

# Marx, Karl – 1818-2018

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QMUL

Milano, November 2018

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# Some hardcore Marxists

- “The capitalist system by itself shows no tendency toward equilibrium. The owners of capital seek to maximize their profits. Left to their own devices, they would continue to accumulate capital until the situation became unbalanced. Marx and Engels gave a very good analysis of the capitalist system 150 years ago, better in some ways, I must say, than the equilibrium theory of classical economics”

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- In 2013, *The Communist Manifesto* and *Capital, Volume I* were registered to UNESCO's *Memory of the World Programme*.

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He returned to Paris. After less than three months, he was forced to leave the country again and moved to Britain, where he spent the rest of his life.

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He suffered from severe and recurrent medical problems.

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In 1976, Siegfried Praver wrote *Karl Marx and World Literature* – a 450-page book devoted entirely to Marx's literary references.

# The prolific writer

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$66 + 24 + 20 = 110$  volumes

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"I shall not have it published without revising it yet again, both as regards matter and style. It goes without saying that a writer who works continuously cannot, at the end of six months, publish word for word what he wrote six months earlier."

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- Marx never enjoyed the luxuries of an academic life.

# Three classic examples

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- The nature of socialism.

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- Joan Robinson: 'the whole argument appears to be metaphysical. . . . Logically it is a mere rigmarole of words' (ibid., p. 37). Further, 'a metaphysical belief, as in the law of value, cannot be wrong and this is the sign that there is nothing to be learned from it' (ibid., p. 39).

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# Downfall and rise: a more nuanced account

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# Downfall and rise: a more nuanced account

- The financial crisis of 1857. Beginning with a bank collapse in New York, the crisis spread through Austria, Germany, France and England with plummeting prices, daily bankruptcies and panic.
- “Can capitalism survive? No, I do not think it can” (Joseph Schumpeter, *Capitalism, Socialism and Democracy*, 1942).
- The crisis reloaded: the 2007-8 financial crisis. Marxists have predicted ten of the last one crisis. Yet capitalism *is* characterised by business cycles and recurrent crisis.
- The Soviet Union and (a certain type of) Historical Materialism.

# Downfall and rise? Struggle, more than anything

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- China and the global labour force: “The number of ‘mass incidents’ (unauthorized gatherings of more than 20 people, which include collective worker protests) increased from around 10,000 in 1994 to 74,000 in 2004. The government stopped releasing official statistics on mass incidents in 2005 but unofficial reports suggest the numbers have remained at a consistently high level ever since. . . . [S]enior Party sources [are reported] as saying the number of mass incidents in 2008 was 127,467, about 70 percent higher than the 2004 figure.” (China Labour Bulletin)

**Strike Map**

Eng    中文



2018 1 to 2018 11

Location:

Participants:

Industry:

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# The nature of socialism

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- Marx refused to outline the future society thinking that his role was not to provide “recipes for the cookshops of the future” (*Capital volume I*).
- Gerald A. Cohen: socialism as a set of values, including equality of opportunity, community and solidarity, which can be implemented in a number of ways. (*Why not socialism?*, 2009).

# Exploitation, classes and class conflict

- Exploitation.

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- Exploitation.
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- Conflict, distribution, and cycles.

# The relevance of exploitation

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- Ethical issues arising in surrogate motherhood (see, e.g., Field, 1989; Wood, 1995).
- It is the cornerstone of traditional Marxist social theory (Roemer 1982).

# The relevance of exploitation (ctd.)

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- The global economic order is often considered to be exploitative: “We must invest in Africa, but invest in an orderly way and create employment, not go there to exploit it” (Pope Frances, Reuters).
- The notion of exploitation is extensively discussed in normative theory and political philosophy (e.g., Wertheimer, 1996; Wolff, 1999; Bigwood, 2003; and Sample, 2003).

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The *social* mode of production: the “social properties of the production process. Three dimensions are relevant here:

- its purpose,
- the form of the producer’s surplus labour, and
- the means of exploiting producers (or mode of exploitation)” (p.80).

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Portion of the product in slave society, quantity of exchange value in capitalism. But “the clearest form of manifestation of surplus value” (ibid.), in feudal societies, is “labour rent” where the serf works part of the time on the lord’s estate.

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In slavery and serfdom, exploitation “is achieved by ‘other than economic pressure’. Its ‘basis is the forcible domination of one section of society over another’, assured by a combination of (threat of) violence and ideology” (p.83).

In contrast, in capitalism exploitation occurs thanks to the worker’s “lack of means of production, which forces him to contract with a capitalist on terms which exact surplus labour from him” (p.82).

## “Exploitation in Marx: what makes it unjust?”

“[T]hree logically distinct things occur in the Marxist account of exploitation, each of which carries a redolence of injustice. One is that (1) workers are at the short end of an unequal distribution of means of production. A second is that (2) they are forced to work as others direct them to. And a third is that (3) they are forced to yield surplus product to others” (pp.195-6).

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“*[I]f* the story of capitalist exploitation is the one Marx tells . . . , then where, precisely, does the injustice lie (on independently reasonable views about justice)?” (ibid.)

Answer: “the extraction [of surplus labour] is unjust because it reflects an unjust [asset] distribution and that the asset distribution is unjust because it generates that unjust extraction” (p.197).

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“[T]he core generative injustice is forced unreciprocated transfer itself.” (p.202)

# Defining exploitation

In general, agent A exploits agent B if and only if A takes unfair advantage of B.

Therefore, power and distribution: "exploitation involves inequality on both ends of exchange: inequality defining the context of the exchange ... and inequality defining the outcome" (Warren 1997, p.63).

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But transfer of what, and how is it measured exactly?

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Several proposals in the literature: Morishima (1974, 1989), Roemer (1982, 1988, 1992), Duménil (1980, 1982) and Foley (1982), Flaschel (1983, 2010), and so on.

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Let  $(p, w)$  be the price vector. Let  $I$  be the aggregate income generated in the economy and let  $L$  be aggregate labour expended in production. For any agent  $\nu$ , let  $I^\nu$  be the agent's income and let  $L^\nu$  be the labour spent by  $\nu$ .

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**New Interpretation, NI** (Duménil 1980, 1984; Foley 1982, 1986) Let  $(p, w)$  be the relevant price vector. Agent  $\nu$  is: *exploited* if and only if  $\Lambda^\nu > \tau^\nu L$ ; and an *exploiter* if and only if  $\Lambda^\nu < \tau^\nu L$ .

# Exploitation index 1

At any given allocation, let  $\{\Lambda^\nu, I^\nu\}_{\nu \in \mathcal{N}}$  be the profile of labour spent by every agent and the income received by them.

The first index is, for any  $\nu$ :

$$\frac{\Lambda^\nu}{I^\nu}.$$

Let  $\Lambda$  denote aggregate labour performed and let  $I$  denote aggregate income. In the New Interpretation,

agent  $\nu$  is an exploiter if and only if  $\frac{\Lambda^\nu}{I^\nu} < \frac{\Lambda}{I}$ ,

agent  $\nu$  is exploited if and only if  $\frac{\Lambda^\nu}{I^\nu} > \frac{\Lambda}{I}$ .

## Exploitation index 2

Let be  $s^\nu$  the skill of agent  $\nu$ . The second index is, for any  $\nu$ :

$$\frac{s^\nu \Lambda^\nu}{I^\nu}.$$

Letting  $s\Lambda = \sum_{\nu} s^\nu \Lambda^\nu$ , the exploitation partition would then be

agent  $\nu$  is an exploiter if and only if  $\frac{s^\nu \Lambda^\nu}{I^\nu} < \frac{s\Lambda}{I}$ ,

agent  $\nu$  is exploited if and only if  $\frac{s^\nu \Lambda^\nu}{I^\nu} > \frac{s\Lambda}{I}$ .

# The data

In this analysis we use the Current Population Survey (CPS), 1980 – 2013. In particular, we use the March CPS, which is conducted every March by the Census Bureau in the U.S., having the information of the regular monthly CPS survey, plus additional data on work experience, income, and noncash benefits.

Table 1: Fraction of exploited people by year

Survey year	Mean					
	simple	mincer	manager1	manager2	industry1	industry2
1980	0.64	0.53	0.54	0.52	0.52	0.50
1981	0.64	0.52	0.53	0.51	0.52	0.50
1982	0.64	0.53	0.54	0.51	0.52	0.50
1983	0.64	0.52	0.53	0.51	0.52	0.49
1984	0.65	0.52	0.53	0.51	0.52	0.49
1985	0.64	0.53	0.54	0.51	0.52	0.50
1986	0.65	0.53	0.54	0.51	0.53	0.50
1987	0.65	0.53	0.54	0.51	0.53	0.51
1988	0.64	0.53	0.54	0.51	0.53	0.51
1989	0.64	0.53	0.54	0.52	0.53	0.51
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1994	0.64	0.52	0.53	0.51	0.52	0.51
1995	0.64	0.53	0.54	0.51	0.53	0.52
1996	0.67	0.57	0.58	0.55	0.57	0.55
1997	0.68	0.57	0.58	0.55	0.57	0.56
1998	0.68	0.57	0.58	0.56	0.57	0.56
1999	0.67	0.58	0.59	0.56	0.57	0.56
2000	0.67	0.56	0.57	0.54	0.56	0.54
2001	0.69	0.58	0.59	0.57	0.58	0.57
2002	0.68	0.59	0.60	0.57	0.59	0.58
2003	0.70	0.59	0.59	0.58	0.59	0.58
2004	0.69	0.58	0.59	0.57	0.58	0.58
2005	0.69	0.59	0.59	0.57	0.59	0.58
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2009	0.69	0.58	0.59	0.56	0.58	0.57
2010	0.68	0.58	0.58	0.56	0.58	0.57
2011	0.68	0.57	0.58	0.56	0.57	0.56
2012	0.70	0.58	0.59	0.56	0.58	0.57
2013	0.69	0.58	0.59	0.57	0.58	0.57
Total	0.67	0.56	0.57	0.54	0.56	0.54

Table 2: Fraction of exploited people by race

Race/ethnicity	Mean					
	simple	mincer	manager1	manager2	industry1	industry2
White	0.630989	0.545181	0.552150	0.532210	0.545878	0.533706
Black	0.757658	0.630211	0.641490	0.605538	0.623367	0.598238
Hispanic	0.807648	0.557164	0.574121	0.538921	0.553207	0.536230
Other	0.661105	0.592994	0.598282	0.571727	0.598404	0.570891
Total	0.667321	0.557307	0.565881	0.542111	0.556938	0.542110

Table 3: Fraction of exploited people by gender and capital income

	Mean					
	simple	mincer	manager1	manager2	industry1	industry2
Female						
0	0.57	0.45	0.46	0.44	0.45	0.48
1	0.77	0.67	0.68	0.65	0.68	0.61
Total	0.67	0.56	0.57	0.54	0.56	0.54
anyincome						
0	0.81	0.59	0.61	0.57	0.59	0.57
1	0.54	0.53	0.53	0.51	0.53	0.52
Total	0.67	0.56	0.57	0.54	0.56	0.54

Table 4: Probability of being exploited

	Simple b	Mincer b	Manager1 b	Manager2 b	Industry1 b	Industry2 b
anykincome (d)	-.180349***	-.103563***	-.106681***	-.095696***	-.112994***	-.108004***
Sex1 (d)	.189461***	.201915***	.202520***	.193887***	.205111***	.200445***
Black (d)	.035970***	.066724***	.066381***	.056851***	.065508***	.059142***
Hispanic (d)	.064862***	.037505***	.039022***	.032672***	.041076***	.033974***
Other (d)	.020678***	.015861***	.015739***	.008017***	.016011***	.014048***
HighSchool (d)	-.105578***	.142267***	.136566***	.139672***	.136175***	.141357***
SomeCollege (d)	-.186766***	.086088***	.072493***	.081136***	.109612***	.113147***
College (d)	-.400921***	.242212***	.207182***	.237208***	.271662***	.267189***
Advanced (d)	-.560094***	.287505***	.257002***	.287283***	.339616***	.346224***

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In all social formations, the basic division is between those who do the work and those who live off the work of others (as they own the means of production).

Under capitalism, there are two main classes, workers and capitalists. The former have little but their own labour to sell, the latter are those who have the wealth to buy the labour of others in one form or another (though they may work too if this is what they wish).

# Who cares?

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Let's begin from the end: conflict.

# Class conflict

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They have to accumulate in order to exploit increasing returns to scale and other size-related competitive advantages. Accumulation, however, implies tighter labour market conditions which, in the long run, allow workers to increase their wages.

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“The industrial reserve army, during the periods of stagnation and average prosperity, weighs down the active army of workers; during the periods of over-production and feverish activity, it puts a curb on their pretensions. The relative surplus population is therefore the background against which the law of demand and supply does its work” (*Capital, volume I*).

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This implies that,

- Capitalism, as part of its natural functioning, involves an employment cycle. There is no tendency to equilibrium
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# The industrial reserve army and classes

This implies that,

- Capitalism, as part of its natural functioning, involves an employment cycle. There is no tendency to equilibrium
- At the very least in the short-run, there is little scope for distributional changes in favour of labour, which in turn implies
- Cross-class mobility is rather limited (as wages cannot rise too much).

# Conflict and distribution

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- The model identifies the two key variables of the analysis, the **wage share** and the **employment rate**, and it postulates a cyclical relation between them.

# Profit squeeze cycles

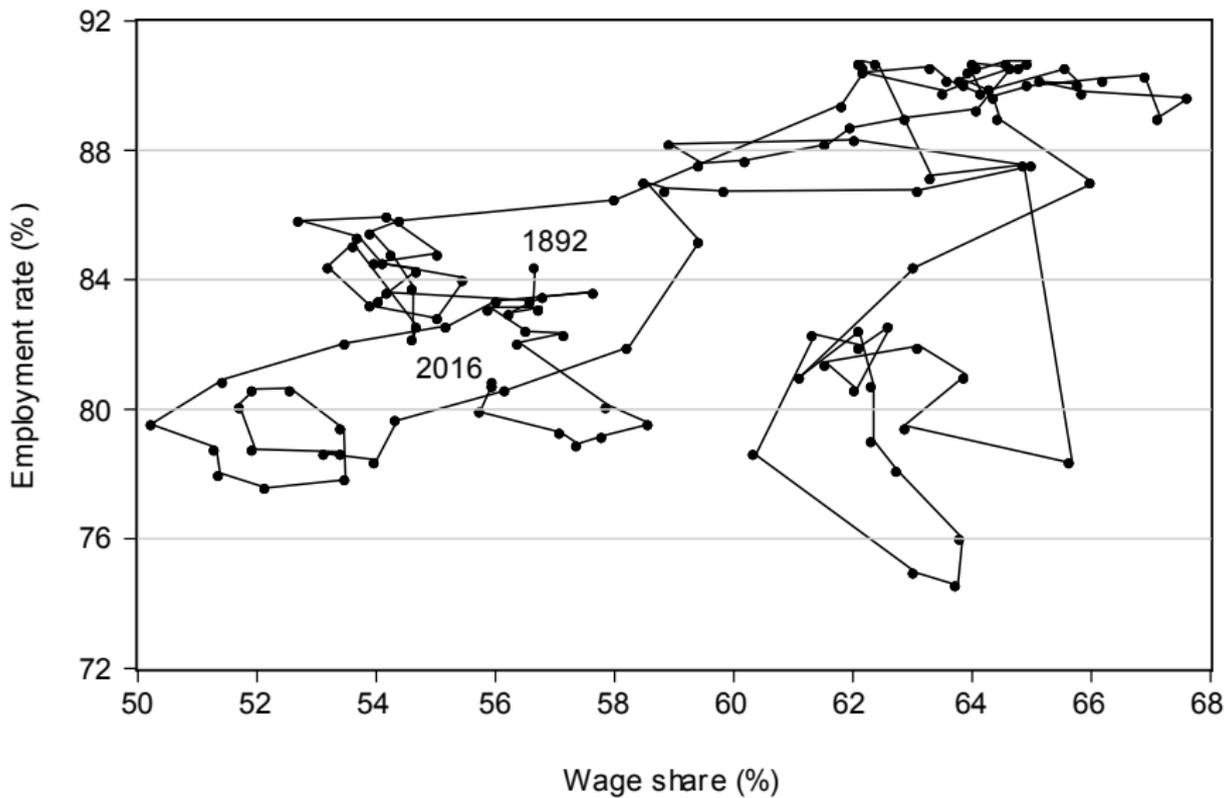
- A scatter plot of the employment rate (on the vertical axis) against the wage share (on the horizontal axis), with scatter points considered sequentially in time, should generate a **clockwise path** if it is to represent a profit squeeze mechanism.

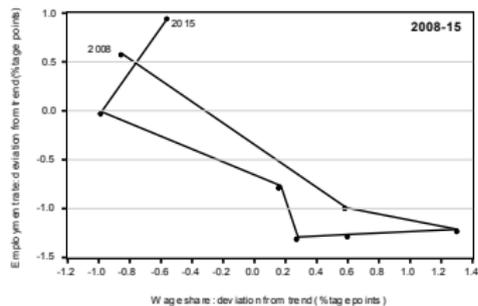
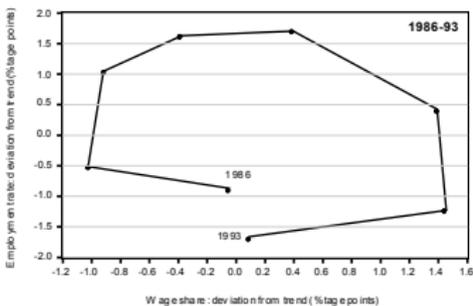
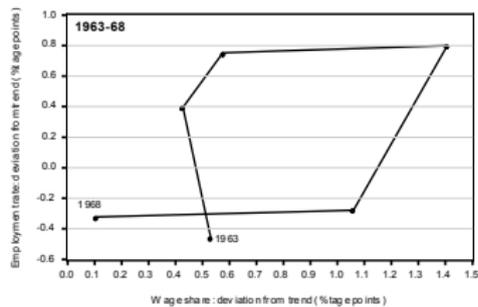
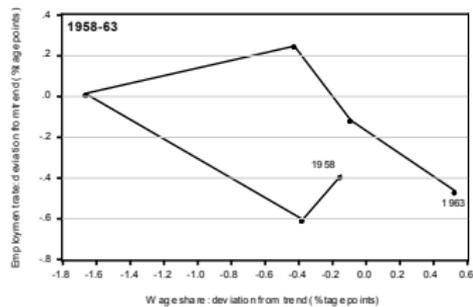
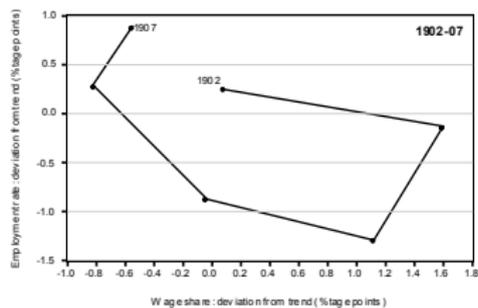
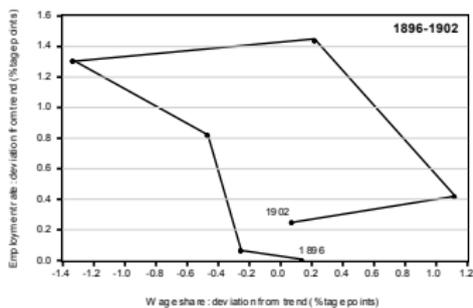
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- We consider the **period 1892-2016**.







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Is that so?

TABLE 1

## Distribution of income and wealth, 2009

	Distribution of:		
	<i>Household income*</i>	<i>Net worth</i>	<i>Net financial assets</i>
<i>All</i>	100.1%	100.1%	100.0%
<i>Top 1%</i>	21.3	35.6	42.4
<i>Next 9%</i>	25.9	39.5	40.4
<i>Bottom 90%</i>	52.9	25.0	17.3

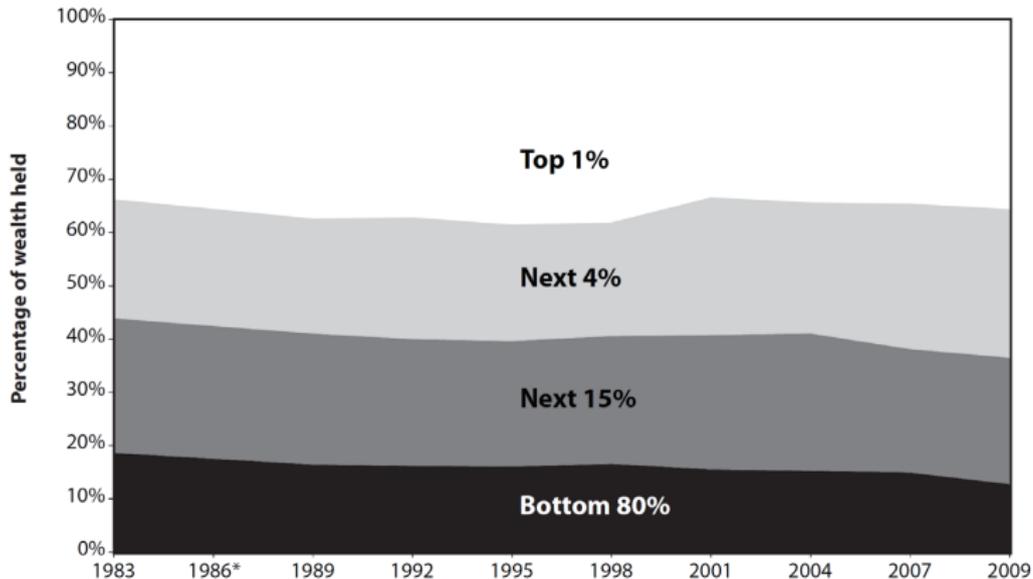
\* Reflects 2007 data; 2009 update based on changes in asset prices between 2007 and 2009 using Federal Flow of Funds data.

**NOTE:** Due to rounding, not all categories will sum to one hundred.

**SOURCE:** Wolff (2010).

FIGURE B

Distribution of wealth by class, 1983-2009

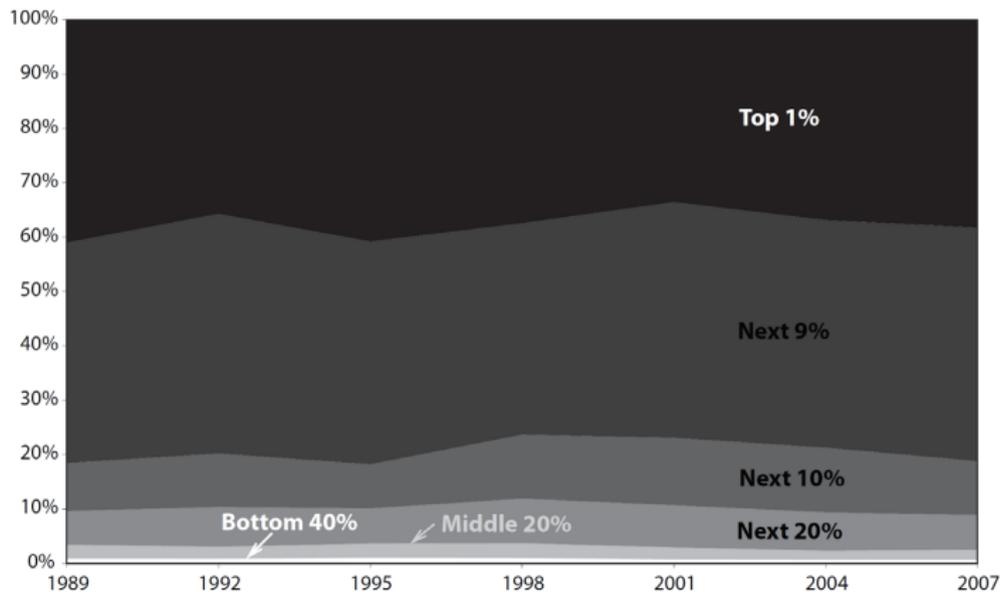


\* Data for 1986 calculated by linear approximation.

SOURCE: Author's analysis of Wolff (2010).

FIGURE F

Distribution of stock market wealth by wealth class, 1989-2007



SOURCE: Author's analysis of Wolff (2010).

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Barone and Mocetti, (2016) “Intergenerational mobility in the very long run: Florence 1427-2011”, Temi di Discussione 1060, Banca d’Italia

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Looking for nonlinearities, we find some evidence of the existence of a glass floor that protects the descendants of the upper class from falling down the economic ladder.” Barone and Mocetti, (2016)

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The structure of proletarian unfreedom.

# What is alive and what is dead?

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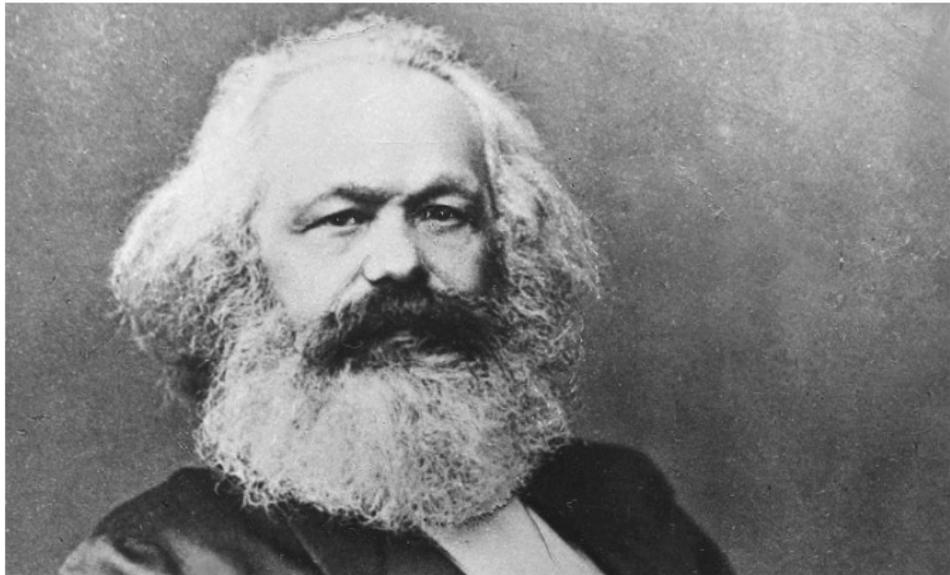
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- The jury is still out.
- 'Chapter and verse' Marxism.
- It remains a classic and so a source of inspiration. Probably, it will remain so for as long as capitalism will exist.

“I assume, of course, a reader who is willing to learn something new and therefore think for himself” (or , indeed, herself)



## Some nice introductory books

- “Marx’s *Das Kapital*” by Francis Wheen, Atlantic Books, 2006.
- “Why read Marx today?” by Jonathan Wolff, Oxford University Press, 2002.
- “Why not socialism?” by G.A. Cohen, Princeton University Press, 2009.
- “Karl Marx’s Theory of History: A Defence” by G.A. Cohen, Oxford University Press, second edition 2005.
- “Self-Ownership, Freedom, and Equality” by G.A. Cohen, Cambridge University Press, 1995.

### *Further reading:*

- “Analytical Foundations of Marxian Economic Theory” by John E. Roemer, Harvard University Press, 1981.
- “A General Theory of Exploitation and Class” by John E. Roemer, Harvard University Press, 1982.