

Power: Interpersonal, Organizational, and Global Dimensions

Wednesday, 26 October 2005

TOPIC: How do differentials in power arise? Lessons from social theory, continued.

Continuation of Marx...

Marx provided a theory of history and change and how society is organized – addressing the two central questions for all of social theory:

What holds society together?

How does it change?

How does society, something that seems so disparate (so many different people, so many ways of living), hold together such that it seems to be coordinated, that we're not at each other all the time, that we recognize what others are doing and what we are expected to do? (e.g. How do we know how to walk down the street? To pay for goods in stores rather than take them as we might from bookshelves and closets in our own home?) (We're at each other sometimes – e.g. war, conflict and disputing, lawsuits.) Shared practices/habits/ambitions, being like each other hold people together. But how do things change if indeed we live within predictable, familiar patterns?

Marx's answer: **Change takes place through class struggle.**

If we looked at history over time, there is a **progressive increase in human competence/ability to master forces of nature and of production** (ability to reproduce means of their own subsistence).

Historical materialism is dialectic – we look at the economic structure to explain things but also know that it worked in two directions at once

- **progressive** = humans could increasingly control forces of production
- **regressive** = our ability to control nature was increasingly enslaving us

Weber agrees! Our capacity for rational action provides both freedom and “an iron cage” (“slavery” for Marx) that we can't escape. Weber means bureaucracy (the more complicated we make organizations, the more we can't find our way through or out of them). Marx says human labor becomes more and more degraded/ alienated.

Any society has within it characteristics that can be associated with more than one society (e.g. movement from feudalism to capitalism).

p. 7 of packet – everybody below top capitalists has to sell their labor

There are **elements of different forms of social relations in the same mode of production.**

p. 8 of packet – Marx described relationship between **bourgeoisie and proletariat** – but today we have managers and supervisors and small employers etc. who think they are capitalists and

support less market regulation – they have an *ambiguous class position*.

Aside: *Who owns company stock?* **1929 stock market crash** – those few who had the capital and lost it no longer could run businesses. There was the trickle-down effect and no one had employment. We then got government regulation (the SEC – Securities & Exchange Commission), e.g. regulated how stock could be traded on stock market. Up until 1929, it was an **unregulated stock market** – ownership of capital was distributed into little pieces (“shares”) and you could buy with 10% cash (“purchasing on margin”) because it was assumed that the stock market would go up. People never put in the full share and sold at higher prices, making profit. *But* the market went down! Indeed some were selling short, pushing the market down, (Time 1 buying shares at x and at time 2 selling at less than X).

1933 – SEC regulation instituted all sorts of changes, from the amount of money banks had to have on hand to prohibiting purchasing on margin (i.e. investors had to have cash), required public notice and information of the value of the company, identified who could buy/sell/loan, prohibited insider trading (using information not available to the average investor, public market) **separated banking and investment: e.g.**

savings and loan FDIC small homeowners	stock brokers	investment banks	commercial banks risk takers e.g. Citibank
---	----------------------	-------------------------	---

new regulations included...

- each branch had government rules to keep them within their respective spheres
- FDIC guaranteed all the money in the banks
- post 1987 – if market fell by more than a specified amount x %, it would close for y hours to stop the automatic buying and selling, to let it cool, in effect.

October 1987 – started plummeting again but rules were able to stop the freefall, which was being created by computerized buying and selling.

Within the classical model of capitalistic economy/free market exchange, we have not had a **completely free market since 1929** (or really ever, but for this example 1929 is sufficient) and these rules have been instituted sequentially to protect the capacity of buying/selling of stocks without precipitating another crash.

We do not have a pure unregulated market! (Talk of free market is part of the ideological contest.) But since the 1980s, there has been a **push to deregulate the market** and allow freer trading.

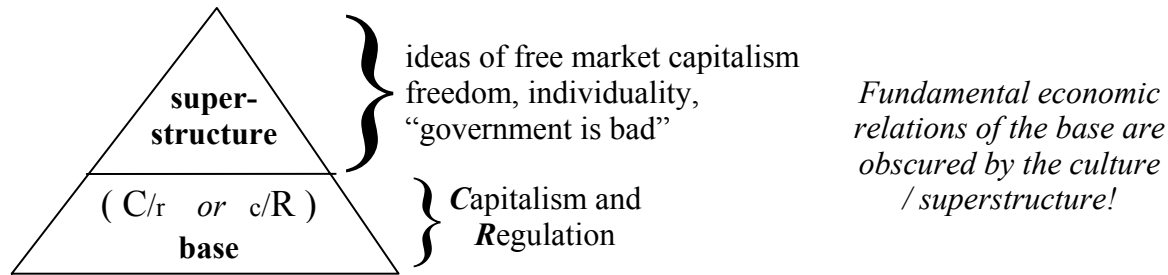
E.g. There were **distinctions between banking and investment**, but the Reagan government broke down these barriers! (see 4-box diagram above)

- savings and loan were trying to be big banks – they contracted to build buildings in Texas
 - (operated in part by **friendship networks**)
 - gave money to businesses they didn’t know anything about and were unprepared for these big investments
 - banks failed massively (Savings and Loan scandal of 1980s) BUT had been
 - insured under the FDIC so that although the banks failed, the depositors were

- reimbursed for their savings. The taxpayers made up the losses of the banks. (federal government borrowed money to pay back the citizen for losses)
- similar to when global capital (hedge funds) and big businesses would fail – government said we can't allow this because so many people would lose jobs.

The prior regulations had instituted limits on banking action and had created the insurance for bank failures. The removal of the regulations allowed banks wider leeway (risk taking) without liability because the FDIC protected the depositors. The taxpayer, in effect, paid for the gambling by the banks. The money was not, in any substantial way, recovered from those to whom it was loaned.

- **Contradiction of late capitalism:** *we are now in a free market capitalism but we have these pockets of protection/regulation that enable/protect/ support the markets.*
- Marx would say that the economic base consists of capitalism and regulation. The superstructure (culture, in forms of law, religion, etc.) is about free market capitalism, freedom, the individual, and the rhetoric that the government is bad. Hence, we have a **culture superstructure that protects by obscuring the base**, what is *really* going on (e.g. Reagan removed some regulations but not those that protected capital).



A company makes a product. The company is divided into shares, and those shares are traded on the market. A **hedge fund** trades in the numbers that go up and down in the *macro* market: it buys against how the market is going and so always protects against losses. Hedge funds are *not* traded on open market. The entire economy is being traded but those who have **organized enough capital to affect whole blocks** of the economy— only some super wealthy can get in since the hedge fund is exclusive and privately run, often requiring many, many millions to enter.

“Freedom against totalitarianism” was the euphemism for capitalism in 1950s. The idea was that everyone could invest by buying one share – this belonged to America instead of greedy Wall Street bankers. Now, the image of those bankers has changed to be chic and desirable.

- **Ideological apparatus protects/obscures the actual workings (social relations) of the economy!**

Although the material base of society (how it’s organized/regulated) changes, it changes so we can analyze it with the precision of the natural sciences. But what happens in the culture/ superstructure cannot be so neatly analyzed. The superstructure consists of human minds and ideas, *not* forces that aggregate to such a level that human interests don’t matter. It’s the difference between **economics as against political science/anthropology**.

Marx said human interests were engaged in a struggle that could take various forms.

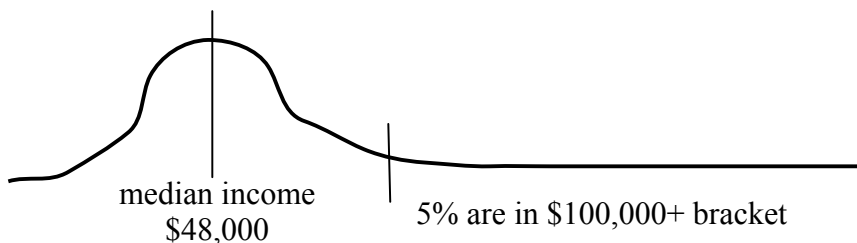
- thought that the ultimate outcome was determined by the economic base and that this outcome is predictable for the future. through law/politics/religion/ideological struggle, people would become aware of the conflicts that are originated in the economic base, become self-conscious, *but he was wrong*.
- eventually the workers would recognize these relations and realize that everything they believed was an instrument of capital – then they would revolt! *...but it never happened*. **Revolutions were led by leaders, the masses never/rarely understood.** (Thus the educational missions following revolutions; the authoritarian regimes to re-educate the population...)

Historical materialism as a form of analysis exposed dialectical tensions, showed how influences were going in opposite directions – there were **combinations of contradictory forces**. History is *progressive* because man controls production, but *regressive* because he creates more complex and oppressive organizations. **The agent of change is class struggle.**

class = group that shares a particular relationship to the means of production

- *control over money capital?*
- *control over physical capital?*
- *control over labor?*

Marx and Engels were concerned about those who had no control of capital and had to sell their labor. To Marx, all of history was a history of class struggle. Even today, a Marxist analysis would say we have a class struggle among haves, somewhat-haves, and those who have less, but this struggle is obscured by our language of freedom (or, in American politics, rhetoric about religion/abortion/sexuality). **Cultural terms are being used to obscure inequalities and the class struggle.** The language of deregulation is being used to get people to recognize how constraining the rules are. Class struggle is *not* how we understand American politics.



Classes vary throughout history – over time, the contenders in the struggle are different as are the nature and substance of the conflict itself.

- medieval = peasants vs. lords
- 1860s/1870s = industrial workers vs. capitalists
- 21st century = unskilled labor/service workers vs. middle-class professionals vs. management/capital

□ **The particular class relations of any time determine the form of struggle**

History is not a simple model of rule and domination of powerful groups but a model of struggle! There is a capacity to exercise power on *both* sides – complete domination gets you no response.

The modern worker [*industrial* worker for Marx, *service* worker for us] is in a distinct position – he is forever expropriated/distant/**alienated from his own labor**.

- worker is forced to sell his labor to those who control production/capital
- those who sell labor are in a qualitatively different position from those who control labor – the capitalist has something that the worker wants, and the capitalist has the power; the apprentice crafts person of medieval world has some control over means of production.. relative to industrial worker or modern unskilled labor;
- even though capitalist is not in *complete* control, those who sell labor still feel subordinated
- alienation = the worker puts in his *labor* /self into product that then becomes an object distinct from self, for sale on market, often out of economic range of the worker

Changing composition of class struggle – e.g. feudalism vs. modern day capitalism – During feudal times, there was a struggle between the artisans and guilds against manorial law. The guild masters set the rules. Nowadays, it is the laborers and the bourgeoisie – the struggle

between the craftsman and guild workers is different from the capitalist/industrial worker struggle.

Capitalism attaches itself to the **notion of freedom** – and there is an inherent contradiction in this. The idea is that modern labor is formally/ideologically/legally “free” where the laborer has the choice to work or not to work. But the reality is that the worker *must* sell his labor because he doesn’t own any capital himself. This contradiction of having to work to earn a living is hidden in the ideology of freedom – this is the **contradiction of capitalism**.

There are wide areas of autonomy in the cultural milieu, yet **modern labor is constrained** – it *must* sell its labor and is not simply “free” to sell its labor. The contradiction is between the **illusions/rhetoric of freedom** and the **constraint of necessity** of the market and having to earn a living.

◆ **Capitalism and Wage Labor**

Marx thought this **marketization of all labor/production** was the peak of human development. Capitalism creates unprecedented wealth – if used rationally it could ensure material well-being of all mankind. Marx believed that increased well being was possible;

- Marx said we do *not* use the means of production rationally to distribute equally – instead we match the **accumulation of wealth** with the **accumulation of misery**.
- Under capitalism, the rights of man are promoted (e.g. formal right to equality, freedom of thought and religion) but these are vitiated by the **actual inequalities of dehumanization**.

Marx had in mind only wage labor and alienation but we now know the extent to which this can be now be true. (e.g. torture, genocide. The US would not agree to the U.N. Declaration of Human Rights because it wanted to protect only cultural/ideological rights and not include material economic rights as fundamental human rights.)

*Before capitalism, before those pockets of market towns, how did people earn a living? They grew their food for themselves and paid the noble. There was **no commodity market**. They sold the *surplus* of their labor, not their labor itself. With the movement from **agriculture to industry**, the urban industrial worker no longer produces anything but labor!*

This **wage labor** (division of labor, money for hours) is the condition of man’s *degradation and alienation of the self*. In the creation of wage labor, **labor power becomes a commodity/ a thing exchanged on a market**.

- Labor becomes no different from material items that can be exchanged [for money, the universal medium].
- We are made equal in that a human with consciousness is equivalent to a thing – and this is **alienation** (to be expropriated, made into a thing).
- Workers are now subject to the market as a price for sale and are *forced* to sell their labor even when they believe they are “free” to sell their labor.

□ **Contradiction of capitalism:** *Worker’s notion of being free but simultaneously constrained*

The purchaser of labor sells the product of labor for more than she paid for it. That difference is called **surplus value**. The difference goes to capitalist as **profit**. In the end, the laborer can’t afford to buy his own product – yet another form of alienation!

□ **labor + capital + profit = price**

(In a market economy, the owners are stock owners, the profit is going to managers (e.g. CEO severance packages where stock holders lose out!), some stockholders as dividends and price of shares. Distribution of profit is also a contested issue.)

Importantly, the **capitalist state** is *not* a direct servant of the capitalist class.

- The state is a **mediator among class interests**.
- It would be vulgar/naive to simply say that the state is an arm of the capitalist class. If it were, there wouldn't be all the regulation that we have.
- The state sustains/protects capitalism sometimes by taking care of its **excesses** – e.g what European welfare states have done. The class struggle thus gets mediated and is not so virulent. The state appears to be the impartial referee maintaining a system, whose function is the general welfare.

Does the state protect for the general welfare or the benefit of some more than others? This is where politics comes in. The **rotation of leadership** can be seen as an expression of variation in how much the state will benefit one party over another in an *ongoing* class struggle.

SUMMARY thus far, and final example of the argument concerning class struggle,

Marx believed that capitalism would collapse like all previous modes of production. Its contradictions would be its undoing because capitalism created laboring classes who have enormous productive capacity. This laboring class will become the majority and will overwhelm the bourgeoisie who created it (p. 138 of the *Communist Manifesto*). Each struggle of the proletariat fortifies it for next struggle – eventually the proletariat will come to see itself as united and revolt against its oppressors (**“Workers of the world, unite!”** – *Communist Manifesto*. But this didn't happen – people who have [wealth/power] know how to protect what they have. Welfare capitalism is a form of protection that undermines the grounds for revolution.)

How we got regulation...

Example: 1881, Interstate Commerce Commission (ICC) for the regulation of interstate commerce was created to contain the excesses of the railroad industry which was supposedly starving the American farmers by charging exorbitant prices to ship produce the emerging cities. The ICC was meant to combat the **monopoly** and power of railroads, who were also thought to share a monopoly and collusion with the coal companies. This was described at the time as a **threat to capitalism**. Government also instituted regulation to protect coal miners and farmers and to contain these “evil” companies. This was the story told from the 1900s to the 1960s (similar stories for FDA and FTC etc.)

- **“To protect the American people”** was the point of regulation but that wasn't the necessarily or the whole situation. Railroads *wanted* regulation because they were killing each other by competition.
- Same kind of **free market language** emerged for telecommunications industry recently (Reagan)
 - FCC was set up to create diversity in communications. Business also wanted regulation because they didn't want too much competition – standardization helps after a while. Now, the government has obviated these rules – we have monopoly

control of public media (except internet and satellite radio).

The **protection of capital** is repeatedly obscured by **political rhetoric** of pro/anti regulation – this rhetoric is mobilized each time a new technology/new entrepreneurial activity emerges.

□ **The point:** It is a struggle, not domination and total oppression – it is an *ongoing struggle*.

Next time: one way in which the struggle gets enacted in commodities (commodity fetishism)