



Radical Equality as the Purpose of Political Economy

“The ruling **ideas** of each age have ever been the ideas of its **ruling class.**”

Clicker Quiz:



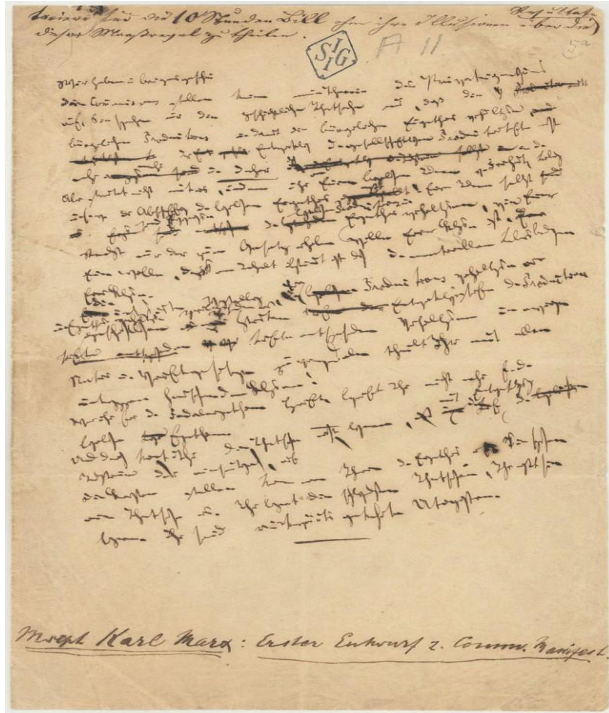
In the Soviet Union,
Capitalism triumphed
over Communism. In
this country, Capitalism
triumphed over
Democracy.

- Fran Lebowitz

A. Agree

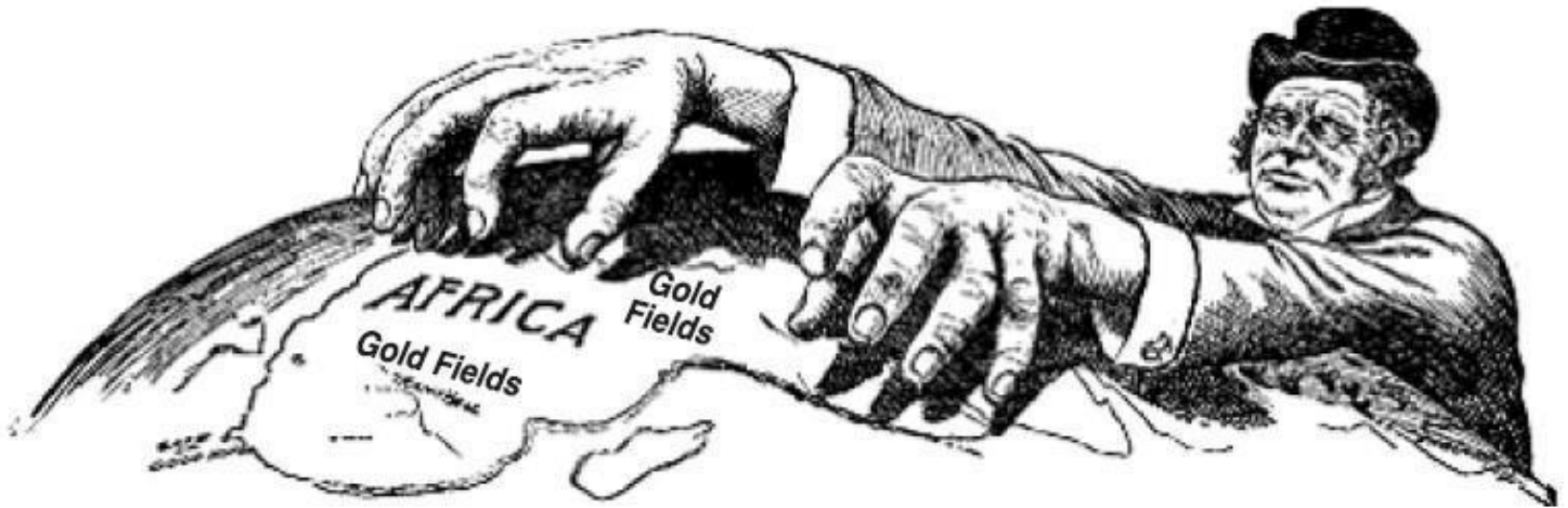
B. Disagree

Capitalism (according to Marx)



- A market system in which the means of production are in private hands
- Profits of that production accrue to those who own the means of production
- Immense productivity

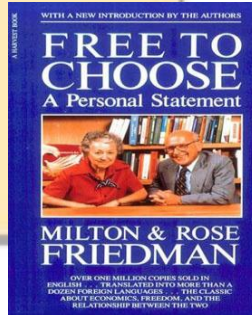
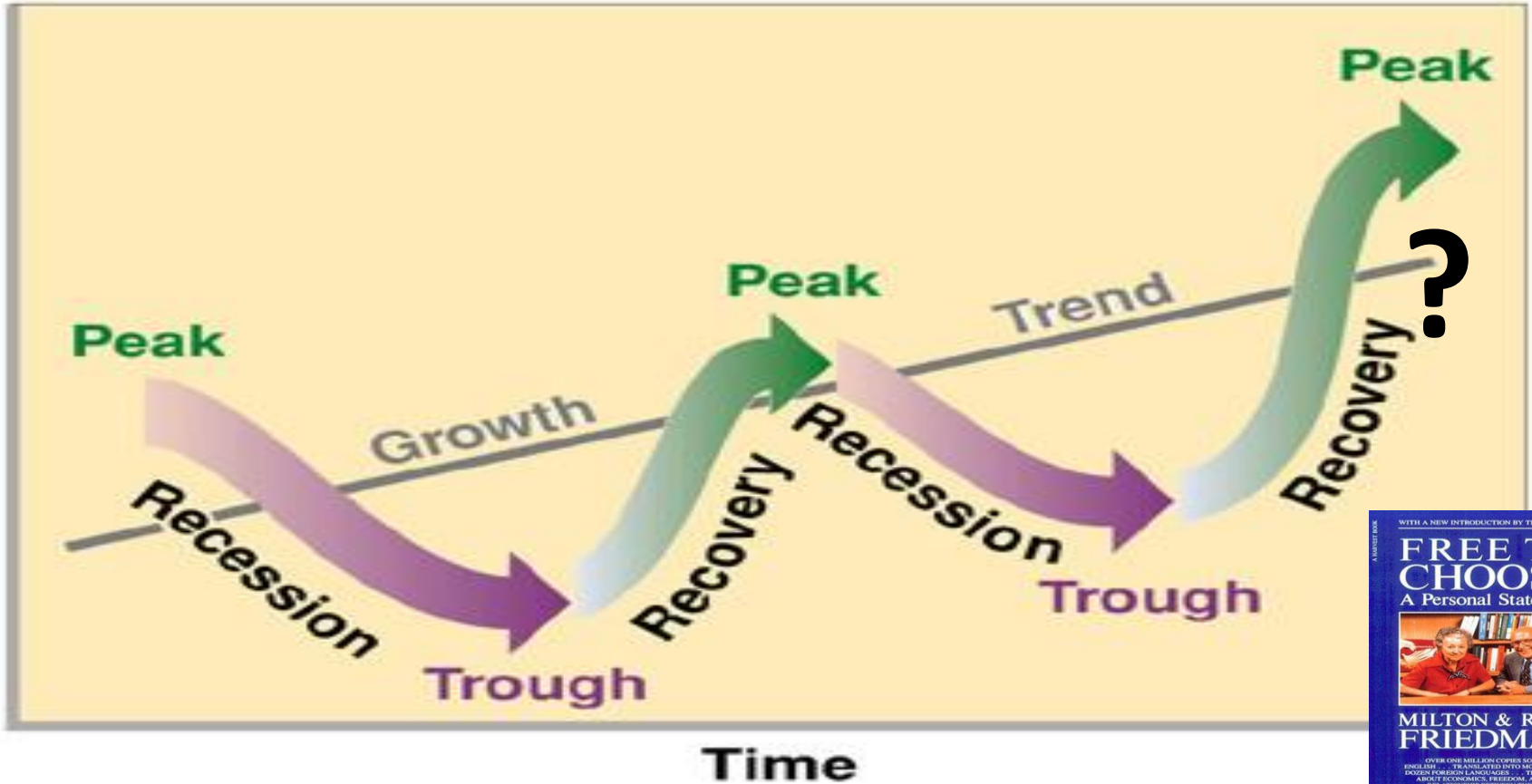
- Capital consolidated in the hands of “industrial millionaires, the leaders of the whole industrial armies”
- Cheap prices of commodities → International trade → break down sectarianisms → beget political ties and concentration of political power



Source: <http://www.boondocksnet.com> (adapted)

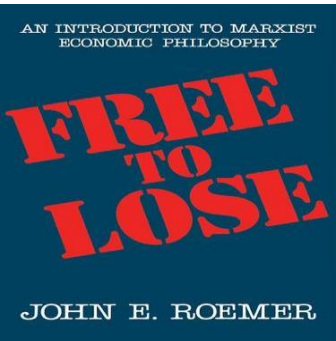
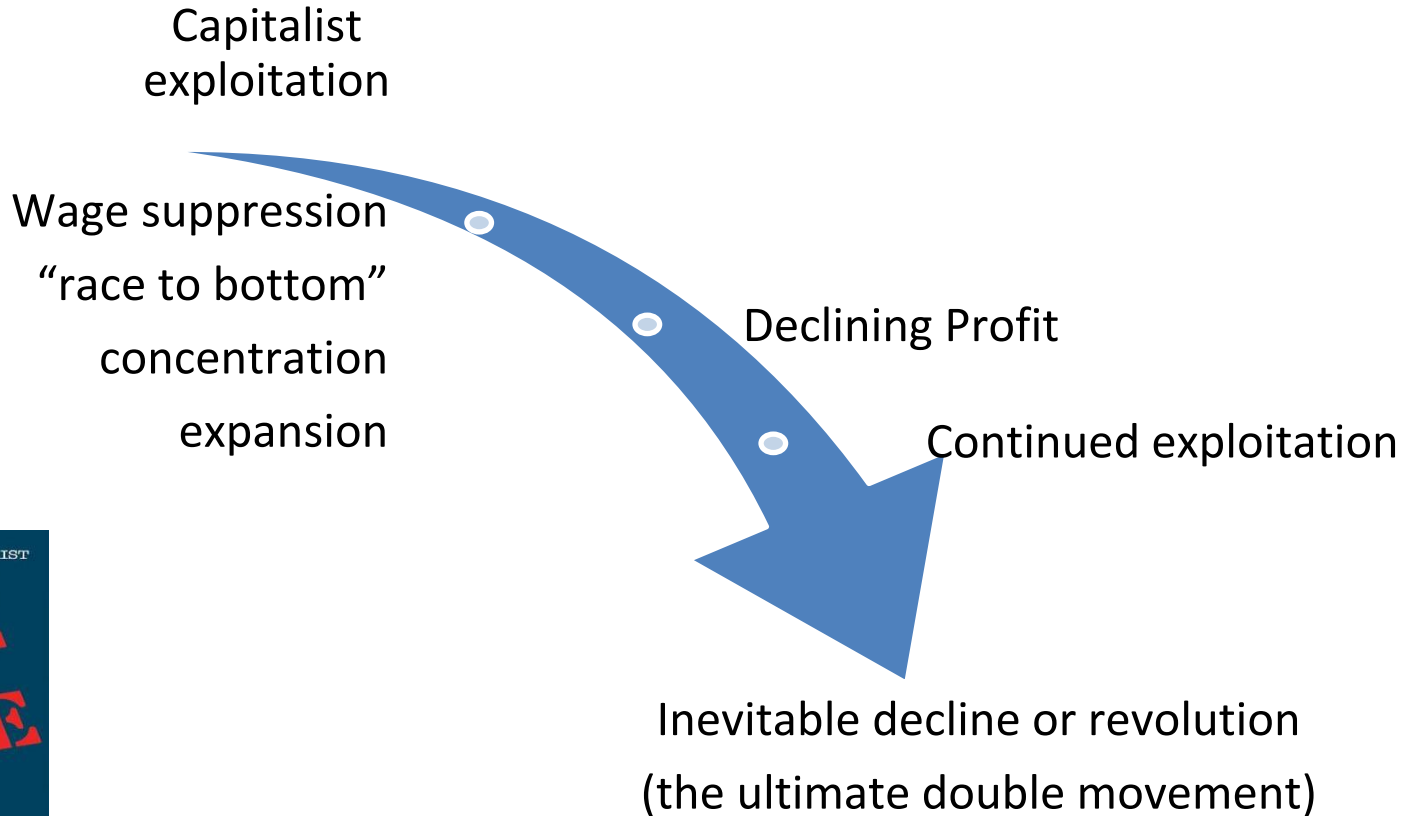
Economic Liberalism: The business cycle

Level of real output



- **Prosperity** lending, spending, demand, jobs
- **Transition** ↑ interest rates → decline in investment
- **Trough** profits fall, workers fired, deflation
- **Recovery** ↑ demand, currency devalues, ↑ exports, ↑ jobs
 - government bailout? monetary and fiscal policies

Marxist view of the business cycle



Three phases of Capitalism

- 1.Labor exploitation
- 2.Decay and expansion
- 3.Death of Capitalism

Exploit Labor!



Labor Exploitation in 4 easy steps

Step 1. Private Property creates two classes - owners and workers, and ensures they do not have equal power

Step 2. Only Labor creates value



Step 3: Commodification of Labor



Commodification leads to Alienation



manity

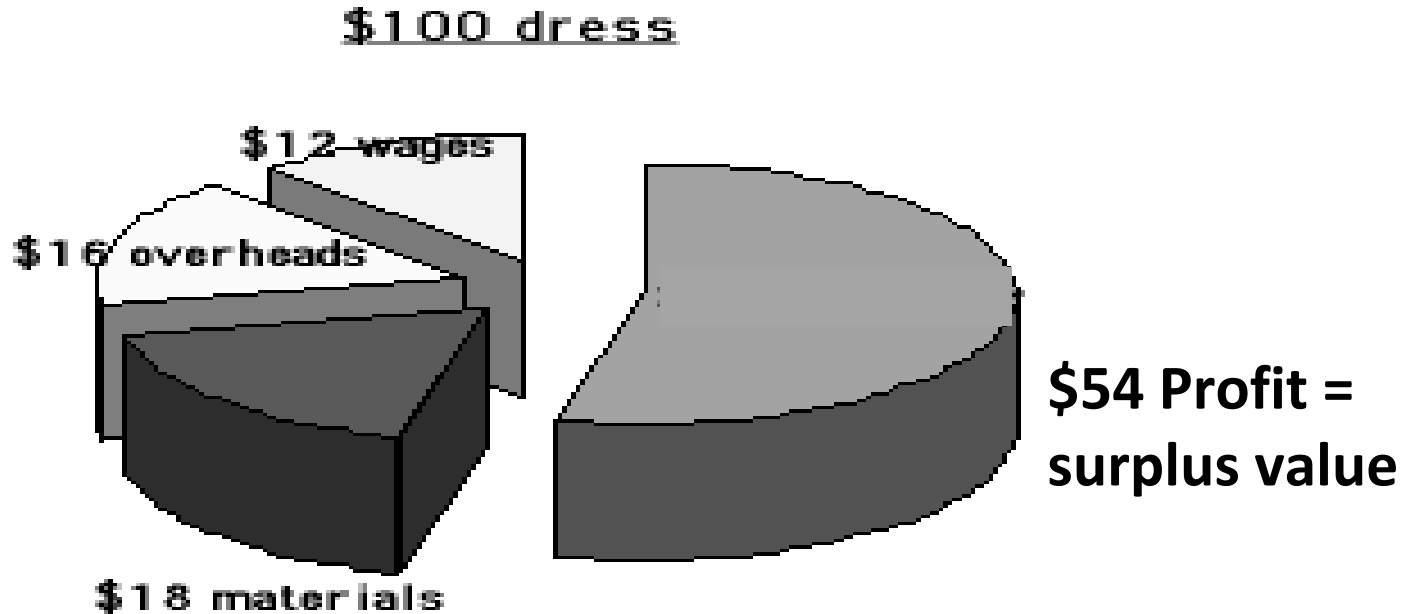
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1986

Step 4: Extraction of surplus Value



The Catch! Surplus value will inevitably decline for the individual capitalist

- Success attracts competitors and my share of the market declines
- 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

Response to Declining Surplus Value

- Maximize profit in the following ways
 - reduce labor costs
 - Scour the earth for cheap labor
 - Replace human labor with technology (lean production)
 - Persuade people to buy what they don't really need
 - Find the cheapest materials

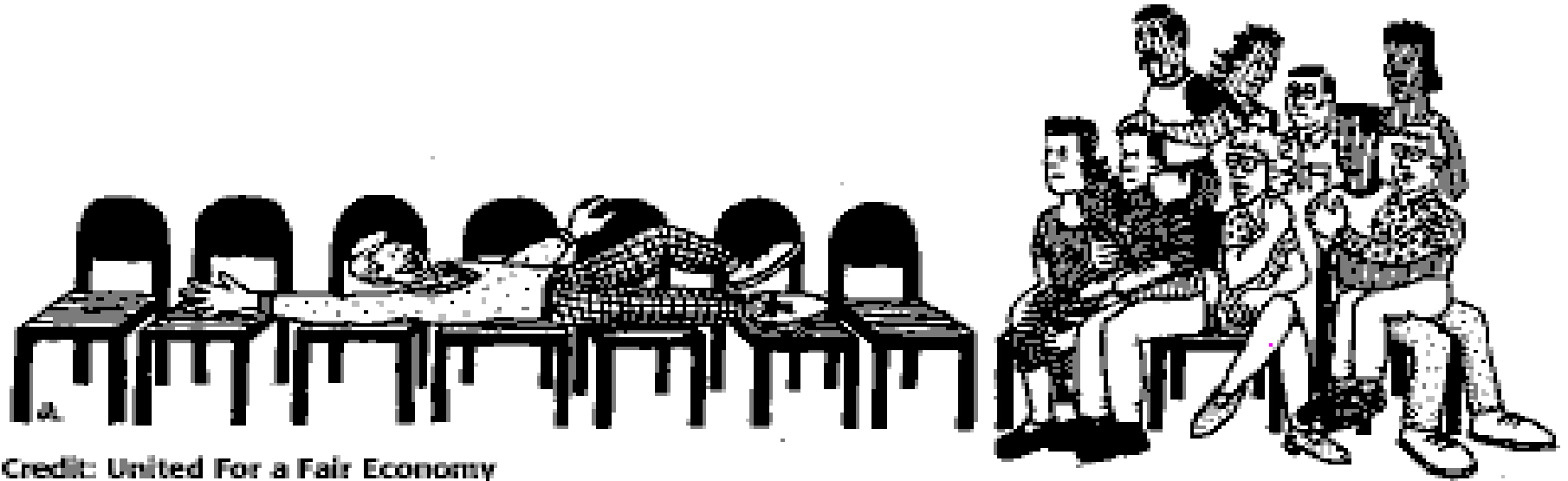
Second Phase of Capitalism: Decay and Expansion

- Find the illusion of security in a competitive market through
 - Capturing markets (monopolies)
 - Concentration and expansion: larger and larger firms (mergers)
 - Capturing the state - rent-seeking, secure political power

1. Expand! Capture Markets!



2. Concentrate Wealth!

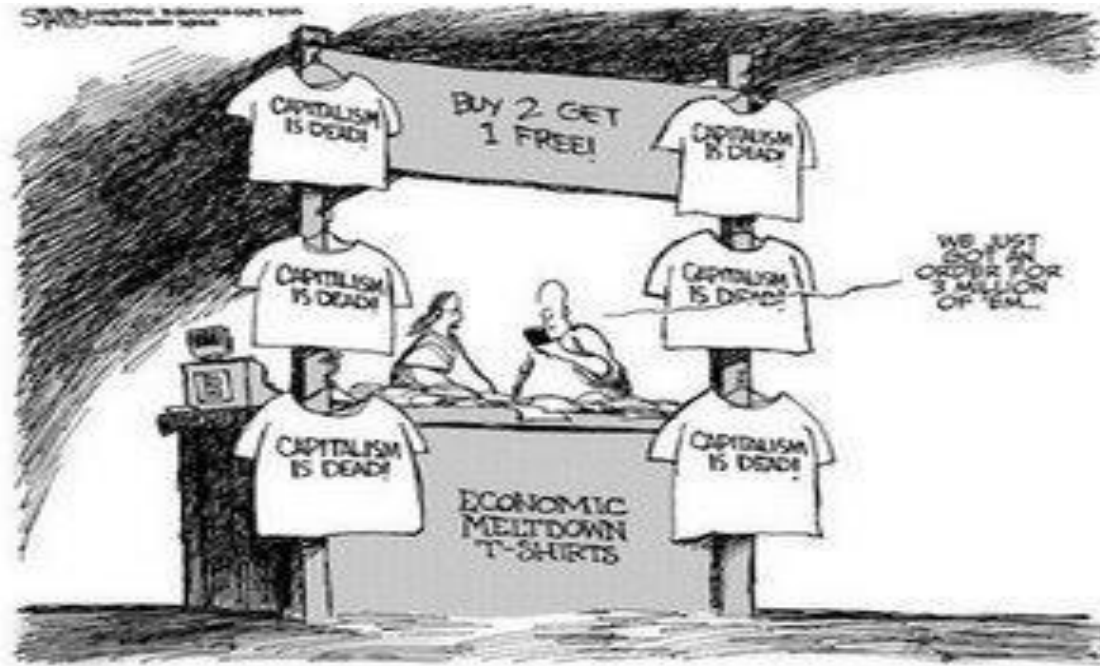


Credit: United For a Fair Economy

3. Capture Political Power



Marx's Prediction and Prescription: Capitalism's inevitable death



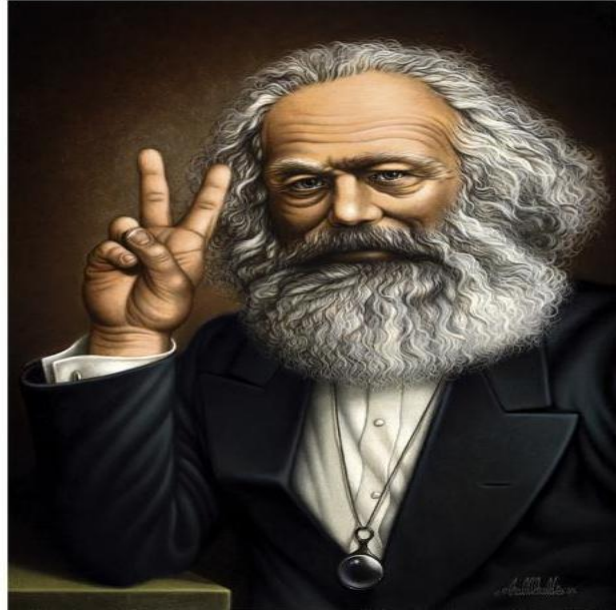
The ultimate “double movement:” Revolution



Capitalism will Die under its own weight

- Technological advance
- Fewer workers needed
 - (No workers?)
- No one to buy the goods
 - (Demand side economics)
- Business failure
- Death knell of capitalism

Was Marx right?



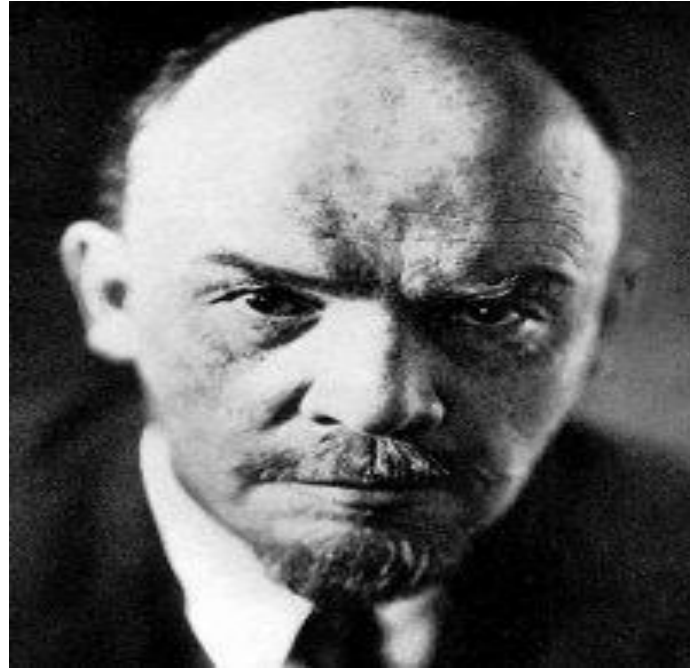
Marx' Prescription: Socialist Equality

- Principles
 - Abolition of private property
 - economic rights
 - equality of outcome vs. equality of opportunity
- Worker controlled states (no more “classes”)
- State provides economic rights
- State ownership of the means of production
 - State control of wages and incomes in the service of equality (distribution of resources)
 - State planning of economic goals

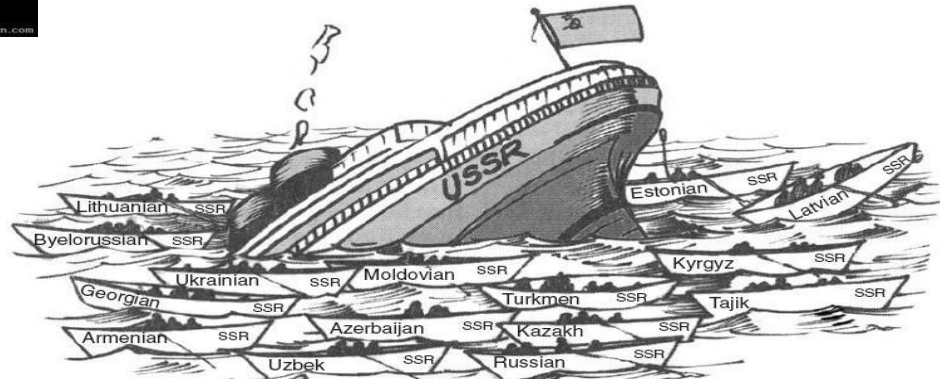
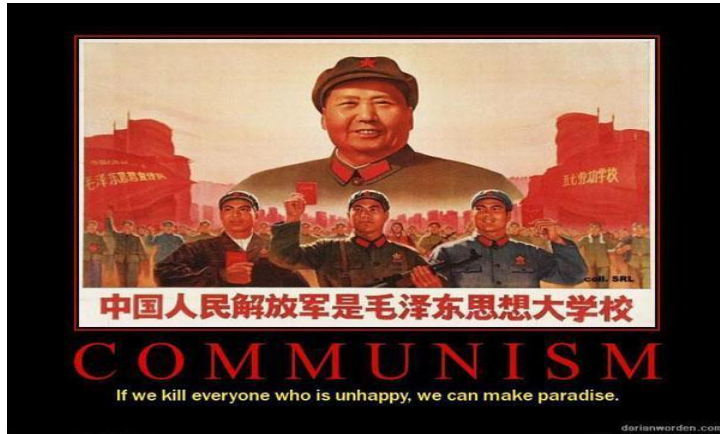
Socialism was widespread



“the race between the capitalist and socialist systems would ultimately be decided by which could ensure higher productivity.” --Vlad Lenin



Didn't work out so well in practice



Source: Sue Ann Kime and Paul Stich, *Global History*, N & N Publishing (adapted)



**CAPITALISM ISN'T
WORKING**



ANOTHER WORLD IS POSSIBLE

NO CUTS

**DEFEND
PUBLIC
SERVICES**
COMMUNITIES
WORKERS

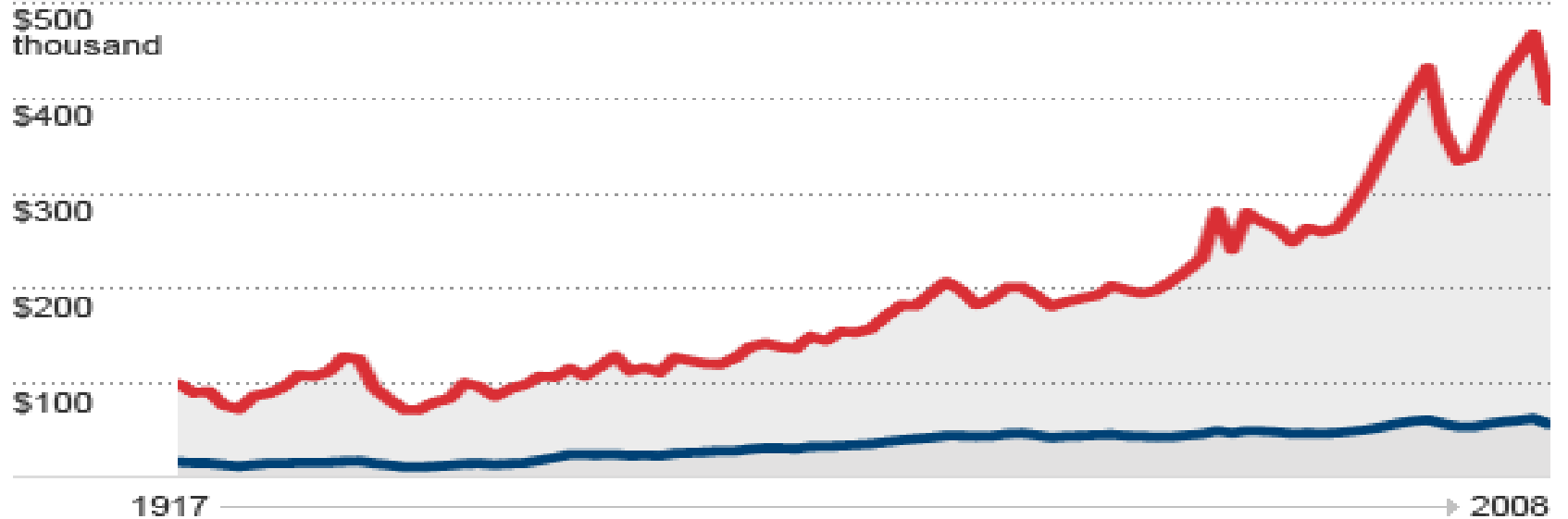
NO TO THE CUTS



Income gap grows

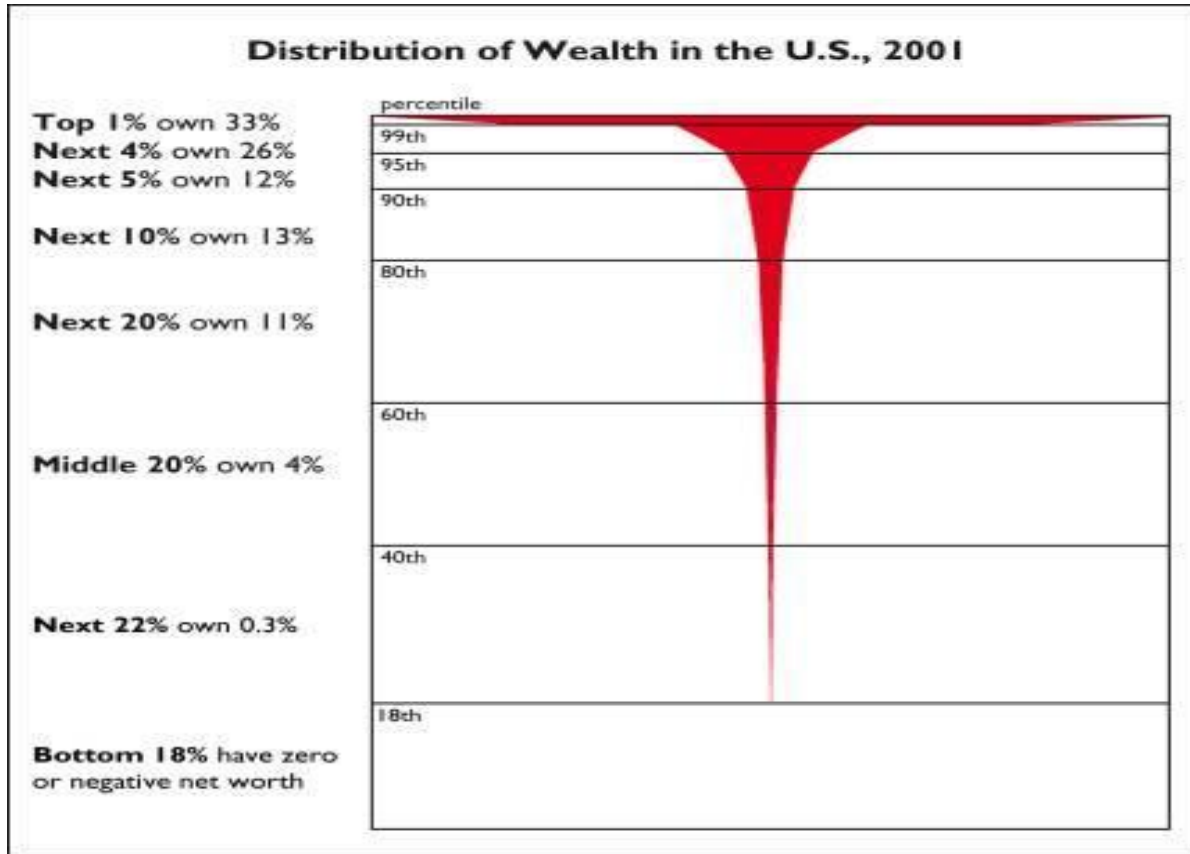
RISE OF THE SUPER RICH

■ MEDIAN INCOME ■ TOP 5% INCOME



SOURCE: PIKETTY AND SAEZ (2008); IRS

Wealth is concentrated....



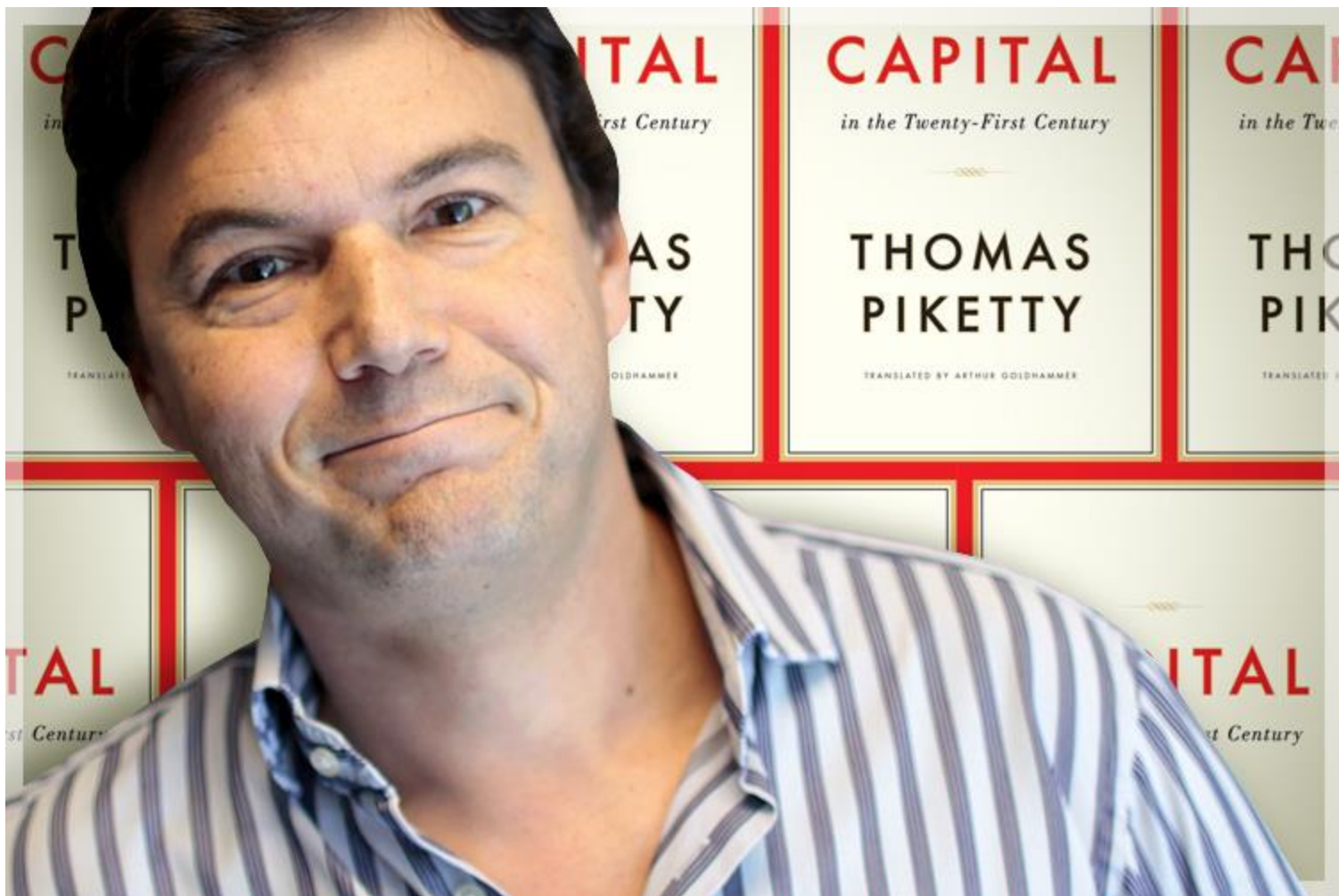
Decline in real wages

Real Wages Struggle

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



Source: Federal Bureau of Labor Statistics, FactSet



Bloomberg Businessweek



Did someone say progressive medication?

TRENDING:
CROP TOPS!
GLOBAL
TAXATION!



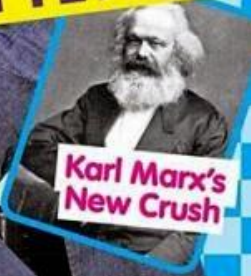
**SORRY,
DR. DOOM**



Pikettymania

**WHY AMERICA HAS
WEALTH INEQUALITY FEVER** p42

**OOH LA LA!
SOMBER FRENCH
ECONOMIST
PIGS INSIDE!**



**Karl Marx's
New Crush**



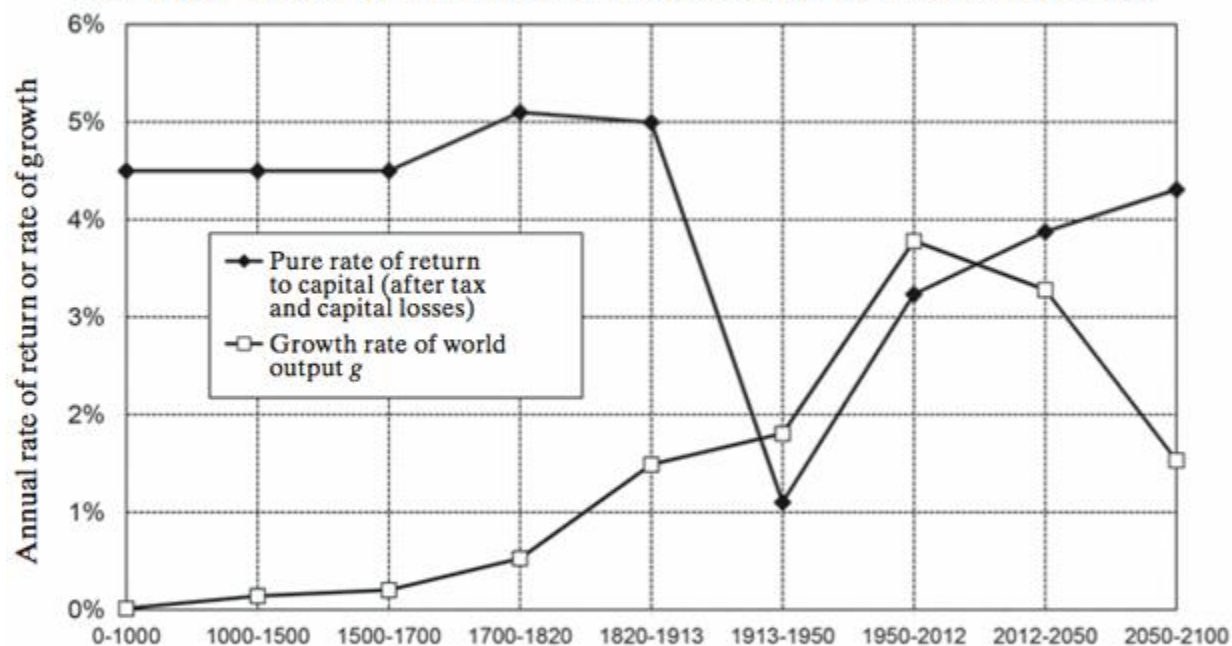
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FIGURE I.1. Income inequality in the United States, 1910–2010

Figure 1

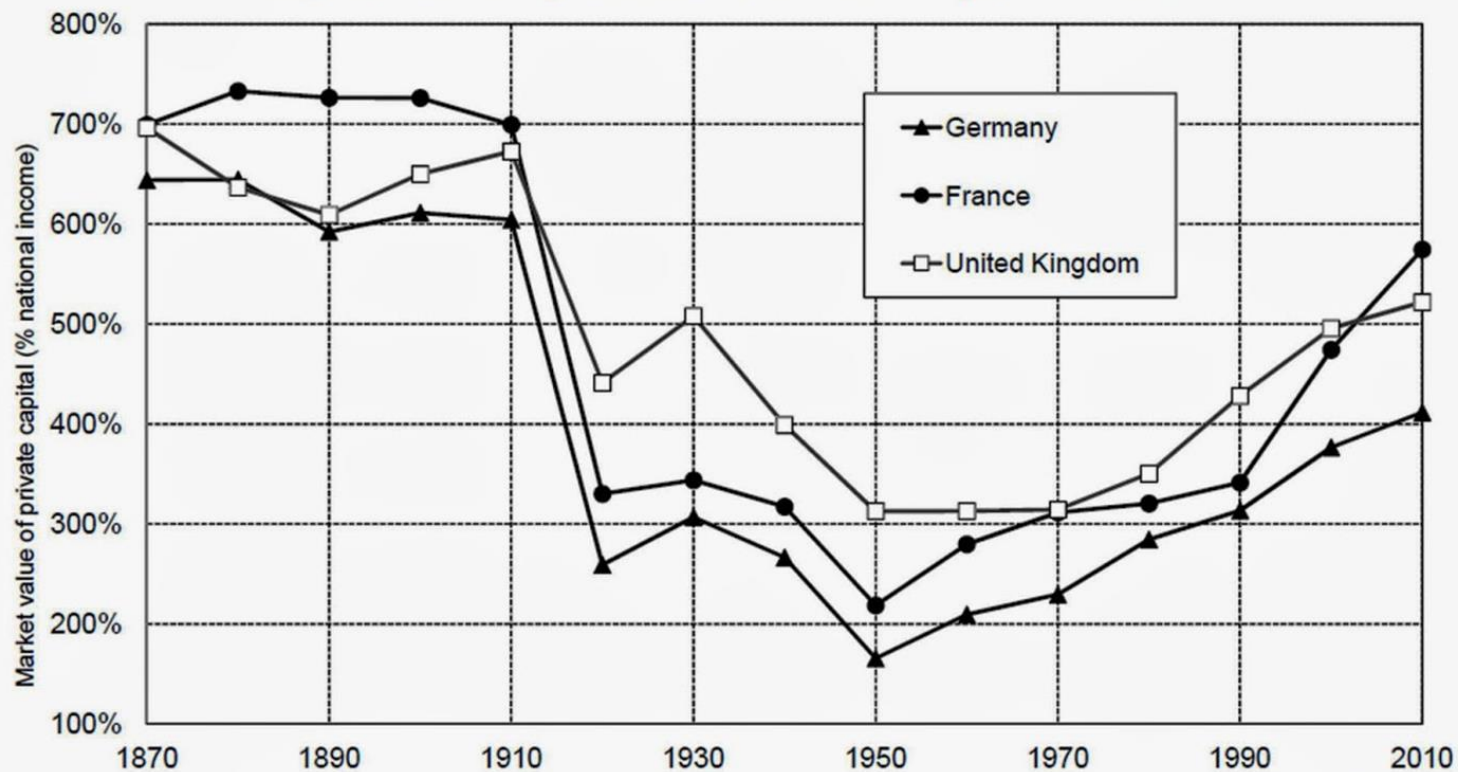
**AFTER-TAX RATE OF RETURN VS. GROWTH RATE
AT THE WORLD LEVEL, FROM ANTIQUITY UNTIL 2100**



The rate of return to capital (after tax and capital losses) fell below the growth rate during the twentieth century, and may again surpass it in the twenty-first century.

Sources and series: See piketty.pse.ens.fr/capital21c

Figure I.2. The capital/income ratio in Europe, 1870-2010



Aggregate private wealth was worth about 6-7 years of national income in Europe in 1910, between 2 and 3 years in 1950, and between 4 and 6 years in 2010. Sources and series: see piketty.pse.ens.fr/capital21c.

Successful socialism?



Political Economy of the Kibbutz: successful socialism?

- property is owned by the community—
stewardship, not ownership
- labor and the fruits of labor are shared
- **Value is not determined by price but by
communal solidarity**

What makes the kibbutz more likely to be successful?

- Ideology -- inherent loyalty to the kibbutz and ideals of the movement
- Equal sharing provides insurance against shocks to income
- High cost of exist

IT and New mode of production: birth of a “gift economy”

- property is owned by the community—stewardship, not ownership
- labor and the fruits of labor are shared
- **Gifts create community**
- **Value is not determined by price but by communal solidarity (again)**

Digital technology may be creating what Marx wanted

- Radically different Mode of production

Linux™

The Linux logo consists of the word "Linux" in a bold, black, serif font, with a trademark symbol. Below the text is a horizontal brushstroke that transitions from yellow on the left to orange on the right.

APACHE
HTTP SERVER



e Pirate Bay



New modes of production

- Open Source: Linux, Apache
- Peer-to-peer exchanges: AirBnB, Lyft
- Cooperatives: CSAs, community gardens
- Crowd Sourcing: Quircky