

Lecture 4: Karl Marx and his Theory of Capitalism

Theorizing Society, the Self, and
Culture

HASS 02.003

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Main Questions

- What's the appeal of Marxism?
- What constitutes exploitation?
- What's socialist Utopia like?
- Relevance of Marxism?



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Scope of Lecture

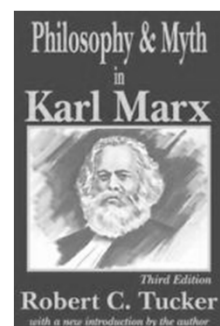
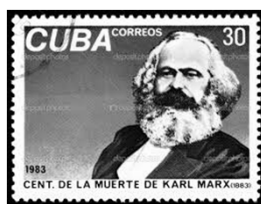
Marx's Life
and times

Theory of
Capitalism

Intellectual
cross-
fertilization

The Poverty of
Theory

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INTRODUCTION – MARX'S LIFE AND TIMES

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Map of Prussia



Alienation from Prussia

- (1818-1883)
- Came from a middle class Jewish family
- University of Berlin [sic]
- PhD University of Jena 1841
- Edited socialist newspapers and magazines
- Moved to Paris 1843
- Prussian government declared him guilty of treason 1844

Life on the run



- Expelled from France 1845
- Brussels - joined the Communist League.
- *Communist Manifesto* 1848
 - “Let the ruling class tremble at a Communist revolution. The proletarians have nothing to lose but their chains. They have a world to win. Working men of all countries, unite!”
- Marx’s words appeared prophetic as revolutions and class warfare swept Europe.

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London



- In 1849, Marx fled to London
 - Poverty: three children died.
 - Engels’s financial sp
 - British Museum & organizing the International Workingmen’s Association.
- strength of convictions and his intolerance for those not convinced by his logic. (Isaiah Berlin)
- Capital Volume 1 (1867)

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THEORY OF CAPITALISM

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Basic assumptions

- only source of a firm's profit is the labour [?]
- Why & how? → Labour Theory of Value:
 - Machines without workers are useless.
 - workers can make the machines which they need to do their work.
 - all production is done by labour.
- Income of capital is purely exploitation

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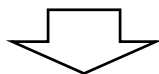
The Exploitation of Labour – Relationship of Capitalists & Workers

- Workers don't own the "factors of production"
- ↳ **Alienation**: He becomes mere cog in a machine
- wages stagnate, even if there's an increased demand for labour
- reserve army of the unemployed (*Capital*, p.413)
- long term unemployment

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Labour Time vs Labour Power

Labour time 10 hrs	
Use value	
Exchange value/ subsistence wage 6 hrs	Surplus value 4 hrs



Capitalists only pay for labour power	Capitalist Profit
Bare minimum for labour to survive	Exploitation
commodification of labour (<i>Capital</i> , p. 336-364)	

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Two additional points

Irrational Capital Accumulation

- surplus value derives from the exploitation of labour
- irrational belief that profits come from the capital goods [?]
- obsessively strive to accumulate capital goods

Falling Rate of Profit

- *Irrational Capital Accumulation* only increases their expenses
- rate of profit declines.
- Output prices will also fall as businesses compete to offer lower prices

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The Four Contradictions of Capitalism

monopolies

lack of
centralized
planning

Automation

Control of the
state by the
bourgeoisie

↳ workers gaining - class consciousness

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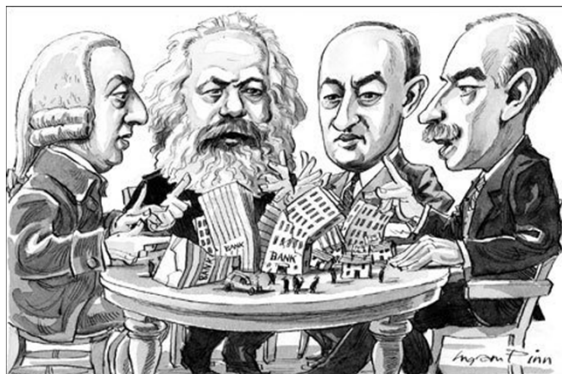
Emergence of Socialist Society

"The history of all hitherto existing society is the history of class struggles."

Thesis →	anti-thesis →	Synthesis
<ul style="list-style-type: none"> • Crisis of Capitalism • Crisis within Bourgeois • Proletariat became progressive 	<ul style="list-style-type: none"> • Revolution by Proletariat 	<ul style="list-style-type: none"> • Socialist Utopia
		<p>"from each according to his abilities, to each according to his needs"</p>

"to hunt in the morning, fish in the afternoon, rear cattle in the evening, criticise after dinner ..."

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INTELLECTUAL CROSS-FERTILIZATION

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Adam Smith (1723-1790)

- self-interested responses to prices and opportunities
- Economic growth encourages a “division of labour”
- increases in productivity
- further capital accumulation (the pin factory example)



- “Some crippling of body & mind is inseparable even from division of labour in society as a whole.” (*Capital*, p.399)

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David Ricardo (1772-1823)

- Believed a permanent underclass would always be poor
- Land scarcity
- landlords will therefore claim a growing share of national income ...
- upsetting the social equilibrium*

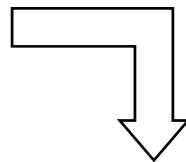
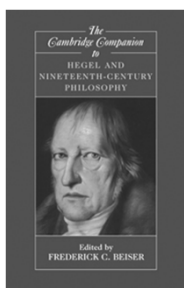


- Marx – Revolution !
- The working class will demolish existing system.

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Hegel (1770-1831)

- Process of history is linear, not recurring
- Interaction of thesis, antithesis and synthesis
- An abstract force "Spirit" is seeking perfection



- Marx - Dialectical Materialism
- "scientific socialism"
- Marx - Social structures are determined by the mode of economic production

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THE POVERTY OF THEORY

(IT'S JUST A THEORY, STUPID)

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“Scientific Socialism”

- “The physicist either observes physical phenomena where they occur in their most typical form and most free from disturbing influence, or, wherever possible, he makes experiments under conditions that assure the occurrence of the phenomenon in its normality. In this work I have to examine the capitalist mode of production, and the conditions of production and exchange corresponding to that mode... it is the ultimate aim of this work, to lay bare the economic law of motion of modern society ”
 - Preface, Das Capital (1867)

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Predict the future developments of society with scientific accuracy??

- Predict, Laws, ‘scientific knowledge’
- enormous confidence → intolerant
- "history is on our side,"
- Trotsky: opponents consigned to dustbins of history.
- Post Modern:
 - were living not just in the present but in the future too, and before anyone else had got there.

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Qty of being Avant-garde in the 20th Century

- “The main lesson which the true liberal must learn from the success of the socialists is that it was their courage to be Utopian which gained them the support of the intellectuals and therefore an influence on public opinion which is daily making possible what only recently seemed utterly remote.”

– F.A. Hayek, “The Intellectuals and Socialism,” *The University of Chicago Law Review* (1949)

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Decline and fall

- Marxist theory can't replicated
- experiment failed
- end of the 19th century
- ≠ "scientific laws of historical development."



Bureaucratic Dictatorship → Totalitarianism

"So for those of us who did have doubts, Robert Conquest's *The Great Terror: Stalin's Purge of the Thirties* was an extraordinary work. It was a book which changed minds and dispelled doubt (mine included) when it was published in 1968, the year of the Soviet invasion of Czechoslovakia in response to the liberalisation of the Prague Spring. ... When Soviet archives were finally opened up, [Robert] Conquest's descriptions [in *The Great Terror*] remained unimpaired. There could be debate about numbers - the precise number of millions of Stalin's victims [13 million] - but not about the bulk of the facts presented."

— Stephen Evans (6 Aug 2015)

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Socialist Kibbutz

But Not everything is a disaster

צריך בן-גוריון
Ben-Gurion's Desert Home

SATURDAY, MAY 13, 2018 | THE STRAITS TIMES | OPINION | A35

Field notes

From settlements to high-tech start-ups

The socialist kibbutz movement shaped the early state of Israel more than any other political force. After barely escaping bankruptcy, it was forced to reinvent itself. Now, it may become a new engine of growth.

Gil Yaron

For The Straits Times in Kibbutz Nir Am, Israel

Once, it was the kibbutz movement that gave Israel its name. Now, it is the high-tech start-ups that are shaping the future of the young state. In a quiet street in Beer Sheva, a new kibbutz is being built, one that will be a modern, high-tech hub for the future.

In the kibbutz in Beer Sheva, the older houses which are small, simple, and grey, reflect the socialist and agrarian ideals of the founding generation. ST PHOTO: GIL YARON

Looks like the socialist, rugged kibbutz of yesteryear. In a quiet street in Beer Sheva, a new kibbutz is being built, one that will be a modern, high-tech hub for the future. ST PHOTO: GIL YARON



MARXISM SAVED CAPITALISM?!

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Marxism saved Capitalism?!

- Democracy and its social welfare laws have tempered capitalism's worst excesses.
- Today's perspective - tame looking 10 points program (*Manifesto*, p. 490)
- Both Russia and China are now corporate-capitalism
- Singapore's "workfare" - minimum wage by another name.

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A20 | ASIA | THE STRAITS TIMES | SATURDAY, MAY 5, 2018

纪念马克思诞辰200周年大会

Marxism still 'totally correct' for China: Xi

He tells party members to make it 'way of life', ahead of 200th anniversary of Marx's birth

At the Great Hall of the People in Beijing yesterday, Mr Xi said: "Writing Marxism onto the flag of the Chinese Communist Party was totally correct. Unswervingly promoting the application and innovation of Marxism is totally correct."

Mr Xi also instructed all party members to adopt reading Marxist works and understanding Marxist theories as a "way of life".

He hailed the philosopher as "the revolutionary tutor of the proletarian and working people all over the world... and the great rejuvenator of mankind."

Mr Xi's speech came near the end of a week-long propaganda blitz by state media, which has been saying "Marx was right" and extolling his theories as relevant to modern China and the rest of the world.

Today, China, the largest and most populous country, is widely expected to be the stage for a number of major events, from rampant consumption to a narrative gap between the state and the people.

The apparent contradiction between party rhetoric and appearance has prompted many analysts to suggest the party is no longer really motivated by Marxism but by practical and economic concerns alone.

However, Mr Xi has wholeheartedly endorsed the party's founding ideology and reintroduced study sessions that look back to the Marx era, as he stresses the need for China to be confident in its revolutionary history and political system.

There is a clear-cut gap between Marxist conventional wisdom, I think we have to begin accepting the notion that Xi, putting actually believe in Marx and Marxism," said the public philosopher, head of China practice for Crispian, Green, & Wootton, based in New York.

The emphasis on Marx also helps widen the ideological gap with Western capitalist democracies, Mr Hanhardt added.

Karl Marx statue from China adds to German angst

5 May 2018

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Why are you reading Thomas Piketty?

Growing income gap

— CEO vs Worker

- 1973 - 45 x's
- 1991- 141 x's
- 2002- 500 x's

Concentrations of wealth

- 1950: 40% of industrial assets
- 1986: 61%

↳ David Ricardo - concerns about "upsetting the **social equilibrium**"

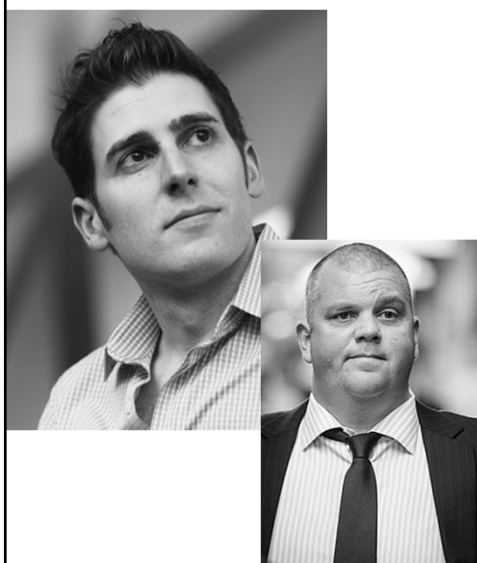
↳ Marx - Capitalism inherently **exploitative**.

Possible solutions:

- **Piketty** : governments to step in - a global tax on wealth, to prevent soaring inequality contributing to economic or political instability down the road.
 - **Marx**: "Abolition of all rights of inheritance."
(*Manifesto*, p. 490)
- But Singapore: abolished estate tax in 2008**
- 2000-08: average monthly collection was \$11.4 million (Ivan Png, 2008)
 - Why did we slaughter our cash cow?

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"Singapore - world's third-largest concentration of the ultra rich"



- *"Supposing the world's richest man, Carlos Slim, comes to live in Singapore. The Gini coefficient will get worse. But I think Singapore will be better off. Even for the lower income Singaporeans, it will be better,"*
- PM Lee, 27 Mar 2010

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Takeaways

- Exploitation and Alienation
- commodification of labour
- Marxist governments belied Marx's promise - poverty and tyranny.
- Capitalism has evolved by adopting key features of Marxism

