

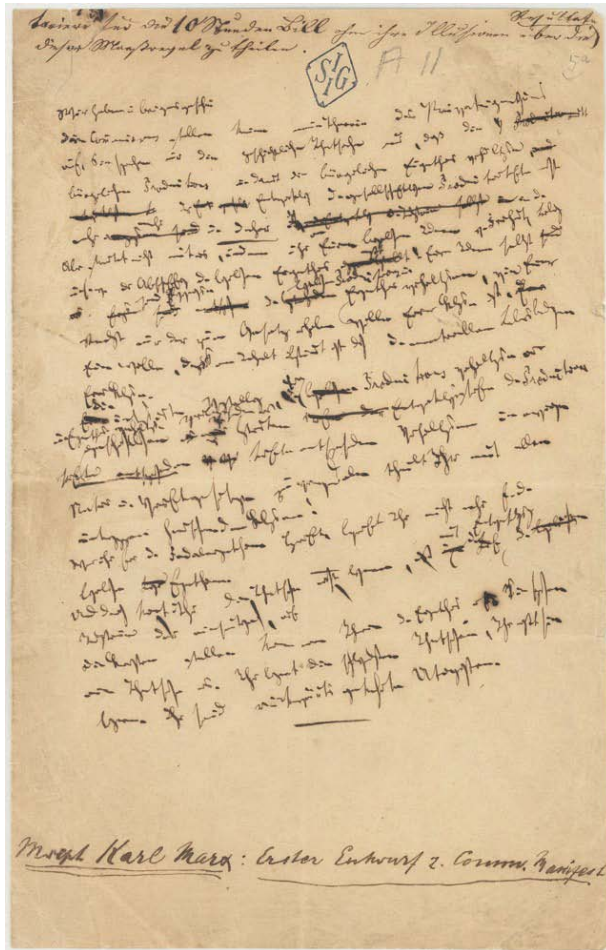


# The Marxist Critique of Liberalism

## Is Market Socialism the Solution?

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

# What is Capitalism?



- 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
- **And Marx likes it:** Capitalism has rescued the population from the “idiocy of rural life”
  - Also freedom
  - The self-created life
- **And Marx is a prophet:** “The Cheap prices of commodities are the heavy artillery with which it batters down all Chinese walls...”
  - Also globalization

# But He HATES the very things that Liberals like.....

- The Market's "blindness" to ascriptive characteristics
- Exchange value
- Free Trade.....
- "natural". Property Rights NO...

# The three “laws” of Capitalism



**Expand Or Die**

# First Law of Capitalism: Exploit!

- Unequal distribution of wealth is caused by **exploitation**, both in production and distribution of wealth.

- **HOW?**



# Assumptions About Exploitation

- A. The **central actors** are economic classes, not individuals, firms, institutions, or states
- B. **Private property** creates these classes, and ensures that they have unequal power. No “natural” property rights.
- C. Private property ensures **exploitation** of one class over another---If you own property, you get to exploit those who don't



# Class Exploitation in in four easy steps

## Step 1



## Step 2



# Step 3: Labor is turned into a commodity to buy and sell

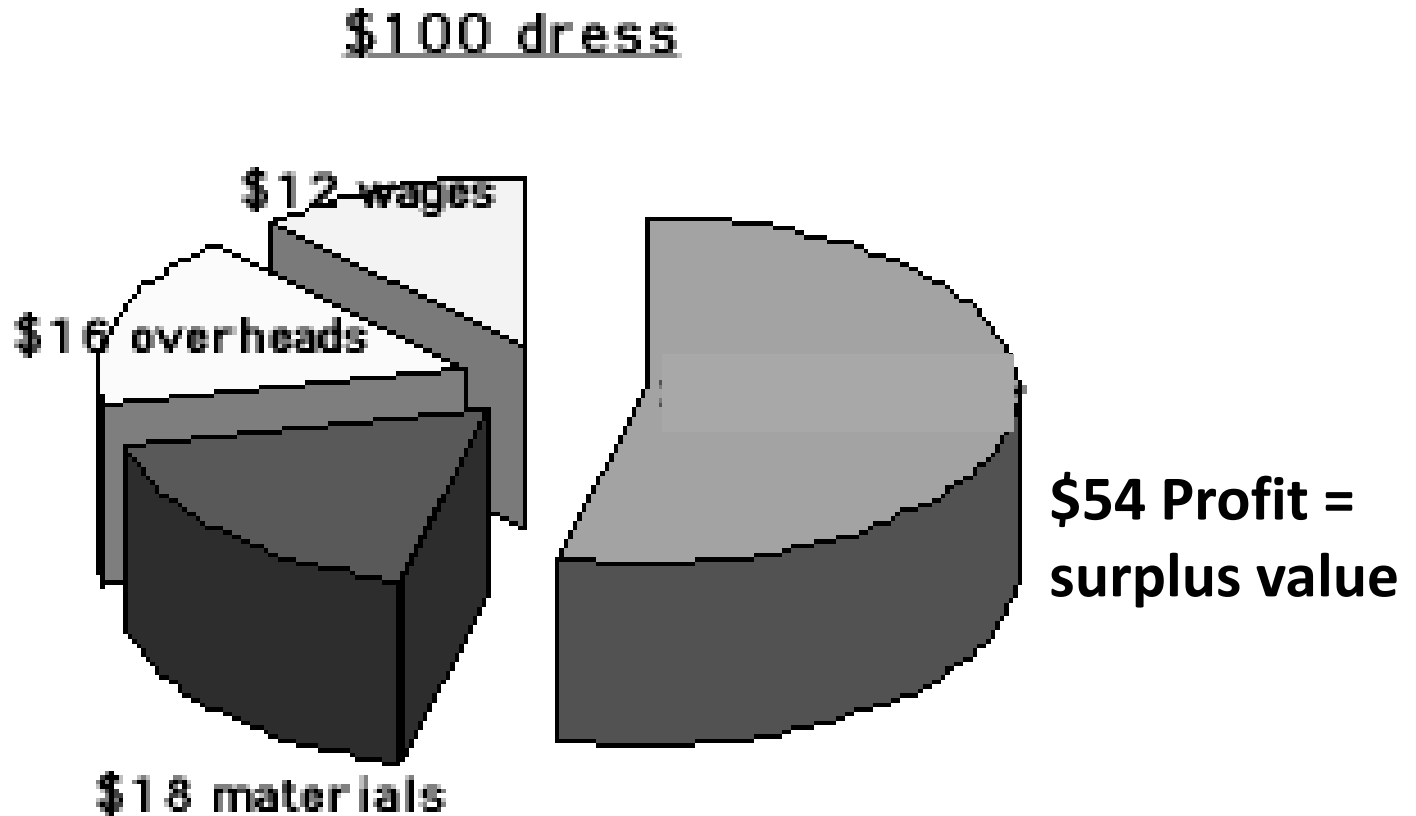




# Commodification leads to Alienation



# Step 4: Extraction of surplus Value



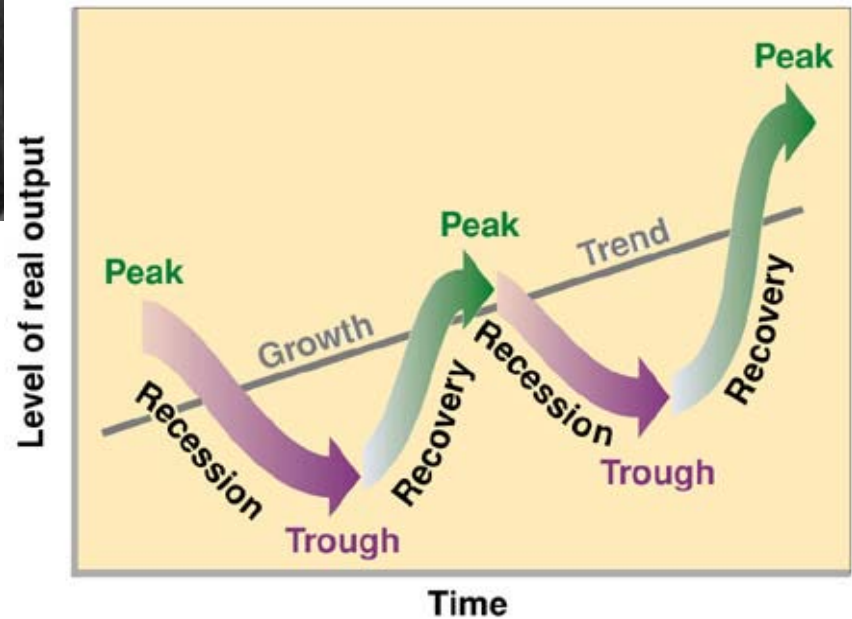


*Economic Pessimist*



*Economic Optimist*

# The commodification of labor is not sustainable



# Exploitation means the death knell of capitalism.

- “the bourgeoisie forged the weapons that bring death to itself”
- How?



# And surplus value will inevitably decline for the individual capitalist

- 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 the capitalist class will try to save itself: Response to Declining Surplus Value in a competitive market



# **But none of that will save it: So...the Second Law of Capitalism: GROW OR DIE**

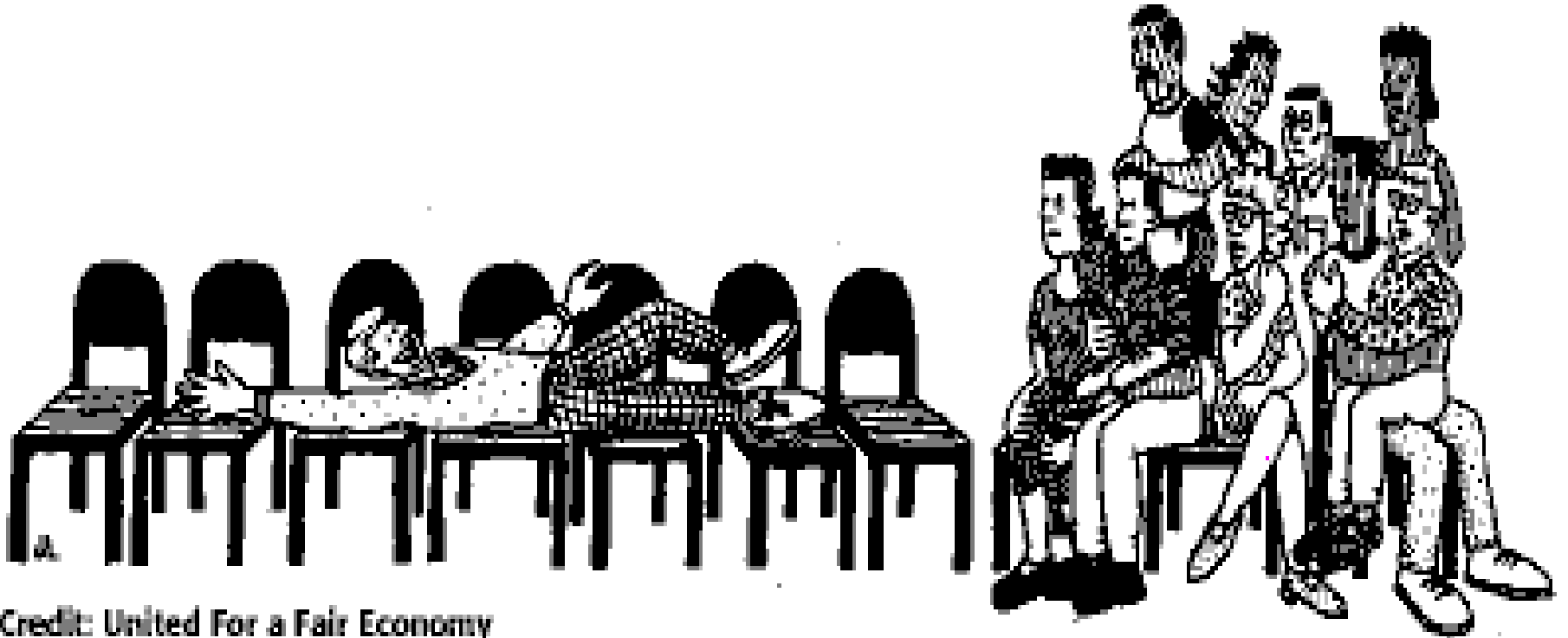
- Find the illusion of security in a competitive market through
  - Capturing markets
  - Concentration
  - Capturing the state
  - Using liberal ideology to soothe the masses

# 1. Expand! Capture Markets!



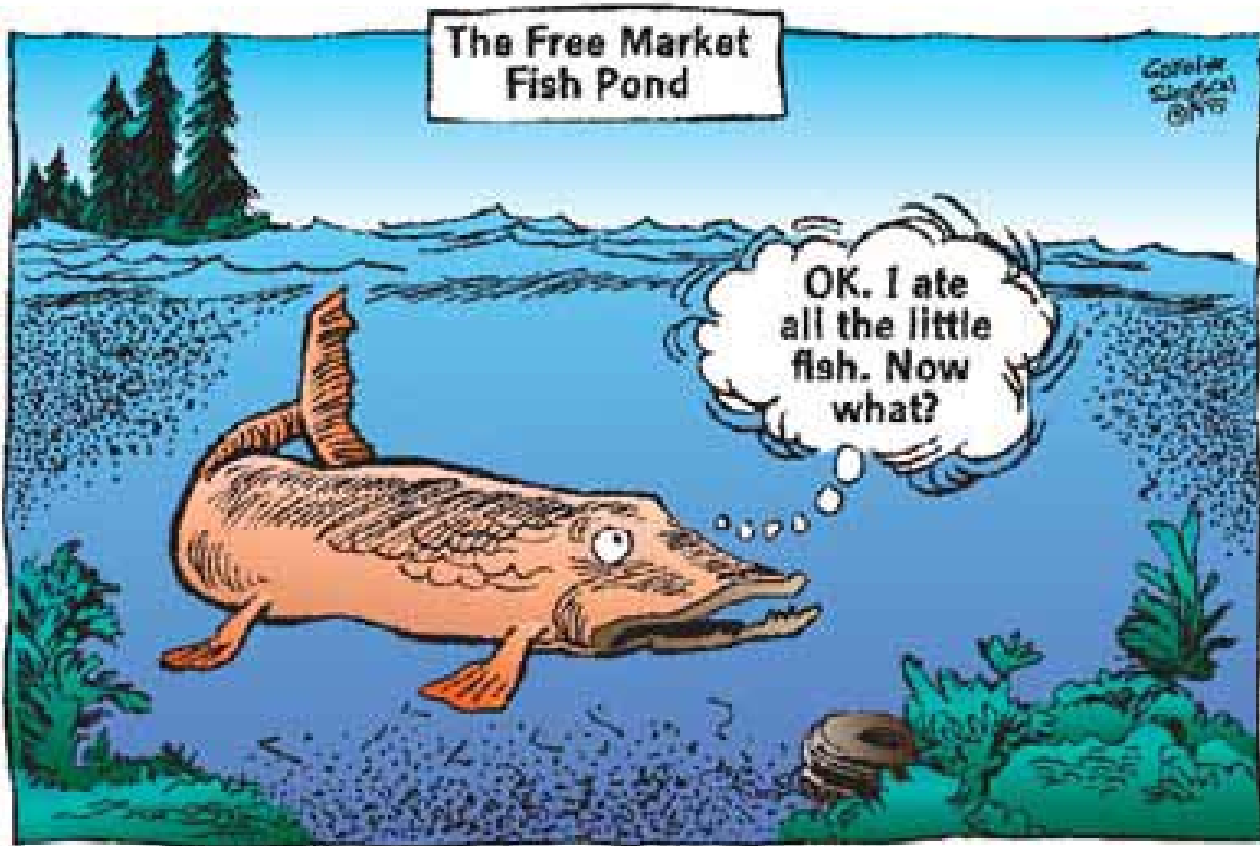


## 2. Concentrate Wealth!

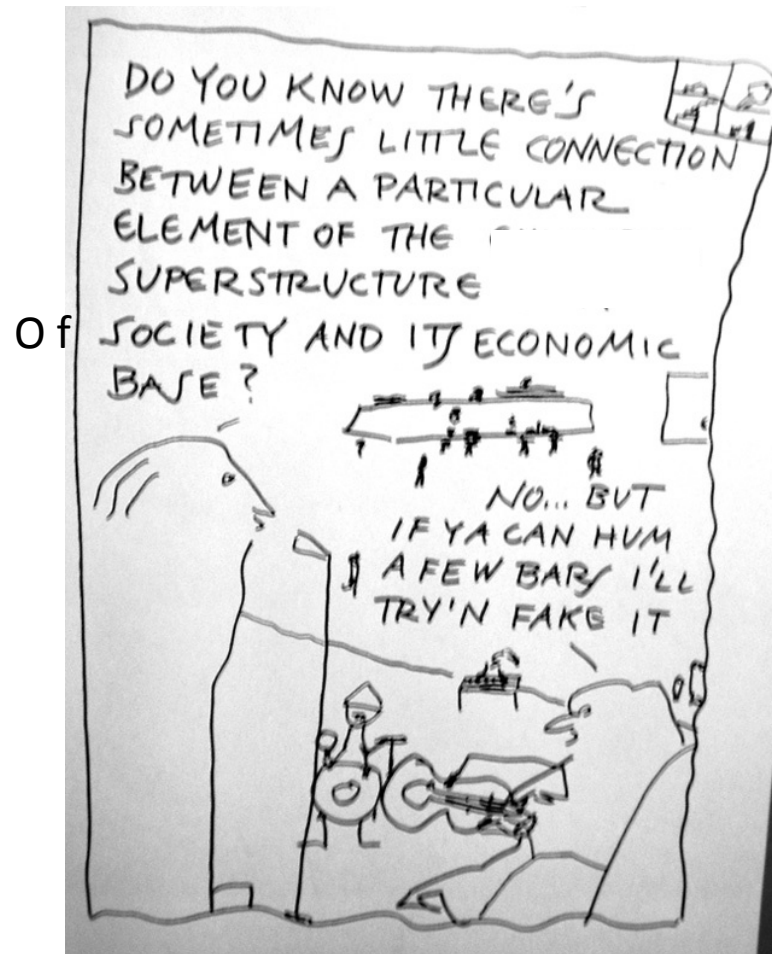


Credit: United For a Fair Economy

# Capitalist “gobbles up his own”



# 3. Capture political power.



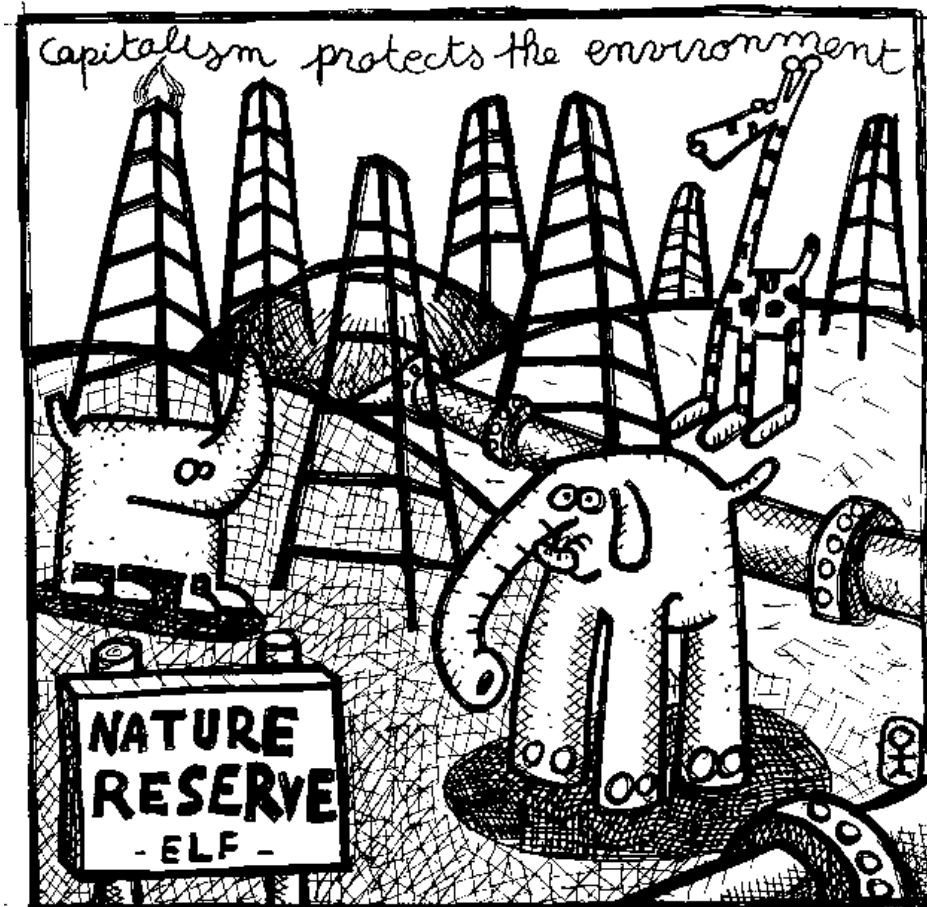
# American politicians are “subordinated” to capitalism



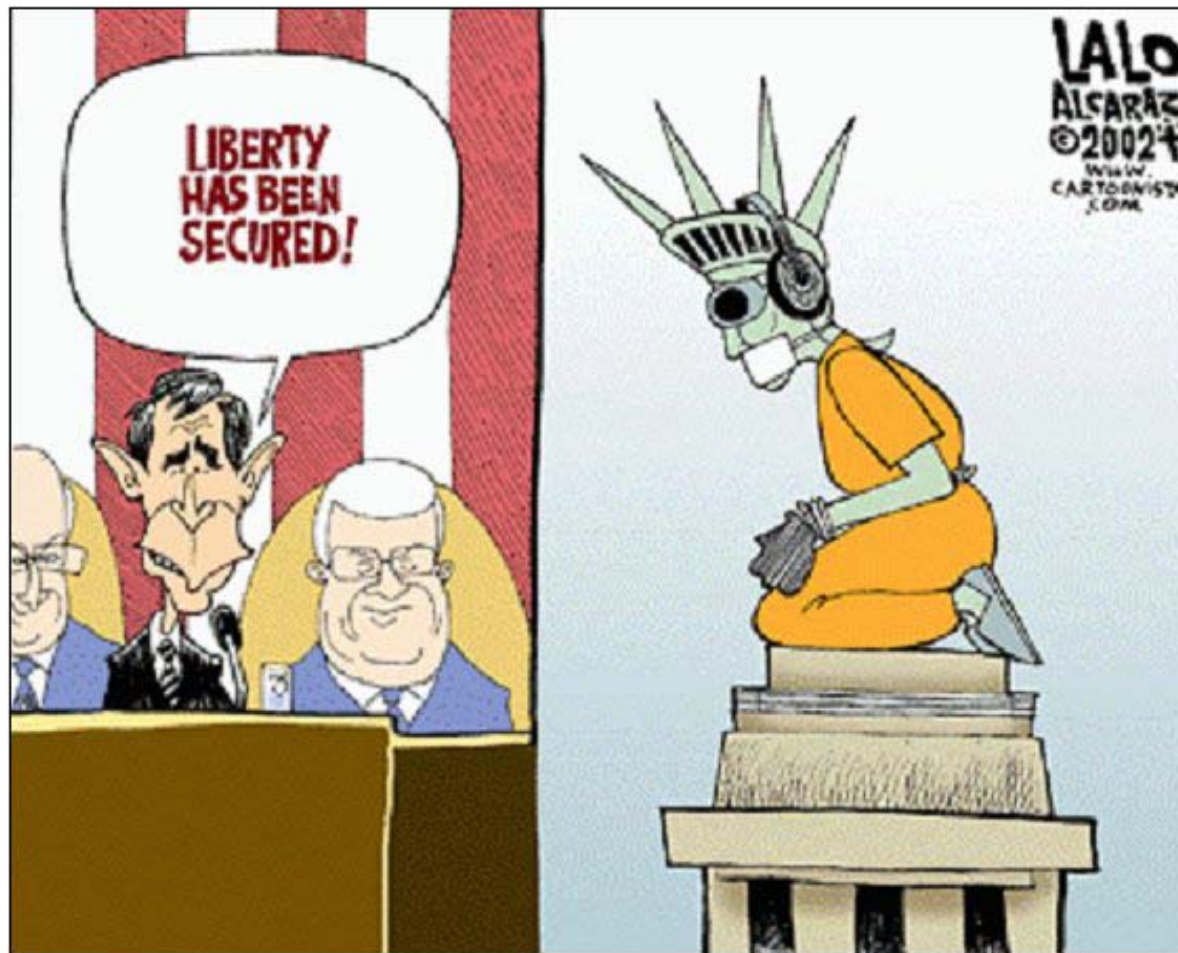


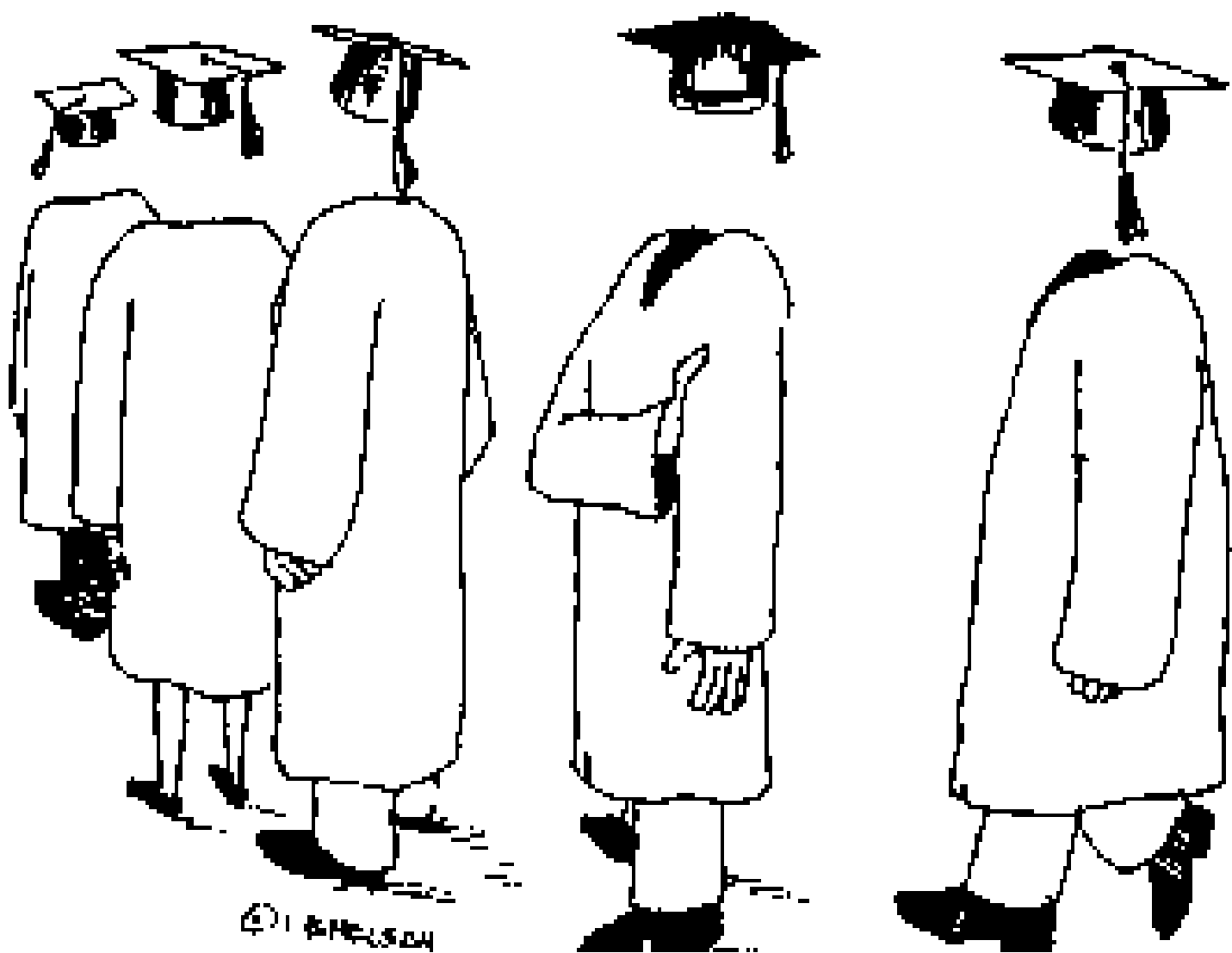


# 4. Construct an Ideology to Defend Capitalism

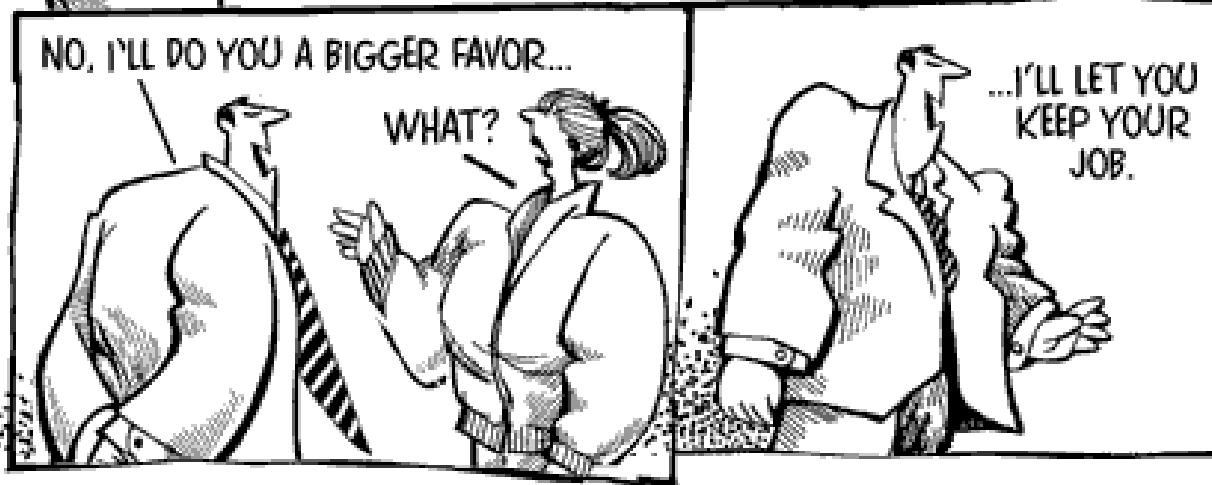


Freedom's just another word for  
nothin' left to lose....





# The Industrial Reserve Army



© 2007  
Cato J. Simpson

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

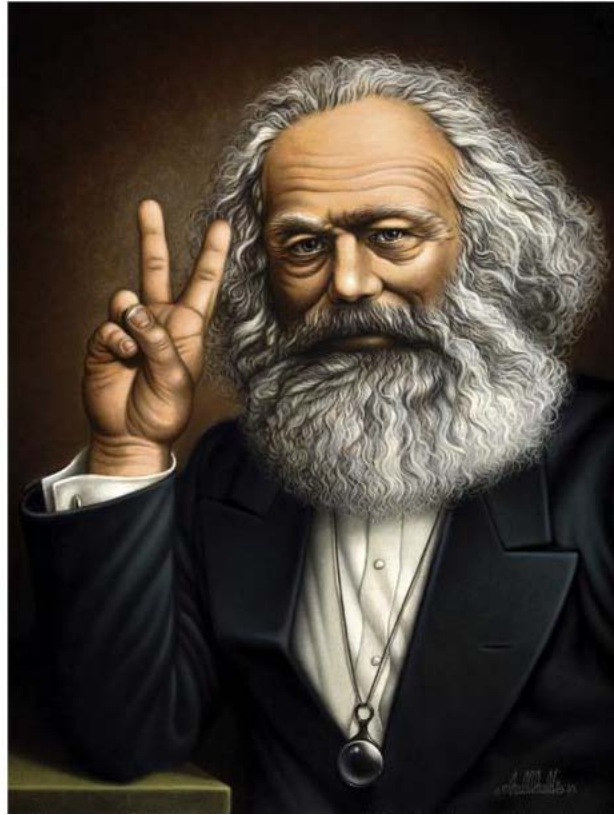




# The ultimate “double movement:” Revolution



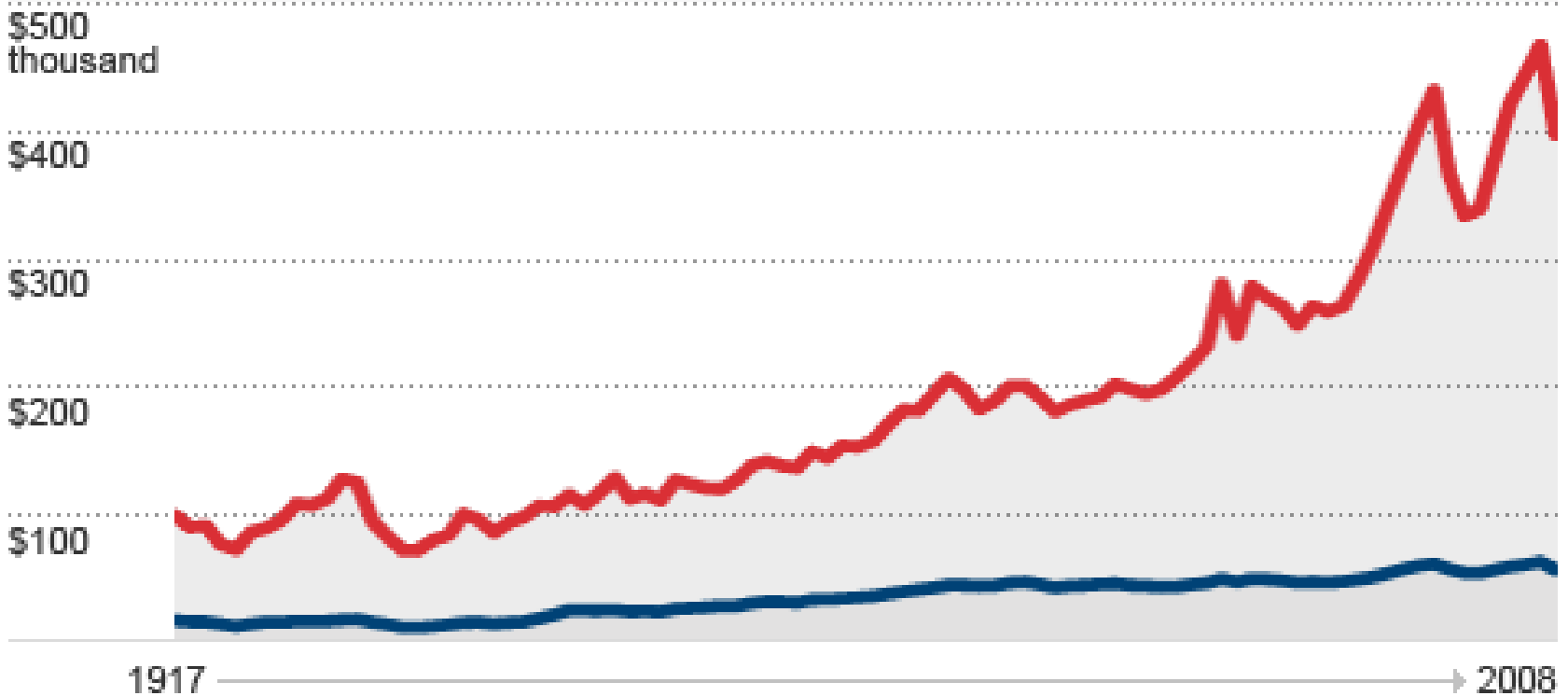
# Was Marx right?



# Income gap grows

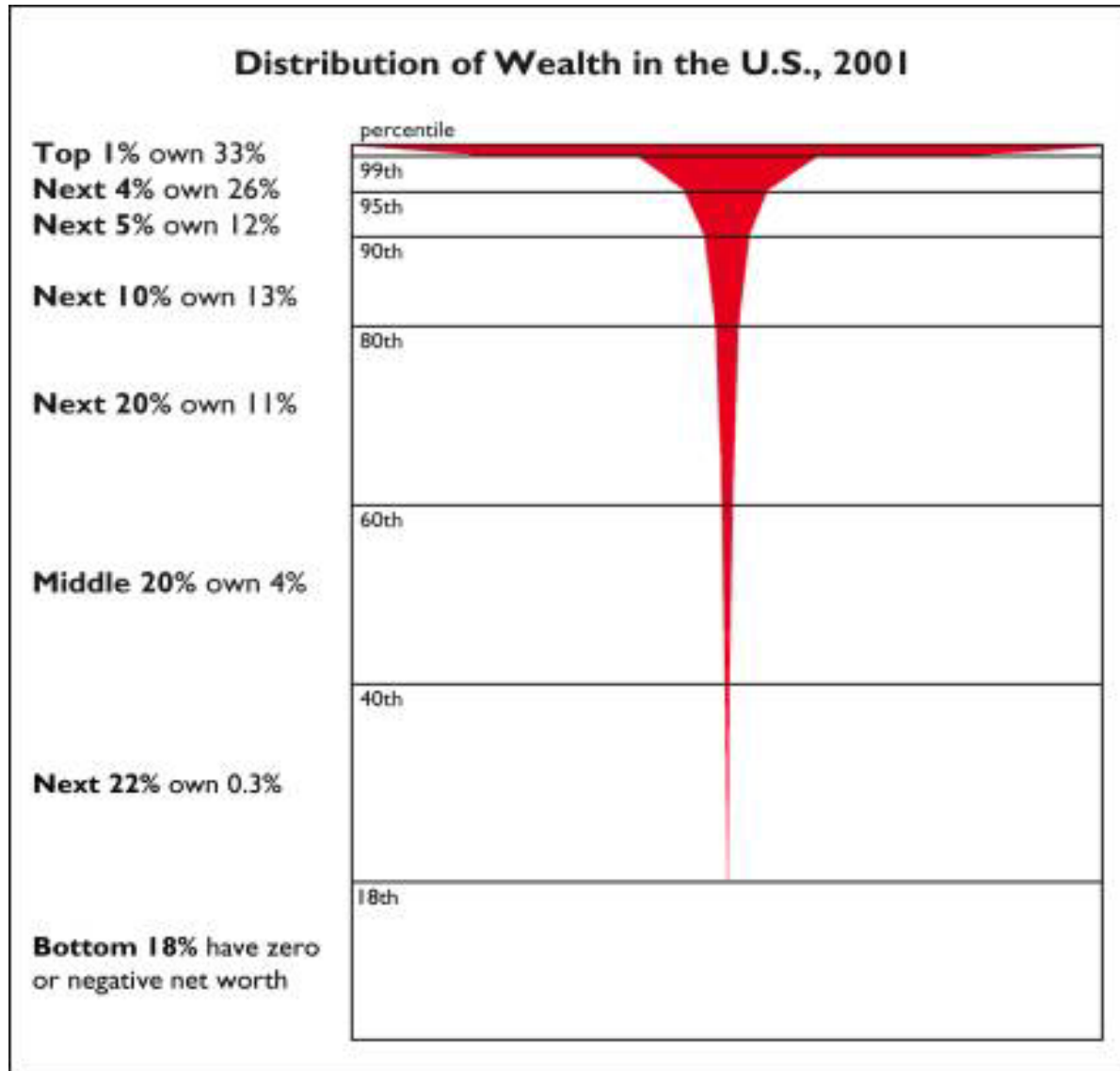
## RISE OF THE SUPER RICH

■ MEDIAN INCOME ■ TOP 5% INCOME



SOURCE: PIKETTY AND SAEZ (2008); IRS

# Wealth is concentrated....



# Decline in real wages

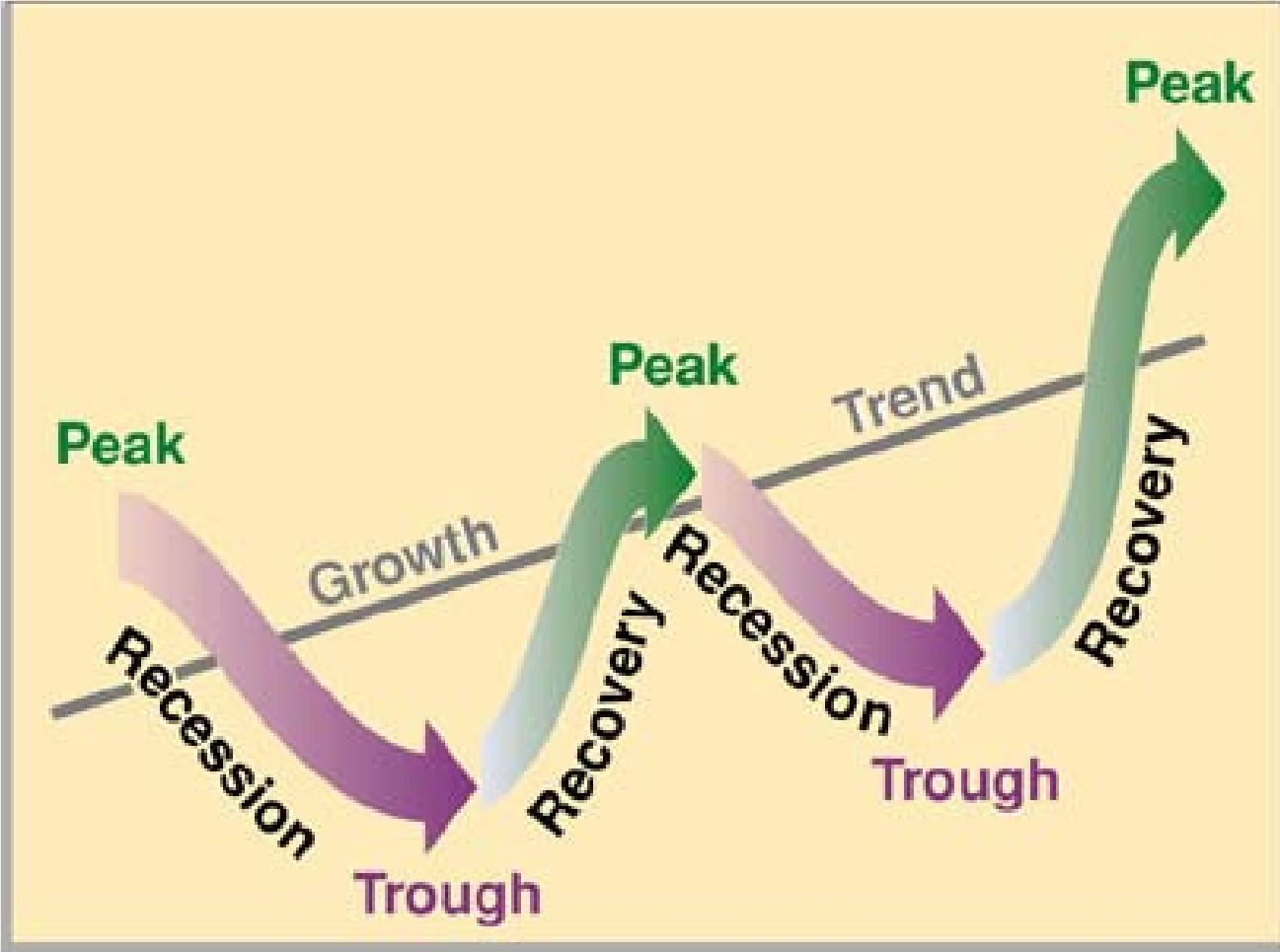
## Real Wages Struggle

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



Source: Federal Bureau of Labor Statistics, FactSet

Level of real output



Time

# Marxism

Economic classes,  
not individuals  
are the actors



Property rights  
cement class  
inequality




Labor theory of  
value



# 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?



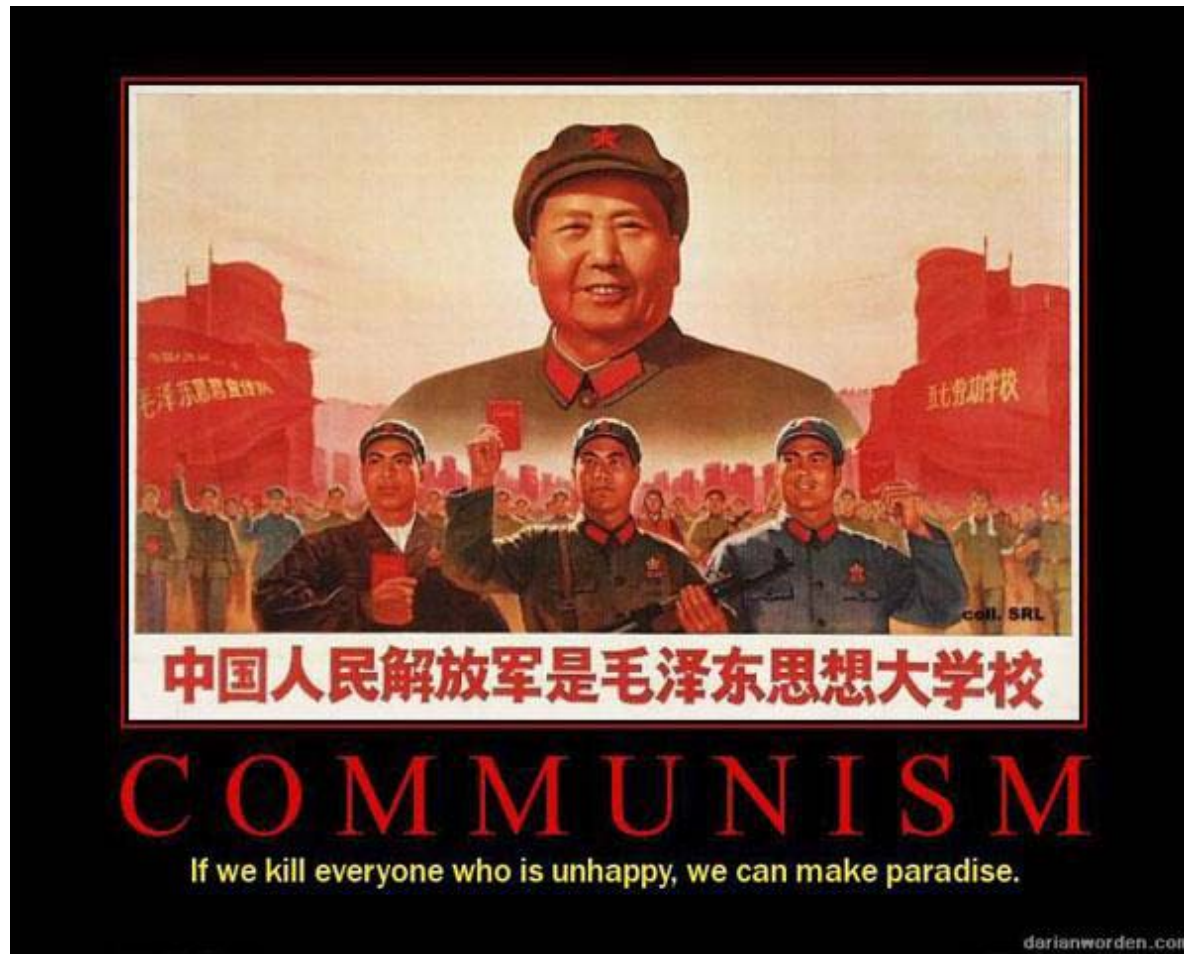
# The three Laws of Capitalism

- Exploit Others!
  - Private property
  - Labor becomes a commodity
  - Extraction of surplus value
- Expand or Die
  - Surplus value will always decline
  - Capitalists will respond with both market and non-market strategies
- Capitalism will die anyway

# Marx's Utopia after capitalism: Communism and Communal Sharing:



Didn't work out so well in practice



# 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
    - Liberal myth of talent
- Markets operate within the context of non-market institutions anyway. Firms, contract law, government,