

## Lecture 6

### **Marx's Economics**

#### Labor

- Labor = Activities that transform raw nature into something to use/exchange
- Specialized Labor = Laborers perform specialized tasks that depend upon other specialized labor (i.e. Assembly Line Labor)
- Alienated Labor = Laborer is separated from the means of production, the product of the work, other laborers.

#### Continuity/Discontinuity hypothesis

- Influenced by Hegel

#### Outline

- Readings
- Early & Late Marx
- Economics & Marxism
- Marxist Technology

### **German Ideology last work of Early Marx**

Early Marx was more philosophical, late Marx economic. Marx takes on economic issues that were taken for granted or ignored, or viewed through the lens of capitalism (from the shop floor)

### **Wage Labor & Capital**

- He wanted to make it known his theory of exploitation and capitalism. He would have to work on price, commodity, and dissect everything and publish it
- Addresses wage labor
- Compiled through various speeches he made to workers association.
- Published in 1849
- "Every social reform remains a utopia until the proletariat revolution"
- Surplus value
  - Concerns the exploitation of the worker
  - Exchange between capitalist and a worker; farmer pays farm labor 5/day. During that day, labor produces commodity worth 10 dollars. Farmer has doubled his input; labor receives 5 dollars. 5 dollars spent on subsistence. For the capitalists, 5 turns into 10 dollars; half turns into profit. Reproductive for the capitalist, unproductive for the laborer.
- Inflation
  - Price of commodities can increase, while laborer's wage remains the same. In relative terms his wage has dropped.
  - The laborers purchasing power is at the whim of inflation
- Wages
  - Nominal wages: money received per hour/day.
  - Labor is not part of the workers life, it is a sacrifice of his life.
  - Wages determined by the price of the product (supply/demand, etc)
  - From workers perspective; exposed how the workers labor was exposed to commodity vagaries and changes; peoples lives were seen as disposable
  - Real wages: sum of commodities one is able to purchase
  - Relative wages: share of direct labor (human and immediate machine cost) to Capital.

- Real wages can go up, but the profit that the factory makes is even higher. Therefore relative wages have lowered.
- The lower the capitalists can keep real wages down, the more profit they can gain
- Competition between capitalists themselves: who can discharge the more workers wins.
- Direct Labor: production of any commodity that requires both labor and some produced means of production. (cost of production that day)
- Indirect labor: sum of the prior capital costs (how much it cost to buy the machine, transport the machine that makes the product)
- Embodied labor: both direct and indirect

### Terminology

- Commodity = Product of labor
- Commodity Fetishism = Product of labor takes on a meaning/value that exceeds the exchange value; commodity has a spirit/life of its own that gives it power
- Use value = Immediate value of a product
- Exchange value = Value of product for sale or trade, including the profit.

If two products can be traded, there must be a third product that the 2 are weighed against; Marx believes it is labor

### Profit

- No previous theorists have explained how capitalists make profit
- Rests on the exploitation of the worker
- Capitalist buys the labor power of the worker; the price of this is determined by how other commodities are priced
  - Amount of socially necessary labor power
  - How many hours it takes to produce a certain good.

- Cost of labor = value of other commodities the employee purchases to stay alive.

### **Terminology**

- Classes = Social groups defined by their relationship to the means of production
- Bourgeoisie = owners of means of production (factories, mines, large farms, etc)
- Proletariat = (Working class) people who sell their labor to survive

### **Exploitation = Owner's profit exceeds laborers' wages**

- Mode of production is the unity of the productive forces and the relations of production
- Capitalism, Socialism are Modes of Prod.
- Whereas Bourgeoisie/worker or egalitarianism are relations of production

### **Variable Capital**

- Labor power is the only commodity which can produce more value than it is worth, known as variable capital
- So variable capital is a productive force, it is the ability of the capital (the laborer) to increase its own values.

### **Constant capital**

- Other commodities simply pass their value on to the finished commodities, but do not create any extra value

### **As capitalism grows, increased dominion of worker**

- But as capitalists compete, and force weaker ones out, it increases unemployment; capitalism needs a pool of unemployed to gather labor from.

He refused to accept the idea of the mutual benefit of capitalist and workers, a harmony.

### **Laws of the Dialectic**

- Transformation of quantity into quality, and v.v.
- The Unity of Opposites
- Negation of the Negation
  - Process of change that results from contradiction
  - e.g. Slavery. Slavery is the initial negation, rising and revolting against it is the negation of the negation

Base: Economic relationships - the "infrastructure" or "economic base" of society

Superstructure: Political/ideological relationships - the "superstructure" of society

### **Marx's \$\$ Theory**

#### Critiques

- Doesn't address role of economic crises that can undermine capitalism
- Labor theory of value is riddled with inconsistencies

Economic model may have issues but value still found in other theories