Marxian Economics

Entry Point, Object and Logic

1. The entry point of Marxian economics is a concept called the fundamental class process, which is the way in which surplus labor is performed and appropriated in a production process. Surplus labor is the labor that is performed above and beyond the needs of the direct producer. Central questions in Marxian economics are:

   Who performs surplus labor?
   Who appropriates the products of this surplus labor?
   For what purposes are the products of surplus labor used?

   The different answers to these questions form the class process taking place at a given site of production in society.

2. The object of Marxian economics is society, understood broadly as all of human activity. Marxists have been interested in very diverse topics, such as economics, politics, religion, culture, psychology, history, mathematics, biology, and many other topics.

3. The logic of Marxian economics is the logic of overdetermination. While some Marxists have used reductionism / essentialism in making their arguments, in general, the logic of overdetermination is very important within Marxism. Marxists have made important contributions to this kind of logic. This means that in Marxian economics, no attempt is made to claim that the concept of class is the absolute truth about society; instead it is seen as one perspective among many.

What is Surplus Labor?

Surplus labor is what is left over when the needs of the one who labors have been satisfied. The needs of a person is a concept called necessary labor, or the amount of labor that is required to produce the items that a person needs. There are two parts to necessary labor: a) the food, clothing, and shelter that are biologically necessary for survival (depending on the climate, etc.), and b) an additional amount determined by what is seen as necessary within a particular culture, which depends on the historical, economic, and cultural development of a given society.
In every society, human beings have performed surplus labor. In the diagram to the left, an 8 hour day is spent performing necessary labor for 4 hours, and surplus labor for 4 hours. For various reasons, the products of the surplus labor have often been taken from the producers by others. This is termed exploitation in Marxian economics. An example of exploitation is slavery, where the slave is forced to produce surplus labor for the master. Another example is feudal serfdom, also called feudalism, where serfs were obligated to perform surplus labor for their lord.

**Exploitation**: when the producer of surplus labor is not the same as the appropriator (the one who takes the surplus). Exploitation is considered to be morally wrong in Marxism.

**The Labor Theory of Value**

Marxian economics has a theory of the value (W) of a commodity. Value, or worth, is the price a commodity should be, the price (P) that is deemed fair to both the buyer and the seller. It is often the case that price is greater than value (P > W), or that price is less than the value (P < W), but in general, and on average in the whole society, price and value are equal (P = W).

The value of a commodity is determined by the amount of socially necessary abstract labor time embodied in it. This theory of value is called the *labor theory of value*, used by economists for 400 years.

The value of a commodity can be expressed as:  
\[ W = c + v + s. \]

What causes the commodity to have value is that a sum of socially necessary abstract labor was embodied in it.

The rate of exploitation, \( e \), is the ratio between the unpaid and paid labor:

\[ e = \left( \frac{s}{v} \right). \]
Marx argued that exploitative forms of commodity production seek to increase the rate of exploitation by a variety of means, including a longer workday for the same pay (perhaps by refusing to pay overtime), or by lowering wages. This makes the workers poorer and capitalists richer.

The value rate of profit is the unpaid labor divided by the cost of production:

$$p' = \left( \frac{s}{c + v} \right)$$

Appropriators of surplus always seek higher rates of exploitation and higher rates of profit. If they do not, they are placed at a disadvantage with regard to their competition, and may not be able to stay in business.

**Example 1**

Say the price of a burger is equal to its value, $4.00. Say it took a worker 5 minutes to produce the burger, and the worker is paid $9 / hour. This means that the amount of the worker is paid in 5 minutes is $9/12 = $0.75. This is the $v$, the paid labor that went into the value of the burger.

Say the meat, bun, and other stuff on the burger, along with the wear and tear on the stove and other equipment cost $2.

$$W = \$4.00 = \$2.00 + \$0.75 + s$$

Therefore, $s = $1.25, the amount of unpaid labor that the worker performs every 5 minutes.

The rate of exploitation is $s/v = $1.25/$0.75 = 5/3 = 1.67

The value rate of profit is $s/(c+v) = $1.25/$2.75 = 5/11 = 0.45

**Example 2**

Say that a lawyer works for a law firm. The lawyer is paid $80 / hour. The law firm bills the client at a rate of $200 / hour. The lawyer uses paper, pens, a computer, and other materials at a rate of $20 / hour.

$$W = \$200 = \$20 + \$80 + s$$

Therefore, $s = $100, the amount of unpaid labor that the lawyer produces every hour.

The rate of exploitation is $s/v = $100/$80 = 5/4 = 1.25

The value rate of profit is $s/(c+v) = $100/$100 = 1.00

Marxists argue that exploitation is connected to many problems in society, such as poverty, unemployment, starvation, infant mortality, crime, war, environmental destruction, and many other problems. Exploitation is said to create class conflict between those who produce and those who take the surplus. Exploitation leads to alienation, the separation of people from each other and
themselves. Marxists argue that with the elimination of exploitation will lead to greater freedom and happiness in society.
Different Kinds of Production and Appropriation of Surplus Labor

There are 5 basic forms of production and appropriation of surplus, and these are called fundamental class processes.

*Slave class process*: the slave produces necessary and surplus value, which the master appropriates and distributes.
- e.g. prison labor, prostitution, child labor, and some other illegal enterprises. This form of production is relatively uncommon outside of prisons.

*Feudal class process*: serfs perform necessary and surplus labor. Lords take the surplus.
- e.g. medieval Europe, Asia, India; modern households.

*Capitalist class process*: workers produce necessary and surplus value in exchange for a wage. Capitalists take the surplus.
- e.g. corporations, businesses, factories, services

*Ancient class process*: Individual production and appropriation of one’s own surplus.
- e.g. plumbers, electricians, graphic artists, programmers, consultants, small farmers, etc.

*Communal class process*: Collective production and appropriation of surplus. Those who produce surplus also together take, or appropriate their own surplus. There is no exploitation.
- e.g. enterprises, some households.

Feudal, slave, and capitalist class processes are exploitative, ancient and communist are not. Marxists generally see the elimination of exploitation as a major goal for society.

The kinds of production that take place in the economy make up society’s class structure. A society often has all 5 fundamental class processes going on at once in different areas. The class structure of a society is complex and ever-changing. This makes it difficult to label a society as only one thing, like ‘capitalist’ or ‘communist’.

A class analysis is examining the various class processes in a society and looking at how they are changing, as well as how they are connected to other aspects of society, such as politics, culture, etc. A class analysis could be done for any society.

References:
Wolff and Resnick. *Knowledge and Class*.
Marx, K. *Capital, Volume I*.
Marx, K. *Value, Price, and Profit*.
Marx, K. *The Communist Manifesto*.
Engels, F. *Socialism: Utopian and Scientific*. 
### The Changing Class Structure of the U.S. over the last 150 years.

#### Agriculture

**Capitalist ↑**: New technology favors large plots, using capital-intensive production techniques, with new fertilizers and pesticides – all creates incentives for large producers. Rising productivity lowers food prices. Less productive farmers go bankrupt or leave agriculture.

**Ancient ↓**: Individual farmers often less productive, and are displaced by competition from large capitalist producers. A small number hold on, but it is a low-paying occupation.

**Slave ↓**: In 1864 slavery is abolished; it continues for a while in the form of sharecropping, where farmers were enslaved by debt, but eventually this is also displaced; now slaves produce agricultural commodities only on prison farms.

**Communal ↓**: During certain eras people drawn to communal farm production, e.g. in utopian collectives during the 1960’s, also certain religious movements such as the Shakers. Often these enterprises are displaced due to competition with more productive capitalist producers, but some survive, often in value-added, specialty production.

**Feudal ↓**: never very prominent in the U.S., continues in the South after 1864 in sharecropping, also in family farms where the children work, etc.
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over the last 150 years.

Households

Feudal ↓: the view that a man is the ‘lord’ of the household, with women and children seen as property, is widely accepted in the 19th century, and provides a key support for a kind of production in households where women produce surplus labor which is appropriated by the husband. Over time, this view is increasingly challenged by feminism; women obtain the right to vote, own property, and enter the workforce in large numbers; marriage is no longer seen as a life-long commitment, divorce rates skyrocket; all this challenges the ‘traditional household’. Still, women are culturally expected to do most or all of the labor in the modern household; girls are taught how to cook, clean, wash clothes, etc., while boys often are not.

Capitalist ↑: as wages fall, more people work, more household tasks are purchased rather than produced in the home, e.g. fast food, cleaning service, day care substituted for household labor

Ancient ↑: divorce, lower marriage rates, people wait longer before marrying -- all this leads to a rising number of single person households; also supports increased need for commodities produced often in capitalist firms

Slave ↓: slaves performed household tasks in wealthy slaveowners’ homes until 1864; afterwards slavery continues only in a few other places, such as prisons

Communal ↑: exists in some households historically, often in settings where people share a commitment to cooperation or communism as an idea; in the last 30 years or so, people increasingly begin to see sharing household labor as fair and desirable; women still do the majority of the work in multiple-person households.

References:
Fraad, Resnick, and Wolff. Bringing It All Back Home.
Folbre, N. The Invisible Heart: Economics and Family Values.
A Class Analysis of the Soviet Union

The Soviet Union (1917--1989) is almost universally understood to be a communist society. But does it conform to the definition of the communal class process advanced by Marx? Was it the case that the workers who produced surplus also appropriated that surplus collectively?

To answer this question, we might look three areas of production in Soviet society:

1. **Industry**: factories in the Soviet Union were organized as follows. All factories were owned by the government, which appointed a committee in charge of overseeing industrial production. This committee replaced the group of private capitalists which had appropriated surplus in their own factories prior to the 1917 revolution. Thus Soviet industry was like capitalism with only one capitalist, the government. This is the capital class process, because workers were paid wages and their surplus was taken by their employer, in this case, the government.

2. **Agriculture**: the Bolsheviks, who took power in 1917, promised farmers that they would get their own land in order to get their support. After the revolution, the system of feudalism, capitalism, and ancient production in agriculture was transformed, leaving only capitalism and ancient production. Over time, some ancients prospered, often buying the land of their competitors. Capitalism grew in agriculture. The revolutionary leaders of the Bolsheviks saw this as problematic. In the 1930’s, Stalin, the leader of the Soviet Union at the time, wanted to boost agricultural production and stamp out the emerging capitalism in agriculture, introduced collective farms. These were large communal farms of 500 -- 1000 workers. Over time, workers were also given their own plots of land, so the ancient and communal class processes were both present. There were also some remaining capitalist farms.

3. **Households**: a mixture of communal, ancient, and feudal households existed in the Soviet union, with the feudal households numerically dominant.

This class analysis shows that communal class process was not widespread in the Soviet Union, existing only in agriculture from about the 1930’s to the 1970’s, when they went into decline, and in a few households. The communal class process was mostly not applied in the Soviet Union.

References:
Resnick and Wolff. *Class Theory and History.*
Lenin, V.I. *The Development of Capitalism in Russia.*
Creating a Society that is Free of Exploitation

The logic of overdetermination suggests that every part of society is interconnected, so that a change in one part of society changes all aspects of society, like a drop of water falling into a pool affects the entire pool.

In the past, Marxists have often focused on the government to reduce or eliminate exploitation. It is often thought that if revolutionaries take control of the government, they can enact laws which make exploitation illegal, or give preferential treatment to communal enterprises, so that they have a competitive advantage over capitalist enterprises. This could be done by making loans available to communal enterprises at a lower interest rate -- similar to the practice many banks have of given more favorable interest rates to large corporations. Tax breaks and other subsidies might also be used to create a more favorable environment for firms that do not exploit.

While most Marxists have focused on the government as the solution to the problem of exploitation, some have focused on other areas, such as the culture. If society could come to an understanding of exploitation in which exploitation is widely seen as unacceptable, then no law is needed to prevent it. Such a cultural shift may be accomplished through film, music, poetry, novels, plays, painting, sculpture, and so forth. Indeed, some of the most famous artists of the 20th century saw their work as affecting a broad transformation of society. The Soviet Union understood the power of art, and sought to have works of art created that would support the particular kind of state capitalism that prevailed there.

If people began to see cooperation and collective effort as positive, vital forces that could reverse the alienation and strife that is pervasive in modern societies, they may demand that economic production be reorganized in a way that is more free, more equal, and more fair, where no one is allowed to take the surplus that another produced, in the same way that it is universally seen as barbaric and unacceptable to force children to work, or to buy and sell people and command their labor as slaves.