

Chapter Ten: Marxian Socialism (pg 171 - 192)

Scientific Socialism

The socialists had moral objections to capitalism
They didn't like how income was distributed, or
They had aesthetic objections to commerce
Marx was the leader of "Scientific Socialism",
Capitalism would die, because it had to...

Karl Marx

Born 1818, Prussia, educated in Bonn, Berlin and Jena
Doctor of Philosophy at 23, became an unemployed radical
Married well, got exiled from Germany, moved to Paris
Worked intermittently as a journalist, met Engels
Who supported him the rest of his life
In 1848 wrote "the communist manifesto", the spring of 1848
Got exiled again, went to London, for rest of life
Spent much time in library, finally produced Das Kapital in 1867
First international (1864-1876)
Died 1883, Engels and Kautsky finished up the other 5 volumes

Influences:

Ricardo...
Especially the labor theory of value
Marx had no connection to contemporary economists...
The socialists
Shared their moral outrage regarding capitalism
But thought they were dunderheads – represented no class
"utopian socialists"
Darwin
Reinforced Marx's belief in dynamic analysis
Saw natural selection as a historic force in society
Hegel
A grand conception of the historic process
Thesis – Antithesis – Synthesis
Feuerbach
Philosophical Materialism vs. Hegelian Idealism
The real vs. the imagined. Objective reality
Assault on religion

Marx's Theory of History

Hegel's Dialectic theory of history
Thesis – Antithesis – Synthesis

Draw chart Now

Note, it is great ideas that are clashing, a metaphysical clash.....

Marx's view: NOT metaphysical, a clash of material interests...

The forces of production (how you produced stuff) was material, it created
The relations of production (art, society, etc – derived from forces)

The forces of production depend on technology, capital, skill, labor...

And are constantly changing, they are dynamic

The relations of production create a superstructure, a ruling class

And that class is NOT dynamic, so

As forces of production change, the relations try and hold back time

And you get the class conflict

Six stages

Primitive communism

Classical Slavery

Feudalism

Capitalism (present stage)

Socialism

Communism (end state, no more class struggle)

Two Major Implications

Firstly, the above is science, not opinion

Capitalism is doomed, it can't fight history

Socialism, which attempted to "co-opt" capitalism, was immoral

Only revolutionary scientific socialism was workable

"the worst is the best"

Secondly, the above is driven by material forces

We have objective interests, defined by our material circumstances

Utility curves are NOT subjective, they are objective

If the working class doesn't understand this, they have

"false consciousness"

Why was Capitalism doomed to failure?

The "LAW OF MOTION" of Capitalist Society

Marx wanted to identify the changing forces of production, that would destroy capitalism, he did not want to explain how to bring it about....

Six Laws

Labor theory of Value

Theory of Exploitation

Capital accumulation and falling profit

Capital Accumulation and crises

Concentration of capital and wealth

Class conflict

Labor Theory of Value

The amount of time put into producing something

This was the average of all workers (socially necessary), which

Stripped out worrying about skill, laziness, etc.

This was the absolute value (objective value), not its
Relative value, as Ricardo believed
Gold became a medium of exchange,
because of its own socially necessary labor
Changes in supply and demand could temporarily change prices
But varied prices always reflected societies total labor product

The concept of Surplus for classical economists

The Theory of Exploitation

Give the Cotton example

The rate of surplus value

$S' = s/v$ where s is the surplus, and v is variable capital (capital that supports the workers, wages and such). When v goes up, and surplus stays the same, the rate of exploitation goes down. To maximize profits (derived from the rate of exploitation), keep v low.....

The rate of profit is

$P' = s/(c + v)$ where c is constant capital, this is just the above plus c

Note: this implies that capital intensive industries are LESS profitable than labor intensive ones, which even marx recognized was incorrect. (pg 180 181)

The above two equations imply that the way to increase profits is to devote as little capital to wages etc. as possible. Since the only surplus comes from labor, that value has to be squeezed out by the capitalist. Opposing interests.....

Capital Accumulation and Falling profits

Q is the organic composition of capital,

Skip this for now.... Just remember

The capitalist invests in more capital, which in the short run leads to more profits, as the costs of production fall. But competition forces prices down, and in the long run, there is less labor in the process, and thus less surplus, thus lower profits. As time goes on, profits go down.

Additionally, the extra capital REPLACES workers. Thus we get a rising number of unemployed workers.

Capital Accumulation and Crises

The crises is the business cycle. Before capitalism

$C - M - C$, where commodities are exchanged for money, for commodities. This is USE VALUE

But under capitalism, this gets reversed. The capitalist doesn't want money to buy stuff he uses, he wants it to buy commodities that he can transform into MORE money, or $M - C - M'$, where M' is the money put into production, PLUS the surplus squeezed out of the workers.

Centralization of capital and the concentration of wealth

But as production rises, the law of diminishing returns kicks in, profits fall, and the economy goes down. Now firms go bankrupt, get bought out, etc. Some of the capitalists become proletariat, and the cycle starts over, with a larger working class, and smaller capitalist class. So each time, the cycle swings greater, more capitalists drop out, the working class grows.

Class Conflict

All the above leads to class conflict, between the Capitalists and the proletariat. Eventually, the starving proletariat will kill off the capitalists,

Contributions:

His labor theory of value was so powerful, and so wrong, that economists finally straightened this mess out.

He recognized the importance of business cycles

He recognized the trends in manufacturing, and larger and larger firms

He highlighted the substitution effect of as it applied to labor and capital

Marx has had a huge impact on sociology, socialism, politics, and "studies"

Analytic Flaws

The labor theory of value – it is wrong.

The theory of exploitation – it is wrong. When workers get wages = MPL, wages don't drop, they rise, as capital is accumulated. Just one example of the problems with the theory of exploitation

Capital accumulation – more capital can lead to less labor, but doesn't have to.

Problems with ideas of class conflict