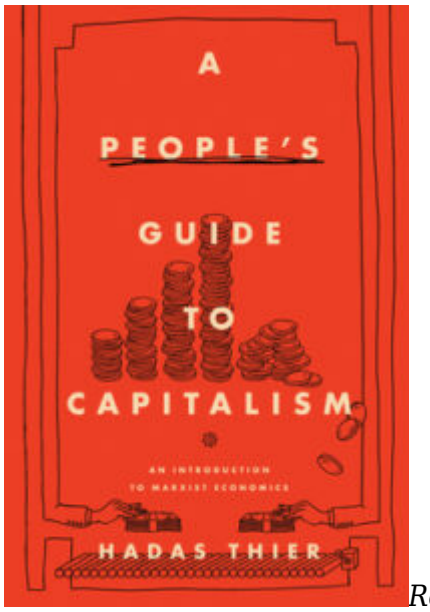
Economics for the People

written by Steve Leigh | September 22, 2020



Review of Hadas Thier, **A People's Guide to Capitalism: An Introduction to Marxist Economics (***Haymarket Books, 2020)*

This is a well-written, accessible introduction, which is also stimulating even for those familiar with Marxist Economics. It covers the basics with extensive quotations from ***Capital*** and some of Marx's other writings and does an admirable job of covering the key features of Marx's explanation of the inner workings of capitalism in a clear manner. The author uses current examples and explains that the fundamental principles Marx laid out in ***Capital*** still apply, while integrating the changes that have taken place since Marx's time. The book also includes a very helpful glossary of Marxist economic terms at the end.

This is not an abstract economics book. It is written by a socialist activist for other activists. It follows Lenin's aphorism that "Without revolutionary theory there can be no revolutionary movement." The purpose of the book is to arm activists with an understanding of the capitalist economy to help them overthrow it. The main points that the author wants to get across are summarized on page 234:

- "These [the fundamental problems of capitalism] are not accidents. They are not isolated incidents of greed. They are simply the way the system works…"
- "These same processes of accumulation necessarily lead to contradictions that threaten the very profits that the capitalists seek…"
- "'The point however is to change it' argued Marx… Better understanding the system, as Marx wrote 'to reveal the economic law of motion of modern society' is a critical first step."

For those already familiar with the basics of Marxist Economics, the most interesting sections of the book will be the brief examination of various theories of capitalist crisis. In a section called "Why Mainstream Economists Get it Wrong" (150-55) the author skewers explanations of crisis found in bourgeois economics, including Say's Law—the idea that every purchase is also a sale and that capitalism therefore tends toward equilibrium.

Thier also takes on various Marxist explanations of crisis. She rejects the "underconsumptionist" explanation that crisis is caused by the inability of workers to buy all they produce, because

“capitalists don’t just produce commodities for workers to consume. They also produce luxury goods for the rich and more importantly raw materials and means of production for other productive capitalists” (158).

Thier makes the important and often ignored distinction between underconsumption and overproduction. The former focuses on the chronic inability of workers to consume all they produce. She notes that this would result in a permanent crisis, since workers never receive the full value of what they produce.

Overproduction, on the other hand, can be sporadic and is related to the fundamental drive of capitalists to increase profits. From page 163 on, Thier explains the boom-bust cycle of capitalism:

“Businesses hustle to produce more, knowing that it is likely that their goods will find buyers”(163), but “Alas, the fever pitch of expansion eventually oversaturates the market. Too many goods have been produced to be able to sell at the exaggerated prices produced by the boom, or even at their value. Profits begin to tumble.”(165)

The disproportionalities between different industries exacerbate this process.

Thier also notes that there is a debate on the significance of the “tendency of the rate of profit to decline,” which Marx noted was caused by the displacement of labor by machinery. Since labor is the source of surplus value, there is a downward pressure on profit rates.

Some modern Marxists discount this. Others see it as the immediate source of every crisis. Thier takes an intermediate view. She says that it is important in the long run and is one of the most important contradictions of capitalism: over time, the drive for profit undermines the ability of the system to generate profit. She also argues that the downward pressure on the rate of profit increases competition and intensifies crises. However, she does not see the immediate cause of every recession or depression as the decline in profit rates.

Thier also follows Marx in seeing economic crises as coming from dislocations and overproduction in the real economy. This is also controversial, since many economists see the source of crisis as financialization of the system. The author extensively addresses the growth of financial capital, examining the creation of new financial instruments and the growth of this sector. However, she sticks to the fundamental Marxist idea that profit comes from the direct exploitation of workers in production.

A People’s Guide to Capitalism brings Marx’s analysis of private capitalism up to date with current examples. But there is one area that it does not develop in detail: Marx’s view of unproductive labor. For Marx “productive” labor creates surplus value and therefore profit. It is at the heart of the system.

However, even in Marx’s time, there were many “ unproductive” workers—i.e., workers who did not directly produce surplus value and were not directly exploited. In Marx’s time, these included the domestic servants of the rich, who Marx said lived off the revenue that capitalists received from the surplus value created by the productive workers they employed.

In modern times, “unproductive workers” would include, for example, public school teachers , public hospital nurses, etc. A direct profit is not made from their labor. However, these workers are also part of the working class. They are also necessary for the maintenance of the capitalist system. They too are paid comparable wages to productive workers. They have the power to shut down parts of the system and would benefit from a socialist transformation of society. The author mentions some of these workers as part of the working class but she does not theorize how they fit into her analysis

of directly exploited workers.

This omission aside, *A People's Guide to Capitalism* is a tremendous contribution to the understanding of economics today, and more importantly how we can get rid of capitalism. It will be very useful both to veteran Marxists and people new to the subject. Everyone interested in this topic, and indeed anyone interested in fundamentally changing the world, should read this book.