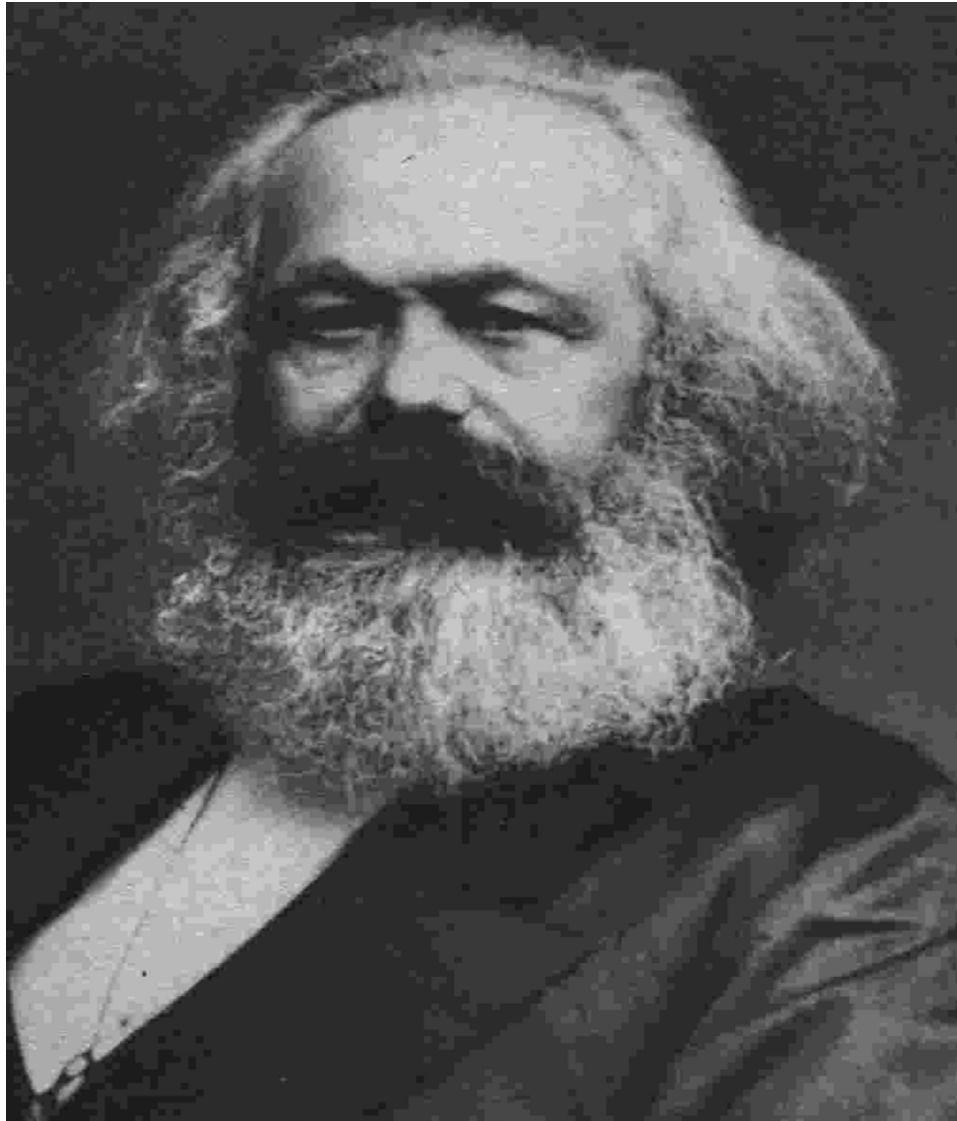
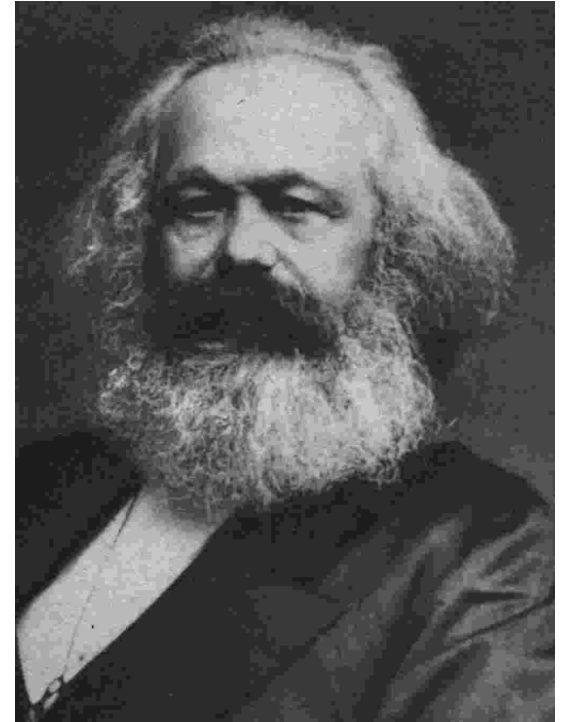


KARL MARX



Karl Marx (OVERVIEW)

- Father of modern socialism, communism, and conflict theory.
- Marxism is a Western intellectual tradition spanning 150 years, consisting of 3 components:
 - 1) A political doctrine
 - 2) A philosophy (or anti-philosophy) of History
 - 3) and an analysis of the functioning of the economy



1818-1883

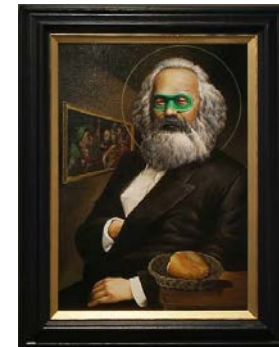
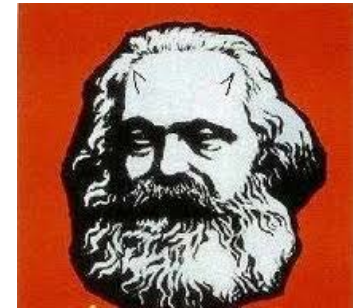
Marx's work can be seen as synthesis of at least three intellectual traditions:

1. **French Utopian socialism** (e.g. Comte, Saint-Simone): Radical change is both possible and necessary.
2. **Hegelian tradition** of interpreting history: German idealism.
3. **Skeptical political economy**: British empiricism.

II. HISTORICAL CONTEXT OF MARXISM

Marx: Devil or Saint?

- “While Marx and Engels are canonized in Russia, they are still crucified in much of the world. They merit neither treatment, for they were neither saints nor devils. [Their work] belongs in the great line of economic viewpoints that have successively clarified, illuminated, and interpreted the world for us ... and is neither without flaw nor devoid of merit” (Robert Heilbroner, *The Worldly Philosophers*)



Friedrich Engels

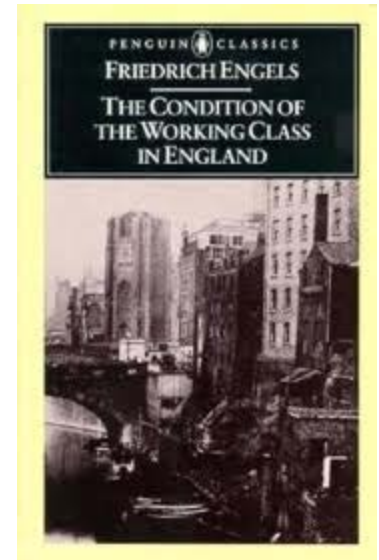
- In 1842, at age 22, Engels was sent by his parents to Manchester, Britain, to work for a Mill making sewing threads.
- Collaboration begins in 1844, after meeting for the 2nd time, in Paris.



1820 - 1895

Friedrich Engels

- ***The Condition of the Working Class in England (1844)***, Engels' first book
- Engels argues that the Industrial Revolution made workers worse off.
 - In large industrial cities mortality from disease, as well as death-rates for workers were higher than in the countryside.
 - In cities like Manchester and Liverpool mortality from smallpox, measles, scarlet fever and whooping cough was four times as high as in the surrounding countryside, and mortality from convulsions was ten times as high as in the countryside.



1848 Year of Revolt

- “A spectre is haunting Europe- the spectre of Communism”
- France, Belgium, Berlin, Prague, Vienna...
- Not *for* Communism, but against despotism.
 - Example: Prussia still had no freedom of speech, no Parliament, no right of assembly
- The Revolutions were inconclusive; policies remained the same!



‘Communist Manifesto’

- Written by Karl Marx and Friedrich Engels
- Did not appeal to people's sympathies or sense of ethics, but espoused a philosophy of history asserting that revolution was *inevitable*.



1848

'Communist Manifesto'

- **What was advocated?**

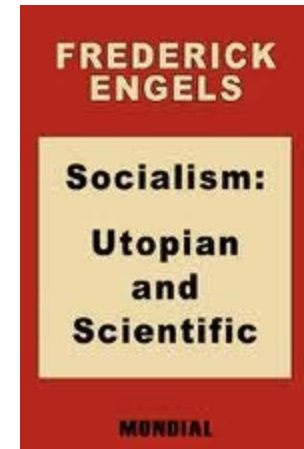
- 1. **Abolition of property in land** and application of all rents of land to public purposes.
- 2. **A heavy progressive or graduated income tax.**
- 3. **Abolition of all rights of inheritance.**
- 4. Confiscation of the property of all emigrants and rebels.
- 5. Centralisation of credit in the hands of the state, by means of a national bank with State capital and an exclusive monopoly.
- 6. Centralisation of the means of communication and transport in the hands of the State.
- 7. Extension of factories and instruments of production owned by the State; the bringing into cultivation of waste-lands, and the improvement of the soil generally in accordance with a common plan.
- 8. Equal liability of all to work. Establishment of industrial armies, especially for agriculture.
- 9. Combination of agriculture with manufacturing industries; gradual abolition of all the distinction between town and country by a more equable distribution of the populace over the country.
- 10. **Free education for all children in public schools. Abolition of children's factory labour in its present form**



1848

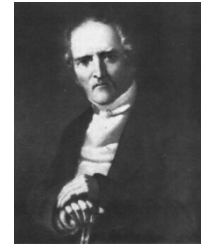
Marx's Interlocutors: “Utopian Socialists”

- Marx and Engels spend a lot of time criticizing ‘Utopian socialism’ and distinguishing it from their ‘*scientific socialism*’
- Marx respects Utopian socialists, but good ideas aren’t enough!



Marx's Interlocutors: “Utopian Socialists”

- Who are the ‘Utopian socialists’?
 - **Charles Fourier**: French philosopher and social reformer
 - Credited with coining the term ‘feminism’-
 - Writings inspired the founding of over 20 communities in the United States
 - **Robert Owen**: Welsh social reformer and one of the founders of utopian socialism and the cooperative movement.



Charles Fourier
(1772 – 1837)



Robert Owen
(1771 – 1858)

Marx's Interlocutors: The 'Anarchists'

- **Mikhail Bakunin:** Russian revolutionary and anarchist. Opposed Marx's ideas about state power.
 - In 1868, Bakunin joined the '*International Working Men's Association*', ('The International'), a federation of trade union organizations with sections in most European countries.
 - Advocated direct revolutionary action to abolish the state and capitalism; Marx supported the conquest of the state
 - Marx's faction won, and Bakunin's group was kicked out of the International in 1872



Mikhail Bakunin
(1814 – 1876)

Marx's Interlocutors: The 'Anarchists'

- **Pierre-Joseph Proudhon:** French politician, mutualist philosopher and socialist. He was a member of the French Parliament, and he was the first person to call himself an "anarchist" (from Wikipedia)
 - Favored cooperatives; opposed nationalization and use of state power
 - Thought revolution could occur peacefully, without revolution
- *What is Property?* (1840): **"Property is Theft"**
 - Only legitimate source of property is labor: what one produces is one's property.
 - Capitalists and landowners exploit, 'steal', profits from workers [sounds like Marx]



(1809 – 1865)

Marx's Interlocutors: The 'Anarchists'

- **Pierre-Joseph Proudhon:**

- In a letter to Marx: “Let us by all means collaborate in trying to discover the laws of society ... but for God’s sake, after we have demolished all the dogmatisms *a priori*, let us not of all things attempt in our turn to instill another kind of doctrine into the people ... but simply because we are at the head of a new movement, let us not set ourselves up as the leaders of a new intolerance, let us not pose as the apostles of a new religion- even though this religion be the religion of logic ... let us never regard a question as closed, and even after we have exhausted our last argument, let us begin again, if necessary, with eloquence and irony. On that condition, I shall be delighted to take part in your association- but otherwise no!”

- Friendship with Marx ends when Marx responded to Proudhon's *The Philosophy of Poverty* with the provocatively titled *The Poverty of Philosophy*, a bitter denunciation of Proudhon.



(1809 – 1865)

'Two Marxisms'

(Alvin Gouldner)

<u>Scientific Marxism</u>	<u>Critical Marxism</u>
Science	Critique / Praxis / Ideology / Politics
Goal is Understanding the world	Goal is Changing the world
Determinism / Necessity - man is determined	Voluntarism / Freedom - man is a free agent#
Revolution is inevitable, but must wait for the right 'objective conditions'	Revolution is not inevitable, and the 'right conditions' must be made by 'raising consciousness'
Objective - world imposes itself on humans	Subjective - humans can (collective) change the world at will
Gradual, continuous, evolutionary change	Abrupt, discontinuous, catastrophic change
Science is the solution	Science is part of the problem#
Focus on the <i>ends</i> of political struggle	Focus on the <i>means</i> of political struggle
More appealing to the 'developed' countries	More appealing to the poor countries

III. MARX ON CAPITALISM



What is capitalism?

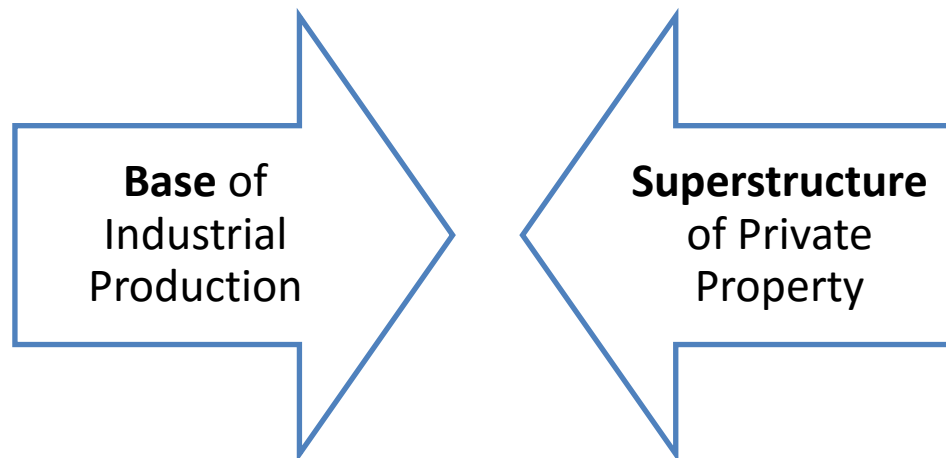
- For Marx, **Capitalism** is a social order in which production is:
 1. for the sake of profit, and
 2. based on wage-labor (labor market).
- **M-C-M': The Circuit of Capital**

What is capitalism?

- For Marx, capitalism is ***not*** defined by private ownership, or even private ownership of the means of production. This existed in earlier societies.
- Nor is capitalism defined by class struggle or the exploitation of one class (group) by another.

What is capitalism?

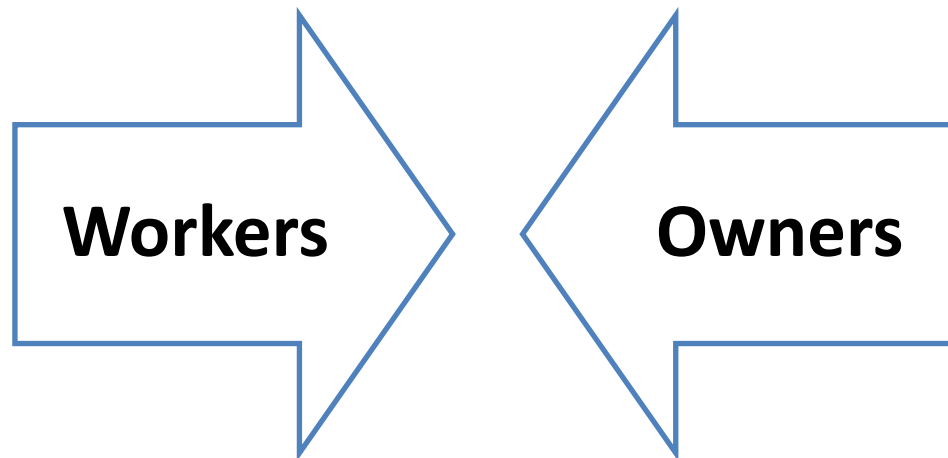
- Rather, capitalism arises with industrialization, when **production becomes consolidated, into a *collective* means of production** i.e. when **production itself becomes “socialized”**.
- In short, **production is socialized, but control is privatized, (centralized in the hands of a few, for private gain).**
- **Industrial production comes into conflict with individualistic, private appropriation of wealth!**





Class Antagonism

- A conflict of interest develops between workers (**the proletarians**) and the owners of the means of production (**the bourgeoisie**).
- Workers are **dispossessed**: they have to sell their labor in order to survive.
- Serfs, and small business owners are increasingly made members of the working class



What is Money? ('Capital'?)



MONEY = CLAIM ON OTHER PEOPLE'S LABOR, OR *TIME*.

- For Marx, “capital” is a *not a* machine or an instrument of production (as claimed by economists or the business press), but a kind of *social relationship*.
- Underlying this development was, for Marx, **wage-labor**: the *relationship* between capitalists and workers.



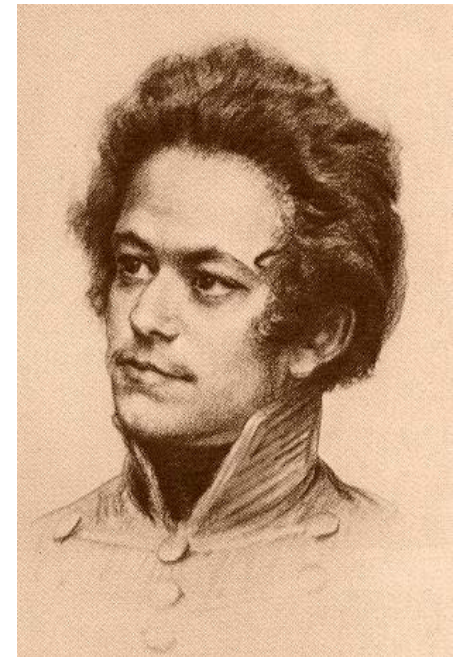
Marx's ambivalence toward capitalism

- Capitalism unleashes the forces of production, and solves the problem of scarcity for the first time in human history. But he also believed it led to hellish conditions for workers and would ultimately destroy itself.



Marx on capitalism

- [Capitalism] has been the first to show what man's activity can bring about. It has accomplished wonders far surpassing Egyptian pyramids, Roman aqueducts, and Gothic cathedrals; it has conducted expeditions that put in the shade all former Exoduses of nations and crusades.
- The bourgeoisie, during its rule of scarce one hundred years, has created more massive and more colossal productive forces than have all preceding generations together....



Karl Marx (young)

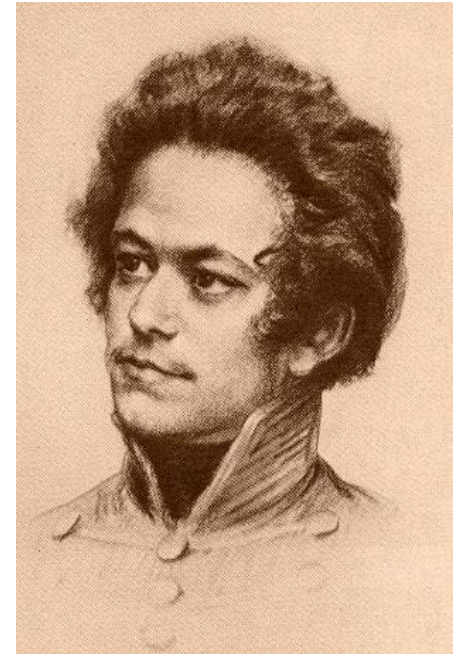
Marx on capitalism



- “Constant revolutionising of production, uninterrupted disturbance of all social conditions, **everlasting uncertainty** and agitation distinguish the bourgeois epoch from all earlier ones. All fixed, fast-frozen relations, with their train of ancient and venerable prejudices and opinions, are swept away, all new-formed ones become antiquated before they can ossify. **All that is solid melts into air, all that is holy is profaned...**”

Inexorable Collapse of Capitalism

- The development of modern industry ... cuts from under its feet the very foundation on which the bourgeoisie produces and appropriates products.
What the bourgeoisie therefore produces, above all, are its own gravediggers. Its fall and the victory of the proletariat are equally inevitable” (CM)
- *Why?*



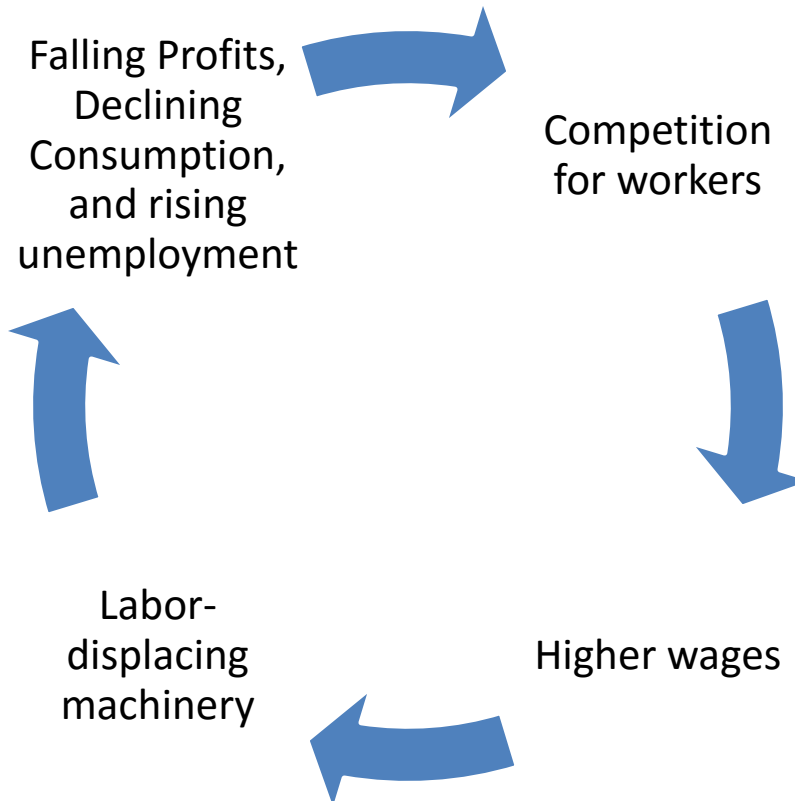
Inexorable Collapse of Capitalism

- Competition among capitalists →
 - Efforts to expand, increase output, and reduce costs
 - To expand, capitalists compete for workers, thus wages may tend to rise! But wages are an expense, and inversely related to profits.
 - Capitalists introduce ***labor-saving machinery*** to increase output and reduce costs of wages, creating more unemployed (**reserve army of labor**)
 - However, this substitutes nonprofitable means of production for profitable ones!
 - Capitalists cannot exploit machines, buy pays full value for them....



Inexorable Collapse of Capitalism

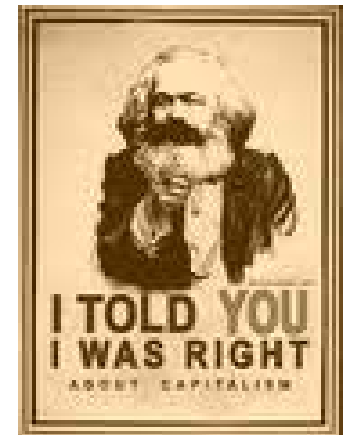
- Businesses have no choice: they must grow or die.
- Each collapse is worse than the previous...



Inexorable Collapse of Capitalism

- **Predictions:**

- **Concentration of Capital** (Monopolization) as big firms bankrupt or buyout small businesses and each other
- **Declining profits**
 - According to labor theory of value, profits derive ultimately from living labor, not machines)
- **Under-consumption (aka Over-Production):**
 - Workers cannot afford to buy the stuff they make.
- **Increased unemployment**
- **Cyclical recessions/depressions until Revolution! (Rational planning is implemented)**



“The philosophers have only interpreted the world, in various ways; the point is to change it.”

- Theses On Feuerbach, 1845

IV. MARXIAN THEORY OF HISTORY

Marxian Theory of History

- Marx attempts to explain historical changes: how and why one kind of society ***transforms*** into another kind of society.



Feudal Europe



Industrial Europe

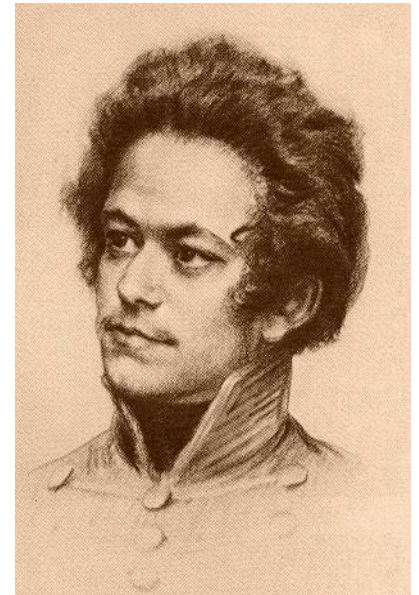
Historical Materialism

- Tenets of Historical Materialism:
 - Material production is the basis of all society.
 - Opposed to Philosophical Idealism: Rejects the idea that history is simply the progress of ideas, or a the realization of a universal spirit, or 'gods plan'.
 - History is the progress of 'forces of production' or technology.
 - Technology makes existing property relations obsolete!

Marx's materialism

Quote 1:

“Men make their own history, but they do not make it as they please; they do not make it under self-selected circumstances, but under circumstances existing already, given and transmitted from the past. The tradition of all dead generations weighs like a nightmare on the brains of the living.”

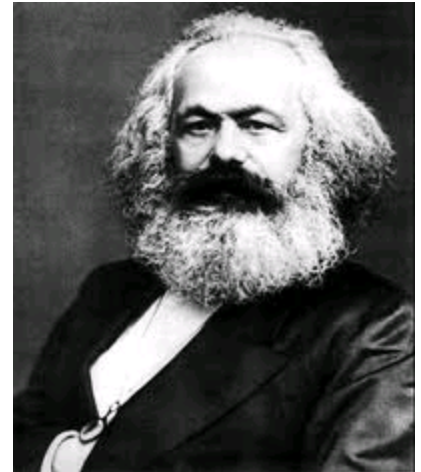


Young Karl

Marx's materialism

Quote 2:

- “In the social production of their existence, men inevitably enter into definite relations, which are **independent of their will, namely relations of production** appropriate to a given stage in the development of their material **forces of production**. The totality of these **relations of production** constitutes the **economic structure** of society, the real foundation, on which arises a legal and political **superstructure** and to which correspond definite forms of social consciousness.” -Marx, *Contribution to the Critique of Political Economy* (1859)





- **Forces of production** = Base of Technology
- **Relations of production** = Superstructure; Social rules such as property laws, customs, habits, etc. that determine how technology is used, production takes place, and goods distributed.





Base-Superstructure

Two interpretations of Marx's famous **base-superstructure** metaphor:

1. **Superstructure**

Law, politics,
culture, etc.

Base

Economy

Traditional Interpretation: production
technology determines everything...

2. **Superstructure**

Ideological
appearances

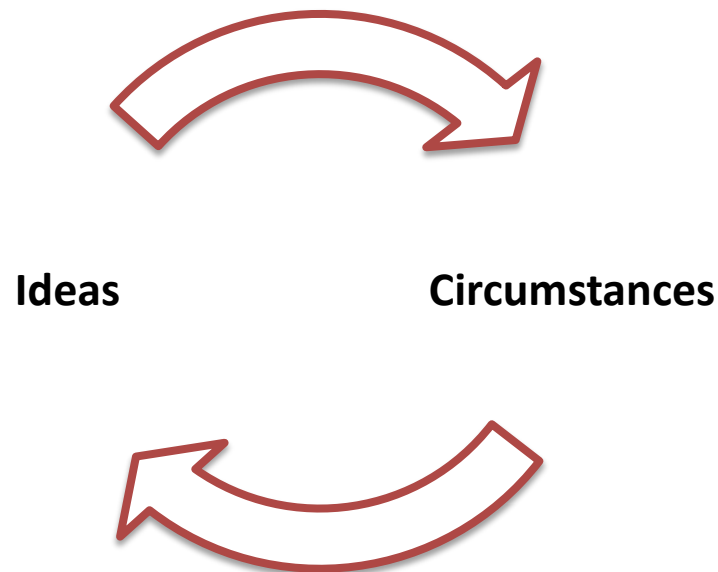
Base =

Underlying reality

Non-reductionist interpretation

Causation

- Some interpret Marx as a **technological determinist**.
- But other readers of Marx attribute to him a more nuanced view, emphasizing ***reciprocal interaction*** (aka mutual influence, or two-way causality) between people's ideas and their social environment.



History as Unintended Consequences

- Friedrich Engels, wrote:
 - ‘The ends of the actions are intended, but the results which actually follow from these actions are not intended, or when they do seem to correspond to the end intended they ultimately have consequences quite other than those intended’
 - **“what each individual wills is obstructed by everyone else, and what emerges is something that no one willed”**



History as Unintended Consequences

- Does this mean that **history is chaos, random, and does not follow any patterns?**
- Marx does see a **logic**, a **pattern** underlying historical changes and seemingly random historical events, *but these patterns are not consciously understood by individual actors.*

Historical Materialism

Summary:

- Human beings form ideas under the influence of circumstances. Such ideas then compel them to change circumstances. **There is free will, but *history is not determined by these freely willed intentions*.** Historical patterns therefore may arise largely as the unintended outcome of the intentions and motives of individuals in interaction (think of Adam Smith's invisible hand, for example).
- The point of theory, moreover, is to predict results, not intentions.

V. EXPLOITATION AND CLASS CONFLICT

Exploitation and Class Struggle

- For Marx, capitalism is inherently exploitative. *Workers produce the wealth, but receive as wages only a fraction of the wealth they produce. This is exploitation.*
- *“The history of all hitherto existing society is the history of class struggles.”*



Exploitation and Class Struggle

- But unlike in other economic systems (slavery, feudalism, etc), exploitation in capitalism is concealed by the *appearance* of equality of exchange in the market.



Equality is only a mask,
Or appearance

The State and Exploitation

- “The **executive** of the modern State is but a committee for managing the common affairs of the whole bourgeoisie.”



- Marx is often misquoted. He argues that the executive, not the state *per se*, is usually an instrument of the capitalist class as a whole.
- Examples: military interventions not approved by Congress, bailouts, etc.

The Ruling Class and the State

- The Ruling Class is ***not*** necessarily a group of individuals who personally know each other, nor are they necessarily aware of their unified interests; they are not “class-conscious”
- To act in the *general* interests of capital, the state must sometimes act against the *particular* interests of capitalists.

The Ruling Class and the State

A division of labor exists between:

- a) Capitalists ('Business', 'Wall Street' etc)
 - those who accumulate capital
- b) Government ('the State')
 - those who manage the collective, long-term interests of capitalism
- Because governments are dependent upon tax revenue derived from business, and generally lose public support during recessions, governments rarely act against the long-term interests of capitalists.

VI. ALIENATION AND COMMODITY FETISHISM

Fetishism of Commodities

- **Fetish:** an object (as a small stone carving of an animal) believed to have magical power to protect or aid its owner; *broadly* : a material object regarded with superstitious or extravagant trust or reverence
- **Marx extends the critique of religious fetishism to the fetishism of commodities and economic relations:** We tend to 'reify' or treat as a thing, or power outside of us, our own constructed social relationships. Capitalism 'takes on a life of its own.'
- Example: when we say the 'economy' is doing well, or not.. What are we talking about?!
- *These are **symbols that both mask and express underlying human relations.***



Commodity fetishism as social mirage

- Appearances of capitalism are more like a mirage than a hallucination.
- People's beliefs are not personal delusions, but are distorted appearances that are generated objectively by reality itself!



Alienation

(traditional interpretation)

- **Alienation = separation**
- Separation of yourself from:
 - the product of your labor
 - Other People (what Durkheim calls 'anomie')
 - Yourself
 - Nature
- Origins of this condition are *material*, in how we produce things.



Alienation as Collective Fetish

- Alienation also has another meaning as...
- Alienation = *collective self-domination*.
 - Alienation for Marx basically means that “society” dominates the individuals that produce it. It is similar to the idea of Frankenstein, and opening Pandora's box. Basically, we are collectively dominated by the products of our own labor.
- ***Marx thinks that capitalism creates new historical possibilities for realizing human freedom, but capitalism does not actualize these possibilities.***



VII. IDEOLOGY AND CLASS CONSCIOUSNESS

- **‘[Religion] is the opium of the people’**
- Karl Marx
- What does this quote mean?

'Opium of the People'

- Religion is, indeed, the self-consciousness and self-esteem of man who has either not yet won through to himself, or has already lost himself again. But man is no abstract being squatting outside the world. Man is the world of man—state, society. This state and this society produce **religion, which is an inverted consciousness of the world, because they are an inverted world..... It is the fantastic realization of the human essence since the human essence has not acquired any true reality.** The struggle against religion is, therefore, indirectly the struggle against that world whose spiritual aroma is religion. **Religious suffering is, at one and the same time, the expression of real suffering and a protest against real suffering. Religion is the sigh of the oppressed creature, the heart of a heartless world, and the soul of soulless conditions. It is the opium of the people. The abolition of religion as the illusory happiness of the people is the demand for their real happiness. To call on them to give up their illusions about their condition is to call on them to give up a condition that requires illusions.**

- Marx, Critique of Hegel's Philosophy of Right. Introduction (1843)

Marx and Religion

- “Opium of the people” does not only mean that people are deluded or hallucinating, that religion merely justifies suffering in this life for glory in the next...
- Opium was the medicine of choice in the 19th century, prior to the invention of aspirin, tylenol, and ibuprofen, and it was ***effective***.
- Marx argues that religion is the ‘cure’ for a disease caused by ‘alienation’ and scarcity.

Ideology

- **Ideology** = When particular (of a group or class like the rich) interests are understood falsely to promote the general interest (of humanity, the poor, etc) , Marx calls this ***ideology, or false consciousness***.
- *Workers who possess 'false consciousness' act against their own best interests.*
- *For Marx, the ruling ideas of the dominant class are the ideas that reinforce those relations that put them in power to begin with. The ruling elites will never promote social theories that undermine their own power.*

Marx's Two Theories of Ideology

1. Ruling ideas are *imposed* on lower classes

- Explains persistence of capitalism
- ‘economic structure of society, the ‘real foundation’, determines a legal and political superstructure’; and ‘the ruling class are in every epoch the ruling ideas...’

2. Each class has its own ideology

- Explains how revolution will become possible
 - ‘*Social being determines consciousness*’
 - Interpreted as: ‘social class’ determines consciousness; therefore each class should have its own ideology, and system of beliefs!
- Third Possibility: ** Ruling ideas may be those of a *rising but not yet dominant class* (Gouldner)

Pragmatic and Normative Acceptance of Ideology

1. ***Pragmatic acceptance***- individual complies b/c there's no realistic alternative. Workers *have* to get jobs.
 2. ***Normative acceptance***- individual internalizes moral expectations of ruling class. Workers *want* jobs and take pride in how much they toil.
- Do workers ***pragmatically* or *normatively*** accept their own domination?

Marxist criticisms of the 'Ruling Ideas' Model

- Subordinate classes do *not* hold dominate ideology, but the dominant classes *do*. Primary function of the dominant ideology is to '**secure coherence of *dominant class***' (Abercrombie and Turner)
- *Only those actually sharing in societal power need develop consistent societal values.* (Michael Mann)

VIII. MARX'S CRITIQUE OF CLASSICAL POLITICAL ECONOMY

Social roots of Classical economics

- Social Theories are not neutral.
- Critique of religious fetishism → critique of *Commodity Fetishism*
- The notion that exchange, especially *market* exchange, could be unequal, arises after market exchange becomes the prevailing mode of social interdependence.

Social roots of Classical economics

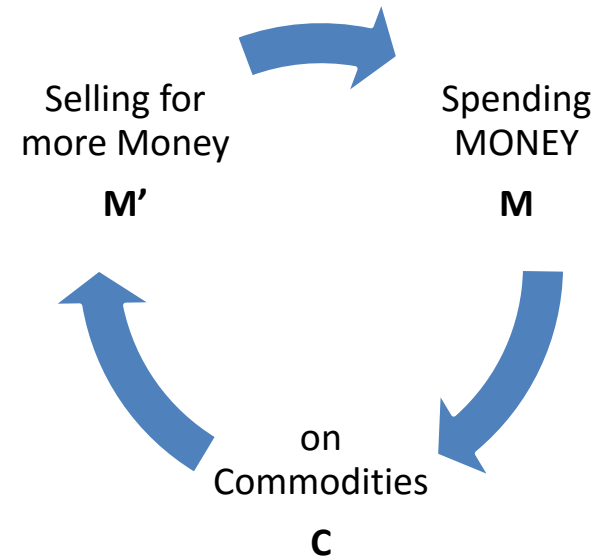
- “Economics” was promoted *as advancing the perceived interests of an ascending class: the bourgeoisie*.
 - ‘The market’ was regarded as the apotheosis of human freedom, as establishing a “private” sphere within which merchants could trade without aristocratic interference.
 - Indeed, classical economics derived from a critique of feudal exploitation (e.g. critiques of “rent” and non-productive, aristocratic classes).
- **“Markets” presuppose dispossession of workers, and are established by coercion and legal fiat.**
- **Liberal theory advocates formal or *legal equality* for all persons, but ignores the substantive inequality this generates in practice.**

Growth and the Circuit of Capital

- **M-C-M':**
 1. **Quantification and Abstraction.** Capitalism entails the accumulation of capital. Unlike other social systems, this accumulation is **unlimited** because it is **abstract**.
 2. **Vulnerability:** Capitalism is *crisis-prone*: it stops if the circulation is interrupted!
 - **M-C = *crisis of over accumulation*** (Firms stop investing)
 - **C-M' = *crisis of under-consumption*** (consumers stop buying)

Growth and the Circuit of Capital

- **Commodities are goods (and services) that are *produced in order to be sold*.**
- **M-C-M', or Buying in order to sell.** This is different from **C-M-C, or Selling in order to buy.**
- **Needs are not fixed, but always expanding.**

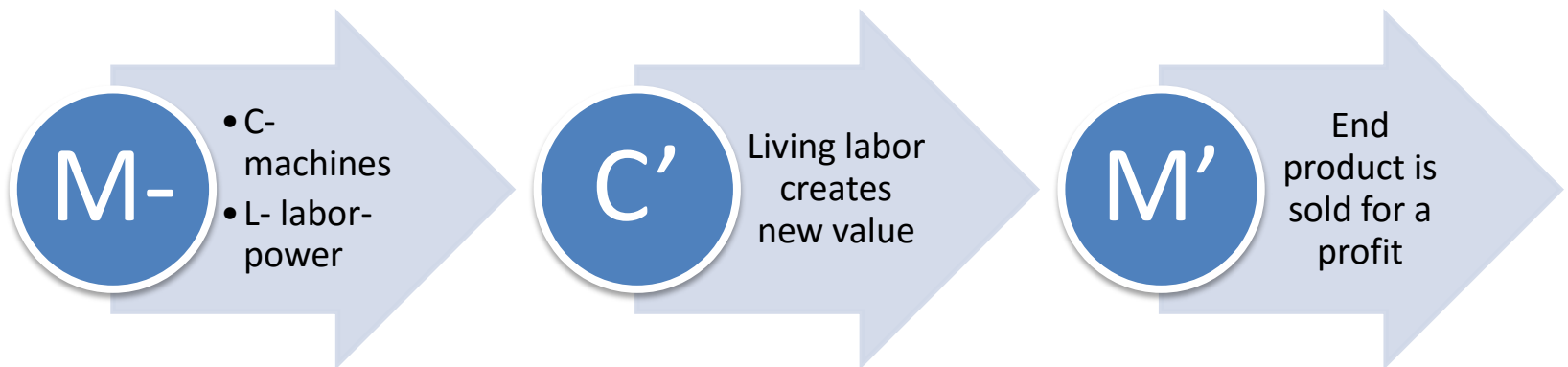


Growth and the Circuit of Capital

- Expanded, the circuit is:

M-C-L ... C'-M':

- A capitalist purchases commodities and labor-power. Labor then produces some new commodity, which is then sold for a profit.



Two-fold character of Labor

- Commodities have a **two-fold character**: they possess both a **use-value**, (a value in use), and an **exchange-value** (i.e. a **price**).
- Marx applies this distinction to **labor** itself, and regards this as one of his most important 'discoveries.'



Two-fold character of Labor

- Because **exchange-value is a social relation**, Marx insists that the commodity is not a natural thing, but a social construct, expressing in elementary form the wealth of modern societies (1990: 126). The accumulation of **wealth *appears* as the abstract accumulation of value**, which in turn presupposes that labor too, “in so far as it finds its expression in value” possesses both a use-value and an exchange-value.



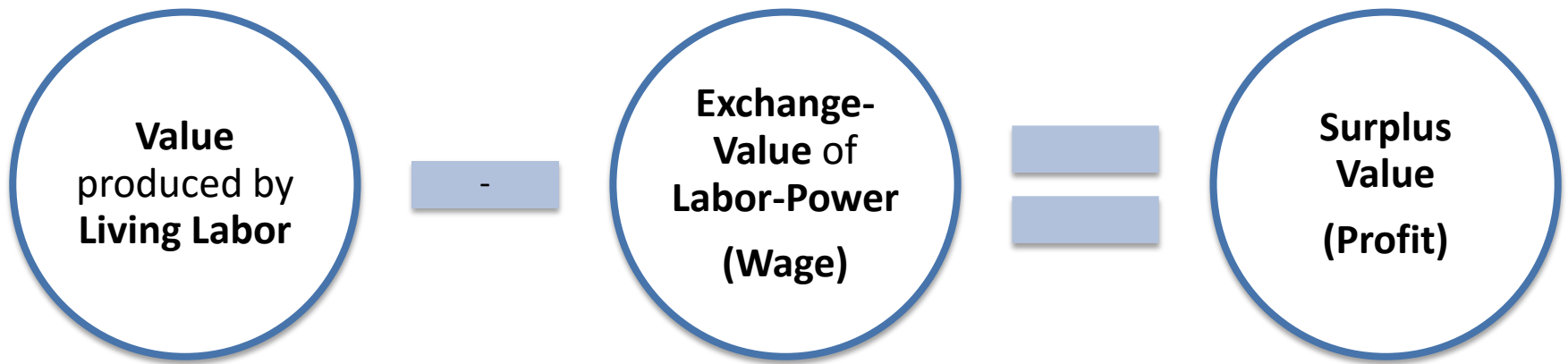
Two-fold character of Labor and Surplus Value

<u>Labor</u>	<u>Labor-power</u>
Use-value of Labor	Exchange-value (price) of Labor
Concrete, particular	Abstract (Generic capacity)
Creates new Value in production	Receives its full value in the form of a wage

Workers receive back in wages only a portion of the total value they produce. The (exchange) value of labor-power is the wage, and this is determined by its 'cost of production' (in line with classical economic theory of price), which is whatever is needed to keep the worker alive and working! In this account, wages fall to subsistence levels, and the extra value they produce gets appropriated by the capitalists as **surplus-value**.

Surplus Value Definitions

A surplus arises when the value of a worker's labor-power is less than the value that labor produces during production. This difference is called **surplus-value**, and it is also **the time spent working in excess of the amount of work required to reproduce one's livelihood**. **Surplus-value is thus surplus-labor time** and is the primary source of profit in capitalist society, according to Marx.



Two modes of exploitation

1. **Absolute** surplus value = lengthen the working day without a corresponding increase in labor compensation (i.e. **Work Longer**)
 - Important during the early days of capitalism. Does not change the production process itself.
2. **Relative** surplus value = decrease the necessary labor time needed to reproduce labor-power. This is accomplished by cheapening the value of labor-power by increasing productivity. (i.e. **Increase productivity**)
 - Corresponds to mature capitalism; entails the mechanization of production.



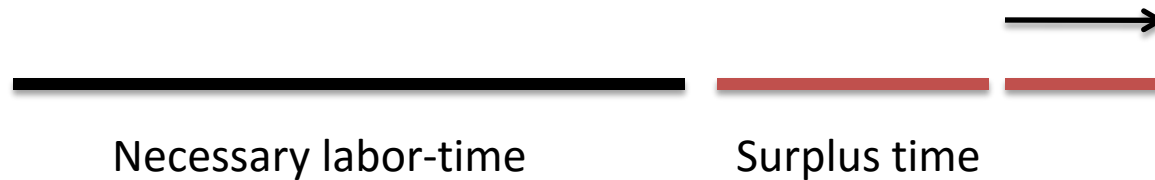
Necessary labor-time



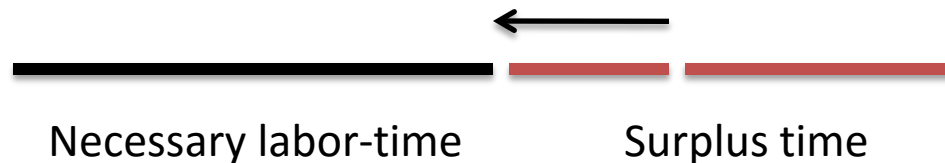
Surplus time

Two modes of exploitation

1. Lengthen Working Day



2. Increase Productivity





Profit and Exploitation

- **From where does profit *as a whole* arise?**
 - Buying low and selling high? Yes, this does exist! But this only benefits one person at the expense of another: in the aggregate, total value remains the same. Whatever one person gains by selling high, another loses by buying high!
 - This form of profit has existed for millennia.
 - These gains and losses balance out.





Profit and Exploitation

- From where does profit *as a whole* arise?
 - The source of all profit in capitalism is the creation of surplus value by living labor.
 - For Marx, **profits are derived from exploitation**, even when all commodities are exchanged at their true or fair ‘value.’ From the POV of capital, workers receive the “value” of their labor-power!
 - Profit does not arise from trading, but from the nature of the production process itself: **capitalist wage labor**.

Profit and Exploitation

- From where does profit *as a whole* arise?
 - Profit arises from **the difference between the time required to reproduce the livelihood of workers, and the time workers actually spend at work.** This “extra time” is what capitalists pocket.



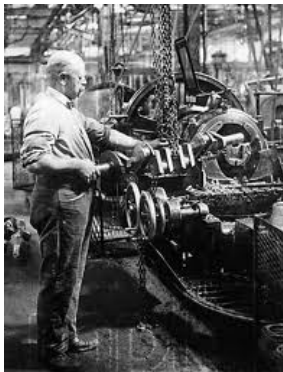
Pocketing Time

Labor Theory of Value

- ***Value*** is determined by the expenditure of socially necessary labor time (SNLT)
 - In other words, less efficient producers do not generate more value simply by expending more labor time.
- For Marx, all *new* value is created solely by living labor, whereas machines merely transmit their existing values to the end product. Marx refers to the money advanced by capitalists to acquire labor-power as *variable capital* (*V*). He refers to the money advanced to acquire machines and other non-labor inputs as *constant capital* (*C*).
 1. ***C + V + S = Total Value*** or (Labor + Machines = TV)
 2. ***Living Labor = V+S*** or (LL = wage + profit)

Value and Material Wealth

- ***Value*** is determined by the expenditure of socially necessary labor time, ***not wealth!*** ***Material wealth*** is created by labor, machines, and nature. Material wealth corresponds to the ***physical magnitude*** of output, not its value.



1. ***Labor*** → 100 cars in 100 hours;
 - Each car is worth 1
2. ***Labor*** → 1,000 cars in 100 hours;
 - Each car is worth $1/10^{\text{th}}$
 - Total ***value*** has not changed, even though the amount of ***material wealth*** has multiplied by 10x!
 - Assumes that the time required to produce the cars is the socially average time;
 - By “labor” I mean both living labor and machines (‘dead labor’ or ‘past labor’)



Two views on Profit and Exploitation

- **Marxian: Profit is the exploitation of workers!**
- **Wages represent only a fraction of the value workers produce!**
- **Implication: Overthrow the exploiters. *Revolution Now!***
- **Neoclassical: Profit is the payment for capital's contribution to production.**
- **Likewise, wages are the payment for labor's contribution.**
- **Implication: Everything is as it should be...**

IX. RELEVANCE OF MARX?

Is Marx Relevant?

- **Where? Here or Third World?**
 - When evaluating his predictions, we need to examine not only the experience of people in rich countries, but examine the condition of the majority of the people in the world!
- **Why did revolutions take place in ‘backward’ third world countries (Russia in 1917, Cuba in 1953, China in 1949, etc) and not in the developed West?**



sweatshops

Is Marx Relevant?

- How is 'capitalism' defined and does Marx's theory refer only to 'competitive' capitalism? Or also to 'monopoly capitalism' today? Does it describe the Soviet Union?
 - Competitive ("liberal") capitalism disappear in the 18th century. Today we have giant corporations usually receiving government assistance.
- Marx got a lot right, and made some mistakes. We should separate his analysis of capitalism from his predictions about the future of socialism/communism, and also regard these predictions as *tendencies* of capitalism, left unchecked...



sweatshops



Traditional and Non-traditional Interpretations

Traditional Marxism	Non-Traditional Marxism
Marx as critique of competitive (liberal) capitalism of 18 th century	Marx as critique of value determination: contradiction of value (labor-time) vs material wealth [see below]
Marx as critique of exploitation	Marx as critique of possibilities created but not realized in capitalism
Capitalism as <i>domination of labor</i>	Capitalism as <i>domination through labor</i>
Focus on distribution	Focus on production itself
Labor as transhistorical (labor is production in all societies)	Unique role of labor in capitalism as new means of social interdependence and mediation
Revolution as high wages (end to exploitation)	Revolution as free time



Why doesn't increased productivity generate more free time?

- From 1950 to 1990, American productivity doubled. Each person per hour produced twice as much in 1990 as in 1950 (see *The Overworked American* by Juliet Schor)
- This means we enjoy the same prosperity as Americans did in the 1950s and **work half of the year, or 4 hours per day!**



‘Work’ as Ideology of capitalism

- Moishe Postone maintains that the “apparently transhistorical necessity- that the individual’s labor is the necessary means to their (or their family’s) consumption- serves as the ***fundamental legitimating ideology*** of the capitalist social formation *as a whole*, throughout its various phases.”