



**Classical Sociology Theory**  
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**Lecture 21**  
**Theory of capitalism**

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The capitalist production

- Marx's analysis of capitalism shifts the primary focus from the sphere of exchange to the sphere of production, from market dynamics to the labour process.
- The question of "secret of profit-making," where does profit come from?
- While the purchase of labor power takes place in the market, its consumption, the real "appropriation of someone else's living labour," takes place in the "actual production process."



Welcome back to the class. We are continuing with the discussion of Marxian theory on capitalism. As we discussed in the previous classes, the contribution of Karl Marx on different aspects of social theory is quite enormous. He was a sociologist, he was a philosopher, he was a political scientist but Karl Marx is widely known for his very original and very influential contribution to the science of economics and especially his analysis about capitalism was quite revolutionary, influential as well as controversial.

We have started this discussion on Marxian argument about capitalism in the previous session and today's class is a continuation of it. So, we discussed in the previous class that Marxian analysis of capitalism where he understands capitalism as a necessary a stage or as even as a welcoming stage in the mode of production from that of a pre-capitalist or feudal era into a new mode, and while he welcomes that he also understands this is an extremely exploitative phase which would eventually die out.

Marx understands capitalism as a transient phase, as an intermediary stage, which would eventually leads to socialism and after that that situation of communism, where a classless society would emerge. We saw in the previous class, how he looks at the labour power of the

working class as central on the production in capitalist factories. So, we are continuing with that discussion.

Marx's analysis of capitalism shift the primary focus from the sphere of exchange to the sphere of production, from the market dynamics to that of the labour process. So, this is a very important point because unlike quite a lot of a later economics, he identified the site in which the profit is realized is not that of the market, but it is within the factory or the sphere of production and that was his argument.

Where does profit come from? In the previous section, we discussed how Marx explains this industrial form of production and the centrality of labourers and how the labourers is something quite unique as it cannot be compared with the other aspects of means of production like your technology or raw materials.

In the current class, we will discuss his arguments about how profit is realized and how capitalism has its own set of contradictions which Marx believed lead to a complete system of its collapse leading to that of a new mode of production. So, while the purchase of labour power takes place in the market, its consumption and the real appropriation of someone else's living labour takes place in the actual production process. So, this is what he emphasizes again and again, the actual site in which a profit is produced is the actual production process.

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- In return for their promise to pay a wage, capitalists acquire ownership of workers' labor power for a stipulated period of time. This, Marx emphasizes, confers invaluable prerogatives—the "rights of property."
- Workers pay a heavy price when they hire themselves out to capitalists. They are compelled to cede control over both their labor power and the products of their labour.
- He rejects the view that profit arises from capitalists selling commodities at a price higher than their value.



In return for their promise to pay a wage, capitalists acquire ownership of a workers labour power for a stipulated period of time. This, Marx emphasizes, confers invaluable prerogative the right of property. Workers pay heavy price when they hire themselves out to capitalists.

So, here he is explaining why that the workers in an industrial setting or in a capitalist system is inherently exploited.

Marx argues that when they pay a heavy price or when they hire themselves out to capitalists, they are compelled to cede control over both their labour power and the products of the labour. So, this particular point he analyses it in multiple dimensions and he understands it as a very essential feature of the exploitative nature of capitalism. He analyses it in a much more philosophical point of view where he understands this particular aspect whether the workers lose control over both their labour power and the products of the labour.

Marx identifies this as a very important aspect of their alienation and he rejects the view that profits arise from the capitalists selling commodities at a price higher than their value. This is again is very much against the conventional understanding in economics where the capitalists sell things at a much higher price and then they create a profit, but he said that this has a limit and it cannot go beyond the point. Therefore Marx has a different explanation.

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- The exchange of commodities does not itself, Marx asserts, create value. Profit is only realized through the sale of commodities in the market; it is produced in the process of production.
- Capitalists purchase two sorts of commodities with their original investment: means of production, including machinery and raw materials, and labour power.
- Marx's key point here is that while machinery imparts value, equivalent to its depreciation, it does not create value. Because the value of this part of capital remains the same throughout the process of production, Marx refers to it as "constant capital."



According to Marx, the exchange of commodities does not in itself create value. Profit is only realized through the sale of commodities in the market. It is produced in the process of production. You realize you actually get that profit when you sell a particular commodity in the market but the profit is produced at the time of production.

In order to understand that, you have to really understand the dynamics of the production per se. The Capitalists purchase two sorts of commodities within original investment. The means of production that including the machinery and raw materials and the labour power. These

two things really form the means of production and similar means of productions exist in the in the previous means of production like that of slavery or feudalism and similar means of production.

So, Marx's key point here is that the while machinery imparts value equivalent to its depreciation, it does not create value because the value of this part of capital remains the same throughout the process of production and Marx refers this to us a constant capital. While this raw material and machinery are important, he calls them as constant capital. They do not create value other than what they depreciate. So, he calls them it as a constant capital.

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• Labor power, on the other hand, "both reproduces the equivalent of its own value and produces an excess."



• The human labor expended in the production of the final product thus takes two distinct forms: first, the past or dead labor congealed in the means of production and passed along to the new commodity; and second, living labor, "labour-power in action," which preserves the existing value of the original capital outlay and adds new value as well

• Workers are paid according to their value, but there is a difference between *the value of labor power*—that is, the cost required for the reproduction of the worker—and *the value labour power creates*.



While the more significant type of capital involved in the force of production is that of the labour power, is a massive argument. So, labour power on the other hand both produces the equivalent of its own value and produce an excess. This is his key point where he brings in his argument on surplus value. So, only the labour power has the ability to reproduce its equivalent of its own value and also produce an excess.

The human labour expended in the production of the final product thus takes two distinct forms. First the past or dead labour congealed in the means of production and passed on to the new commodity and second living labour. The labour power in action which preserves the existing value of the original capital outlay and add new value as well. So, he understands this labour power has this two dimensions one has a regenerative capacity the other one is capable of producing the existing value.

Marx argues workers are paid according to their value but there is a difference between the value of labour power that is the cost required for the reproduction of the worker both in his physical sense as well as in his social sense. Remember the discussion that we had in the previous class about what does it mean to be the reproduction of the worker. So, the worker needs to be replenished he is a social being.

So, that person must be able to reproduce himself both in social as well as physical as well as economic sense and the value labour power creates. So, the cost required for the reproduction of the worker is much lower than the actual value that a labourer creates and this excess value that the labour creates during this process of production is appropriated by the capitalist argues Karl Marx.

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- The wealth workers produce, in other words, is greater than the wealth needed to sustain them. This is the secret of profit making.
- Workers are paid the full value of their *labor power*. But they are not paid the full value of their *labour*; they are not paid the equivalent of what they produce.
- The reality, is that in purchasing labor power they gain command of workers' capacity to labor for a period of time in excess of what is necessary for workers to produce the equivalent of their social subsistence wage.



The wealth of workers produce in other words is greater than the wealth needed to sustain, this is the secret of profit making. So, he would argue that the wealth that the workers produce is much more than what is required to sustain them and this excess work is actually taken by the capitalist and that is what the secret of profit making is. Workers are paid the full value of their labour power but they are not paid full value of their labour because it is much more than what is being paid to them in the form of wage, they are not paid the equivalent of what they produce.

The reality is that by purchasing labour power they gain command of the workers capacity to labour for a period of time in excess of what is necessary for the worker to produce the equivalent of their social subsistence wage. The same point what the more you compel the

workers to work more the amount of work that they produce the value of the labour power is much more than what they are actually compensated for.

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- "The fact that half a day's labour is necessary to keep the worker alive during 24 hours does not in any way prevent him from working a whole day." Marx calls this second portion of the working day "surplus labour-time." It is from this surplus or unpaid labor that capitalists derive their profit.



- the capitalist class appropriates surplus value through the exploitation of the working class.

- "The driving motive and determining purpose" of the capitalist system, Marx states, is "the greatest possible production of surplus-value, hence the greatest possible exploitation of labour-power." The rate of exploitation is the ratio of surplus labor to necessary labor.



The fact that half a day's labour is necessary to keep the workers alive during 24 hours does not in any way prevent them from working all day. Marx calls the second portion of the working day as surplus labour time. This is from the surplus or unpaid labour that capitalists derive their profit. Yeah, so ultimately he argues that the capitalist class appropriates surplus value through the exploitation of the working class.

This is the central thesis of Marxian argument because his intellectual project is to show that capitalism is nothing but the exploitation of the working class. The driving motive and determining purpose of the capitalist system, Marx states is the greatest possible production of surplus value hence the greatest possible exploitation of labour power.

The rate of exploitation is a rate of surplus labour to necessary labour. So, this is the central argument of Marx that in capitalism, profit is created by exploiting the workforce. Because in the typical capitalist form the worker is not adequately compensated.

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• Workers, compelled to sell their labor power in the marketplace, are then drafted into the army of wage laborers under capitalist command and subjected to the "barrack-like discipline" of the workplace



• Capitalists are at war against time. In "its insatiable appetite for surplus labour," Marx says, capital "usurps the time for growth, development and healthy maintenance of the body. It steals the time required for the consumption of fresh air and sunlight. It haggles over the meal-times, where possible incorporating them into the production process itself."

• Capitalism, Marx concludes, surpasses all other systems of production "in its energy and its quality of unbounded and ruthless activity."

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Workers compelled to sell their labour power in the marketplace are then drafted into the army of wage labourers under the capitalist command and subjected to barrack-like discipline of the workplace. And this is something you know has produced quite a lot of very interesting a work a how did this emergence of capitalism really regimented the lives of a people. I have mentioned it in one of the previous sessions about the factory system the sound of the siren.

The very specific regimented production schedules determined the specific forms of production. So, everything is regimented, everything is disciplined and there is a major surveillance system that looks at each and every action of the individual. So, this was something quite unusual and unprecedented in the history of human a life.

This creates a barrack-like discipline of the work. Capitalists are at war against time. It is its insatiable appetite for surplus labour Marx says capital usurps the time for growth, development and healthy maintenance of the body. It steals the time required for the consumption of fresh air and sunlight. It haggles over the meal times where possible incorporating them into production process itself.

Marx says the capitals are at war against time and it has an insatiable appetite for surplus labour and Marx says capital usurps the time for growth development and healthy maintenance of the body and here, I again invite your attention to the film a by Charlie Chaplin to think how it steals the time required for the consumption of fresh air and sunlight. It haggles over the meal time where possible a incorporating them into the production process itself.

We know that the kind of achievement of labour class such as eight hours of work was an achievement in every sense of the world. Because the workers across the globe had really fought very hard battles to get this granted from say 12 hours of working period or even more than that. So, Marx argues that capitalism has an inherent tendency to extend the working hours because only through that they are able to realize profit. Capitalism, Marx concludes surpasses all other systems of production in its energy and quality unbounded and ruthless activity.

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**Capitalist Contradictions and Crisis Tendencies**



- \* even as it reproduces itself, capitalism never stays the same; it is always changing and expanding and even as it persists, capitalism is inherently crisis prone, susceptible to periodic breakdowns.
- \* Capitalists, in response to the “coercive laws of competition,” are constantly pressured to increase efficiency and productivity. As one capitalist cheapens the costs of production by introducing labor-saving technologies, others are compelled to follow suit.
- \* But that results in overall decline of profit



Now what are the contradictions and the crisis tendencies? We know that Marx argued that capitalism is only a transient phase between feudalism and that of communism and he understood that it is far better compared to that of the previous phases. But he argued that capitalism has its own seeds of destruction and it will end up in crisis, ultimately into other revolutions.

Let us examine how Marx argues about this kind of capitalist form of contradictions and crisis tendencies even as it reproduces itself. Capitalism never stays the same and it is always changing and expanding and even as it persists, capitalism is inherently crisis prone susceptible to periodic breakdowns. So, capitalism, in response to the coercive laws of competition are constantly pressured to increase efficiency and productivity.

As one capitalist cheapens the cost of production by introducing labour saving technologies others are compelled to follow suit. We know about the kind of ruthless competition that exists among the capitalists. So, they are competing with each other in order to bring down



the cost of production and mostly this is done by introducing labour saving technologies and others are compelled to follow the suit. But that results in an overall decline of production. You know that it's not always easy to do that being excessively competitive because it actually brings down the profit.

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- As machinery is increasingly substituted for labor in the process of production, as technology is called upon to do more and more of the work, the amount of living labour time embodied in commodities shrinks. But since living labour, or "variable capital," is the source of profit, the inner logic of capitalist development engenders a "progressive tendency for the general rate of profit to fall."
- When the decline in the rate of profit becomes sufficiently serious, an economic crisis erupts. Less profitable industries are forced out of business, investment and production are curtailed, unemployment increases, and the industrial reserve army grows.
- The eventual effect of such "regularly recurring catastrophes"—by causing the destruction of less productive enterprises and the decline of wages—is to restore, at least temporarily, the conditions for profitable investment. "Stagnation in production," Marx states, "prepares the ground for a later expansion of production. . . ."



So, as machinery is increasingly substituted for labour in the process of production, as technology is called upon to do more and more of the work, the amount of living labour time embodied in commodities shrinks. But since living labour or the variable capital is the source of profit the inner logic of the capitals development engages a progressive tendency for the general rate of profit to fall.

So, Marx is actually explaining how there are stages of growth and then fall, growth and decline in the in the capitalist economy. How this is an inherent inbuilt system in that. Because once you enter into phase of fierce competition with others, then your profit is bound to fall. Now when the decline of the rate of profit becomes as sufficiently serious and economic crisis erupts. Less profitable industries are forced out of business investments and productions are contained, unemployment increases and the size of industrial reserve army grows.

And this is another very important term that we discussed in the previous class how this industrial reserve army emerges. The eventual effect of such regularly occurring catastrophes by causing the destruction of less productive enterprises and the decline of wages is to restore at least temporarily the condition for the profitable investment. Stagnation in production,

Marx states prepare for the ground for its later expansion of production. So, he is talking about the situation of increased competition and the profit making and the stagnation and the decline and which again actually goes up.

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- But as this boom-and-bust cycle continues, he explains, crises become progressively more frequent and severe, not only hindering capitalism's ability to recover, but also threatening its "violent overthrow."
- The emergence of class consciousness, class polarization and ultimately the revolution
- Capitalism is susceptible to crises, Marx argues, because of its unlimited ambition, its need for unceasing expansion and endless profit making. This imperative—"Accumulate, accumulate!"—inevitably comes into conflict with the limits imposed by "the poverty and restricted consumption of the masses."
- Capitalism is vulnerable to breakdown because of its intrinsically contradictory nature- "it has its own seeds of destruction"



Now as this boom and burst cycle continues, he explains that crisis becomes progressively more frequent and severe not only hindering capitalisms ability to recover but also threatening its violent overthrow the emergence of class consciousness, class polarization and ultimately the revolution. Marx argues that capitalism will have to face this frequent crisis and then development followed by another crisis.

This developments will finally lead to the points that we discussed in the previous class , such as the emergence of class consciousness and the workers realizing that they have a historical obligation to uphold the politics of the working class and they have this historical agency to overthrow the system of capitalism. Class polarization leading to the formation of a class in itself, will ultimately leads to the overthrow of capitalism through a revolution.

Marx argues that capitalism is susceptible to crisis because of its unlimited ambition and its need for unceasing expansion and endless profit. We discussed how profit making is a creation of capital for the sake of creating further capital is something quite unique to capitalism. The imperative to accumulate inevitably comes into conflict with the limits imposed by the poverty and restricted consumption of the masses.

This is yet another prophecy of Marx which did not come true while the masses remain poor the capitalism really invented ways of expanding the needs of human being as we know how

the kind of overconsumption or excessive consumption has become a norm in the world. So, capitalism hasn't break down because of its intrinsically contradictory nature. It has its own seeds of destruction as we discussed and again goes back to the Marxian dialectics where he applies the Hegelian dialects into the material condition.

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- Marx viewed capitalism as playing a historically progressive role, unwittingly preparing the way for the socialist society of the future.
- For Marx, capitalism was a modernizing force that would usher in modern nation state, bourgeoisie middle class, civil society, technological advancements, liberalism and so on
- In the *Communist Manifesto*, he and Engels assert that what distinguishes the capitalist epoch from all others is the constant "revolutionizing of production," the "uninterrupted disturbance of all social conditions," and the experience of "everlasting uncertainty and agitation." The modern capitalist world is one of permanent change, where "all that is solid melts into air."



Marx viewed capitalism as playing a historically progressive role. Unwittingly preparing the way for the socialist society and future. So, here we will spend some time trying to understand the Marxian take on capitalism. What were the important contributions of Marx on capitalism and what are the points that he was right and what are the points in which he was kind of wrong.

Marx viewed capitalism as playing a historically progressive role unwittingly preparing the way for the socialist society of the future. It is a point that we have repeatedly revisited. For Marx, capitalism was a modernizing force that would usher in modern nation state, bourgeoisie middle class, civil society, technological advancements liberalism and so on. So, definitely he understood capitalism as something far more favourable, acceptable and even desirable compared to that of feudalism and enslavement.

Because here, at least you are able to talk about individual, about a nation state, you are able to talk about a bourgeoisie middle class, a civil society, technological advancements and liberal ideas, the rights of human beings such as individual rights or human rights, all such advances ideas of existence is possible only in a capitalist period.

In the Communist Manifesto, Marx and Engels assert that what distinguishes capitalist epoch from all others is the constant revolutionizing of production. The uninterrupted disturbance of all social conditions and the experience of everlasting uncertainty and alienation. The modern capitalist world is one of permanent change where all that is solid melts into air. So, in the communist manifesto he and Engels assert that what distinguishes capitalist epoch from all others is the constant revolutionizing of production.

Because this is the most dynamic phase in the human history, we never had this much of innovations coming to picture, this much of discoveries coming into picture, this kind of rapid social transformation taking place. The uninterrupted disturbance of all social conditions and the experience of everlasting uncertainty and agitation.

Everything that is stagnant is being hostage, every strong convictions have been hostages. The modern capitalist world is one of permanent change where all that is solid melts into air, this is again is a very important quotation by a quote by Karl Marx.

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- Marx says, capitalism in just a single century "has created more massive and more colossal productive forces than have all preceding generations together" and hence, a great transformative force
- He predicted an uprising of the proletariat, a revolution and the ultimate overthrow of the system of capitalism
- But this prediction did not come true; no major socialist revolutions in any of the capitalist nations and capitalism appear as the most enduring economic system



Now Marx says that capitalism in just a single century has created more massive and more corrosive productive forces than all preceding generations together and hence a great transformative force the same point that we a discussed why that he considers it as a very defining moment in the human history. It has created more massive and more corrosive productive forces than having all preceding generations together.

Marx predicted an uprising of a revolution and the ultimate overflow of the system of capitalism which we know that did not come true. No major socialist revolutions took place in any of the capitalist nations and capitalism appeared as most enduring economic system. At least till the fall of USSR in 1991, there was some kind of a debate whether are we seeing two competing types of economic system the socialism and the communism and campaigns.

But with the fall of berlin war and the disintegration of USSR, the world has moved into a unipolar world system and capitalism has been widely heralded and accepted as the only thriving economic mode. Even the namesake communist countries like China have embraced capitalism and there is a very vibrant debate about what means to be a communism in its economic sense in China.

The Marxian arguments about the fall of capitalism as an economic system did not come true and there are quite a lot of a arguments about the shortcomings in Marxian analysis of capitalism. We need to understand that capitalism as an economic system was very nascent stage during Marxian time and the capitalism evolved over a significantly since Marxian time.

Marx presents a very a simplistic picture of bourgeoisie and proletariat and he identified proletariat as the actual ages of social change by even neglecting other people like peasantry, middle class or artisans and other sections. So, the very character of capitalism has changed and Marx does not really talk much about the kind of intermediary managerial class which actually act as a buffer zone between the bourgeoisie and the labours.

Then of course the very character of private ownership changes as you have share market comes into picture where the public can buy the shares. So, you do not have this old classical idea of a bourgeoisie as the single owner of the factory who has all the money, who monopolises over this money that character of capitalism has completely changed and of course more recently now there are quite a lot of companies who dole out their shares to their own employees.

So, making more profit is now become the interest of the workers. So, here the Marxian model of capitalism no longer works. You can still point out at existing forms of exploitation, but the whole dynamics is completely changed.

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- A host of reasons for its endurance
- the appearance of gigantic multinational corporations; the rise of the welfare state and the extension of citizenship rights; the appearance of a pervasive mass media industry and a culture of consumerism; the shift from manufacturing industries to service industries; and the emergence of new social movements focused on issues of gender, race, nationality, sexual identity, the environment, and many other causes.
- The resilience of capitalist system



So, the appearance of a gigantic multinational corporations which did not exist during Marxian time the rise of welfare state and extension of citizenship rights have all made important changes. Especially in western Europe, the welfare state has brought important labour laws and labour union became important and the kind of extreme form of exploitation at least in the in the developed societies is much lesser workers are more organized they are paid well compared to many other places.

The appearance of a pervasive mass media industry and a culture of consumerism is another important development. New needs are invented every time as there is no connection between the needs and a kind of a consumer society that we have. The shift from manufacturing industries to service industries where this entire process of production undergoes change is very crucial as it no longer takes place on the factory floors. It is mostly in air-conditioned rooms the idea of work has underwent significant changes as it is no longer the blue collar workers, but dominated by the new category of professional workers in service sectors.

The emergence of new social movements focused on issues of gender, race, nationality, sexual identity and environment has also offered new critiques to Marxism. Since 1970s, new kinds of social movements have emerged and a host of other identity related issues have come to the fore even pushing back the conventional class oriented concerns to the back seat.

Now we know that there is a realization that this term 'proletariat' does not represent everybody. The workers of the world do not really share common set of issues but other than their working class identity that are host of other issues related to identities which are even more important and we know that, for example in India caste is an extremely important non-class identity.

And which typical Marxism explanation will not be able to understand and explain gender where Marxism analysis is very much limited. So, it is the case with sexual identity for environmental issues racism. So, there were a plethora of identity related issues and mobilization took place for 1960s and 70s which actually came to the fore by pushing back this class based mobilization to back.

And ultimately what we see is that the resilience of the capitalist system due its ability to fight over every a crisis. Its ability to survive, its ability to adapt itself to the changing situations has led to its resilience. Though we say that capitalism might face challenges there is absolutely no idea about whether it will lead to its collapse and a completely new system of or new mode production will come into picture.

There is no dependable evidence to expect such a transformation. The revolution at best remains a wishful thinking of some diehard communists who think of a revolutionary of the workplace. It equally remains a kind of wishful thinking because the world has moved on forward and became for complex. We will stop the discussion here and we'll continue with the discussion on Marx in the coming class with a different set of questions. Thank you.