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.

### THE LABOUR PROCESS

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

### 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?

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

### CONCEPTS

Terms of trade (limits: 0 to 55)

3-way conflict (producers / owners / foreigners)
Terms of Trade: Export Prices / Import Prices

The Classical View of Capitalism

Commodity Production

Profit

Private Ownership

Wage Labour