Reviewing political economy of equality
Today’s menu

• Three Laws of Capitalism (cont.)
• The Ultimate “double movement’
• Was Marx right?
• Is Market Socialism an alternative
• What Marx wanted: community
• Political Economy of community
Review: Three Laws of Capitalism

• Exploit Others!
  – Private property
  – Labor becomes a commodity
  – Extraction of surplus value

• Grow or Die
  – Surplus value will always decline
  – Capitalists will respond with both market and non-market strategies

• Capitalism will die anyway
Step 4: Extraction of surplus Value

$100 dress

$12 wages

$16 overheads

$18 materials

$54 Profit = surplus value
WHAT DID YOU TELL THAT MAN JUST NOW?
I TOLD HIM TO WORK FASTER!

HOW MUCH DO YOU PAY HIM?
FIFTEEN DOLLARS A DAY!

WHERE DO YOU GET THE MONEY TO PAY HIM?
I SELL PRODUCTS!

WHO MAKES THE PRODUCTS?
HE DOES!

HOW MANY PRODUCTS DOES HE MAKE IN ONE DAY?
FIFTY DOLLARS WORTH...

THEN INSTEAD OF PAYING HIM, HE PAY S YOU THIRTY FIVE DOLLARS A DAY TO TELL HIM TO WORK FASTER!

Huh?

WELL... I OWN THE MACHINES!
HOW DID YOU GET THE MACHINES?
I SOLD PRODUCTS AND BOUGHT THEM!

AND WHO MADE THOSE PRODUCTS?
SHUT UP... HE MIGHT HEAR YOU!
Economic Pessimist

I see my wages slashed and my benefits reduced.

Economic Optimist

I see her wages slashed and her benefits reduced.
Exploitation means the death knell of capitalism.

• “the bourgeoisie forged the weapons that bring death to itself”

• How?
The commodification of labor is not sustainable.
And surplus value will inevitably decline

- The reality of competition and utility maximization
- 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
But the capitalist class will try to save itself:
Response to Declining Surplus Value

• Maximize Utility in the following ways
  – Scour the earth for cheap labor
  – Replace human labor with technology (lean production)
  – Find new markets
  – Persuade people to buy what they don’t really need
  – Find the cheapest materials
But none of that will save it: So....the Second Law of Capitalism: **GROW OR DIE**

- Find the illusion of security in a competitive market through
  - Capturing markets
  - Concentration
  - Capturing the state
  - Using liberal ideology to soothe the masses
  - The “industrial reserve army”
Expand! Capture Markets!
Concentrate Wealth!

Credit: United For a Fair Economy
Capaitalist “gobbles up his own”
Capture political power.
American politicians are “subordinated” to capitalism
REVISED CAPITALISM 101

Market forces: when large companies band together and force governments to bail them out.
Construct an Ideology to Defend Capitalism
Freedom’s just another word for nothin’ left to lose....
The Industrial Reserve Army

- Do me a favor and clean up the back room after you clock out. For free?
- No, I'll do you a bigger favor... What?
- I'll let you keep your job.
Marx’s Prediction and Prescription: Capitalism’s inevitable death
Revolution
Marxism

- Economic classes, not individuals are the actors
- Property rights cement class inequality
- Labor theory of value
Marxist Theory (cont.)

- Inevitable decline of Capitalism or Revolution?

  - Continued 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?
Was Marx right?
Wealth is concentrated....
Marx’s Utopia after capitalism: Communism and Communal Sharing:

• "From each according to his abilities, to each according to his needs."
• Communal Sharing (CS) everyone is equivalent and undifferentiated
• With no division of labor
• Where self-realization rules!
• The vision of a world free of class, where every person is free to explore their potential and is unbounded by cruel prejudice and oppressive
• communal ownership of all property and a classless social structure, with economic production and distribution to be directed and regulated by means of an authoritative economic plan that supposedly embodies the interests of the community as a whole.
• In most versions of the communist utopia, everyone would be expected to cooperate enthusiastically in the process of production, but the individual citizen's equal rights of access to consumer goods would be completely unaffected by his/her own individual contribution to production—hence Karl Marx's famous slogan "From each according to his ability; to each according to his need."
• It was expected that such a radical reordering of the economic sphere of life would also more or less rapidly lead to the elimination of all other major social problems such as class conflict, political oppression, racial discrimination, the inequality of the sexes, religious bigotry, and cultural backwardness— as well as put an end to such more "psychological" forms of suffering as alienation, anomie, and feelings of powerlessness.
• Marx's seductive promise about individual self-realization in his "German Ideology:"

Whereas in communist society, where nobody has one exclusive sphere of activity but each can become accomplished in any branch he wishes, society regulates the general production and thus makes it possible for me to do one thing today and another tomorrow, to hunt in the morning, fish in the afternoon, rear cattle in the evening, criticize after dinner,
Didn’t work out so well in practice

COMMUNISM
If we kill everyone who is unhappy, we can make paradise.
An Alternative: Market Socialism?

- Is it this?
Can Equality be achieved through market socialism?

• Socialists want three kinds of equality:
  – Equality of opportunity for self-realization and welfare
    • At a level that is no lower than any other system could achieve
    • Choose institutions that maximize opportunity to achieve self-realization and welfare for those who have the minimum of opportunity under liberalism
    • Goals must be realistic
    • Requires compensation for deep inequality and disability
  – Equality of opportunity for political influence
    • At a level that is no lower than any other political economy system could achieve
    • Don’t liberal democracies do this?
  – Equality of social status
    • Doesn’t this do away with status altogether?
How can the Market provide equality?

• Roemer wants welfare equality without any unacceptable loss in efficiency

• The market can provide this because……..
  – It doesn’t depend on private ownership of property (capitalism has given birth to non-profits, public firms, social democratic property, labor-managed firms. Firms are thick, not thin (as liberalism suggests) ,
  – Firms are thick, not thin
    • Liberal myth of talent

• Markets operate within the context of non-market institutions anyway. Firms, contract law, government,
A “public option” for health care?

- Political liberal critique of market in health care
“Socialist” health care
Public Option as market socialism?

- A "Public Option" would be bad
- The way public libraries have hurt bookstores?
- And public transportation has eliminated cars?
- Or public golf courses have shut down country clubs?
- Have public spaces ruined space?
- I'm against public humiliation, too!!!
Economic Liberal critique: It’s socialism!
More econ. Liberal critique: It creates government bureaucracy and encourages people to be unhealthy.
And raises Taxes!
The political liberal answers the economic liberal criticism

• ANY econ. Arrangement where most goods (even labor) are distributed through the price system and profits of firms, equally among the population.

• What's the distribution method of profits?
There are problems with Equality, just as there are with freedom!
In Liberal Theory, Freedom Trumps Equality but also trumps community.
In Distributive Justice Theory, Equality Trumps Freedom AND Community
But Freedom and equality are not enough. Why?

- 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.
- The focus on both equality and the “cash nexus” leaves out community solidarity.
- The focus on competitiveness leaves out cooperation and heroism.
- The focus on the individual or class leaves out community.
Whole chunks of human experience that liberalism and distributive justice leaves 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
- Even Roemer admits that equality does not create communal solidarity
The market encroaches on all aspects of human life and robs us of our sense of human solidarity.

“Family, local community, church, and the whole network of informal interpersonal relationships have ceased to play a determining role in our systems of mutual aid, education, recreation, even work.”
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...
And Rousseau says: Individuals need community to survive

• Back to collective action!

• “Each of us puts his person and all his power in common under the supreme direction of the general will, and, in our corporate capacity, we receive each member as an indivisible part of the whole.”

• Like sticks in a bundle: Stronger together!
What Rousseau’s General Will might look like.....Extreme community: the “gift economy”

• social status depends more on what you give away than what you keep
• gifts bind people together, encourage diffuse reciprocity, and support a concept of property that resembles “stewardship” more than ownership per se
• A Gift Economy may be emerging in the sub-culture of programmers
If the market is not “natural,”

• Could a “gift economy” satisfy human needs and desires?
If not with price, how is value determined?
Communitarian Theory

People act in communities—do not calculate individual costs and benefits.

Stewardship rather than property rights.

Gift economy.
Communitarian Theory (cont.)

Little need for markets

Value is not determined by price

Collective action/cooperation possible without authority

A New Political Economy?

Better life for all?
What about collective action problems?

• the typical participant won't cooperate that much—it's not rational
• If cooperation is tried, there will be lots of free riders
• No social costs for narrow self-interested behavior
• Large groups trying to cooperate can't act efficiently
• Selfless behavior is not even praiseworthy.
Can they be solved by culture?

Lee Kuan Yew thinks so. In fact, markets and community can be combined!
Community and Culture....Some cultures believe community is the best allocative principle

• Lee Kwan You: The liberal tradition claimed that human beings had arrived at this perfect state where everybody would be better off if they were allowed to do their own thing and flourish. It has not worked out, and I doubt if it will.

• Certain basics about human nature do not change. **Humans exist only in a social context—community more important than individualism** (agrees with Polanyi)
Community is more important than Freedom

• Eastern societies believe that the individual exists in the context of his family. He is not pristine and separate. The family is part of the extended family, and then friends and the wider society.

• there is grave disquiet when we break away from tested norms, and the tested norm is the family unit. It is the building brick of society.

• "too much" democracy and "too many" individual rights destabilize social order.
Xiushen qijia zhiguo pingtianxia.

• Xiushen means look after yourself, cultivate yourself, do everything to make yourself useful;
• Qijia, look after the family;
• Zhiguo, look after your country;
• Pingtianxia, all is peaceful under heaven.
But Isn’t freedom more conducive to growth than government control over behavior?

• “A key ingredient of national economic success in the past has been a culture of innovation and experimentation. During their rise to great wealth and power the centers of growth -- Venice, Holland, Britain, the United States -- all had an atmosphere of intellectual freedom in which new ideas, technologies, methods and products could emerge.

• In East Asian countries, however, the government frowns upon an open and free wheeling intellectual climate. Does this create a productivity problem?”
No....says Lee Kwan You

• East Asians, who all share a tradition of strict discipline, respect for the teacher, no talking back to the teacher and rote learning, ---have all been innovative.....
But is he wrong? Because of the collective action problem, does community as an allocative principle always require absolute authority?

I'm not convinced that one-man, one-vote is the best.

we would have a better system if we gave every man over the age of 40 who has a family two votes because he's likely to be more careful, voting also for his children.
So he advocates another form of political economy combining markets with community

- Don’t people in groups need to create hierarchies of authority in order to cooperate?
- (the collective action problem)
- So Singapore is a market economy with an authoritarian government
- A dominant leader solves the collective action problem
If not the market, communal sharing?