Karl Marx (1818-1883)

Born in Trier, Germany: Studied philosophy at the University of Bonn; He gained Ph D in Philosophy at the age of 23; He became a journalist and later the editor of Rheinische Zeitung
HE WENT TO PARIS, FRANCE AND STUDIED FRENCH SOCIALIST IDEAS; AND BECAME A COMMUNIST;

HE MET FRIEDRICH ENGELS IN PARIS THUS BEGAN A LIFELONG FRIENDSHIP.
• A Contribution to the Critique of Political Economy (1859)
• Capital Vol. 1, Vol. 2 and Vol. 3
• Theories of Surplus Value, Part 1, 2 and 3
• Grundrisse
• Wage Labor and Capital
Read: Karl Marx and Friedrich Engels, *Communist Manifesto* (1848)

Visit: www.marxists.org
THE OBJECTIVES OF POLITICAL ECONOMY

• To discover and examine the laws of motion of capitalist mode of production.
CAPITALIST MODE OF PRODUCTION: WHAT IS MEANT BY IT?

- A generalized commodity production, labor power is commodified;
- Private ownership of means of production and circulation;
- Production for profit;
- Capitalists, unlike ruling classes in pre-capitalist societies, reinvest their profit.
HIS METHOD

- Critiquing the prevailing economic writings;
- Abstract and dialectical;
- Historical materialist.
THREE PRINCIPAL LAWS THAT GOVERN CMP.

- Law of Value;
- Law of Capital Accumulation; and
- Law of Profitability.
Law of Value

Law of Capital Accumulation

Law of Profitability

Capitalist Economic Crisis
THE LAW OF VALUE

• Why did he start from a commodity;
• Ricardian Labor Theory of Value;
• Use value and Exchange value:
• The notions of concrete labor and abstract labor;
• Value and Money;
• Labor and labor power (capacity to do work);
• Value and Surplus Value.
Value and Surplus Value

The Working Day
(8 hours)

Paid Labor
= wages

Unpaid Labor
= Surplus Value
= Profit + rent + interest

4 Hours

4 Hours
THE LAW OF ACCUMULATION

- It is the fundamental logic of CMP, dynamic of accumulation;
- Real Competition, two aspects: (1) contradiction between capital and labor; (2) Competition between many capitals;
- Absolute surplus value and Relative surplus value;
- Manufacture and machinofacture;
- Organic Composition of capital \( \frac{C}{V} \);
- Nominal subsumption of labor and Real subsumption of labor;
“Accumulate, accumulate! That is Moses and the prophets! Industry furnishes the material which saving accumulates. Therefore save, save, i.e. reconvert the greatest possible portion of surplus-value or surplus product into capital! accumulation for the sake of accumulation, production for the sake of production: this was the formula in which classical economics expressed the historical mission of the bourgeoisie in the period of its domination.”

Capital. I, p. 742
“The bourgeoisie cannot exist without constantly revolutionizing the instruments of production, and, thereby the relations of production and with them the whole relations of society. … Constant revolutionizing of production, uninterrupted disturbance of all social conditions, everlasting uncertainty and agitation distinguish the bourgeois epoch from all earlier ones. All fixed, fast frozen relations, with their train of ancient and venerable prejudices and opinions, are always swept away, all new-formed ones become antiquated before they can ossify. All that is sold melts into air, all that is holy is profaned.” –Marx and Engels, *Communist Manifesto*. 
THE LAW OF PROFITABILITY

• The rate of surplus value $S/V$ and the rate of profit $S/(C+V)$;

• If $S/(C+V)$ divides by $V$ we get $S/V = C/V + 1$;

• Tendency of the rate of profit to fall in the accumulation process;

• Countervailing factors?
Accumulation Boom

Rate of Profit falls

Collapse in Investment Lack of Demand

Rate of profit rises

Labor cost down, Mass of Profit rises

Financial Collapse slump

Rate of profit rises