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
Economic Liberalism: The business cycle
• **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

- Capitalist exploitation
- Wage suppression
- “race to bottom”
- Concentration
- Expansion
- Declining profit
- Continued exploitation
- Inevitable decline or revolution
  (the ultimate double movement)
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

• The Concept of Alienation— the commodification of labor corrupts a person's very humanity.

• For Classical Liberals and for Marx: the importance of a self-created life, because only in such a free activity can the human individual be most fully alive. Any forced activity means a loss of what is most vital about human experience. When Marx looked around him, he saw everywhere that human activity was about as far removed from a self-created life as it is possible to get. Millions of men, women, and children were little better than slaves, working at mind-numbing mechanical jobs in factories for a subsistence salary under hazardous working conditions which drastically shortened their lives. The system of private property leads to a total denial of the possibilities for a human life beyond mere animal existence. In a very real sense, the workers not only had no control over their lives; they did not own their lives, for they lived most of the time as extensions of machines which someone else owned, producing material goods which were not theirs. Nothing of themselves went into their work except their muscle power, for which they received a small hourly wage. Hence, their humanity was corrupted. To this situation, Marx gave the enduring name of alienation. For Marx the alienation of the worker was all the more acute because of his view of human nature. Marx sees human life as defined by its material conditions. Human beings are what they do—and what they do is work to derive a life for themselves from the world around them. Everything about them, including their consciousness of themselves and their understanding of nature and their belief in God is a direct product of what they physically do in their daily lives. In other words, the human identity and the human being's consciousness of that identity are determined by work, by the material conditions which the individual has to face in order to cope with life.

• An object contaminated by the alienating exchange-relation can never truly be our own unless it leaves the capitalist system of exchange altogether. And this means that while we inhabit the capitalist world we can never be truly ourselves; if people in their daily activities have to deal with oppressive and dehumanizing material conditions, then they are not fully human, no matter what anyone can say about their spiritual or ideal identity. Thus, for Marx alienation is a physical and psychological condition which arises out of the conditions of modern work. Since the worker does not own what he produces, since he lives as an extension of the machine, since he hates what he does, then the worker does not own his own life, he is in a basic sense simply a human machine. He exists to himself as an alien object; he is conscious of himself as something he despises, rather than loves or enjoys or even recognizes as his own.
Step 4: Extraction of surplus Value

$100 dress

$12 wages

$16 overheads

$18 materials

$54 Profit = 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

REVISED CAPITALISM 101

MARKET FORCES: WHEN LARGE COMPANIES BAND TOGETHER AND FORCE GOVERNMENTS TO BAIL THEM OUT
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
CAPITALISM ISN'T WORKING

ANOTHER WORLD IS POSSIBLE
Income gap grows
Wealth is concentrated....

Distribution of Wealth in the U.S., 2001

<table>
<thead>
<tr>
<th>Percentile</th>
<th>Wealth Distribution</th>
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<tr>
<td>99th</td>
<td>Top 1% own 33%</td>
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<tr>
<td>95th</td>
<td>Next 4% own 26%</td>
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<tr>
<td>90th</td>
<td>Next 5% own 12%</td>
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<tr>
<td>80th</td>
<td>Next 10% own 13%</td>
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<tr>
<td>60th</td>
<td>Next 20% own 11%</td>
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<td>40th</td>
<td>Middle 20% own 4%</td>
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<tr>
<td>18th</td>
<td>Next 22% own 0.3%</td>
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<tr>
<td></td>
<td>Bottom 18% have zero</td>
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<td></td>
<td>or negative net worth</td>
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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
Pikettymania
WHY AMERICA HAS WEALTH INEQUALITY FEVER

OOH LA LA! SOMBER FRENCH ECONOMIST PICS INSIDE!

Karl Marx’s New Crush
r > g
Figure 1.1. 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
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
New modes of production

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