Phil. 4800  
Notes #15: 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.  
• 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 usable 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 goods.

• 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”
  - Capitalists seek to raise productive power & lower labor costs
  - Increasing mechanization.

• Effect of mechanization:
  - Other capitalists introduce the same machines.
  - 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 more workers are discharged 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 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?)
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Notes #16: Marx vs. Mainstream Economics

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

\[ \text{Figure 1: Diminishing marginal utility.} \]
3. Demand curves slope downwards
   What is a ‘demand curve’? Shows how much you desire at any given price.
   Price = marginal utility of consumption.
   Demand curve mirrors marginal utility curve.

   \[ \text{Figure 2: A demand curve.} \]
   “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”? Shows how much suppliers sell at any given price.
   • 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.

   \[ \text{Figure 3: A supply curve.} \]
   • Supply curves slope upwards: The higher the price, the more you produce & sell.
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.

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, they only take value produced by others.
- 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 ± larger aggregate demand. Say's Law: aggregate supply = aggregate demand; supply creates demand.
I. Economic effects of the minimum wage

A. Effects on employment

Standard theory:

  - Upward price fixing can result in higher quantity (i.e., employment).
  - Some employers may have monopsony-like powers: costs of job search, illegal immigrants

Empirical evidence:

- Card & Kreuger say min. wage increased employment.
• Other economists dispute this.

B. Effect on poverty
• Min. wage workers are a small proportion of the work force. Most min wage workers are young people in temporary jobs (e.g., while in school).
• Most poor are unemployed, or employed at above the min wage.

II. The Consequentialist Criterion

The most important consideration is the effects on the jobs & income of the worst-off.
• Egalitarians & prioritarians accept this.
• Utilitarians can also accept this, b/c of diminishing marginal utility of wealth.

The standard view:
• Min wage causes small losses to employers and consumers.
• Large losses to marginal workers (job loss).
• Small gains to other workers (who keep their jobs at a higher wage).

At best, consequentialists could be half-hearted about min wage.

III. Exploitation

Exploitation argument: Employers should pay a decent wage; otherwise, they exploit workers.

What is exploitation?
• Taking unfair advantage of others.
• What is a fair wage? The wage that would obtain in a perfectly competitive market?

Objections
• How important is exploitation? Suppose A and B are equally deserving, equally poor people, with the same wage. They are in different market conditions, so that A counts as exploited but B does not. How much more important is it to help A than to help B? Not much.
• Even if exploitation is wrong, the state may not have the duty to stop it. The state might place more weight on the interests of the worst off.
• Those who are disemployed because of the min wage might count as “exploited”.

IV. Freedom

Maybe the minimum wage infringes workers freedom. (a) Violates their self-ownership rights, (b) violates freedom of contract.

Objections
• Min wage laws target employers, not workers. No worker is punished for violating the law.
  • But you can infringe someone’s freedom by stopping others from interacting with him in ways he would desire.
  • But the purpose of the min wage law is to benefit the worker.
• The min wage law also is not paternalistic. It does not suppose that workers have poor judgment. It aims to give them a better strategic position.
• Not all infringements of freedom of contract are wrong: slavery contracts, dueling, specific performance, unlimited liability.
• If min wage laws violate rights, then
  a. Even workers whose income increased would have been wronged.
  b. Even people who have wages above the minimum have been wronged.
V. Conclusion

Min wage is a mistake at worst, or something to be half-hearted about at best.
I. The basic income issue

- Proposal:
  (a) All citizens should get a guaranteed basic income, from the state.
  (b) This income should be at the highest sustainable level.

- Objection:
  - People could choose not to work & move to Hawaii to surf.
  - This would be unfair to those who have to pay for the surfers.

- Argument in favor of this:
  - The “real libertarian” view: “real freedom” should be maximized. This is like Rawls’ Difference Principle.
  - Maximin: Maximizing the lowest level of some quantity. E.g., maximin income: redistributing wealth so that the lowest income level is as high as possible.
  - “Real” freedom: Opportunities to do what one wants (including things that require resources from others).
  - Distinguished from the libertarian/classical liberal conception of freedom, which is: freedom from active interference or harm done by others.

II. Crazy & Lazy

- Example:
  - Crazy works a lot, but is unhappy.
  - Lazy works little & is content with gov’t welfare.

- Crazy’s complaint: “Since I am unhappy & Lazy is happy, more $ should be given to me, to make us closer to equal. I am the worse-off.”

- Reply: We aren’t maximizing welfare. We maximin “real freedom”, or resources that give people opportunities.

- Crazy’s second complaint: “We have equal talents, so we don’t need a basic income at all.” (They already have equal real freedom w/o the state doing anything.)

III. Rawls’ View

- Include leisure among the primary goods.
  - The value of \( n \) hours of leisure = the value of \( n \) hours’ wages for the lowest-income group.
  - Hence, Lazy gets no money. He already has equal goods to Crazy, b/c he has the leisure time.

- Objection:
  - Suppose we get some new natural resources. Rawls would distribute it entirely to the working.
  - Rawls’ proposal then increases the value of leisure time. But this is wrong.

- Note: A more realistic case: economic growth increases wages & welfare payments (for people who are willing to work). But it obviously does not increase the value of leisure for surfers. So the value of leisure does not = the value of the minimal welfare payments or the min. wage.
IV. Dworkin’s View

- Everyone gets equal entitlement to all the material goods of society, including both natural resources and man-made goods.
  - [To think about: At what time? Does this happen continuously, so every time Crazy makes something good, it should be immediately taken from him?]
  - Note: but we can allow unequal distributions to the extent that doing so allows us to get a greater total amount to distribute to the poor.
  - Aside: The Laffer curve. Revenues are 0 at 0% tax, and 0 at 100% (no incentive to work). They must reach a maximum somewhere in between. Van Parijs would like to hit the maximum point.
  - He only mentions taxes on gifts and bequests. What about income? Why wouldn’t this also be taxed?
    [To think about: Does this mean shutting down all charities? Can you give food to your children? Can you do favors for people that result in their having more things of value?]

V. Basic Income & Inherited Technology

- How much would the basic income be? Not much. Only 10-15% of national income is donated or bequeathed.
- Q: Should discovered technologies be considered resources to be redistributed?
  - This might increase the amount available for distribution to surfers.
  - Problem: People who use technologies are not taking anything away from others. (Knowledge is a non-rival good.) So they do not require others to give up their rights to the technologies. So there is nothing for the technology-users to pay to the non-tech users.

VI. Redistributing Employment Rents

- The non-Walrasian labor market:
  - In a perfectly competitive market, everyone who wants a job has one.
  - But this may not be true in our world.
    o Workers may exercise monopoly-like powers to raise wages & lower employment. Unionization, retraining costs.
    o Higher wages may lead to greater productivity. Employers may pay more than the market-clearing wage.
- Employment rents: People with jobs are receiving a benefit, at the expense of the unemployed.
  - The employed people have a higher wage than they would have in a perfectly competitive market.
  - This causes the unemployed not to have jobs.
- The state could take money representing these “employment rents”, to give to the unemployed.
- When would this be a significant amount?
In societies with high unemployment.
Also in societies in which many people have worse jobs than they would like (and would be qualified for).

VII. The Just Way of Dealing with Unemployment

• What if some people are voluntarily unemployed? Why should they receive distributions from the employment rents?
  - Reply: They are giving up their fair share of a resource, enabling others to have more. It doesn’t matter whether they do so involuntarily or voluntarily.
• What if the state can eliminate unemployment?
  - Employment rents still exist as long as people have jobs less good than those they want (and could do).

VIII. Right to Work & Economic Arguments

• Objection: The basic income doesn’t make up for the non-pecuniary advantages of work.
  - Reply 1: Yes it does.
  - Reply 2: Gov’t subsidies also make it easier for you to get work.

IX. Conclusion

“Let me now return ... to the welfare hippies and Malibu surfers.... Does justice require that they be fed? ... [I]t certainly does.... [T]hose who take an unfair share of society’s resources are not those who opt for such a low-production, low-consumption lifestyle. They are people like myself and most of my readers, who, thanks to the attractive job they were given, appropriate a huge employment rent.”
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Notes #19: Proportional Taxation

I. To Discuss  
- Proportionate Taxation: Taxation in proportion to income (a.k.a. the flat tax).  
- Gauthier’s argument for it.  
- Epstein’s argument for it.  
- Thesis: neither argument succeeds.

II. Epstein’s View  
1) The social surplus open to distribution: All value produced in society above what would exist in the state of nature.  
2) How to divide it: In proportion to state-of-nature holdings. Analogy: an investment partnership. Each partner gets profits in proportion to the capital he contributes.  
3) Result: Proportionate taxation.

Objections  
A. What is open to distribution?  
- All wealth above what would exist in the state of nature?  
- Only the amount of $ required to run the minimal state?  
- Only the gains directly from specific governmental services?  

B. How to divide the surplus?  
- What to do with non-fungible goods: a good idea vs. capital?  
- What if the value of goods in the state of nature is different from its (marginal) value inside the partnership?  
- Two plausible constraints: (1) Strict Pareto superiority, (2) the outcome has to be better for each group than the outcome they could get by seceding.  
  - This leads to distribution in accordance with market prices.

C. How do you get to proportional taxation?  
- How to determine state-of-nature values?  
  - Epstein assumes: Value of what we have in the state of nature is proportional to the value that we have today.  
  - This is very implausible. Ex.: what would Bill Gates’ talents be worth in the S.o.N.?  
- What to do about non-wealth benefits?  
  - Epstein ignores this, assuming all utility is reflected in income.

III. Gauthier’s View  
A. What is the surplus?  
- Gauthier: all “rents” are open to distribution. Rents: profits in excess of the opportunity cost of the resources used in a productive activity.  
- Where does G get this idea?  
  - Rents are a product of social interaction, not value inherent in the resource.
- This would seem to lead to: all benefit in excess of the value obtainable as isolated individuals gets distributed by the state.
- Is this consistent with G’s other views?
  - G says: when 2 societies trade, only the surplus from the trade is open to distribution.
  - By analogy, shouldn’t better- and worse-endowed members of society have a similar relationship? This leads to: only the surplus above what the better-endowed group could obtain from secession is open to distribution. (See Epstein’s view, B, condition (2)).

B. How to divide the surplus?
- G says: Each cooperator gets an equal share of normalized utility.
- Note: The amount of resources each brings to the table is irrelevant.
- Why does G think this?
  - “Since [no cooperator] can gain any part of the cooperative surplus without the other, then each is equally responsible for making it available, and so is entitled to an equal share of it.”
  - Problem: this is false.
  - Counter-proposal: every individual gets their marginal product.

C. Proportionate tax ation?
- G says:
  - Initial suggestion: A flat head tax. This would be right if we wanted to equalize wealth concessions.
  - But we want to equalize utility concessions. Hence, need something more progressive.
  - Maybe proportionate taxation.
- Problem #1:
  - Equal absolute utility concession would lead to progressive taxation.
  - But G’s view officially uses von Neumann/Morgenstern (“normalized”) utility. This means we want equal percentage utility concessions (each party gives up the same percentage of the utility available to them from the interaction).
  - If only the tax burdens are open to distribution, this leads to a regressive tax system.
    (Assumption: rich people’s marginal utility of wealth function is approximately linear, poor people’s is strongly concave down.)
    [Comment: this is confusing & irrelevant, because of the next point below. –mh]
- Problem #2:
  - G treats only tax burdens as up for distribution.
  - But on his view, the total social surplus is up for distribution.
  - This should lead to a radical redistribution.
    [Comment: This should lead to an approximately egalitarian state, i.e., everyone gets about the same income & wealth.]

IV. Why the Popularity of Proportional Taxation?
- Maybe it’s a Schelling point.

V. Other Comments on Tax Distribution (not in article)
- How does the state get to distribute the “social surplus”?
  - Why not see the state as just one more vendor of goods & services?
  - Why not a head tax?
- Mirrors how all other goods & services are treated.
- But some services are priced according to value to the user, or cost to provider. Insurance. Carpeting. Etc.
- State may provide higher-value services to rich people: protection of a larger amount of property.
- Hence, higher prices might be charged. Proportional to wealth?
Notes #20: Taxation: Is it just?

I. Basic Concepts

- **Distributive Justice**: Justice in the distribution of goods/wealth.
- **Patterned (end-state) conceptions** of distributive justice: Say there is some overall pattern of distribution we should aim at. Justice is a matter of closeness to the desired pattern. Examples:
  - Perfect equality
  - Distribution in accordance with need
  - Distribution in accordance with desert/merit
- **Historical conceptions** of distributive justice: Say that whether a person is entitled to some bit of wealth depends on the process by which he got it. Justice is a matter of following the right rules in acquiring property.

II. The Entitlement Theory of Distributive Justice

- **Principle of Acquisition**: You can acquire resources in the state of nature by claiming & mixing your labor with them.
- **Principle of Transfer**: Property can be transferred by mutual consent.
- **Principle of Rectification**: People who acquire property in violation of the preceding two principles owe compensation to their victims.

III. Against end-state theories

The Forced Labor Argument

1. Forced labor is wrong.
2. End-state theories sanction forced labor.
   a. People get money through labor.
   b. Hence, forcing them to give their money to others is like forcing them to labor for the benefit of those others.
   - Objection #1: But individuals have a wide choice of work to do. There is no particular work they must do.
   - Objection #2: Individuals can avoid the tax entirely by earning only enough to meet their basic needs.
   - Nozick’s Reply: It is (like) forced labor because people use a threat of force to limit your alternatives to bare subsistence (the worse alternative) or working for the benefit of others.
3. So end-state theories are wrong.

The Slavery Argument

1. No one can own another person, even partially.
2. End-state theories imply that people can (partially) own other people.
   a. Ownership of x = the right to decide how x is used.
   b. End-state theories give you a right to the fruits of others’ labor.
   c. This is a right to decide what use other people are put to.
3. So end-state theories are wrong.
The Wilt Chamberlain Argument

Scenario: Everyone starts out with a just distribution of holdings (stipulation). Wilt agrees to play extra basketball, in return for 25¢ from each fan. The fans agree. Wilt then makes $1 million extra.

Argument:
1. If no one can complain about $X$, then $X$ is not unjust.
2. No one can complain about Wilt’s $1$ million.
   a. Wilt can’t complain.
   b. Fans can’t complain.
   c. Third parties can’t complain.
3. So it’s not unjust.
4. Patterned/end state theories of distributive justice imply that Wilt’s extra share is an injustice.
5. So, all patterned/end state theories are wrong.

IV. Objections to Nozick

- Nagel’s objections:
  - Nozick’s classification of theories of justice is incomplete. Ignores theories that take into account both history and desirable ends.
  - The Wilt Chamberlain argument fails because
    * it assumes that, when we distribute in accordance with a patterned principle of distributive justice, we distribute absolute property rights.
    * But people with patterned principles would say property rights are not (ever) absolute.
      [Discuss: Does Nozick assume this? Is the second point a strong criticism?]
- Property rights are not absolute.
  - The cabin in the woods example.
- The unjust history of actual holdings.
  - The case of the Native Americans.
- Problems with initial acquisition. (G.A. Cohen)
  - Why may one acquire natural resources, worsening the situation of those who can no longer use them?
  - Should resources start out with communal ownership?
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Notes #21: Taxation: Who Really Pays?

I. Sales Tax

Supply/demand of widgets (no tax):

After a $1 tax on producers:

After a $1 tax on consumers:

Neutral statement: $1 tax on the transaction:

• Summary:
  - Tax on producers raises the supply curve by $1. Tax on consumers lowers demand curve by $1.
  - Either has the same effect: Imposing a $1 difference between price paid by the consumer and the revenue received by the producer.
  - The effect is the same in all three cases: price paid by consumer rises, revenue received by producer declines, and quantity decreases.
  - Who pays the tax? Both consumer and producer.
• The full cost: the loss of consumer/producer surplus.
  - Consumer surplus: the benefit consumers get from consuming goods, minus their cost.
  - Producer surplus: the money producers get, minus their production cost.
- Left: The crosshatched area represents consumer and producer surplus that existed before the tax and does not exist afterward.
- The solid blue area is the remaining consumer and producer surplus. (Top triangle: consumer surplus. Bottom triangle: producer surplus.)

• Is the cost evenly divided? No. It is affected by elasticity. The group with the less elastic curve pays more of the cost. Elasticity: A measure of how much a producer/consumer responds to price changes.
  - High elasticity = large change in quantity for a given price change. (Demand/supply curve close to horizontal.)
  - Low elasticity = small change in quantity for a given price change. (Demand/supply curve close to vertical.)
- See figure (right): Buyers have low elasticity; thus, they pay more of the tax.
• Intuitively: The buyers find it harder (or more painful) to adjust their purchasing habits. They are thus at a disadvantage.
• Further implication: ratio of tax revenue to social cost is highest when elasticity is low.

II. Other Taxes

• Payroll tax: Analysis is the same as above.
  - Wages are the price of labor; workers are the “producers”, employers are the “consumers”.
  - Both workers and employers pay the payroll tax.
  - It doesn’t matter who nominally pays it.
• Corporate income tax:
  - Simplifying assumptions: (a) Suppose all corporations have a fixed profit margin. Suppose it is 10%. (b) Suppose all producers are corporations.
  - Then a sales tax is equivalent to a corporate income tax.
    • 10% tax on sales = 1% tax on income.
  - Conclusion: Same as above. The tax is paid by both consumers and the corporations.
  - What if some producers are not corporations? Then the tax benefits non-corporate producers (giving them a competitive advantage).
  - What if some corporations have higher profit margins than others? Then an income tax benefits corporations with low profit margins; a sales tax benefits those with high profit margins.
• Conclusion: Wealth redistribution is harder than you think. Many taxes levied “on the rich” are shared between the rich and the non-rich.
Phil. 4800
Review, Unit 3

Concepts you should know:
Alienation
Surplus value
Use value vs. exchange value
Exploitation (Marxist)
Monopoly
Monopsony
Maximin
“real freedom” (van Parijs)
Laffer curve
Employment rents
Proportionate taxation
Distributive justice
   Patterned vs. end-state theories of it
Elasticity of supply/demand

Arguments:
About minimum wage:
   Effects on (un)employment
   Exploitation & Wilkinson’s argument for
       why it is not very important
Forced labor argument (Nozick)
Wilt Chamberlain (Nozick)

These people:
Marx
Wilkinson
van Parijs
Fried
Nozick

Theories:
Labor theory of value
Price theory
   Diminishing marginal utility
   Demand curves slope downwards
   Supply curves slope upwards
   How prices are determined
Source of capitalists’ wealth
   According to Marx
   In standard price theory
Van Parijs’ view of how to distribute resources
   “Maximin real freedom”
   How employed people take an unfair share of resources
Epstein on how to distribute social surplus
Gauthier on how to distribute social surplus
Entitlement Theory
   Principle of acquisition
   Principle of transfer
   Principle of rectification
Who pays taxes & supply-demand diagrams that illustrate this
   Including: Effect of elasticity