

Phil. 2200

Notes #11: Marxist Theory of Exploitation

To Discuss Today

- Intuitive motivations for criticizing capitalism
- Marx's attack on capitalism
 - Alienation
 - The Labor Theory of Value
 - The theory of surplus value
 - The theory of exploitation

I. Why study Marxism?

- For historical reasons:
 - Marx was perhaps the most influential political philosopher in history.
 - ~ 1/3 of the world lived under Marxist regimes in the late 20th century.
 - 85-100 million people killed by Marxist regimes.
 - Central to 20th century geopolitics: the cold war, etc. The human race was almost destroyed over Marxism.
- There are still Marxists around today.
- Many other thinkers are *influenced* by Marxian ideas.
- Q: Did he have a valid criticism of capitalism?

II. Intuitive Background: Why people oppose capitalism?

- Capitalist countries have large *economic inequality*.
(Statistics: <http://www.census.gov/hhes/www/income.html>)
Workers get low incomes.
Capitalists get high incomes.
But the workers are doing all the work!
This looks unjust.
- Question: How do the capitalists get so much money? Why do the workers get so much less?

III. The Theory of "Alienation"

- What are wages:
Wages are the price of "labor power."
- The nature of labor:
Labor = the worker's "life-activity".
Worker sells it in order to live.
So he is like a slave: he "belongs ... to the capitalist class."
- Alienation:
Worker does not consider his labor as a part of his life.
The product of his labor belongs to the capitalist.
Hence, the worker's labor is "alienated": His own life activity comes to be something foreign
[Discuss: Is this all true? How bad is it? What could be done about it?]

IV. The Theory of “Exploitation”

- Background economic concepts:
 - Use-value vs. exchange-value:
 - * Use value: The value an item has in virtue of one’s ability to consume/use it.
 - * Exchange value: The value an item has in virtue of one’s ability to trade it for something. Market value.
 - Capital: physical goods used in producing more goods. Ex.: Factories, tools, money useable for investment.
 - ‘Capitalists’: People who own a lot of capital.
- *Labor Theory of Value* (LTV)
 - The price of goods on the market is determined by the *socially necessary labor cost* of the good.
- The price of labor:
 - Wages are determined by “the cost of existence and reproduction of the worker.”
- “Surplus value”:
 - The difference between (a) the amount of labor required to keep the worker alive and (b) the amount of labor the worker can perform. Or:
 - The difference between (a) the price of labor, and (b) the price of the *goods* produced by the laborer.
- The theory of “exploitation”:
 - The capitalist gets the surplus value.
 - Then he uses it to get more capital & increase his power over the workers.
 - Example: the worker and the farm-owner.
- In sum:
 - LTV ! Subsistence-level wages ! Theory of Surplus Value ! Theory of Exploitation
 - Q: Where do capitalists get their wealth? A: Purely from
 - (a) already owning capital, and
 - (b) extracting the ‘surplus value’ from the workers.

V. Marxist Economics: Effects of Mechanization & Division of Labor

- What is the effect of *the growth of capital?*
 - “Increases the competition between the capitalists”
 - ÿ Capitalists seek to raise productive power & lower labor costs
 - ÿ Increasing mechanization.
- Effect of mechanization:
 - ÿ Capitalist must sell more
 - ÿ Lower prices
 - Other capitalists introduce the same machines.
 - ÿ All are forced, by competition, to lower their prices “below its new cost of production” (213).
- Later:
 - “This law is none other than that which, within the fluctuations of trade periods, necessarily *levels out* the price of a commodity to its *cost of production*” (213)
 - “Thus, the capitalist will have won nothing by his own exertions but the obligation to supply more in the same labor time ...” (214)
- Effect on workers:
 - Workers compete with each other.
 - “Therefore, as labour becomes more unsatisfying, more repulsive, competition increases and

wages decrease.”

Mechanization ÿ more workers are discharged ÿ They can't find new jobs (215)

Also, women and children must work

- Capitalist class shrinks, workers increase.

“The working class gains recruits from the *higher strata of society* also; a mass of petty industrialists and small rentiers are hurled down into its ranks...” (216)

- In sum:

Mechanization & Division of labor ÿ Everyone is continually worse off.

VI. Selected Incoherences

- Wages are decreasing *and* prices of consumer goods are decreasing. (Lower consumer prices = higher *real* wages.)
- Productivity is increasing, *but* workers and capitalists are worse off. (Where are all the extra goods going?)
- Wages are at the minimum level (determined by LTV), *and then* they decrease more. (Contradicts LTV. And how are the workers still alive?)
- New jobs require unskilled labor, *and* workers are put out of work and can't find jobs in new areas. (If jobs require no skill, anyone should be able to do them.)
- Capitalists are forced to sell *below* cost of production. And they sell *at* cost of production. (Immediate contradiction. And how are the capitalists still in business? And why would they participate in an activity with 0 profit?)
- Capitalists extract surplus value from workers, *but* they only sell products at cost. (Where is the surplus value going?)

To Discuss Today

Standard economics: price theory
Contrast with Marxist economics
Why are capitalists rich?

1. Basic assumptions of economics

- Human behavior tends to be instrumentally rational.
 - *Instrumental rationality*: Choosing the correct means of pursuing your goals, according to your factual beliefs.
- *Economics studies the nature and consequences of instrumental rationality.*

2. The law of diminishing marginal utility

- Important concepts:
 - **Utility**: A person's amount of desire-satisfaction. Understood as a quantity, determined by strength of desires and how well they are satisfied.
 - **Total utility of X**: The utility a person receives from the total amount of good X that they have.
 - **Marginal utility of X**: The change in a person's utility that would result from a small addition to the quantity of some good that they possess. Mathematically: The derivative of total utility with respect to quantity of X possessed.
- *Law of Diminishing marginal utility*: As quantity (of whatever good) increases, marginal utility decreases. Examples:
 - Orange juice
 - Money

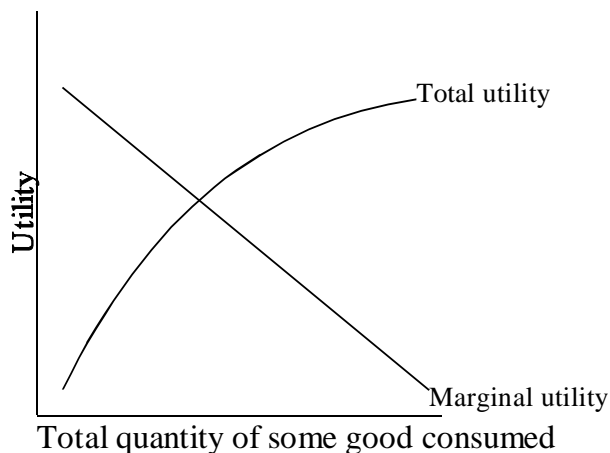


Figure 1: Diminishing marginal utility.

3. Demand curves slope downwards

What is a 'demand curve'?

price = marginal utility of consumption.

Demand curve mirrors marginal utility curve.

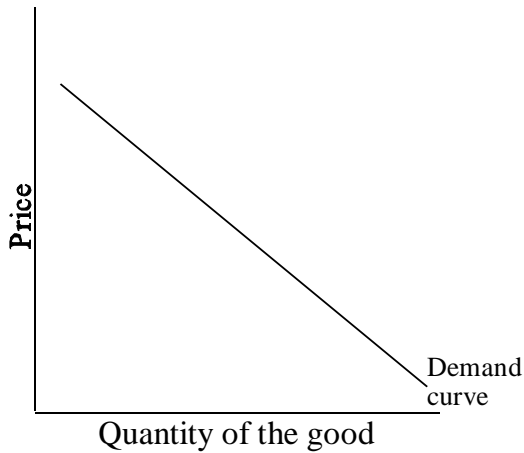


Figure 2: A demand curve.

“Demand curves slope downwards”: The lower the price, the more you buy.

- For individual consumers
- For society

4. Supply curves slope upwards

• What is a “supply curve”?

• The principle of increasing marginal costs of production: (After the most efficient production volume) as production increases, per-unit costs increase.

• price = marginal cost of production.

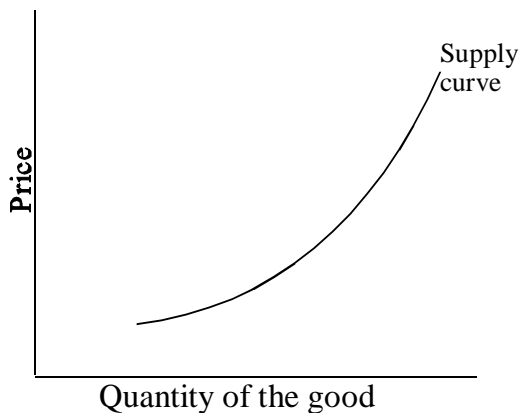


Figure 3: A supply curve.

• Supply curves slope upwards: The higher the price, the more you produce & sell.

- For individual producers
- For society

5. Prices

We have said:

1. Price = marginal utility of consumption.
2. Price = marginal cost of production.
3. Therefore, the price must be set at the point where:
marginal utility of consumption = marginal cost of production.

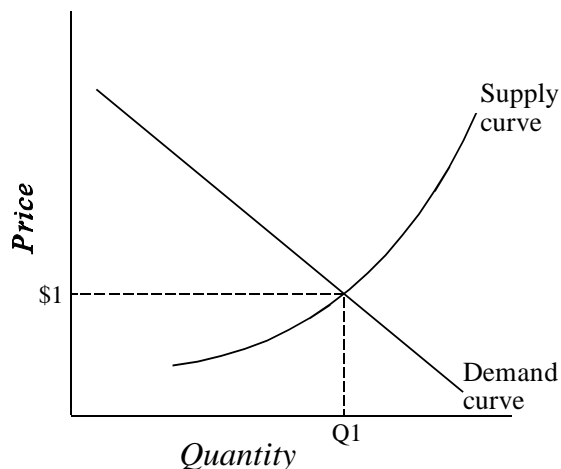


Figure 4: The market price is determined by the intersection of supply and demand curves.

6. What is price theory good for?

- Enables qualitative predictions about utility of various policies, e.g.:
Rent control.
Tariffs.
Minimum wage laws.
Capital gains tax rates.
- Gives a response to Marx's theories.

7. Marxism vs. Price Theory

The basis of 'costs' & 'benefits':

- Marx: cost = (socially necessary) quantity of labor. Has a physical basis.
- Price Theory: cost = disutility. Has a psychological basis.

The mathematical form of 'production costs':

- Marx: Cost of production represented by a number.
- Price Theory: Distinguish *marginal cost* from average cost. Cost of production represented by a *curve*

What determines prices?

- Marx: Prices determined by labor costs.
- Price Theory: Prices determined by supply *and* demand *curves*. Both determined by human desires.

Difference between workers' & businessmen's sources of income

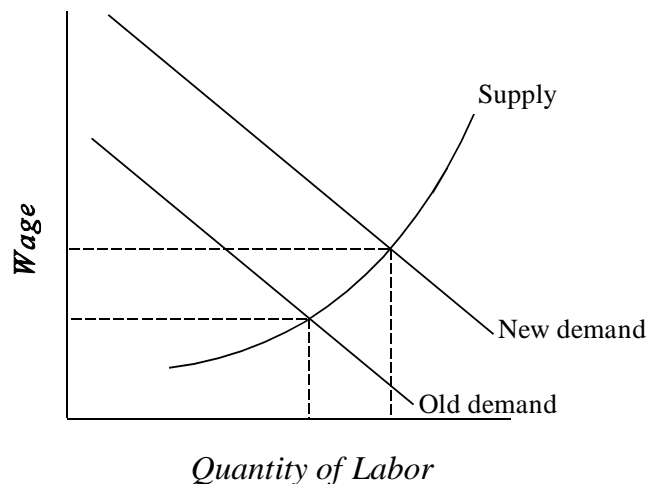
- Marx: Two classes of people: capitalists & workers. Their income has fundamentally different explanations.
- Price Theory: No theoretically significant distinction. All income is a price; all prices determined by the same mechanism.

Why are capitalists so rich?

- Marx: Capitalist wealth is surplus value expropriated from workers. Capitalists do not produce value.
- Price Theory: Salaries determined by supply & demand, like all prices. Businessmen's salaries reflect:
 - * High marginal value to businessmen's activities. (Hence, high demand.)
 - * Low supply of competent businessmen.

Effects of mechanization & specialization:

- Marx: Increased competition among capitalists, making capitalists poorer. Overproduction, businesses cannot sell everything they make. Fewer jobs available, unemployment. Wages fall because of lower demand for labor (businesses can produce the same amount with less labor, so they will hire less labor).
- Price theory:
 - * More goods: someone must be consuming them. Someone is better off.
 - * Marginal value of labor increases, so wages & employment increase.
 - * (In classical economics:) More productivity \pm larger aggregate demand. *Say's Law* aggregate supply = aggregate demand; supply creates demand.



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Notes #13: Communism in Theory (Marx, Engels, Bakunin)

I. What Does Marx Propose?

- Social views:
 - Abolition of “the bourgeois family” (88). Unclear what this means.
 - Communal wives.
 - Abolition of national divisions. (World government? Or cooperation between all governments.)
- Major economic views:
 - Abolition of “bourgeois property” (= capital). No one may own means of production privately. State should own factories.
 - Government should own all land.
 - Progressive income tax.
 - No inheritance.
 - National bank with a monopoly.
 - State should control all communication and transportation. (Why?)
 - “Equal liability of all to labor.” (What does this mean?)
 - Distribute population over the countryside, so there is no distinction between city & country. (Khmer Rouge followed this.)
 - Free public school education for everyone. (Why public schools?)

II. Objections Addressed in the Manifesto

- Private property is necessary for freedom & independence.
Reply:
 - The workers don’t get any property in the capitalist system!
 - We only want to abolish bourgeois property and bourgeois freedom.
 - Bourgeois freedom is only the freedom to buy and sell. Communist society will have no buying or selling.
- In communist society, people won’t work because they will have no incentives to do so.
Reply:
 - If this were true, no one would work in capitalist society, because the workers already get nothing!
 - “The whole of this objection is ... the tautology: there can no longer be any wage labor when there is no longer any capital.” (86)
 - You’re biased because of your class interests. (87)
- Communists would abolish the family.
Reply:
 - We’re only abolishing “the bourgeois family”. (?) (88)
 - Society already influences education.
 - In capitalist society, the family is corrupt: children are turned into commodities. “The bourgeois clap-trap about the family” is “disgusting”. (88)
- Communists would introduce free love (communal wives).
Reply:
 - We aim to do away with the status of women as mere instruments of production.
 - There is already free love. Bourgeois men already have access to all women.
 - The communist system is just more honest.

- Communists would abolish the nation.

Reply:

- Workers already have no nation.
- Communism will eliminate exploitation between nations.
- And will eliminate hostility between nations.

Overall: The objections to communism “are not deserving of serious examination.” (91)

III. Marx vs. Bakunin

- Mikhail Bakunin: 19th-century socialist anarchist. Criticized Marx’s state socialism.

B: “If the proletariat is ruling, over whom will it rule?”

M: The old capitalists will still be around.

B: The Germans will enslave the Slaves.

M: “Schoolboy drive!” Bakunin doesn’t understand the economic preconditions for the revolution.

B: If you have a state, you will have domination & slavery.

M: The dictatorship will go away once the proletariat is completely successful.

B: Can the entire population be members of the government?

M: Yes, “because the thing starts with self-government of the township.”

B: The government will have to be controlled by a small number of elected representatives.

M: “The ass! This is democratic nonsense, political windbagery!” The society will cease being “political”, governmental functions will go away. Also, “the so-called people’s will disappears to make way for the real will of the cooperative.”

B: The rulers will start looking down on the ordinary workers. They will start serving themselves and the state, rather than the workers. This is “human nature.”

M: Bakunin doesn’t know anything about workers cooperatives. Bakunin is hallucinating.

B: A small group of learned socialists will control everyone else.

M: No it won’t. Again, the state will wither away.

B: If the state is a people’s state, why should it abolish itself?

M: The state is a temporary measure to overcome the remnants of the old society.

B: You can’t achieve freedom by first having slavery. Dictatorships only serve to perpetuate themselves.

- Summary of main points:

Bakunin’s main objections:

- The rulers of the communist state will enslave the people.
- They will serve only themselves.
- The state will not abolish itself.

Marx’s main responses:

- The state will wither away because all class distinctions will disappear.
- Bakunin is an ass.

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Notes #14: Communism in Reality (Courtois, Malia)

Some problems with actual communist regimes:

I. General Repression

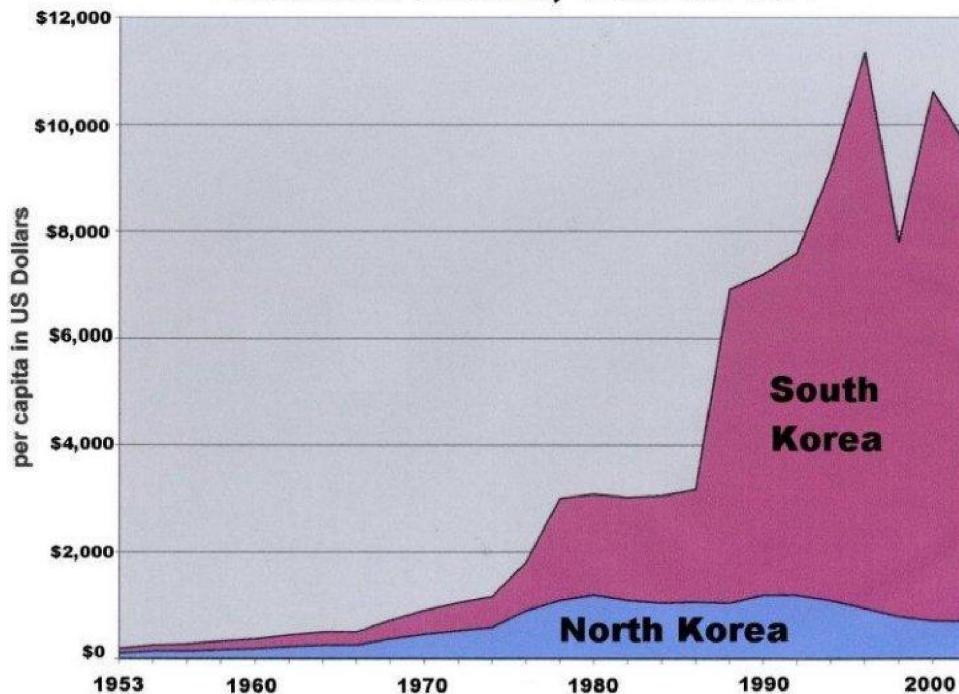
- No freedom of speech/press. State controls all media.
- Suppressed all dissent. Dissidents may be sent to insane asylums, “reeducation camps”, or the gulag.
- Suppressed religion.
- Prohibited emigration.
- Controlled nearly all aspects of life: where you live, where you work, who gets how much of what goods.
- In Cambodia:
 - Khmer Rouge broke up families.
 - Forced everyone out to the countryside, to do forced labor on farms. (See *The Killing Fields*)

II. Economic Failures

- Problem of incentives: Why be productive if you won’t get paid any more for it?
 - “From each according to his ability, to each according to his need.”
 - People who are “good” are punished. People who are “bad” profit.
- Problem of socialist calculation: The state has no way of knowing how much of each thing should be produced.
 - In the capitalist system, the market pricing mechanism serves the function of controlling how much of things get produced.
 - Without a market, how can the state know what prices to set?
- Lack of competition:
 - No competition to remove inefficient firms, because of government monopoly.
- Problem of government selfishness: Government officials serve themselves, rather than the people.
- Problem of government incompetence: Economy is controlled by people with political skills and “correct” ideology, rather than by people with business skills.
- Results:
 - Frequent famines. Permanent poverty.
 - The experiment of Korea: Divided in two in 1953.

Country	Type of gov’t	Per capita GDP (PPP), 2007	Famines	Weapons
North Korea	Communist state	\$1900	1995 famine killed as many as 3 million	Nuclear bomb.
South Korea	Liberal democracy	\$24,800	None.	No nuclear bomb.

Economic Growth, 1953 to 2001



Source: <http://www.paulnoll.com/Korea/History/Korean-income.html>

III. Death Toll

- Soviet Union: 20 million
- China: 65 million
- Cambodia: 2 million
- Vietnam: 1 million
- North Korea: 2 million
- Total: Estimates vary between 85 and 100 million.

IV. Is Communism Morally Equal to Nazism?

- Background: We have very different attitudes towards communism & Nazism.
 - Many movies about evils of the Nazis. Very few about communism.
 - Many communists & Marxists in American universities. Few if any Nazis.
 - Hitler & Nazis always used as example of ultimate evil, not Stalin & communists.
 - No one wants to talk to a Nazi. But people can openly embrace communism.
- Comparison:
 - Communist regimes killed more people. (They had more time and more people to kill.)
 - Both were brutally repressive.
 - Nazis started WWII. Communists *almost* started WWIII.
- Possible differences:
 - Nazism based on hatred for Jews & other minorities.
 - *Reply:* Communism based on hatred for (1) the “bourgeois”, (2) businessmen, (3) people who don’t agree with communism (“counter-revolutionaries”).
 - Communism seeks universal brotherhood.

Reply: Only after the above three groups were eliminated. The Nazis also foresaw brotherhood, after the Jews were eliminated.

- Communists were misguided idealists; Nazis were evil.

Reply: Both were misguided idealists *and* evil. Both embraced the ideals of socialism. Ideological difference: Nazism was *nationalist* socialism; Marxism was internationalist.

- Why the difference in attitudes?
 - America fought a war against Nazis. The Soviets were our allies in that war. We didn't dare fight a war with Russia after WWII.
 - The greatest evils of communism were concealed for decades.
 - American intellectuals have been sympathetic to communism.
- The responsibility of intellectuals
 - Communism was devised by Marx & other intellectuals.
 - Intellectuals spread it over the world. Pol Pot was educated in France.
 - Intellectuals in America have continued to advocate Marxist & socialist ideas.
 - They continued after evidence of the failure of communism was known.
 - * Bertrand Russell (British democratic socialist philosopher) visited Russia in 1920 and concluded that the system had failed.
 - * Stalin's mass murders were known in the 1950's.
 - Are intellectuals to blame for the deaths of millions?

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Outline of Unit 4

At the end of unit 4, students should know:

These concepts:

Alienation
Use value / exchange value
Capital
Surplus value
Exploitation
Instrumental rationality
Economics
Utility, total & marginal
Demand curve
Supply curve

These principles:

Labor theory of value
Law of diminishing marginal utility
Demand curves slope downwards
Supply curves slope upwards
Say's law

Problems of communism:

Approx. death toll
Economic problems:
 Problem of incentives
 Calculation problem
 Competition & why it is needed
 Selfishness & incompetence, & why these
 were a bigger problem for communism than
 capitalism.

These people's views:

Modern economics on:

 Mechanization, specialization
 What determines prices
 How capitalists get rich

Marx on:

 Mechanization, specialization of labor
 What determines prices
 How capitalists get rich
 Private property
 Withering away of state
 Bakunin

Bakunin on:

 The state
 What's wrong with Marxism

Courtois on:

 Communism & Nazism
 Responsibility of intellectuals