Third Lecture

Surplus and Class

Classical paradox
- Bifurcation: economics vs. politics
- The economy as a "closed system"
- An incomplete blueprint
- Full circle: from de-politicization to re-politicization

The "Economy"
- Material provisioning: input-output
- The labour process
- Producing things, reproducing people
- Production: how and for whom?
- Cooperation and power
- Inputs: labour, materials, capital goods
- Depreciation
- Output: total, net, necessary
- Surplus: owners' consumption, investment, waste
- Productivity
- Technical change: labour saving, capital-good saving
- The "output pie": enlarging, re-distributing
- Terms of trade
- Conflict vs. cooperation
- From surplus, to investment, to change

Class
- Class society and ownership
- Class: relationship, labour process, hierarchy, conflict

Economic systems
- Form: ownership, surplus, work
- Capitalism: commodities, private ownership, wage labour, profit motive

Caveats
- Rethinking the boundaries?

The Classical Perspective on Production and Reproduction

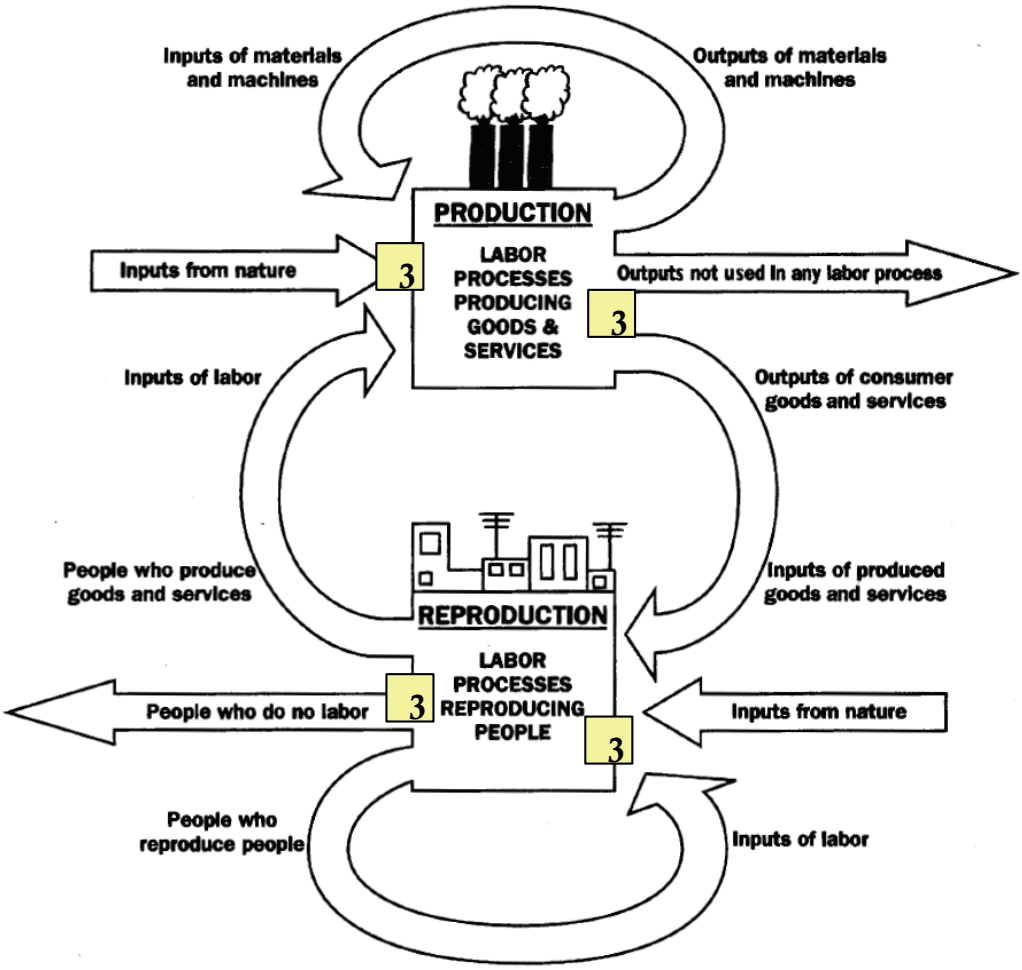


FIGURE 5.1 The production–reproduction cloverleaf. The economy is composed of two interdependent sectors, one producing goods and services and the other reproducing people. The arrows represent the movement of goods or people from one sector to the other or back into the same sector. Each sector uses three types of inputs: inputs produced elsewhere in the economy, inputs produced in the same sector, and inputs from nature. Each sector also produces three different types of outputs: outputs used in the same sector, outputs used as inputs in another sector, and outputs not used as inputs anywhere in the economy.

Source: Bowles, Samuel, Richard Edwards, and Frank Roosevelt. 2005. *Understanding Capitalism. Competition, Command, and Change.* New York and Oxford: Oxford University Press, pp. 98.

THE LABOUR PROCESS	Original	New
(A) Number of hours worked	1000	1,000
(B) Bushels of grain / hour	0.1	0.1
(C) Total output (C=A*B)	100	100
(D) Raw materials & depreciation of capital goods	30	30
(E) Net product (E=C-D)	70	70
(F) Consumption of producers and their families	50	50
(G) Necessary product (G=D+F)	80	80
(H) Surplus product (H=C-G)	20	20

CONCEPTS

Inputs: labour, materials, capital goods

Relationships: total, net, necessary

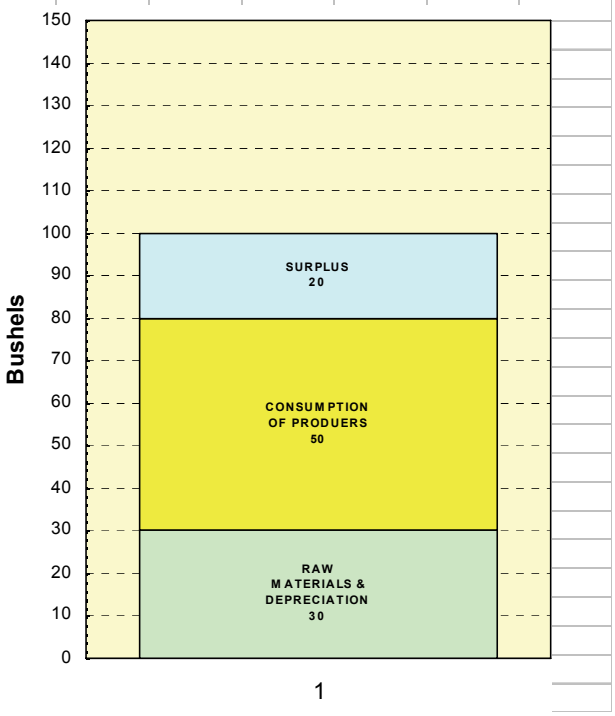
Increasing the surplus: limitless

- (1) Technical change: labour saving (more output / hour) B=0.15
- (2) Technical change: capital-goods saving (less depreciation) D=20

Increasing the surplus: limited

- (3) Higher intensity of labour B=0.12
- (4) More hours A=1,100
- (5) Lower consumption of producers F=45

Increasing the surplus AND consumption of producers?

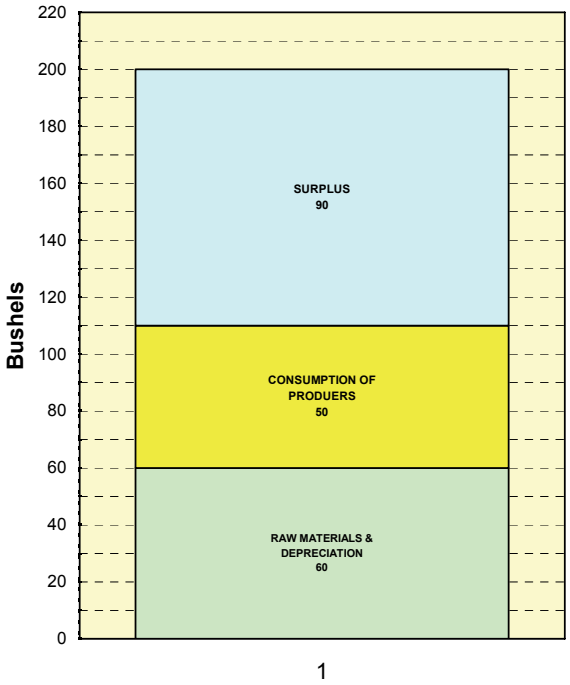


THE LABOUR PROCESS	Original	New
(A) Number of hours worked	1,000	1,000
(B) Bushels of grain / hour	0.2	0.2
(C) Total output (C=A*B)	200	200
(D) Raw materials and depreciation of capital goods (D=D1+D2)	60	60
(D1) Raw materials	40	40
(D2) Depreciation of capital goods (2 plows @ 10 bushels)	20	20
(F) Net product (E=C-D)	140	140
(F) Consumption of producers and their families	50	50
(G) Necessary product (G=D+F)	110	110
(H) Surplus product (H=C-G)	90	90

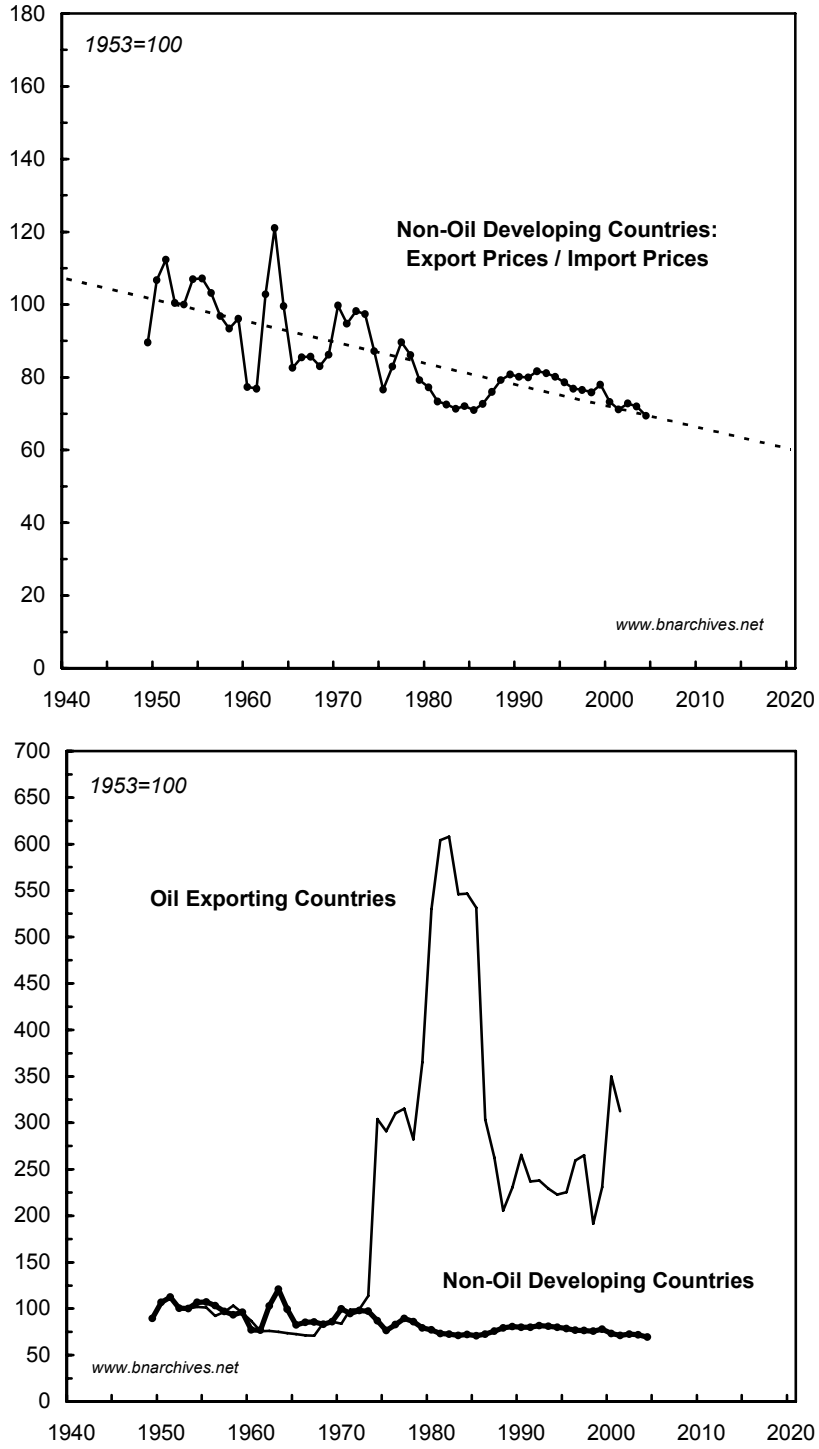
CONCEPTS

Terms of trade (limits: 0 to 55)

3-way conflict (producers / owners / foreigners)



Terms of Trade: Export Prices / Import Prices



SOURCE: IMF, *International Financial Statistics* through Global Insight.

The Classical View of Capitalism