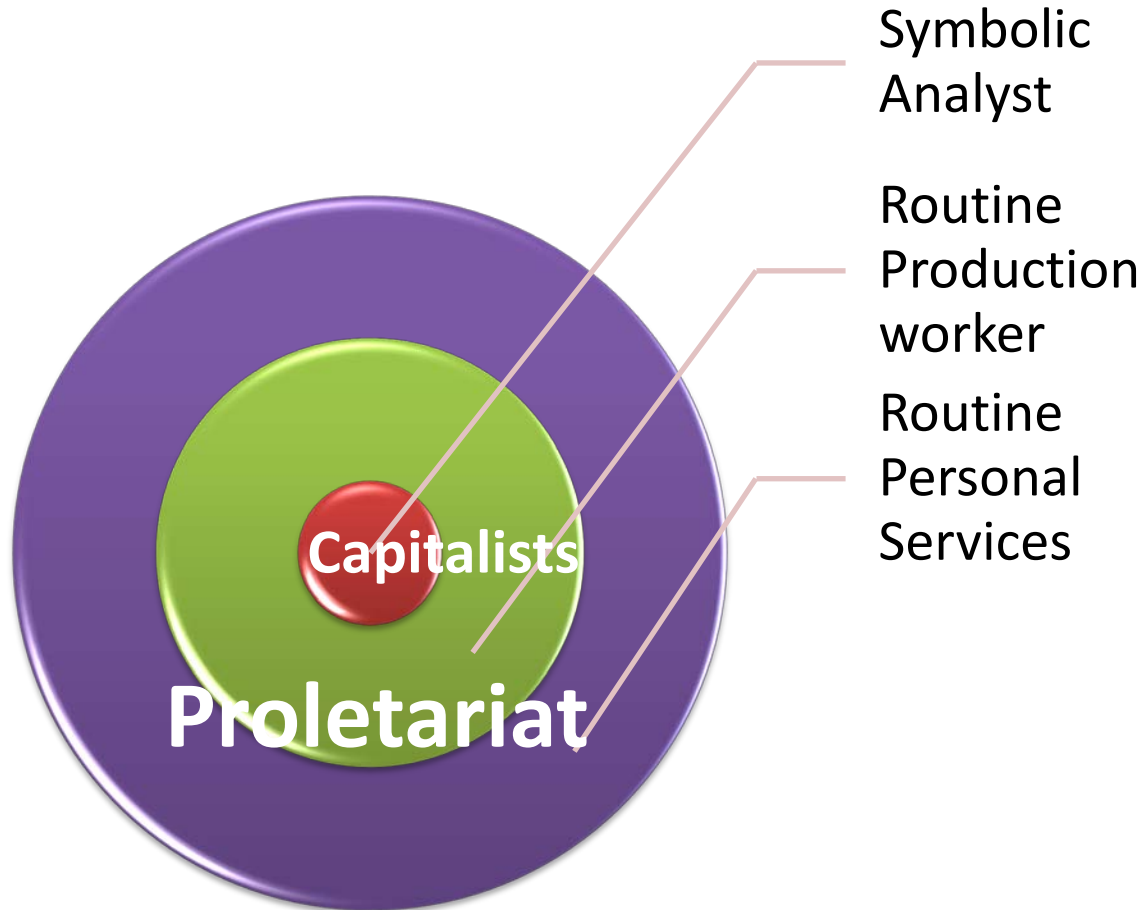
- But not the indirect effects.....



3. Growth of a low wage work force

- No Jobs, Temp Jobs, low pay
- Means growing inequality as a few symbolic analysts make more.....

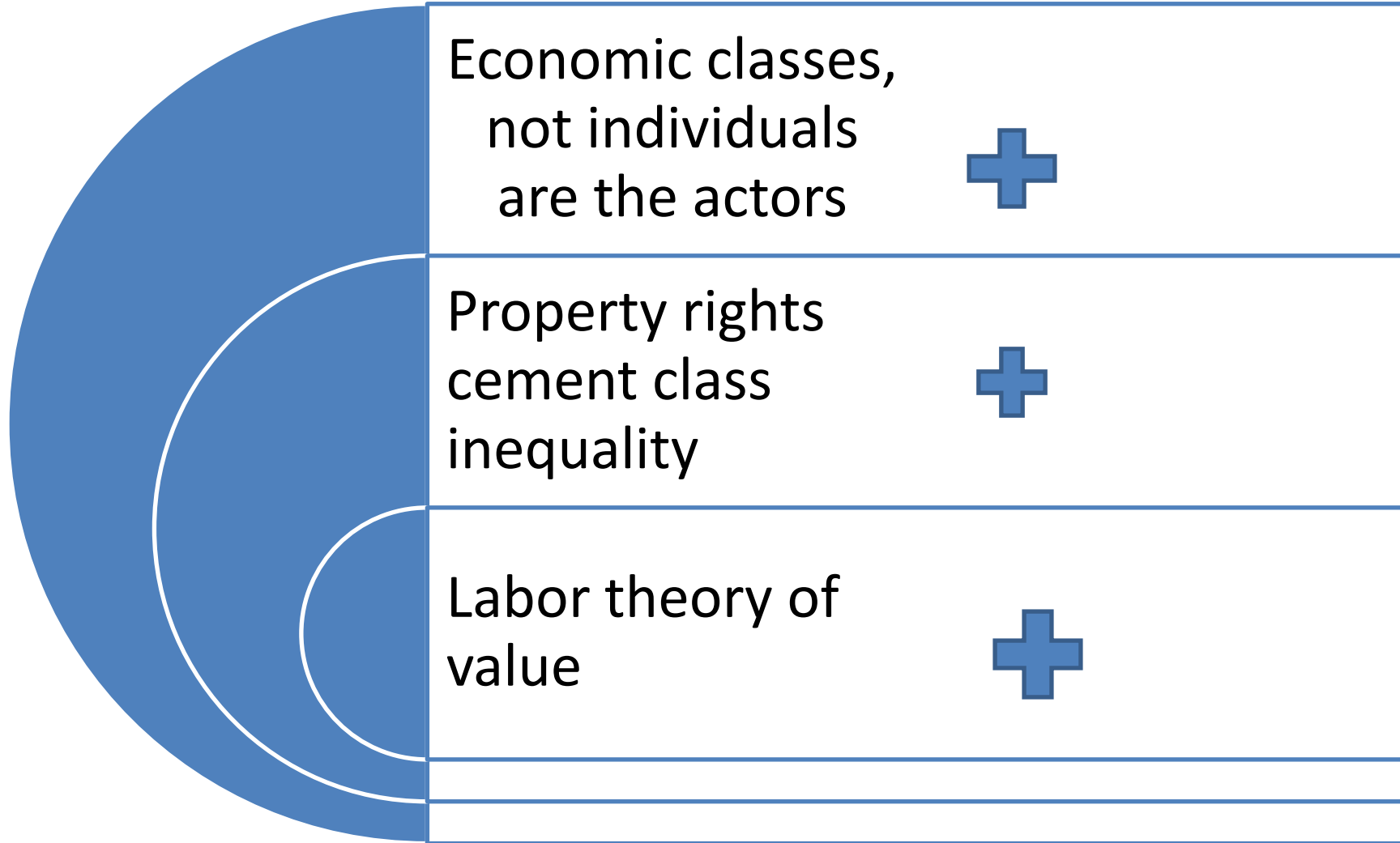
G. A Marxist analysis.....



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!

IV. Summary of Marxist Political Economy



Marxist Theory (cont.)


Capital's expropriation of surplus value + exploitation, 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?