

Marx's Labor Theory of Value

Labor theory of value: The value of any commodity is ultimately derived from the labor used to create it.

Use value: whether something is useful or not; produced to satisfy one's own needs; measured qualitatively.

Exchange value: produced to be exchanged for other use values; defined quantitatively. (Under capitalism, the purpose of work is to produce exchange value.)

Capitalism obscures the fact that labor is the ultimate source of value. Since workers produce commodities for capitalists (instead of for themselves), these commodities and markets take on an independent existence. This process, the *fetishism of commodities*, allows for the exploitation of laborers.

Workers are *exploited* because they are paid less than the value they produce with their labor

E.g., workers are paid for the value of four hours of labor, but they work eight hours. The value of the four additional hours of work is *surplus value* kept by the capitalist.

Surplus value: the difference between the value of the product when it is sold (its exchange value) and the value of the elements, especially labor, consumed in the formation of the product

Marx on Human Potential

Human potential (“species-being”) in different types of societies:

Primitive society: People use natural resources to produce the things they need. Because few things are produced and because people are trying desperately to survive, people fail to fully develop their human potential.

Capitalist society: The creative potential of most human beings is eliminated because they must sell their labor to capitalists. Most people have the goal of owning, not expressing their potential. However, capitalism does increase production of goods over primitive society.

Communist society: Structures leading to distortion of human potential are eliminated. People can express their potential in ways never before possible. The result is satisfaction from work itself and abundance

Marx's Theory of Primitive Accumulation (*Capital*, part 8)

Capitalism involves turning surplus value into more capital. But how did the capitalists get the capital in the first place?

Political economy's version: Diligent, intelligent and frugal people accumulated more surplus than "lazy rascals, spending their substance, and more, in riotous living."

Marx's account is grounded in (English) history: Capitalism grew out of the economic structure of feudal society and replaced it as feudal society was collapsing.

Feudal lords had surplus because they appropriated it from serfs (not because they were diligent, intelligent and frugal).

By the late 1300s, serfdom was almost gone and most people were free peasant proprietors. These people were available for some wage labor, but also worked their own land. This excluded the possibility of capitalist wealth.

The proletariat, who must sell their labor to survive, and a class of capitalist farmers were created through various seizures, such as:

1. The rise of the price of wool (late 1400s) led to nobility evicting farmers and turning their farms and communal property into sheep enclosures.
2. The English Reformation (1534) resulted in the redistribution of church property and end of church programs for aiding the poor.
3. The Glorious Revolution (1688) resulted in more state lands being seized redistributed.

The newly "free" proletariat were forced to seek employment by acts of Parliament which punished vagabonds by whipping, dismemberment and even execution.

The new proletariat established an important condition for capitalism without anyone intending to create it for that purpose.