3
Karl Marx and the Contradictions of Capitalism

Our goal in this chapter is to present a coherent summary of Marx's analysis of economic forces in society and how they shape human lives. We will do that in two parts. The first briefly outlines a theory of historical change that Marx developed with his long-time collaborator, Friedrich Engels. In 1845-6 the two wrote a manuscript, *The German Ideology*, that contained their explanation of historical change, called "the materialist conception of history." We will briefly provide a structural outline of this conception of history with a few examples to help the reader learn the basic terminology of the system.

We then turn to a more lengthy examination of how Marx applied his theory of historical change to capitalism. This application is spread over thousands of pages of material that Marx and Engels wrote. However, the single most compact presentation is in *Capital*, Volume I (hereafter referred to as *Capital*), and the second part of this chapter will concentrate attention on the arguments about capitalism in that book. *Capital* is by far Marx's most thorough application of his materialist conception of history, and by presenting them in sequence we hope to clarify the "Marxian" view of capitalism. Marx's analysis of capitalism is an intricate theoretical structure, buttressed by a huge compendium of historical description, and when studied closely it can be genuinely breathtaking in its breadth and depth.

We also want readers to see the great divide between Marx's analysis of capitalism and that of most current mainstream economists, who tend to look upon capitalism as a "given system," and exhibit little or no professional interest in the historical process that gave rise to it. They have ripped economic analysis from its historical context, ignoring the development and evolution of the capitalist system. As we move through the Marxist view of the world we will be demonstrating the major differences between his work and that of mainstream economists.

I. THE MATERIALIST CONCEPTION OF HISTORY AND CLASS STRUGGLE

Marx and Engels began their economic analysis by making the obvious claim that in order to survive, we human beings must learn to mix our intelligence and our energy—our work—with the basic "materials" of the world we find ourselves in: its soil, water, and air. We must work with what is at hand in order to make this today into tomorrow. In 1878, Friedrich Engels described how this truism about human survival would be the basis of their materialist theory of historical change:

> The materialist conception of history starts from the principle that production, and with production the exchange of its products, is the basis of every social order; that in every society that has appeared in history the distribution of the products, and with it the division of society into classes or estates, is determined by what is produced and how it is produced, and how the product is exchanged. (Engels 1975, 74)

In other words, the economic organization of human society, or the "mode of production," as Marx called it, is the most powerful factor in determining social structure. Notably, the way society is organized to produce necessities—for example, organized into serfs and lords in feudalism, or into owners and workers in capitalist societies—constitutes the "class structure" of society. Since virtually all production involves many different people, Marx concentrated on production as a social activity and analyzed the class structure created by the organization of production.

Marx's method of analysis is very different from that of Adam Smith, who focused on how individuals behaved within a benignly competitive capitalist society. In contrast, Marx sought to understand the forces that cause the economy to change over time. He believed that change resulted from the struggle between opposing, or "dialectical"—what we might think of as "contradictory" or competing—forces inherent in all societies. As an example, one that Marx made much of, all economic systems produce hierarchies of social classes, with a top and a bottom, and endless competition and resentment at every level in between. These class struggles emerge in the form of wars, revolutions, democratic reform, and in other ways, and one can find them grinding away in any history book. That is, social classes are inherently contradictory—inherently opposing—forces in almost all societies, and class conflicts provoke major changes in how societies are structured.

Marx found that the social activity of production took many different forms throughout history, with stages of social organization corresponding to techniques of production. He noted that European society passed through a number of different modes of production, including primitive communalism, slavery, and feudalism, on its way to capitalism. He concluded that capitalism is simply the latest in a series of modes of production and that it, too, will yield to some other mode of production in the future.[1]

In analyzing capitalism, Marx focused on what he considered the two principal social classes. On top were the capitalists, what he called the "bourgeoisie," consisting of those who owned the machines, factories, and other necessities for production. On the bottom were the workers, or what he called the "proletariat," who, in order to live must work for a capitalist. Thus, in his analysis of capitalism, he would pay special attention to relations between these two classes and how their inherent struggle would spur the forces of change in the system.

Below, we will discuss further this inherent struggle, but for now we will use a few numbers regarding the workers' share of income and wealth produced by our society. These numbers explain well why there is a constant murmur of seething resentment among the working classes about their relative weakness compared to the power of the capitalists. According to the Institute for Policy Studies, the richest 10% of the U.S. population now owns about 90% of all stocks and over 90% of all bonds. The top 1% of the U.S. population has an average family income of $1,453,100; the bottom 20% has an average income of $24,600. Average pay in 1980 for a CEO in the United States was 42 times as great as that of the average wage owner; that ratio increased to 373 to one in 2014. Or, to think in global terms, according to Oxfam the wealth of the top 1% of the world's population is equal to the wealth of the other 99%, and the richest 62 people in the world had as much wealth in 2016 as the poorest half of the global population.

Aside from these numbers being evidence that capitalism generates inequality, it also suggests that we are moving further and further away from an egalitarian society. The figures underscore a further crucial point about capitalism: since owning the stocks and bonds of companies means owning the "means of production," the wealth-generating capital of the United

States is almost all owned by one tenth of the population. Thus, in order to make a living, most of the other 90% who work for wages do so either for these richest 10%, their managers, or in the public sector of the economy. Reflecting all these numbers, from the 1970s through 2013, U.S. wage earners experienced a dramatic decline in income relative to that of the owners and top managers for whom they work. For example, in 1965, the average CEO's salary was 44 times the average factory worker's wages, but by 2013 this ratio had reached *over 300 to one* (or more, depending on the source you use).

All the measures regarding wealth, income, and control over the production system are examples of what Marx meant by the inherent struggle between the two groups. They also exemplify the inherent contradictions, or dialectical pressures, within U.S. capitalism, because sustained relative declines in income for the majority of a society's population tend to produce political upheaval. The Occupy Wall Street movement that burst out in September 2011 reflected a deep anger on the part of much of the population against the plutocracy they see as having bought their way into control of both the politics and the economic activity in the United States. Occupy members often repeated the old argument that "The interests of Wall Street rarely coincide with those of Main Street," as they embodied the class conflict that Marx and Engels had begun to predict in the 1840s. These themes were echoed in Bernie Sanders' campaign for president in 2016.

Marx and Engels had summarized this idea of inherent class struggle in the following passage from *The Communist Manifesto*, written in 1848:

> The history of all hitherto existing society is the history of class struggles. Freeman and slave, patrician and plebeian, lord and serf, guild-master and journeyman, in a word, oppressor and oppressed, stood in constant opposition to one another, carried on an uninterrupted, now hidden, now open fight, a fight that each time ended, either in a revolutionary re-constitution of society at large, or in the common ruin of the contending classes. (Marx and Engels 1998, 34-5)

Capitalist Production and Commodifciation

In describing this materialist view of social change, C. Wright Mills, a sociologist influential in the 1950s and 1960s, wrote in *The Marxists:*

> Political, religious and legal institutions as well as the ideas, the images, the ideologies by means of which men [sic] understand the world in which they

> live, their place within it, and themselves—all these are reflections of the economic basis of society. (Mills 1962, 82)

The extent to which political institutions in capitalist countries reflect the needs of the capitalist class can hardly be lost on any person living in the United States today, where it seems that government at every level is for sale to the highest capitalist bidder. Less obvious, but also important, is the symbiosis between religion and the emergence of capitalism in Europe. Religious beliefs in hunter-gatherer societies usually emphasize the importance of nature and the role of people within it, and this reflects the importance of the natural environment to survival in that mode of production. Marx was struck by how convenient the teachings of the early protestant denominations were to the emergence of capitalism. These new denominations, which developed after Martin Luther's 16^{th}-century revolt against Catholicism, stressed that one should accept one's lot in life and that all would be better in the hereafter. Such a belief, of course, made people more willing to accept the dislocations and deprivations so many experienced in early capitalism. In one of his more memorable phrases, Marx described religion as the "opiate of the masses" because he believed that workers in early capitalist societies had, quite understandably, adopted religious beliefs as the only hope in an inexorably grim world. As you can see in the sidbar on hegemony (pp. 60-62), the ability of the capitalist class to shape the ideology of a capitalist society is a crucial means by which they perpetuate their control.

Marx also argued that what he called the "cash nexus" of capitalism would eventually demean and devalue all that it pulled under its spreading wings. In 1846, in *On the Jewish Question*, he noted that money could transform all things, until money itself was all that was important in life:

> Money abases all the gods of mankind and changes them into commodities. Money is the universal and self-sufficient value of all things. It has, therefore, deprived the whole world, both the human world and nature, of their own proper value. Money is the alienated essence of man's work and existence; this essence dominates him and he worships it. (Marx and Engels 1978, 50)

In Marxist language, alienation derives primarily from a process called "commodification." Everything—flesh and blood, inanimate objects, music, poetry, *everything*—is ultimately "for sale" in the capitalist marketplace. We all know countless examples of commodification. Each Christmas, to suggest an obvious one, most of us in Christian countries celebrate the birth of Jesus with an avaricious, competitive, often depressing orgy of consumption of mostly unnecessary products. What was once a simple affair of gift giving to exemplify Christian charity has become in advanced capitalism a gruesome distortion of the original idea. Capitalism, as we all know, incessantly works on all of us to buy things we don't need. However, what another famous critic of capitalism, Thorsten Veblen, called "the sales effort" is unleashed with a special fury at Christmastime. By the time it is over, a substantial minority of us need anti-depressants as an antidote to the lack of Christmas joy that millions of advertisements told us the gifts, the cards, and the Christmas tree would bring.

Creative output of all kinds is also systematically commodified in capitalist societies, co-opted and transformed by pop culture or the advertising industry. For example, in the 1980s, Paul McCartney of the Beatles tried to

Marx, Gramsci, and Cultural Hegemony

In his essay "The German Ideology" (1845–6), Karl Marx observed that those who control the economic system can also exert a certain amount of ideological control over the rest of society. As he put it, "The ideas of the ruling class are in every epoch the ruling ideas; i.e., the class which is the ruling material force of society, is at the same time its ruling intellectual force. The class which has the means of material production at its disposal, has control at the same time over the means of mental production ...." This idea was refined by an Italian Marxist named Antonio Gramsci, who further developed the theory of *cultural hegemony*. Gramsci noted that the ruling class worked to manipulate the values and social mores of society so that their views became the dominant world views of society. In this way, those who control the economy can win the consent of the governed, even though the capitalist economic system primarily serves the interests of the capitalist class.

If we look around us, we see numerous examples of the capitalist class trying to manipulate the views of the working class. Consider the following examples of policies that are very favorable to the capitalist class but not favorable to workers, and how business interests have promoted those policies.

- **Business Resists the Minimum Wage.** Most research studies indicate that increasing the minimum wage has little or no effect on employment. Because businesses already try to use the least possible amount of labor to serve their customers, higher wages do not generally mean that businesses will reduce the number of workers they need to hire. Thus, the primary impact of raising the minimum wage is that workers get paid more while businesses take in lower profits. To reshape public opinion in their favor, businesses have established various foundations and institutes, such as the Employment Policies Institute, whose primary purpose is to oppose increases in the minibuy from a record company the rights to many of the popular songs that he had written with John Lennon. However, McCartney was outbid by another pop icon, Michael Jackson, who then proceeded to sell the rights to some of these songs to advertising firms. The Beatles song "Revolution," written in response to the political turmoil of the 1960s, was put in the service of selling sneakers. Some Beatles fans might call this sacrilege, but to a Marxist this kind of commodification is the predictable outcome for cultural products in capitalism. "Public" radio stations that increasingly depend upon corporate funds to stay alive, the "Tostitos" Fiesta Bowl, and the Nike swoosh on the uniforms of athletes and coaches at all levels of sports around the world exemplify the way in which things that were not once part of the cash nexus have become commodities.

mum wage. They publish "studies"—often cited by pro-business, anti-labor politicians—purporting to demonstrate that raising the minimum wage is harmful to workers or to small business. As a result of this misleading research and an intense lobbying effort, the United States has one of the lowest minimum wages in the developed world, and the minimum wage is not indexed to inflation.

- **Business Resists Action on Global Climate Change.** The record heat waves of 2016, and the fact that each year brings new heat records, more rapidly melting glaciers, and increasingly devastating weather events (droughts and wildfires, floods, hurricanes, typhoons, etc.), makes it clear to anyone with basic powers of observation that the climate is changing rapidly around us. All the scientific studies, and 97–99% of climate scientists, agree that climate change is a product of human-made greenhouse gases. But such a realization could be devastating to businesses based on oil and other fossil fuels, to industrial agribusiness which is responsible for 20–35% of greenhouse gas emissions, and to goods-producing companies that depend on low production and shipping costs to sell consumers mountains of products. To combat the inconvenient truth of global climate change, companies embarked on a multi-million dollar effort to discredit climate scientists and to cast doubt among the general public that climate change is happening. (This is all documented in the book and film, *Merchants of Doubt*.) This, too, has been a very successful effort, persuading vast numbers of politicians and the general public that climate change is not something we need to be concerned about. Even with evidence all around us that climate change is occurring and that the consequences are increasingly dire, 40-50% of the U.S. population does not believe climate change is a serious concern. This, of course, allows the oil companies to keep drilling away.

For Marx, the most costly form of commodification occurs when capitalists buy labor-power in labor markets. This commodity, labor-power, is—as we shall describe in detail later—the irreplaceable element of capitalist production, because without hired laborers to produce the output capitalism cannot exist. Even in this age of high technology, labor costs still make up roughly two-thirds of the costs of production for firms, indicating how essential labor remains in the production process. When a capitalist buys labor-power, however, he or she must treat that labor-power like any other input; it must be bought as cheaply as possible and drained of its last ounce of usefulness for profit-making. The fact that labor-power is brought to the market by a human being greatly com-

- **Business Pushes Neoliberalism.** Perhaps the single most effective case of cultural hegemony has been the selling of "neoliberalism" to the citizens of the United States and other countries as an economic approach that benefits everyone. The neoliberal philosophy claims that unregulated trade, reduced government regulation, and reduced taxes on businesses and the wealthy in the short run will eventually redound to the benefit of all. (Don't let the name confuse you: "neoliberalism" corresponds to what is known as "conservative" economic theory and policy in the United States.) The theory behind this "trickle-down" approach is that free trade, less government regulation, and lower taxes will stimulate business investment, increasing economic growth and making everyone better off. This message is pushed relentlessly by corporate-supported think tanks, business-friendly politicians and media outlets, and even in pro-business economics classes in high schools and colleges. However, the record of neoliberal policies tells a different story than that coming from the corporate hegemons (a "hegemon" is a powerful entity, which corporations surely are in U.S. society). During the neoliberal era (from 1980 to the present), as countries have increasingly adopted neoliberal policies, workers in developing countries have fared very poorly while corporate profits have soared. And, economic growth rates in developed countries have been very low during the neoliberal era. It turns out that neoliberalism isn't good for growth or for workers, but the rhetoric we hear, from corporations and those (in academia, media, and government) that do their bidding, tries to convince us otherwise.

As the above examples demonstrate, the capitalist class does everything in its power to persuade us that they have society's best interests in mind, and that we should support a pro-business agenda that includes low minimum wages, lax environmental regulations, low taxes, and other pro-business policies. But a closer look at these issues reveals the corporate propaganda for what it is: a crass effort by those on top to convince all of us down below that we should accept the status quo and stop questioning the way things are.

plicates the problem for the capitalist. Human beings, unlike sheets of plywood and computer chips, have imagination, wishes, plans, and dreams, perhaps even to challenge the boss! While imagination and dreams and independence of mind can make for productive workers, such traits can also be problematic for many capitalists trying to maximize profits. What employer wants a mouthy advocate of social justice, or someone who complains about poor working conditions, mixing with all the more "reasonable" employees?

Workers are interested in many things other than their jobs. In fact, many workers hate their jobs. A 2015 Gallup poll found that 90% of workers were "not engaged" or were "actively disengaged" from their jobs. Because of this, capitalists face the complicated problem of focusing their employees' attention on the work at hand. That is why Marx saw, and today's Marxists see, the modern capitalist workplace, particularly in the United States, as a functioning dictatorship, where all the rules are made by the bosses and followed by all the workers who want to keep their jobs. Capitalists want ordered work from conforming, non-complaining bearers of crucial labor-power. Or, in the Marxist language, they want a particular kind of commodity, one that does certain kinds of tasks, rather than actual human beings with moods, illnesses, and needs. This process is the "commodification of labor," a major linchpin of Marxist analysis, to which we will return.

Capitalism and Its Contradictions: Globalization

Globalization, a major social transformation now engulfing everyone, everywhere, provides a good example of the materialist conception of history, particularly its dialectical and contradictory nature. Globalization is the ultimate expression of the unregulated market system, as capitalism expands inexorably in search of new markets and cheap, desperate labor. Capitalists from all the richest industrial nations have gradually bought politicians, like they buy yachts and even islands when away from the office. An exemplary consequence is that the last major remnants of democracy in the United States have been replaced by a corporate plutocracy now living out its longtime dream to rid the world of most of the rules governing multinational corporations. The outcome, what is called "neoliberalism," was instrumental in creating the world financial crisis beginning in 2007. Remarkably, Marx had predicted this inherent path of globalization quite clearly in the middle of the 19th century. As he put it, the capitalist will plunder the globe searching for cheap labor, and "will never want for fresh exploitable flesh and blood, and will let the dead bury their dead" (Marx and Engels 1978, 215). For capitalists, this recent outburst of globalization has been immensely profitable, as evidenced by the increasing inequality of income and wealth described earlier. Cheap labor and added customers from the farthest reaches of the world have enhanced capitalists' profits.

But, right behind the move toward neoliberalism followed the dialectical consequences. One of them, in the United States and in most other developed countries, was the decline of the real wages of the working class. Indeed, real wages for U.S. wage earners are less than they were in 1972: four decades of stagnant wages! Such workers cannot easily maintain their own wage levels when capitalists put them in competition with low-wage workers in developing countries all over the globe, some making as little as 30 cents an hour. Yet, as Marx saw clearly, low wages in capitalism would mean that the system could produce more than could be sold. For instance, the collapse of the housing market wiped out trillions of dollars of the presumed wealth of working people and thus their ability and willingness to buy goods and services. Further, the declining wages of workers reduces the demand for products, leaving capitalists with surplus goods and declining investment outlets—a crisis of overproduction. Capitalists usually respond to such a crisis by laying off workers and reducing investment. And, capitalists' consumption, no matter how gaudy and selfish, can only use up a fraction of the funds they control. In this way, a lack of consumption is combined with what is called underinvestment. To compound the problem even more, in the recent crisis, the reigning capitalist countries have implemented a policy of "austerity" to encourage governments in countries on the brink of financial failure to cut back their social spending so that they can pay back the banks that brought them to ruin in the first place.

As we shall see when we read the chapter on Keynes, where there are more details on austerity, the concurrent decline in all the sectors of spending can produce such disasters as the Great Depression in the 1930s. Such a chain of events was almost exactly what Marx predicted in 1848. In the present situation, the increasing inequality generated by globalization has helped to destabilize the political institutions of many countries, where workers are increasingly rising up against low wages, rotten working conditions, and a government dominated in part by corporate criminals still on the loose.

To sum up, Marx, in his theory of history, argued that in order to survive, people must construct economic systems—modes of production—and that in all societies these modes heavily shape the way people behave. Capitalism is, of course, no exception to this rule, and we have looked at a few of the ways this system shapes our lives, especially the commodification of more and more aspects of life. And we closed with the Marxist suggestion that the sort of world economic crisis that began in 2007 is merely a precursor of worse things to come on our way to a different mode of production.

How, then, does capitalism actually work? How does it make us into what we are, and especially into commodities? We have only hinted at the answer to this question, and now we turn our attention to the broader and deeper answer developed in *Capital.*

II. MARX'S CRITIQUE OF THE CAPITALIST MODE OF PRODUCTION

After Marx and Engels developed their materialist conception of history, Marx began work on a longer project to describe and explain the "laws of motion" of capitalism. The overall structure of that explanation had been presented compactly in the first part of *The Communist Manifesto*, but its dozen or so pages gave only a fleeting glance at the complete story. The expanded version was published in 1867 in the first volume of what was to be a multi-volume project, and Marx gave it the title *Capital: A Critique of Political Economy*. The book was first published in German, and later editions in French (1872) and English (1886) made his critique available to most parts of the industrialized world. Marx was emphatic that the purpose of this book, and of all his analysis, was not just "to understand the world, but to change it."


Das Kapital.

Kritik der politischen Oekonomie.

Von

Karl Marx.

Erster Band.

Buch I: Der Produktionsprocess des Kapitals.

Hamburg

Verlag von Otto Meissner.

1867

Cover of the original 1867 (German) edition

The first volume of *Capital* was the only one published during Marx's life. Volumes II and III were prepared by Engels from Marx's notes, and Volume IV, more a massive compendium of economic ideas than an extension of his critique, was edited by a German Marxist, Karl Kautsky, between 1905 and 1910. We will focus almost entirely on Volume I because in it, as we wrote earlier, Marx presents his most fundamental arguments about capitalism, especially the relationship between the owners/managers of capital and wage earners who work for them. By focusing on *Capital*, we do not want to leave the impression that it is a compact statement of all that Marx wrote, for his other voluminous writings have been highly influential in modern thought, particularly in the social sciences and the humanities. Nonetheless, as an argument about how the production system of capitalism came to be, how it functions, and the crucial implications of those functions, *Capital* works well on its own. Its central ideas are quite easy to understand when placed in a modern context, using the experiences common to people who live in capitalist cultures. It is our purpose here to take up the major themes in Marx's critique of capitalism in precisely that kind of context. We will begin our analysis by elaborating on the principal players we alluded to above, as Marx dramatically did in his own writings.

Players on the Capitalist Field, I: Owners/Managers

We pointed out earlier that most people engaged in economic activity in the capitalist mode of production would fall into one of two major groups. First, there is the bourgeoisie, being the capitalists and their top managers. Their identifying trait is that they own or manage the capital equipment of society—the buildings, furniture, materials, and everything else needed to produce commodities (goods and services for sale). Like the classical economists before him, such as Adam Smith and David Ricardo, and the mainstream economists in our time, Marx believed capitalists have the single goal of accumulating and maximizing profits from their investments in machines, materials, and labor-power. And, like those before him, he had a high regard for the power of this capitalist accumulation process to accomplish gigantic tasks. As early as 1848, in the *Communist Manifesto*, Marx wrote:

> [The capitalist class] during its rule of barely one hundred years, has created more massive and more colossal productive forces than have all preceding generations together. Subjection of nature's forces to man, machinery, application of chemistry to industry and agriculture, steam navigation, railways, electric telegraphs, clearing of whole continents for cultivating, canalization of rivers, whole populations conjured out of the ground—what earlier century had even a presentiment that such productive forces slumbered in the lap of social labour? (Marx and Engels 1998, 40-1)

Few in our own capitalist age would disagree with this claim, though others might use less florid language to make it. Marx says elsewhere in the *Manifesto* that capitalists can be depended upon constantly "to revolutionize the means of production," by which he meant that the owning-managing class will never stop imagining ways to make their production more efficient and therefore less costly. A new technique, a new revolution in the means of production, will give the individual capitalist the power to make extra profits until the inevitable occurs and competitors adopt the same technique, or perhaps even better ones. Less-industrial societies will have their "walls battered down by cheap commodities," as Marx put it in the *Manifesto*, for no mode of production can compete with capitalism in its capacity to drive down costs and shape the world after its own image.

For Marx, when the capitalist brings together land, labor, and capital, he or she produces a volatile mix that inevitably produces conflict. This view that struggle preeminently characterizes the capitalist workplace puts him at odds with Adam Smith and most others in the classical school, and with mainstream economists. It is, of course, not lost on mainstream economists that owners often have conflicts with their workers. Yet, anything beyond a perfunctory mention of the relationship between labor and capital, or what Marx called the "social relations of production," is left outside the province of mainstream economics. From his different perch, Marx saw market competition as compelling owners to see their workers as two-sided creatures. On the one hand, workers are crucial for production. On the other, they are unpredictable and resistant to change and authority. They are given to slowdowns if not monitored carefully, and, if united, they possess the collective power to demand higher wages and better working conditions. They can even halt production altogether by going on strike. This threat means that workers must be continually controlled, and their rebellions promptly squelched.

Marx concluded that this world of hostile workers and hungry competitors would ultimately corrupt even the most saintly capitalist. It doesn't matter whether he or she is a Christian, Muslim, or Jew; is friendly or mean-spirited; is Asian, Latin American, or what you will. Ultimately, the forces of competition can entice the most well-intentioned capitalist to reduce wages when possible, break the law, buy the politicians, adulterate the product, or even close the factory if doing so is necessary to maximize profit. Whereas mainstream economists see competition as the "invisible hand" that gives capitalism great moral authority over other economic systems, Marx saw competition as an unrelenting pressure that threatens to drag all capitalists down to the moral level of the most unscrupulous ones. As an example, Marx emphasized in *Capital* that without laws against child labor, *some* capitalists will hire children if doing so will lower costs, and the advantage thereby gained will force competitors downward into a squalid moral abyss. This imperative to follow the least scrupulous competitor produces the assaults of the capitalist class on their customers, on their workers, and on the environment that one can find described daily in any newspaper.

Assessing the great power of competition to shape the actions of capitalists, Marx wrote:

> To the outcry as to the physical and mental degradation, the premature death, the torture of over-work, [capital] answers: Ought these to trouble us since they increase our profits? But looking at things as a whole, all this does not, indeed, depend on the good or ill will of the individual capitalist. Free competition brings out the inherent laws of capitalist production, in the shape of external coercive laws having power over every individual capitalist. (Marx 1967, 257)

Later in *Capital*, Marx vividly exemplified these effects of competition on capitalist morality by quoting a contemporary, T. J. Dunning, who had written:

> With adequate profit, capital is very bold. A certain 10% [profit] will ensure its employment anywhere; 20% certain will produce eagerness; 50%, positive audacity; 100% will make it ready to trample on all human laws; 300%, and there is not a crime at which it will scruple, nor a risk it will not run, even to the chance of its owner being hanged. (Marx 1967, 760)

Marx's description of owners differs dramatically from the mainstream version, in which the capitalist stands triumphantly on a pedestal, a heroic risk-taker who has brought together land, labor, and capital. To paraphrase Marx's parody of that version, "Mr. Capital and Mr. Labor combine with Madam Land to produce the best of all possible worlds for them all."

Players on the Capitalist Field, II: The Wage-Earning Proletariat

Beginning in his early writings, Marx assigned great importance to the oppression of the workers under capitalism. In 1844, Marx wrote a long manuscript that provided a structural overview of his thinking about "economics" at the time. The notes lay undiscovered for almost a century, yet when they were published in English in the 1950s as the *Economic and Philosophic Manuscripts*, they generated great interest among Marxist scholars, who found a modern-sounding and compelling view about how capitalist wage labor limits human freedom.

In particular, the *1844 Manuscripts* contained a section called "Estranged Labor," in which Marx described what, for him, were the fundamental conditions of labor under capitalism and the reasons that he found them so appalling. Marx argued that workers in capitalism are alienated from their work, their fellow employees, and themselves, and this argument became a preeminent theme for him and for all those who followed in his footsteps. According to Marx, workers' alienation stemmed from historical processes starting in 14th-century England that gradually separated (alienated) workers from the land and tools with which they had forged a living as peasants. Eventually their survival depended on being hired as wage laborers. Marx described the terrible consequences of alienation for workers in what has become the most famous passage from "Estranged Labor":

> [Labor] is external to the worker, i.e., it does not belong to his essential being;...[I]n his work, therefore, he does not affirm himself but denies himself, does not feel content but unhappy, does not develop freely his physical and mental energy but mortifies his body and ruins his mind. The worker therefore only feels himself outside his work, and in his work feels outside himself. He is at home when he is not working, and when he is working he is not at home. His labor is therefore not voluntary, but coerced; it is forced labor. It is therefore not the satisfaction of a need; it is merely a means to satisfy needs external to it. Its alien character emerges clearly in the fact that as soon as no physical or other compulsion exists, labor is shunned like the plague. External labor, labor in which man alienates himself, is a labor of self-sacrifice, of mortification. Lastly, the external character of labor for the worker appears in the fact that it is not his own, but someone else's, that it does not belong to him, that in it he belongs, not to himself, but to another ... it is the loss of the self. (Marx and Engels 1978, 74)

This conclusion that "lost labor" is a "lost self" perhaps says it all, yet does so in a far too general way. Fortunately, soon after writing the *1844 Manuscripts*, Marx entered into his long collaboration with Friedrich Engels, during which they turned out thousands of pages in the form of essays, books, newspaper articles, and letters about capitalism. An ongoing burden of these pages was to explain to workers the nature of the system that oppressed them and to urge them to rise up against it. What follows are the key ingredients of this explanation.

In *Capital*, Marx had a good deal to say about the causes of estranged labor, and his analysis was more in the language of classical economics and less in the philosophical language of his earlier writing. In three key chapters of the book (13-15), Marx outlined the evolution of what 19th-century economists called the "division of labor" (what we now call "specialization"). Marx saw that a central reason for the estrangement of factory labor was the fact that it was profitable for owners to break tasks down into smaller individual units of work. As production was reduced to repetitive, mindless tasks, workers suffered physical injuries and mental frustration. Marx quoted from a French economist of the time to describe the grim consequences:

> To subdivide a man is to execute him, if he deserves the sentence, to assassinate him if he does not. ... The subdivision of labor is the assassination of a people. (Marx 1967, 363)

The words are a bit different here than in the *1844 Manuscripts*, but the argument is the same: the capitalist mode of production, by necessarily and systematically dividing labor to the greatest extent possible, denies most working people the opportunity to do the kind of creative work that Marx thought was essential to their humanity.[2]

How do capitalists force workers to do jobs that are so physically and spiritually deadening? With the development of manufacturing (used in this context to mean, "production by hand") in 17th- and 18th-century England, and with the industrialization that followed, production moved from homes to factories. Small farmers and cottage-industry producers had never had much control over the prices paid them by large merchants, but industrial workers had even less control over all parts of their work. Because factory workers toiled for owners rather than for their own immediate benefit, the owners monitored their efforts carefully. Indeed, industrial production created the need for a new kind of worker—managers and supervisors—to keep other workers doing increasingly alienating work. The division of labor, Marx put it, gradually separated "the hand from the brain" in capitalist workshops by generating ever more tasks demanding simple, repetitive motions but not much knowledge or control of the whole production process. This knowledge, originally held by workers, was transferred to managers. Marx often compared the factory system to the way military officers keep the ranks in order. As he put it in *Capital*, when production begins:

> ...[the capitalist] hands over the work of direct and constant supervision of the individual workmen, and groups of workmen, to a special kind of wage-laborer. An industrial army of workmen, under the command of a capitalist, requires, like a real army, officers (managers), and sergeants (foremen, over-lookers), who, while the work is being done, command in the name of the capitalist. (Marx 1967, 332)

To Marx, the increasing complexity of production in capitalist systems demanded ever more complex and sophisticated ways to keep workers performing jobs they typically do only in order to pay their bills.

What people involved in capitalist firms want from the experience varies with their relationship to the firm: do they own, manage, or supervise the work, or do they do it themselves for wages? The owners want brisk, timely, committed work, done as quickly as quality standards will allow. They want workers to show up on time, to stay as long as they are supposed to, and longer if possible, and to perform flawlessly, efficiently, and without complaint. Workers, though, compelled to make a living, would prefer a friendly, flexible environment, over which they have some measure of control. Thus, workers engaged in alienating jobs keep their noses to the grindstone only when forced to do so by managers, supervisors, electronic monitors, spies, or whatever else the owners can use to compel them to greater productivity.

FREDERICK ENGELS, 1868

In brief, then, the major players on the capitalist field are capitalists hustling for profits and workers hustling for a wage or salary. We have described the two main classes in the way that Marx chose to describe them, "in relation to each other." By this he meant that the term "capitalist" refers to someone who hires "wage laborers," that neither can exist without the other. Their relationship to each other produces the central dramatic action of the capitalist mode of production. Like all good dramatic action, this one is a waxing and waning struggle, and, in this case, what is being fought over is what Marx called "surplus value."

Surplus value. Marx used this term to describe the origin and source of the capitalists' profits. This is a very different explanation of profit than that offered by mainstream economists. To appreciate the difference, consider the following (quite typical) version from a popular mainstream principles textbook:

> Profit can be looked at as the reward you get for taking a chance for society, and winning. If you hire some factors of production and make something the people want, and if you do it efficiently, you will be rewarded. Your profit is your reward. But if you guess wrong you get no reward. You lose. Your loss is your "punishment" for using society's resources in ways the society didn't want its resources to be used. (Bowden and Bowden 1995, 63)

Let's look at Marx's alternative tale about how profits emerge in capitalism. Marx defined "surplus value" simply as the difference between the value of what a worker produces and what he or she is paid. Capitalists take this as profit, although it comes from the labor of the workers. In his analysis, Marx adopted what he calls "socially necessary labor time" as his standard of value for products exchanged in the market. The exchange value of a good or service is determined by the average number of hours of labor time that went into its production. In other words, Marx advanced one version of the general argument that the value of goods is determined by the labor that goes into them. The issue of what gave products their value had been debated by social theorists before Marx, and Adam Smith and David Ricardo were only the most prominent among the many who had earlier put forward this kind of "labor theory of value."

Marx's own version of this theory was much more closely argued, and he used the first several chapters of *Capital* to work out its internal consistencies and logical implications. In these chapters, Marx assumed that value, as he defined it, would in the long run determine (more or less) market prices. In Volume III of *Capital* Marx attempted to prove that the labor theory of value could be used as a basis for determining market prices. However, many critics have not been persuaded, and the debate continues. Fortunately for us, the framework Marx established about value is useful in analyzing capitalism, and this is true whether value determines prices, as Marx argued, or not. In the example below, we will work with the market prices of labor, materials, capital equipment, and products, rather than their embodied "socially necessary labor time." And, as we shall see, doing so does no harm to the analysis.

The idea of surplus value is easy to understand for anyone who has worked for wages or for a salary. Takc for example, a young woman, a recent graduate from college who is offered $26,000 dollars a year to work for a capitalist company. What can we surmise about this transaction? The former student will likely be taking such a job because she is making an important transition in life and will soon pay the bills heretofore paid by her parents. She will probably have surveyed the possibilities and taken the best job available, given all her needs. What we know for certain is that the owner will be looking for one thing from the work of the student, and that thing is profit. In a nutshell, then, our new worker will be expected to produce something over $26,000 of new value. She will also be using equipment and materials in her work, and the owner must of course pay for these, too. But, in our example, such costs are assumed as already paid, and we are focusing solely on the new value added by our ex-student. She knows the rules too, we can be sure. She knows that if she does not produce an amount of value greater than the $26,000 that she's paid, she will unceremoniously be ushered out the door.

None of this would be news to anyone raised in a capitalist society, though mainstream economists choose to look at it differently. Of course, they know that workers are hired to make profits for a firm, yet they typically avoid analyzing the historical processes that created that array of social classes and the resulting distribution of income and power. However, Marx was centrally concerned with the way this distribution came to be and how it shaped profit-making, once established. To answer these questions, Marx developed a detailed historical description of how the land and tools necessary for production were stripped from peasants and artisans, forcing them to work for wages in order to survive. Under capitalism, when the entrepreneur and the worker arrive at the workplace to seek their fortunes, the principal rule that emerged from this historical (rather than natural or divine) process is that the worker must labor to produce surplus value for the entrepreneur.

Marx explained the ways in which capitalists extracted surplus value from workers in his analysis of the working day. In this discussion, to which we now turn, he probed a number of interesting questions that mainstream economists long ago stopped asking.

The Working Day

At the beginning of his great historical essay called "The Working Day" (Chapter 10 of *Capital*), Marx broke down the day into two parts, creating a very simple model but one with complex implications. He asked the reader to look at the day of the typical employee as comprised of two parts, as follows:

A————————————B————————————C

The first of these parts, A—B is the part of the day it takes for the worker to produce enough output to pay for his or her wage. We can more clearly exemplify this if we continue to use the example we began earlier with our recent graduate making $26,000 a year. We have chosen that apparently random number on purpose because it allows us to draw a simple example to make the point. Such an annual salary would come to $500 a week, or $100 a day. This means that, on average, each day this worker must add extra value to the firm's output of more than $100 in order to justify continued employment.

To extend the example, let's assume that this employee adds value to the firm's output of $160 a day or, assuming the typical eight-hour day, $20 an hour. Already, we can see that the employee is making surplus value (profit) for the owner, because the $160 of added value is more than the $100 daily salary. As we take one step further into this analysis, we move away from the depoliticized firm of the mainstream and into the world seen in Marxist terms. That step is simply to say this: if the employee is adding $20 per hour of value she will have produced enough value to pay for her wage during the first five hours of the day. Given the eight-hour workday in our example, that means for the last three hours our ex-student will be producing *surplus* value for the capitalist, the only reason why she was given the job in the first place. Marx called the first five hours of this day "necessary labor" and the remaining three hours "surplus labor" to differentiate the part of the day the worker was working for the wage, and the part of the day spent toiling to produce the owner's profits.

Marx focused the whole center section of *Capital*, several hundred pages, on these last three hours, or the B—C part of the day. He did so because this is the part that provides the capitalist with surplus value, the quest for which is the distinguishing trait of capitalism. Marx did not, in his theorizing anyway, pass judgment on the process of creating and maximizing surplus value in capitalism. As we have already learned, the capitalist is only doing what is necessary to survive, and the worker is doing the same thing. The nature of the working day, in Marx's view, is a way to look at the experience of most people who live in a capitalist culture, because most of them do work to produce surplus value for someone else. What did Marx make of this particular configuration of the day? The answer is "just about everything," and here we will take up the most important ones.

Extending the working day. To begin with, we can ask ourselves a simple question: what are the ways the owner of a firm can increase the B—C part of the day? One immediate way would be simply to extend the length of the working day. Marx called surplus value generated this way "absolute surplus value," to distinguish it from "relative surplus value," which we will take up soon. If our recent graduate worked ten hours a day, rather than eight, this would generate roughly another $40 of surplus value for the firm. The rub, of course, is that it is illegal for the owner to do that in most modern capitalist countries without paying a premium for "overtime" hours. Marx describes the political realities of the length of the working day this way:

> But when the transaction was concluded, [the worker] discovered that he was no "free agent," that the period of time for which he is *free* to sell his labor-power is the period of time for which he is *forced* to sell it, that in fact the vampire will not let go "while there remains a single muscle, sinew or drop of blood to be exploited." For "protection" against the serpent of their agonies, the workers have to put their heads together and, as a class, compel the passing of a law, an all-powerful social barrier by which they can be prevented from selling themselves and their families into slavery and death by voluntary contract with capital. In the place of the pompous catalogue of the 'inalienable rights of man' there steps the modest Magna Carta of the legally limited working day, which at last makes clear "when the time which the worker sells is ended, and when his own begins." (Marx 1967, 416, emphasis added)

Some of the more compelling periods of U.S. and British history, and that of all capitalist societies, were the periods that saw the battle waged over the length of the working day. When Marx was writing *Capital* in the 1860s, British laborers were engaged in protracted and often bloody battles with owners over the conditions of work in virtually every industry.

The most intense, and often quite violent, elements of the struggle between capital and labor in the United States occurred roughly between 1865 and 1920. For a vivid portrayal of this struggle, see the late Howard Zinn's powerful book, *A People's History of the United States*, Chapters 10-15. Marx saw the battle over the length of the working day as an inevitable outcome of the capitalist mode of production, and focusing on the B—C part of the day made it obvious why this was the case. Both parties, owner and worker, have diametrically opposed needs: the former has strong incentives to keep the worker on the job as long as possible, while the latter will typically strongly prefer to make the workday shorter.

Struggles over laws concerning the workday, along with a tangled forest of others that have sprung from the same soil, exist in all advanced capitalist countries. There have been unending political battles in the United States for the past sixty years over workplace safety, Social Security, unemployment compensation, minimum wages, welfare, international trade, monetary and fiscal policy—to name only a suggestive list of issues.

Once the length of the working day is fixed, the essential nature of the "contested terrain," as economist Richard Edwards described the workplace, does not change. Surplus value remains the goal of owners, while high wages and good (if not easy) working conditions are the goals of workers. What's a poor owner to do? Consider again the working day, A——B——C. If "A——C" is limited by law to represent eight hours in total, and the owner wants the part of the day in which the workers produce surplus value, B——C, to be as long as possible, what are ways to expand that part of the day? The answer must be to restructure work so that the laborer pays for the wage earlier in the day; or, in terms of the diagram, to restructure work so that "B moves to the left." Marx called profits made by such changes *relative* surplus value, and distinguished them from profits made simply by lengthening the working day.

Technological displacement of workers. Market competition and the hunger for surplus value always force owners to replace their workers with machines when it is profitable to do so. Making workers more productive with better, faster machines means that they pay for their wage earlier in the day. Marx took up the issue of machinery at great length in Chapter 15 of *Capital*. Although his argument concerns British industrial capitalism in the 19th century, his point remains relevant. He says this:

> [A] machine immediately becomes a competitor of the workman himself. The self-expansion of capital by means of machinery is thenceforward directly proportional to the number of the workpeople, whose means of livelihood have been destroyed by that machinery. The whole system of capitalist production is based on the fact that the workman sells his labor-power as a commodity. Division of labor specializes this labor-power, by reducing it to skill in handling a particular tool. So soon as the handling of this tool becomes the work of a machine, then … the workman becomes unsaleable.…That portion of the working-class thus by machinery rendered superfluous, either goes to the wall in the unequal contest of the [other outmoded industries] or else floods all the more easily accessible branches of industry, swamps the labor market, and sinks the price of labor-power … (Marx 1967, 405-6)

Of course, this is the natural process by which technological unemployment occurs in capitalism. As an example from our own capitalist world, assume a capitalist firm that can make 1,000 units of a commodity at an average price of $1.00, with a process that uses one machine and 100 workers.

Then, a supplier drops by with news about a new machine which will allow the owner to produce the same 1,000 units but with only 50 workers and at a cost of $.80 per unit. Will the capitalist fire 50 of his workers? Almost certainly, though he or she might first of all use the threat of the machine as a way to speed up the work and increase productivity that way.

In the two preceding chapters, 13 and 14, Marx had demonstrated, as he had in *The Communist Manifesto*, a genuine appreciation for the ability of the bourgeoisie to develop technology rapidly enough to transform the world with a previously unprecedented breadth and speed. He remained committed to the idea that machines could, in a mode of production designed for "free men," deliver people from the drudgery that has been the lot of most of them throughout human history. Yet, with the emergence of a system whose central dynamic is the production of surplus value, the machine becomes the agent of the worker's displacement, it promotes the exploitation of women and children, and, most horribly, it crushes workers between its moving wheels. Selected quotations from Chapter 15 will make his point. On the moral imperatives of capitalism and the machines, Marx wrote:

> In so far as machinery dispenses with muscular power, it becomes a means of employing laborers of slight muscular strength. …The labor of women and children was, therefore, the first thing sought for by the capitalist who used machinery. (Marx 1967, 372)

and:

> [M]achinery sweeps away every moral and natural restriction on the length of the working day. Hence, too, the economic paradox, that the most powerful instrument for shortening labor-time, becomes the most unfailing means for placing every moment of the laborer's time and that of his family, at the disposal of the capitalist for the purpose of expanding the value of his capital. (Marx 1967, 385)

Concerning dangers of the factory, Marx had this to say:

> [In the factory] every organ of sense is injured in an equal degree by artificial elevation of the temperature, by the dust laden atmosphere, by the deafening noise, not to mention danger to life and limb among the thickly crowded machinery, which, with the regularity of the seasons, issues its list of the killed and wounded in the industrial battle. (Marx 1967, 401)

On this last point, Marx was writing about mid-19th century working conditions in Britain, rather than capitalism today. But we should not presume his comments about safety are outdated. The April 2013 issue of the *British Columbia Federationist*, using data from the International Labor Organization, tells a bit of a horror story in describing the maiming and fatalities that workers on average must incur in order to get their wages. That story starts with the news that every day, 6,300 workers around the world die, and then goes on:

> Every year, workers suffer from 317 million work-related injuries.
> Every day, workers suffer from 870,000 work-related injuries.
> Every year, workers suffer from 160 million non-fatal occupational diseases.
> Every day, workers suffer from 440,000 non-fatal occupational diseases.

Cutting wages. Let's assume that the student from our earlier example is toiling away for $26,000 a year in a capitalist firm with one hundred workers, and then the owner decides to cut wages for all of them. Doing so would increase surplus value by moving the "B" part of the work day to the left, if we assume productivity doesn't change, because at a lower wage workers will provide enough extra value to pay for their wage earlier in the day. Will the workers accept these wage cuts like good soldiers? It depends, of course, and Marx made it clear he believed this battle over wages, like that over all the other conditions of work, would wax and wane.

As an excellent example of this ongoing struggle between capital and labor over wages, for about 25 years after World War II, real wages for American workers (that is, wages after accounting for inflation) rose regularly. This was because of steadily rising productivity and because, with roughly one-third of the workforce unionized, including virtually all wage-earners in the big industries, labor unions had genuine collective power at the workplace and on the national political scene. However, for several reasons, including declining employment in the manufacturing sector, globalization, and the intentional strategies of major capitalists to reduce the rate of unionization, labor's power relative to bosses began to decline in the early 1970s. Since then, the rate of unionization has fallen dramatically, from 27.9% in 1970 to 11.1% in 2015. Now real wages for an hour's work are lower for most workers than they were in 1972. The current generation of "bottom line" employers is no more cold-blooded than their counterparts from, say, 20 years, or 120 years ago. The difference is that the weakened political power of workers allows the cold-bloodedness, ever lurking in capitalism, to prevail where it could not in the 1950s when unions were powerful.

To put it another way, if we ask when employers try to lower the wages of their employees, the answer comes quickly to any of us: whenever they can get away with it.

Speeding up the workplace. Consider again our student and her 99 fellow workers in the hypothetical capitalist firm. Let's say that this company provides consulting services to other firms.[3] Maybe fifty of its employees work with computers to keep information flowing through the office, or to keep tabs on costs; maybe the other fifty are outside the office consulting, drumming up customers, or hanging out when they can get away with it. How could the owner speed up the work of these hundred employees? Or, formulaically, how can he or she make them more productive and, by doing so, enlarge the B—C part of the workday? The owner could monitor the work of those fifty on the computers, rank them according to their speed, and publicize the rankings. Or, the owner might devise ways to speed up the efforts of the outside workers by increasing the number of contacts they must make, or by transferring to them some of the computer work usually done in the office. When, we ask again, will the owners/managers speed up the work of employees? The answer, again, is: whenever they can get away with it. Further, given the nature of work in most capitalist firms, we can also predict when workers will not do the work their bosses want them to: whenever they can get away with it.

Moving the production somewhere else. Another method by which owners try to enlarge the B—C part of the day is to seek out lower wages somewhere else. Most of the shoes worn by Americans used to be made in mills in New England, produced by family-owned firms that dominated local economies but nonetheless provided relatively high wages and a good measure of job security. Gradually, the plants were moved to the southern United States because wages were lower there and, stemming from the same conditions that generate low wages, there was a relative hostility to organized labor. But before long, producers were moving their mills further south to places like the Dominican Republic, where wages were even lower; then, the move was to Taiwan and South Korea. This quest for the lowest wages reached its nadir when the Nike Corporation moved its production to Indonesia, where in the early 1990s, its subcontractors hired young women to make Nike shoes for fourteen cents an hour.

To sum up Marx's arguments about "relative surplus value": he showed that confining the length of the working day to a maximum number of hours did not change the essential dynamic of the capitalist mode of production. It simply mandated that capitalists "intensify labor," to use Marx's term, in order to maximize surplus value. Concretely, this meant cutting wages, speeding up work, replacing workers with machines, and marching around the globe in search of low-wage workers.

The Industrial Reserve Army

In Chapter 25 of *Capital*, Marx theorized about the horrific conditions endured by so much of the working class in Britain. His guides into this territory included dozens of reports of Parliamentary investigations, as well as Friedrich Engels, whose book *The Condition of the Working Class in England* (1844) had early on helped draw Marx's attention away from philosophy and toward political economy. In Chapter 25, Marx paid particular attention to the nature of what we call "unemployment" and the reasons that it regularly occurs in capitalism. What distinguishes Marx's treatment from current ones is in part the tone of his writing. Marx called those without jobs in capitalism "the industrial reserve army." His words conjure complex images that present a far richer notion about workers without jobs than the abstract mainstream term "unemployment." Consider the implications of Marx's term. First, he uses a military metaphor, "army," reminding us that those without jobs are foot soldiers in some capitalist's army and, like their counterparts in the real army, utterly at the mercy of the "generals" directing the struggle. More important, however, is the word "reserve," which in Marx's definition carries crucial political and economic implications.

The unemployed in Marx's system are "in reserve" in the sense that capitalists always need a pool of them in order to make surplus value. Consider an economic recession, where production and employment spiral down together, and the decline in each bringing about further declines in the other. The first workers to get the axe will typically be the last ones hired back, and they will be those considered the least skilled, least educated, least desirable for whatever reasons. If the contraction is great enough and long enough, an increasing number of those losing jobs will be more educated and experienced.

We all know this, but Marx adds the emphasis that for capitalism to function, these people must take their lumps, if not in silence, at least without posing a political threat. In other words, capitalism *absolutely depends upon* a class of people at the bottom who can be fired without explanation and who also are not able to organize resistance to the system that has tossed them out. Instead of resisting, capitalism demands that these workers graciously blame their lot on themselves, rather than blame a production sys-

THE GLOBAL SURPLUS WORK FORCE

As we described above, in the early 1980s corporations and governments under their influence ushered in the era of "neoliberalism." Politicians in most nations produced new trade rules making it easier for multinational corporations to look abroad for investment outlets, low wages, and markets for their goods. It was another era justified by the claim that "free markets" allow "free enterprise" to spread "freedom" everywhere. The rush then and now for cheap wages is readily understandable. In 2008, hourly wage rates, in U.S dollars, were 31 cents in Bangladesh, 63 cents in India, $1.60 in China, and $35, or more, in the richest countries. Low-wage workers, around the world, are typically peasants driven from the land by the growing industrialization of agriculture, and into factories with starvation wages and few protections for workers. To be sure, the living standards of millions of workers in some "less developed countries" (LDCs) increased dramatically with the globalization of capital, but there were major costs, as we shall see.

A principal consequence of the unleashing of multinational corporations was an enormous growth in the global "Surplus Work Force" (SWF). Some contemporary Marxists, following Marx, see it as comprised of displaced rural workers, industrial workers replaced by machinery (such as robots), those workers in developed countries no longer able to compete with starvation wages abroad, and the vast pools of unemployed and underemployed labor in developing countries. They estimate the current SWF at between 1.5 and two *billion* people, most of them in China or India. Though the great majority still works the soil in some capacity, the expectation is that eventually they will be driven to the cities by industrial agriculture and the spread of other industries to rural areas. This group still on the farms is what Marx, and contemporary Marxists, call the "stagnant" element of the SWF.

While neoliberalism was helping to generate an immense increase in the world supply of labor, the world economy did not produce enough jobs to absorb all the workers. Thus, wages were suppressed everywhere, leading to a huge impact on the welfare of U.S. workers. In 2011, their real weekly wages were $294, down from $342 in 1972; there has been a significant decline in real wages over a forty year period! The SWF, and the ongoing decline in the proportion of American workers in labor unions, also created a great increase in the share of the annual income grabbed by corporate owners and other rich people. From 1979 to 2007, the average income for a middle-class family increased by 40%, but that of the richest 1% of families increased by 275%.

Scholars predict continued growth in the SWF as more countries are fully incorporated into the global capitalist system and as advances in robotics lead to large-scale substitution of machines for labor, suggesting for the U.S. economy more years of stagnant wages, more income inequality, and a government at every level that is increasingly bought and paid for by huge corporations. A look at the Communist Manifesto makes clear that, even as early as 1848, Marx was already predicting that globalized capitalism would produce these results.

tem that makes their unemployment necessary and predictable. Further, capitalist systems need the reserve army to hold down wages: a pool of unemployed, financially desperate workers reminds those who still have a job that they can easily be replaced if they make demands on their employers. And finally, the reserve army serves the needs of capitalism in times of economic growth. When the economy starts expanding, it won't grow for long unless there are people "in reserve" who can be absorbed back into the system. Naturally, the capitalists' hope is that those in reserve will not have made themselves into a *real* army in the meantime.

Throughout *Capital*, Marx fulminates and rages about the lot of workers in capitalism in between the lines of his dense theoretical arguments. It deeply provoked his moral outrage. Yet in mainstream economics, unemployment is considered either a short-term failure of the system or a long-term failure of hopeless individuals. The relationship between joblessness and the political system is also generally ignored because, as is usual in mainstream economics, politics and questions of power are cavalierly ignored.

In our own time, there is an increasing focus on this unemployed army because it now includes over a billion people in what contemporary Marxists call the global "surplus work force." As such it has become a crucial element in our understanding of the growing pressures on wage earners the world over (see box, p. 81).

Social Classes

The idea of the reserve army of the unemployed points to the fact of social classes in capitalism, about which Marx had much to say. One of the more intriguing aspects of life in U.S. society is that those who shape opinions, including many professors, essentially deny the existence of social classes. Instead of concepts such as "working class" or "ruling classes," they have substituted entirely different ideas and metaphors, such as "social status" or the "melting pot." The "American Dream" anchors a mythical understanding of ourselves, and according to this fairy tale any child can make it to the top by trying hard enough. Those who actually have done so are paraded through our media and our history books as proof of typical experiences, though they are not that at all. Research debunks the myth with a crashing finality by showing that the best way to get to the top is to be born to parents already there.

Marx wrote often about social class, both theoretically and through his accounts of key events of his times. However, his theory is quite undeveloped, and he never abandoned what he argued early on in the *Manifesto*—that society is ultimately divided into the two great camps of the bourgeoisie and the proletariat. In his system, other classes were fated to extinction. One such class was the "petite bourgeoisie," his term for small farmers, shopkeepers, craftspeople, and other owners of small individual or family business that do not hire wage laborers. He also referred to those truly outside the production system as the "lumpenproletariat," a term very close to the current idea of the "underclass." Marx believed that smaller firms would ultimately fail to compete with big firms and members of the petit bourgeoisie would be "hurled into the proletariat" along with all those intellectuals who did not end up as apologists for capitalism.

Some later thinkers have criticized Marx's division of society into two classes as overly simplistic. A crucial question arises: Who is truly a worker, and who is not? Are supervisors workers? Are medical doctors? How about teachers in public schools, or in private schools? These are important questions, not always answered clearly by Marx's choice to put everyone into two warring groups. Yet, a two-part class system is not as superficial as it might seem. Consider U.S. society, where most of us work for wages or salaries in positions where the following conditions prevail: We do not control what we produce, how it is produced, or how it is priced; we have nothing to say about whether our workplace will be open tomorrow; we must take the wage offered us, even if it is not enough to live on (unless we can easily get another job or are part of a union that will collectively fight for higher pay). And, our labor is "divided" as a matter of course, and it will be sub-divided into ever-smaller tasks as long as it is profitable for owners to do so. If these are the conditions of your job, you are a worker in the Marxian version of the capitalist world. On the other hand, if you do have some control over these matters, you are a capitalist or a high-ranking official in a capitalist firm; that is, you are in the capitalist class.

Without question, this classification is oversimplified. Owners of small firms typically have much less control over the market in which they operate than do the owners of large, powerful ones. And, there is an obvious difference in the significant control over work held by the carpenter constructing a new room to a house and the gofer bringing the exact amount of water, nails, and wood the carpenter demands. Marx was aware of these differences, and it is a complexity of the modern world that has led latter-day Marxists to construct variations on his themes, mostly by adding classes that don't fit very neatly into any of his categories. For instance, Pat Walker's *Between Capital and Labor* (1978) describes a "professional managerial class" made up of professionals such as doctors, lawyers, academics, and others who have some control over their working environment but who do not typically hire wage-laborers and earn surplus value. Other scholars have, in this same vein, tried to account for these "in between" classes. In their accounting for professionals, these theorists are not abandoning the Marxist framework but are trying to modernize it so that it remains a viable paradigm in which to think about modern capitalism.

Implicit in Marx's discussion about social class is the quite limited number of roles that can be played out in modes of production. As an example, presume that a youngster reads captivating books that make him or her want to be a shining knight, or a provincial duchess, or a hardy English yeoman, or a Plains Indian warrior, or a pioneering woman ready to prove herself when pushed up against the rough elements of the weather (not to mention patriarchy), or the fair-minded leader of a workers' council in a democratic socialist country. It is not possible to play these, or any number of other roles, if one resides in modern capitalism, because you can only be an owner, a worker, a government servant, or someone else inhabiting a role shaped by capitalism. And inside your role, you must play it to the hilt to survive: as an owner you must worship the bottom line, and as a worker you must obey the owner. This does not mean, of course, you have no agency—no free will—but as Marx put it so very well:

> Men [sic] make their own history, but they do not make it just as they please: they do not make it under circumstances chosen by themselves, but under circumstances directly encountered, given and transmitted from the past. The tradition of all the dead generations weighs like a nightmare on the brain of the living. (Marx and Engels 1978, 595)

By placing people in social classes according to "their relationship to the means of production," Marx introduced new language and a larger, more powerful theoretical framework. Discussions of social class continue to ignore Marx at a cost. As one economist, Teresa Amott, put it:

> … No matter how far from *Capital* the debate [about social class in capitalism] has strayed, Marx's original conceptions continue to define the shape and logic of the argument. In fact, one could argue that the burden of twentieth-century thought on class has been the task of rehabilitation, elaboration, deconstruction, and contestation of Marx's original construction of class, that to criticize Marxist concepts of class, one must stand in the space that Marx cleared. (Amott 1996)

As Amott argues, though Marx did not himself give the same kind of full theoretical treatment to social class as did many other writers, he established the framework for a discussion about social classes in capitalism that continues today. How could there not be social classes in our society when even children know that the people who own or control the businesses also own houses, cars, food, and clothes that are almost always better than those of the people who work for them?

Other Economic Arguments about Capitalism

Capital is a book of about seven hundred pages, and in it Marx covered significant territory in his analysis of capitalism. We have taken up those arguments that dominate the book and which remain most germane, even eye-opening, to readers in our own day. We have ignored some of his arguments because they do not have a great deal to say about our own world. Still other claims Marx made do not merit much explanation in this kind of review, because they are now so commonly accepted. However, we will mention two of these latter arguments because they have a particular importance to *Capital.* We will also say a few words about Marx's theory of revolution.

Booms and busts. In mainstream economics, John Maynard Keynes, as readers will see later, is generally considered to have founded the modern study of the business cycle in the mid-1930s. However, the history of economic thought is now rarely taught in graduate schools, and thus economists usually do not know that others, including Marx, had developed complex and persuasive theories of the business cycle. One problem is that Marx scattered arguments about the instability of capitalism throughout all four volumes of *Capital*, and few readers have taken the time to compile and assess his claims. Marx's arguments are also largely unknown to mainstream economists for ideological reasons, and, as we have pointed out, these economists have gradually come to ignore all that he wrote. Even though mainstream economists are rarely familiar with them, Marx made a series of strikingly modern arguments about the business cycle. One argument from Volume II is this:

> The ultimate reason for all real crises [recessions/depressions] always remains the poverty and restricted consumption of the masses as opposed to the drive of capitalist production to [produce as much as possible]. (Marx 1981, 484)

This idea, called "underconsumption," which we introduced earlier, is central to most modern macroeconomic theories. In the second and third volumes of *Capital*, Marx developed other intriguing theories of the business cycle. In one of them, Marx anticipated the ideas of Keynes in arguing that there is interdependency between the investment and consumption sectors of a capitalist economy. In Volume II, he showed with his usual logical consistency that overproduction in one of these economic sectors can produce a "realization" crisis, or what we call a recession or depression. It is only because British economists, who with Keynes developed modern macroeconomics, were not reading Marx that they did not see that much of their own work only extended what he had already written about.

The centralization of capital. Marx was the first major social theorist to predict that capitalism would lead to a growing centralization of power in the hands of a few capitalists. By "centralization," Marx meant what we call horizontal, vertical, and conglomerate mergers (firms merging, respectively, with one of their competitors, suppliers, or firms from a completely different industry). In Chapter 25 of *Capital*, Marx explained how the capitalists' need to mechanize production would produce ever more costly machinery and buildings. These expensive new technologies would drive down costs, and smaller firms not able to buy the newest machinery would be driven out of business or gobbled up by the bigger ones. The financial industry, too, would verge toward centralization. Ultimately, these large financial and industrial firms would shape business regulations in capitalist states to allow for more centralization in the future. Marx's arguments on these matters are more interesting for their prescience than as new information. Yet interestingly, Marx tied the centralization of capital to the eventual collapse of capitalism, because he thought that as monopolies grew in power, they would hurl more and more workers, and the owners of small firms, into an increasingly immiserated proletariat. The result, he predicted, would be unrest and then revolution. Does that language remind any readers of recent newspaper headlines or chatter by the pundits on television?

The centralization and immiseration that Marx described have clearly been underway in most capitalist societies. For just one such effect, consider that of the immense Walmart chain. Its monopolization of retail sales has made it ever more difficult for Main Street merchants to compete with it. Walmart has two principal advantages over its smaller competitors: Its huge stores spread the overhead for each sale over hundreds of thousands of products in the typical store. And Walmart directly purchases sizeable proportions of the total output of such giants as Procter & Gamble. This gives it the market leverage to buy at volume prices considerably lower than those charged to smaller outlets. Direct purchases such as these immediately wipe out whole strata of small wholesalers and threaten all retailers that compete with the giants. Millions of small business owners, particularly those who are not highly educated or do not have professional skills, have been hurled into jobs with low pay and no control over their work.

With Walmart, capitalism has come up with the perfect "surplus value" machine, and it has been the great pioneer in the box-store revolution. Likely the most prominent follower has been Amazon.com: It now marches across the globe sweeping away book stores and replacing employees who like to talk about books mostly with ones who only are allowed to move them from one place to another one.

The theory of revolution. In a typically rousing rhetorical outburst in the next-to-last chapter of *Capital*, Marx predicted that capitalism was doomed and that it was but a matter of time before the capitalist "expropriators"—another of his terms for capitalists who extract surplus value—were themselves "expropriated." (715) Marx argued that booms and busts would grow increasingly tumultuous, each one leaving more small firms driven from the field and more workers in ever-greater misery. That tumult would eventually lead to an overthrow of the capitalist class. That this has not happened is a testament to the resilience of capitalism and its great capacity to adapt to technological and political changes. Marx was aware of this adaptability, and in particular, he thought that in democratic capitalist societies workers might restructure the system and make it more "civilized" without overthrowing it. In his view, however, a "reformed" capitalism, with laws providing improved working conditions and less income inequality would still be exploitative and workers would remain alienated. In this sense, efforts to reform capitalism would simply prolong the oppression of the working class. To some degree, this is what happened in the capitalist welfare states in Northern Europe, as we shall see in the chapter on Sweden.

Whether the workers of the world will ultimately "unite" and overthrow their oppressors remains to be seen. Capitalism continues to experience recurring crises that throw hundreds of millions of people out of work and to leave billions of people without enough to live on. Further, financial crises, such as the one that began in 2007, usher forth recessions or depressions and other destabilizing events and slow economic activity the world over. At what level of world unemployment would Marx's prediction about revolutionary upheaval come true? It remains to be seen. In fact, capitalist societies might reach a tipping point due to a growing level of unemployment around the world, especially if that problem were added to food shortages or other problems caused by global climate change. Probably the best way to consider with some clarity whether capitalism will last forever, or even for much longer, is to familiarize yourself with current world events and then decide for yourself.

The Moral Standing of Capitalism

In the last six chapters of *Capital*, Marx took up a fundamental question: where does accumulated capital originate? He answered that it had begun with slavery and imperialism. The substance of his answer is embodied in his idea of what he called "primitive accumulation." In Chapter 31, he provides key historical examples:

> The discovery of gold and silver in America, the extirpation, enslavement and entombment in mines of the aboriginal population, the beginning of the conquest and looting of the East Indies, the turn of Africa into a warren for the commercial hunting of [black people], signalized the rosy dawn of the era of capitalist production. (Marx 1967, 703)

These examples follow two chapters on the enclosure movements, particularly in Britain starting in the 16th century and continuing up to Marx's time. The first great producer of a "Surplus Work Force" in the capitalist world was *enclosure*, a process by which the crown, the land barons, the church, and eventually the capitalists, seized for their own use vast stretches of land long used by peasants and the yeomanry to produce their livelihood. The effect was to drive most of this agricultural work force into the cities as vagabonds or wage laborers.[4] For British peasants whose livelihood was stolen, enclosure was brutality, and its example was a key one that led Marx to argue that capital originated in plunder and violence. Because wealth and power are passed down from generation to generation, this early pillaging remained the foundation of the distribution of wealth and power in Marx's time. Later on in the chapter, Marx hurled forward this verbal thunder:

> If money, according to Augier [a Frenchman writing in 1842] "comes into the world with a congenital blood-stain on one cheek," capital comes dripping from head to foot, from every pore, with blood and dirt. (Marx 1967, 760)

In these last six chapters, Marx made two interconnected claims. The first was that capitalism was born in pillage and murder, and the second was that it is a system of unremitting oppression and violence against working people. Do these claims have any merit as descriptions of modern capitalism? Was U.S. capitalism built on violence and plunder? Does it remain oppressive to the majority of the people who live in it?

The answer, of course, depends on whom you ask. The history of the United States has received countless tellings, offering dramatically different answers to these questions. Were John D. Rockefeller and J.P. Morgan "robber-baron" criminals, as some historians have concluded? Or was their inexorable drive to accumulate profits and their need constantly to revolutionize the means of production the forces that brought modern industrial capitalism into being? Or were capitalists both plunderers and revolutionaries, as seems to be Marx's position? For those who adopt the benign meritocratic view of capitalism, its inequalities of opportunity and outcome can be justified with the claim that it has always been an open system in which all who genuinely make the effort can rise to the top. This view is, without question, the dominant one in our times.

Others, though, see things quite differently. They argue that central to modern capitalism are owners and managers who by definition live off surplus value produced by someone else; who must create mindless tasks for most of their workers; who must withhold loyalty to their workers; who must fire, or replace, or even harm their workers' health, if doing so will increase their surplus value; and who must monitor their workers' efforts to keep them on jobs which many hate.

This is a language of force and oppression, and to a Marxist it is also the language of plunder and pillage. Surplus value, expropriated from the workers only because the capitalists control the productive system, is the means by which these owners build their fortunes, amass their political power, and dominate the capitalist world. And capitalists' quest for surplus value requires them to do damage to everything in their path. Consider tobacco executives who kill their customers for surplus value; or Nike's Phil Knight and Apple's Steven Jobs, who become billionaires by having thousands of foreign workers toil for poverty wages and under wretched conditions; or the countless chemical companies that have filled the air and water with poisons and have fueled global warming without pausing for a moment to consider the long-term consequences. Are such characters on the modern capitalist stage any different from the "blood-sucking werewolves" of Marx's world? Like everything else, it depends on your point of view.

III. CONCLUSION

Marx was a prodigious writer, and this introduction is meant to urge readers to look into his work for themselves. Whereas we have tried to explain Marx's conception of history, and the basic ideas about capitalism advanced in the first volume of *Capital*, the other works of Marx and Engels contain thoughtful elaborations of their ideas, often in powerful and elegant language.

If one wants to take on *Capital*, or some of Marx's other more demanding texts, the best way to do so is in a college course or a reading group. On the other hand, much of what Marx and Engels wrote is quite accessible, and interested readers can certainly browse and read independently. Our readers should give Marx another chance and not listen to those who claim from the rooftops, "Marx is dead!" Quite frankly, that is a claim that could only be made by someone who has never read his works.

SUGGESTIONS FOR FURTHER STUDY

On YouTube. As an aid better to understanding Marx's arguments, we recommend presentations by two Marxist scholars, David Harvey and Richard Wolff. (Just search by author name.) For those interested especially in Marx's *Capital,* Vol. 1, we recommend Harvey's chapter-by-chapter analysis.

Reading. There is an enormous volume of written material on Marx and Engels, and we would suggest that in searching for a particular item you might want first to check the Marx/Engels Internet Archive. In the case of the works cited below, some of which are in the Archive, there are many publishers of most of them. We have thus confined reference information to the initial publishing date of each one.

Baran, Paul, and Paul Sweezy. *Monopoly Capital: An Essay on the American Economic and Social Order.* New York: Monthly Review Press, 1966.

Foster, John Bellamy, Robert M. McChesney, R. Jamil Jonna. "The Global Reserve Army of Labor and the New Imperialism." *Monthly Review.* November 1, 2011.

Braverman, Harry. *Labor and Monopoly Capital: The Degradation of Work in the Twentieth Century.* New York: Monthly Review Press, 1974.

Brewer, Anthony. *A Guide to Marx's* Capital. London: Cambridge University Press, 1984.

Cohen, G.A. *Karl Marx's Theory of History: A Defence.* Princeton, N.J.: Gerald Allen, 1941.

Eagleton, Terry. *Why Marx Was Right.* New Haven: Yale University Press, 2011.

Engels, Friedrich. *The Condition of the Working Class in England,* 1845.

Engels. *Socialism: Utopian and Scientific,* 1880.

Marx, Karl. *Capital,* Vol. 1., 1867.

Marx. *The Civil War in France,* 1871.

Marx. *The Critique of the Gotha Program,* 1875.

Marx. *Wage-Labor and Capital,* 1849.

Marx and Engels. *The Communist Manifesto,* 1848. (The 1998 Verso edition of the *Manifesto*, subtitled "A Modern Edition," contains a useful introduction by historian Eric Hobsbawm.)

Marx and Engels. *The German Ideology*, 1846, Marx/Engels Internet Archive.

McClellan, David. *Karl Marx: His Life and Thought.* New York: Harper-Row, 1974.

Sperber, Jonathan. *Karl Marx: A Nineteenth-Century Life*. W.W. Norton, 2013.

Zinn, Howard. *A People's History of the United States*. New York: Harper Perennial, 2003.