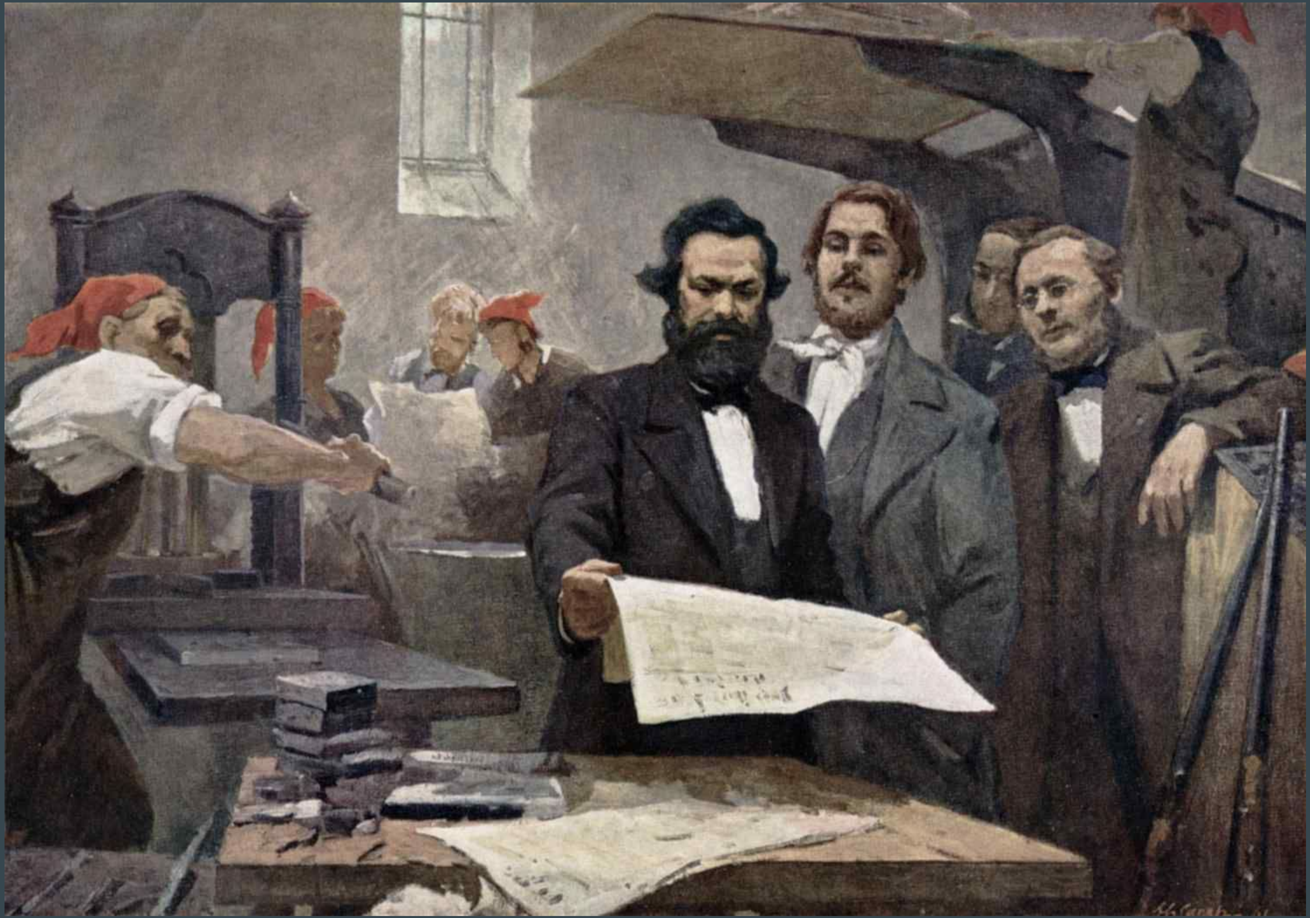
Intro to the Critique of Political Economy

History of Political Economy: What was Marx addressing?



"Political economy is the study of production and trade and their relations with law, custom and government; and with the distribution of national income and wealth."

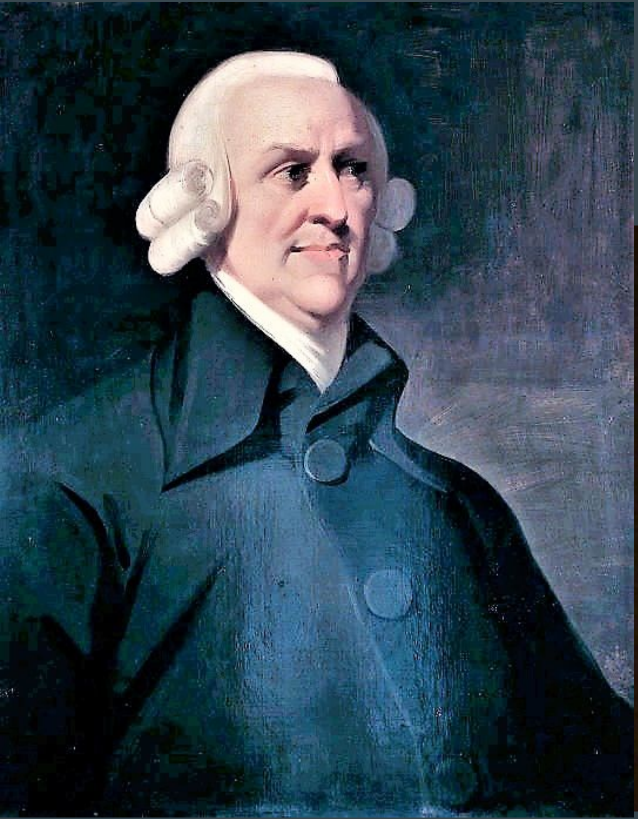
(definition from Wikipedia)

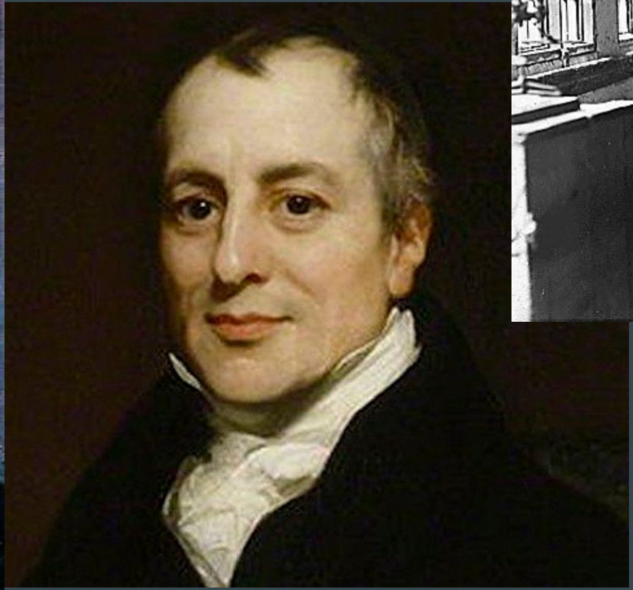
- Political Economy: not Marx's term, an academic field that existed during his time that he critiqued
- Basically what it sounds like: Political Economy is economics that goes beyond finances and prices and considers the economy in relation to the broader society

Marx's "Critique of Political Economy" came out of deep study and serious consideration of existing political economists

- Marx was critical of many of the assumptions of these political economists, which he saw as leading to inconsistencies
    - Marx's critique was rigorous and did not lump all these economists together: he addressed their theories separately, and treated some of them (like Adam Smith and David Ricardo) as having provided valuable analysis. Others, like Thomas Malthus and John Stuart Mill, he considered to basically be frauds who provided lazy theoretical defenses of capitalism. Still, his critique of them was very careful and deliberate, so Capital is very long.

What did Marx's critique of political economy build on?





- Marx took thinkers like Adam Smith and Ricardo very seriously, and was careful to read them on their own terms to find inconsistencies that would allow for appropriate critique
- Smith and Ricardo both based their political economic theories in the Labor Theory of Value
    - "Labor Theory of Value" or "LTV" was not invented by Marx and is not inherently "Marxist" — in his time it was the conventional economic wisdom

- Before Marx, thinkers like Adam Smith understood that labor is permanently necessary and relevant in a way that no other good or service can be. Marx accepted this and built from it, but came to the conclusion that capitalism operated in a way that did not only depend on labor, but was in constant tension with the labor it depended on
    - Marx also credited Adam Smith with his analysis of "division of labor" in society at large (e.g. between farmers and craftsmen), but Marx thought Smith did not go far enough and needed to analyze division of labor in the workplace itself

Marx’s Critique of Political Economy

- Marx came to the conclusion that the field of political economy was fundamentally flawed because it was too invested in defending the existence of capitalism as super-historical (a natural thing that has always existed and will always exist, outside of historical changes)
- Economics has functioned in different ways throughout history, and exchange on the market was not always the primary way things were traded or work was done
- Marx thought that capitalism was only a human system that changed with history, like previous forms of economic organization, and that the class of wage-laborer was not any more permanent or inevitable than the classes of peasants or slaves. He thought it was necessary to prove this with specific critiques in reference to the existing theory, which became his work "Capital"

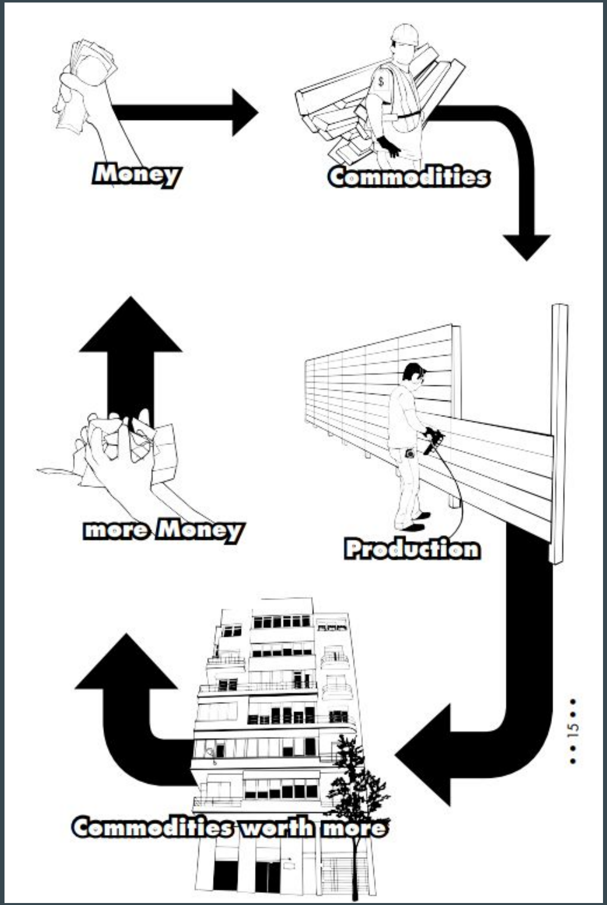
"We know by experience that a relatively feeble development of commodity circulation suffices for the creation of money. But *capital* requires more than the mere circulation of money and commodities. Capital arises only when the money-owner, as the owner of factories, tools, etc., finds the free worker available on the market as the seller of labour-power. This one historical precondition comprises a world's history. Capital arises on this basis, announcing a new epoch in social production."

-Marx, Capital Volume 1

How does wage-labor differ from serfdom or slavery?

General Idea of "Capital: A Critique of Political Economy"

- "Capital", even just Vol. 1, is a long book that builds on itself to make points, so reading portions of it out of context can unfortunately be unhelpful
- The overall idea:
  - When things are produced for the purpose of exchange, they're commodities
  - "Capital" (the thing, not the book) is when commodities are bought only to be sold
  - A capitalist society comes about when making things for exchange, and exchanging them, becomes the only way that society can continue to exist



Diving into some terms

Use value vs exchange value

- Use value = what you get from using an item.
  - For example: You get value out of your winter coat by wearing it when it's cold; this is inherent in the object itself
- Exchange value = the amount of money or other commodities that you can exchange an item for
  - For example: You get money for selling your winter coat to a thrift store; this is dependant on the conditions of the market at the time that you sell it

THE VALUE OF COMMODITIES

com·mod·i·ty – *noun.*

1. A thing that exists "outside of us" that we exchange for something we want or need.
2. Something with use-value and exchange-value.

= Protect your feet when walking = **USE VALUE**

(Of little use to the capitalist)

= $65 or $20 = **EXCHANGE VALUE**

(Potential profits for the capitalist)

The Commodity and Value

"So far as it is a value in use, there is nothing mysterious about it...It is as clear as noon-day, that man, by his industry, changes the forms of the materials furnished by Nature, in such a way as to make them useful to him. The form of wood, for instance, is altered, by making a table out of it...

There is a physical relation between physical things. But it is different with commodities...when we bring the products of our labour into relation with each other as values, it is not because we see in these articles the material receptacles of homogeneous human labour...whenever, by an exchange, we equate as values our different products, by that very act, we also equate, as human labour, the different kinds of labour expended upon them. We are not aware of this, nevertheless we do it. Value, therefore, does not stalk about with a label describing what it is."

— Marx, Capital Vol. 1, The Fetishism of Commodities

C-M-C vs M-C-M`

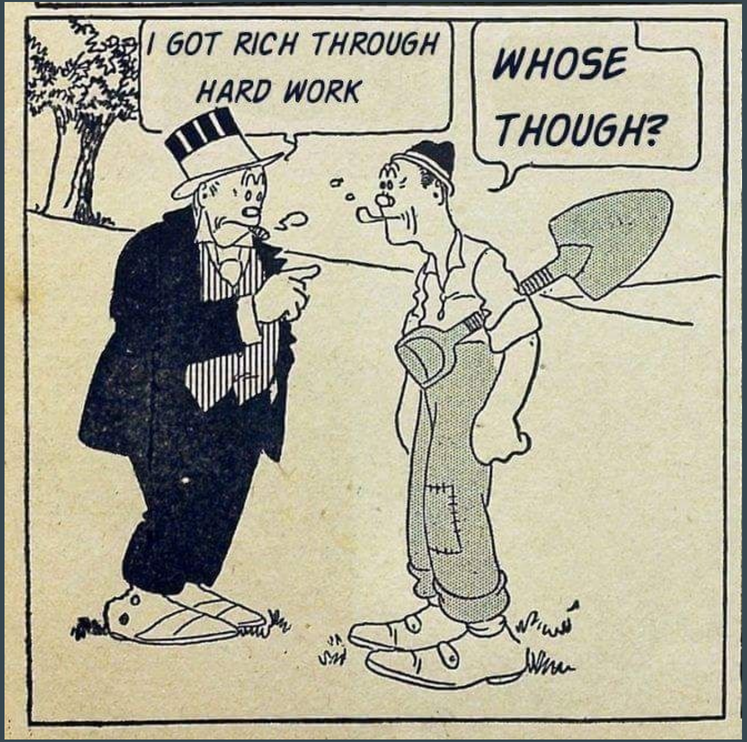
- When something produced is sold instead of used it becomes a commodity (C), and can be exchanged for money (M), which is a kind of "universal commodity" that can be exchanged for any other commodities (C)
    - You produce something at your job, like a meal or a chair, and you are given money by your boss as payment. You use that money to buy commodities out of necessity: like food to keep your body alive, or recreation (like a netflix subscription or a concert) to have a reason to keep living (also a human need!).
- Money (M) can also buy commodities (C) that, instead of being used to keep you alive, can be sold to create more money than initially spent (M`): a capitalist is someone who uses less money to make more money, and is not involved in the production of commodities
    - The owner of your workplace puts money into the business in the form of hiring workers, purchasing raw materials, and renting the building you work in. The workers produce, through their labor, commodities which the owner sells for more money than they started with.
- These are not the same ways of relating to production!

M – C – M'

Surplus Value

- How do you make less money into more money? How do you get from M to M'?
- What occurs between M and M', that produces C?

LABOR!



- Where does the money (M) go?
  - Interest: Money paid to banks and investors, who loan money to smaller capitalists
  - Rent: Money paid to landowners, owners of equipment, digital copyright holders for software/intellectual property
  - Wages/Benefits: Amount paid to workers either directly (wages) or indirectly (healthcare, a safe/fun workplace)
- Profit: The remaining difference between the initial investment (M) and the final value received from the sale of what is produced (M`), the surplus value


YOU DON'T GET PAID for 8 HOURS' WORK, YOU GET PAID for WORKING 8 HOURS!
WAGES
PROFIT
lipschutz.

Profit

- Capital: money and resources invested towards further profit
- Constant capital vs Variable capital
    - Constant = machines, raw materials, etc. Their value is the amount that they are bought for, and you can only extract a fixed amount of value from them. (e.g. if you need 10 bars of steel to produce 25 watches, you cannot make 50 watches out of 10 bars - something else is needed!)
    - Variable = human labor, which varies in terms of value produced. (if it takes 5 workers 1 day to produce 25 watches, and you can compel them to work twice as fast they can produce 50 watches)
- The value of a product comes from value of the raw material (and/or means of production) combined with the labor-power of the workers who "add value" by transforming raw material into a new commodity.
- Any amount above the combined cost of variable capital and constant capital is profit for the capitalist!

Alienation

- Workers are removed from the product of their labor
  - Instead of making the things we use, we need to sell our labor-power to make something someone else can sell, and they give us some money to buy the things we need to use
- They cannot control what happens with it once it is produced, and they have no say over what or how much gets produced!
- This is also baked in to the relations of capitalists to the things their companies produce - the production is not done to satisfy a need, but as a way to make more money, and satisfying a need is the means to an end, rather than an end unto itself

“Labor produces marvels for the rich but it produces deprivation for the worker. It produces palaces, but hovels for the worker. It produces beauty, but deformity for the worker. It replaces labor by machines, but it throws one section of the workers back to barbaric labor, and it turns the remainder into machines.”

- Karl Marx

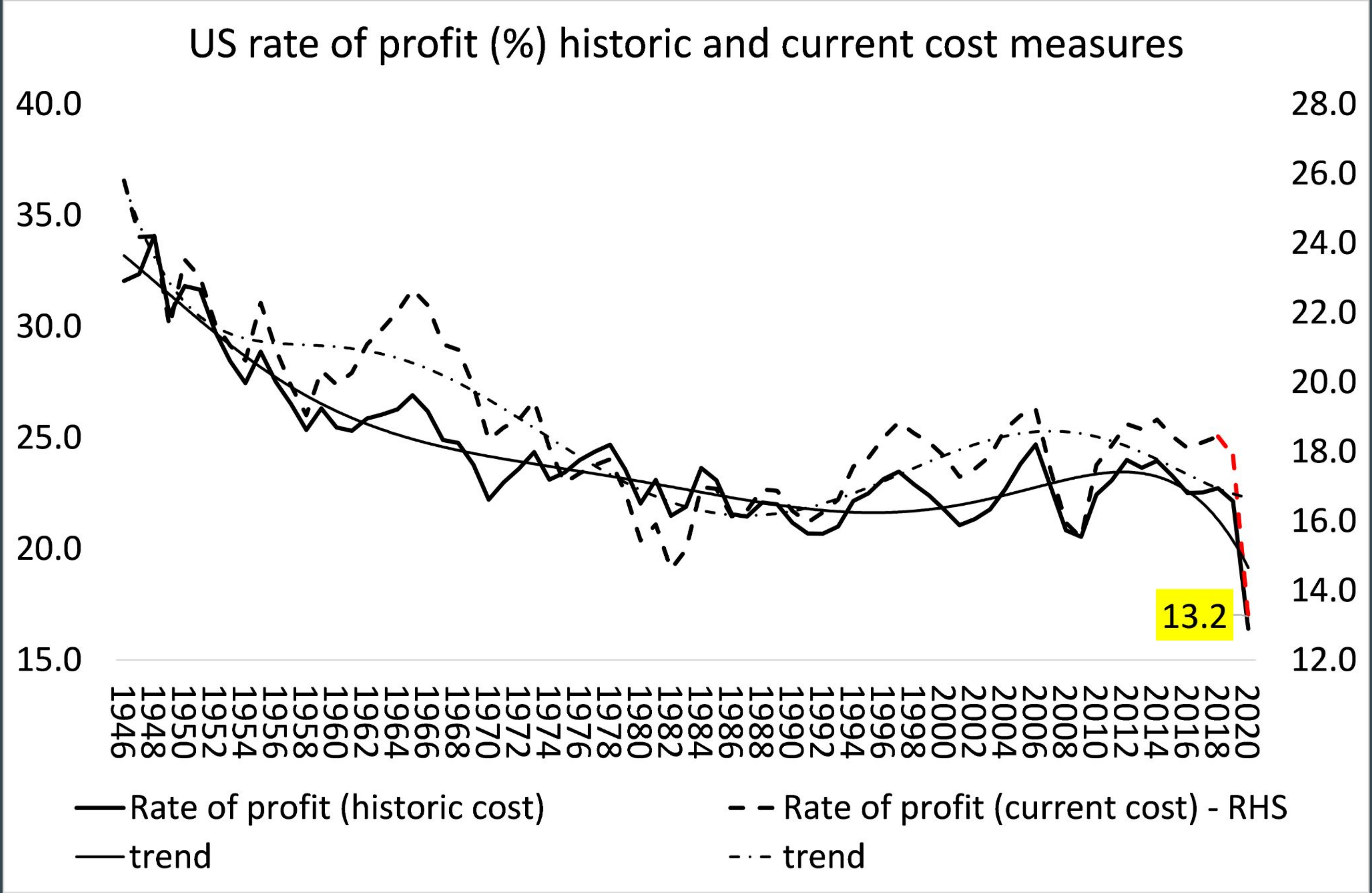
Have you ever felt alienated at work?

Declining rate of profit

- Rate of profit = ratio between surplus value [s] and total capital invested (both constant [c] and variable [v])

$$R = s/(c+v)$$

- As c rises, through the purchasing new technology/machinery that allows less workers to produce more in the same amount of time, R goes down!
  - This is driven by competition between capitalists; since those with higher R are able to invest more money back into their business, they can outgrow their competition and take over the market
- In order for capitalists to maintain their profit once they have the newest technology, they have to extract more and more value from the labor done by their workers
  - Speedups, longer hours, lower pay, etc.


US rate of profit (%) historic and current cost measures
40.0
35.0
30.0
25.0
20.0
15.0
28.0
26.0
24.0
22.0
20.0
18.0
16.0
14.0
12.0
13.2
1946 1948 1950 1952 1954 1956 1958 1960 1962 1964 1966 1968 1970 1972 1974 1976 1978 1980 1982 1984 1986 1988 1990 1992 1994 1996 1998 2000 2002 2004 2006 2008 2010 2012 2014 2016 2018 2020
Rate of profit (historic cost)
Rate of profit (current cost) - RHS
trend
trend

Overproduction

- Capitalism produces more and more commodities, eventually outpacing demand
- The commodities produced cannot be sold at a profit, and consumption falls due to people being laid off
- Overproduction can occur even outside of a major Depression/Recession
  - Because capitalism assumes that growth will always increase, production occurs based on those trends. When too much of a certain commodity is produced, capitalists would rather destroy it than give it away for free - they don’t want to “devalue” their brand by letting poor people have it for free, and/or they don’t want to spend the money to transport it without compensation.

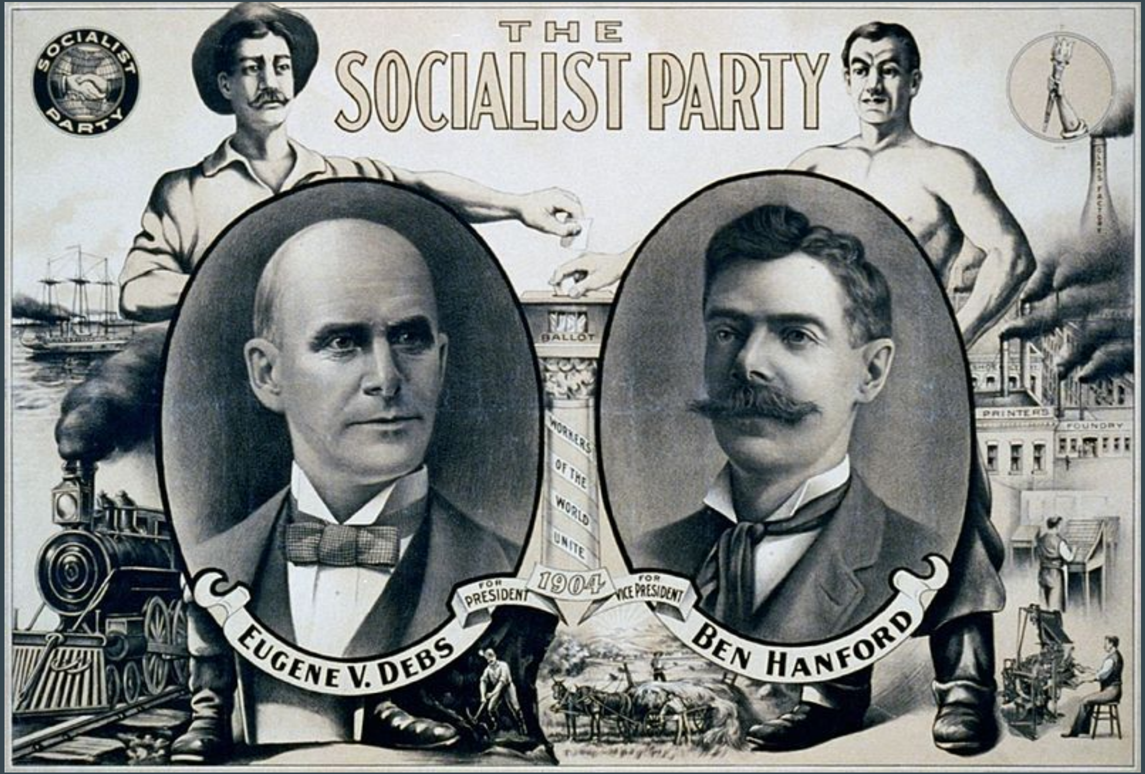
BREAK

How is this relevant to our organizing?

Providing direction to those that want to get rid of capitalism

- Who should organize politically? The inherent instability of capitalism means that all those who do not own the means of production — the vast majority of society — are always vulnerable to exploitation and the worst effects of crises and crashes
    - You don't need Marxism to know that the capitalists are already politically organized around the protection and expansion of capital, but Marxist economics allows for a technical understanding of the system they are protecting and expanding — a critique of capital is as indispensable as a map of a battlefield
- Marxist economics provides a framework for understanding things like money, jobs, trade, development, etc. in a way that *doesn't* remove the relevance of human social experience: it attempts to *understand* the world as it exists, whereas liberal economics attempt to *justify* the world as it exists
- Knowledge of how the world works is possibly the single most valuable tool for people who are oppressed and exploited
    - Marx did not nearly account for or accurately consider the relation of every potential relation of oppression or exploitation, but the methodology he used has been widely adopted by people from every continent and culture to analyze their own situation, and provide a framework for their liberation struggles

A way to talk about your relationship to work within a greater historical context



Inevitability of Crises under Capitalism

- Since the rate of profit always falls over time, crises will continue to happen
- Capitalism cannot be reformed, because the falling rate of profit will inevitably lead to a crisis
    - Capitalists have used this as an excuse to roll back entitlements and social programs
- Understanding that crisis will occur means we can be prepare for them

Common Critiques?

- Focus on labor, particularly wage-labor can mean you disregard those who are out of work or unable to work
- Simplified view of economic phases of history (was much more complex than Ancient -> Feudal -> Capitalist)

Discussion Prompt