Was Marx right about anything?

In 1867 Marx built a theory on the gap between what a worker makes and what she is paid. Value as work, surplus value, the machine and the race to copy, the reserve army, and four predictions checked against the numbers.

1 The person

Marx · Engels

- **Karl Marx** · German philosopher and economist · `1818–1883` · born in Trier · forced out of Germany → **London from 1849**
- With **Friedrich Engels** (`1820–1895` , his friend) → Communist Manifesto (**1848**) · Capital vol. 1 (**1867**) · vol. 3 edited by Engels (1894)
- His question → factories of the 1840s made more than ever, yet the people at the machines were poor → if work makes things, who ends up with the result?

2 Value = work

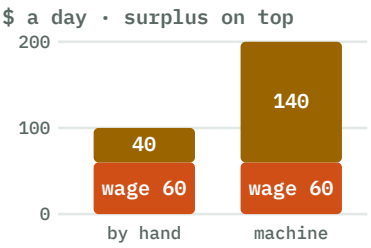
Ricardo → Marx

- **Labor theory of value** = a thing's value comes from the work needed to make it (David Ricardo, English economist, 1817 → Marx)
- Capital, ch. 1: "The labour time **socially necessary** is that required to produce an article under the normal conditions of production, and with the average degree of skill and intensity prevalent at the time." → usual skill and speed, not a slow worker's hours
- Diamonds: rare → cost "on an average, a great deal of labour time" to find (ch. 1) · value of a coat = hours normally needed, not what a buyer would pay for one more

3 Surplus value

output – wage

- **Surplus value** = what a worker's output is worth beyond her wage → for Marx, the source of **profit** (only work adds value, he said)
- Coralia mill: 1 worker, 1 day → cloth **$100** · wage **$60** · surplus `100 − 60 = $40` → to the owner
- Practice · shoes: `8 × $15 = $120` – wage $80 = **$40** · bakery: $150, owner keeps $50 → wage **$100**



4 The machine

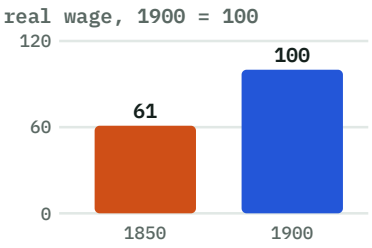
the race to copy

- Machine → same worker, same $60 → **$200** of cloth → surplus `200 − 60 = $140` · the wage does not move
- Machine bought → rivals must copy or lose buyers → more cloth on sale → **price falls** → profit per piece falls → race for new machines ↻
- Machines cost money, only work makes surplus (he said) → each dollar invested earns less → **"falling rate of profit"** (Capital vol. 3, 1894) → still argued
- Practice · shoes: 16 pairs, price $15 → **$10** → `160 − 80 = $80` (not $160) · oven: `250 − 100 = $150` · raise to $130 → `250 − 130 = $120` → baker **+30**, owner **+70** ⇒ both share the gain

5 The test

reserve army · wages

- **Reserve army**: workers pushed out by machines, ready to be hired again → keep wages down ("a disposable industrial reserve army", Capital, ch. 25)
- Farm jobs: about **22%** of British jobs (1851, census = official count of everyone) → **1.3%** (UK 2024) ≈ 1 in 80 → workers found new trades
- Manifesto 1848: the laborer "sinks deeper and deeper" · **real wage** = what a wage buys after prices · index (1900 = 100): **61** (1850) → **100** (1900) = 1850 pay bought 61% of 1900's → `39 ÷ 61 ≈ 2/3` more (Bank of England = Britain's central bank; Thomas & Dimsdale series)



HAPPENED	DID NOT, SO FAR
crises came back (History 3, 7) · bigger firms in much of the US economy since 1982 (David Autor, US economist, et al., 2020; why: debated)	wages sinking (they rose ≈ 2/3) · capitalism (private owners run firms for profit, pay wages) falling, "inevitable" (Manifesto, 1848): rich countries still market economies, changed by unions, taxes, welfare

6 So what?

what survived

- FOR crises and ever bigger firms still with us; he saw competition for profit pushes toward both · AGAINST wages rose; price is not just the work in it: what buyers pay counts
- Value challenged → 1870s: price follows what **one more unit** is worth to the buyer, not the hours in it → Lesson 4 · defenders: he meant the **gap** workers vs owners → still argued
- **Added later by others**: "Marxism" = also the economies governments ran in his name · he wrote little on how a future economy would work → Lesson 7
- **Timeline of ideas** · 1776 · Smith · prices coordinate strangers → 1798–1817 · Malthus and Ricardo · land is limited, people are not → **1867 · Marx · profit comes from unpaid work, and capital piles up until it breaks (he said)**

Watch out: surplus = output – wage, not output · after a machine, use the **new** price if rivals copied · Marx's value = socially necessary hours, not any worker's hours · a rising real wage tests his wage sentence, not the whole debate