

Given out at June 1977 party-building conference as an example of a method used in M-L study circles of asking systematic questions of adv. workers so they put their concrete experience into a M-L understanding.

BASIC ECONOMICS OF CAPITALISM

I. Concept of value of goods (commodities)

- Do we pay for air? No
- Do we pay for water in our homes? Yes
- Why do we pay for water, not air?

Ans. Because we have to pay for the refining of water (purifying) and the transportation to our homes.

Concept: Everything we pay for, buy, is a product of human labor— what we're paying for is the labor that goes into a product. The value of a good (often called a commodity) is determined by the human labor necessary to produce it,

- What about machinery— can't it produce things? no
Can you think of one machine that has produced something without somebody starting or stopping machine.

II. Surplus value:

Let's set up a hypothetical example. Mr. J. here owns this small plant that makes orange juice. Mrs. S. is a worker in the plant. O.K. Mr. J. starts out with \$20 worth of oranges and other things necessary to make the juice (raw materials and depreciation on machines necessary). By the end of the day Mrs. S. has taken these oranges, squeezed juice by hand, and produced \$100 worth of orange juice. She is paid \$5/hr. for in wages.

- How much new value did Mrs. S. add to the raw oranges? \$100 - 10 = \$90
That's how much value she produced.
- How much did Mrs. S. get paid in wages for the day. \$40.
- How much profit did the company make? $\$90 - \$40 = \$40$. This is called surplus value, because it is the value person produced less the value of what he was paid in wages— it's like extra value that goes to the company. *Key to profit is that value of commodity produced by worker exceeds value of the wages he receives*
- How much value did Mrs. S. produce in an hr. \$10.
- Therefore, how many hours of the day did she have to work to produce what she's paid in wages? 4 hours.
- Well, Mrs. S. can't you go home then? Why not?
Then you work for 4 hours, that's paid labor, the other 4 are unpaid labor.

Class struggle:

- Therefore, what is Mr. J. going to do with Mrs. S. wages to make more and more profit? Cut them. Make her work faster, etc.
 - Meanwhile what-is are you, Mrs. S. trying to do to meet the needs of your family. Fight for more wages, shorter hrs.— union
- This means that each class can only benefit at the expense of the other, that's they are always in conflict. *That's the nature of class struggle*

Accumulation of capital:

- O.K. Mr. J. what are you going to do with your profit from your orange juice plant? Ans. (Remember, you have Mrs. S. over here squeezing oranges by hand.) I'm, going to buy machinery to make orange juice, buy more workers, oranges, etc.
- Why? If it takes Mrs. S. 2 hrs. to squeeze by hand the oranges and I can get her to use machine = squeezer, it will only take 15 minutes, then one person using machine can do in one hour what it took 8 workers to do without machine. Therefore, I can lay-off some workers. My costs are much less, and I can cut the price of good my orange juice, sell it much more, make more profit. (For awhile sell orange juice above its value.)
produce much more value for same amt of wages - \$ hr. \$200. instead of \$160 still paid 40 - 160
- What happens if you don't invest?
Company of Mr. C over there can will expand, and make goods cheaper, make more profit, eventually buy me out. (so people buy his orange)

D. Why can't we just persuade capitalists to be nice people, not greedy? Mr. H over here sets up a business, pays his workers much more \$8/hr. What would he do for workers? But he still has to sell product at same price because of competition.

So what happens? He can't make much profit to reinvest. meanwhile other companies are, and can buy him out.

Conclusion: Capitalists are not just greedy people. They are forced to get more and more profits or go out of business. —

Monopoly:

a. When one company buys out more and more other companies until they control the most of the companies making a product, what do you have? Ans. A monopoly, like GM, Crysler, Ford, making 90% of cars.

b. What can monopolies do? Fix prices.

We begin to see how a few rich corporations, owned by a few rich families (like Rockefeller, etc.) control most of the industry. 4% of manufacturing companies get 34% of profits. 1% of the population owns 80% of stock, or top 300 families control about 75% of industry. This is because the people on the board of directors of some big companies are on board of directors of other big companies, banks.

c. Why can't you just go set up your own industry?

Ans. Not have the capital, money to do it. Banks not loan it to you. Even if you did get the money, you'd be so small, big companies would eat you out of business because they could sell more products, cheaper,

d. Why isn't black capitalism the answer?

Ans. Because blacks can't get the capital to set up business - have even more difficulty than working whites because of discrimination.

Furthermore, black capitalism is still capitalism, there is still exploitation of workers.

Depressions, unemployment, inflation,

1. OK. Can Mrs. S here with her day's pay go out and buy all the orange juice she made? No, workers can't buy all the goods we produce, because we produce more than we get paid in wages. That's the basic problem of capitalism - underconsumption, that we can consume less than we produce. Capitalist want to sell goods at high prices but keep wages low, so workers can't buy.

2. So who else, besides workers, buys our products, like sugar, electrical switches? Ans. Other capitalists. Capitalists in time of boom, buy more and more goods, machinery, raw materials, to invest, expand. But as they're expanding, machinery replaces workers, workers get laid-off, so people can buy even less of what they produce than before. Finally, they have invested so much in new plants, machinery, etc. but can't sell their goods, so they have the problem of over-investment, underconsumption. Their profits go down. We have a depression.

c. What can he do to make up for a decline in profits?

Ans. One possibility is to sell at higher prices. Yes, but won't he still have the problem of too many goods he can't sell, even more so? (Inflation is one inadequate solution to capitalists problem.)

The only real solution is for them to cut production, lay-off, speed-up so as to get more out of workers for same price. Cut wages. (This is their solution called unemployment.)