

**ECONOMICS 305**  
**MARXIAN ECONOMICS**  
**UMASS AMHERST**

**ABOUT THE COURSE**

This course will introduce students to the study of political economy from a Marxian perspective. Naturally then, the inspiration for, and point of departure for, this course is from the body of work on political economy that is contained in the economic writings of Karl Marx. The most complete and systematic economic writings of Karl Marx is contained in the three volumes of *Das Kapital*. Hence, we will closely follow the structure of *Das Kapital* in organizing the topics of study in this course.

The first volume of *Das Kapital* was published in 1867. Since then, there have been many important changes in the structure and functioning of the world capitalist system. Scholars and activists inspired by the foundational work of Marx have worked to develop, modify, extend and deepen that work. Reacting to economic, political and social changes, Marxist scholars have engaged with new and emerging issues to strengthen the Marxist framework. At various places in this course, we will have the occasion to acquaint ourselves with some of these new, and in many cases ongoing, developments in Marxist political economy:

- Marxist-Feminist discussions of social reproduction and domestic labour
- Marxism and ecology
- Commodification of knowledge and the digital economy
- Globalization and imperialism
- Financialization of contemporary capitalism

**GRADING**

85% of your grade will come from short response papers assigned after each module subsection.

15% of your grade will come from participation in group discussions after each module.

**ORGANIZATION OF THE COURSE**

The course will be divided into two parts, with each part having one or more modules.

**PART I: INTRODUCTION AND METHODOLOGICAL ISSUES**

The first part of the course will introduce students to Marx, Marxism, some questions of method and to the structure and organization of Marx's political economy. It will be organized into one module.

**Module 1: Marx, Marxism and Some Issues of Method**

The discussion in this module will cover the following topics.

1. Life and Times of Karl Marx
2. Historical Materialism
3. Dialectics
4. Structure and Organization of *Das Kapital*

## PART II: LOGIC OF CAPITAL

The second part of the course will develop the conceptual framework and details of Marx's political economy of capitalism, following the argument as it is presented in the three volumes of *Das Kapital*. At relevant points of the argument, we will also draw on and connect to later debates and discussions.

The concept of surplus value is the organizing concept in Marx's political economy of capitalism and the three volumes of Capital discuss its generation, realization and distribution, respectively. We will follow this logic of the structure of Capital and divide this part of the course into three modules. Module 2 will follow the argument in Volume I of Capital and will be a study of the generation and accumulation of surplus value; Module 3 will discuss the argument in Volume II of Capital and will be a study of the realization of surplus value; and Module 4 will present the argument of Volume III of Capital, which is an investigation of the distribution and redistribution of surplus value.

### Module 2: The Generation and Accumulation of Surplus Value

The discussion in this module will cover the following topics.

- a. The Commodity and Money
- b. Surplus Value and Capital
- c. Production under Capitalism
- d. Accumulation of Capital
- e. Primary Accumulation of Capital

### Module 3: The Realization of Surplus Value

The discussion in this module will cover the following topics.

- a. Circulation of Capital
- b. The Problem of the Realization of Surplus Value

### Module 4: The Distribution and Redistribution of Surplus Value

The discussion in this module will cover the following topics.

- a. Average Rate of Profit and Prices of Production
- b. Productive and Unproductive Labour
- c. Commercial Profit
- d. Interest and Fictitious Capital
- e. Rent

## **REQUIRED TEXTBOOKS AND OTHER MATERIAL**

1. Basu, D. 2018. *The Logic of Capital: An Introduction to Marx's Economic Theory*. Unpublished Lecture Notes. [Download the E-book](#).
2. Sweezy, P. M. 1942. *The Theory of Capitalist Development: Principles of Marxian Political Economy*. New York, NY: Monthly Review Press.

## RECOMMENDED TEXTBOOKS

1. Foley, D. K. (1986). *Understanding Capital: Marx's Economic Theory*. Cambridge, MA: Harvard University Press.
2. Marx, K. (1990). *Capital: A Critique of Political Economy. Volume I*. Translated by B. Fowkes. London, UK: Penguin Books.
3. Wood, A. W. 2004. *Karl Marx*. Second Edition. New York, NY: Routledge.

## **PART I: INTRODUCTION AND SOME METHODOLOGICAL ISSUES**

The first part of the course is an introduction to Marxism and consists of one module.

### Module 1: Marx, Marxism and Issues of Method

In the first module of the course, we will get an overview of the life and work of Karl Marx, and get an introduction to the strand of thought that has come to be known as Marxism.

- Overview:
  - Marxism is a body of thought for understanding and changing the social world. It emerged in mid to late 19th century in the works of Karl Marx and Friedrich Engels. Its conceptual foundation is a creative synthesis of three strands of European thought: classical German philosophy; English political economy; and French socialism. In this course, we will focus on the second component of Marxism: political economy. But to set the stage for the study of political economy, we will need to study some methodological and philosophical issues: historical materialism, dialectics and the structure and organization of Capital, Marx's *magnum opus*.
  - The basic introduction to Marxism that we will study in this course can be supplemented with more advanced studies in two directions.
    - What are the elements of a Marxist theory of history, i.e. historical materialism? The key explanations offered in historical materialism are teleological or functional. What are the features of such explanations? Key readings here are Cohen (1978) and Wood (2004; chapter 5-8).
    - The dialectical method that Marx uses comes from a deep engagement with Western philosophy, starting with the Greeks, moving through Spinoza, Kant and Hegel. For a better understanding of Marx's dialectical method and its relation to Hegel's, the following readings would be useful: Tse-tung (1937) and Wood (2004; chapter 13-15).
- Topics:
  - Life and times of Karl Marx
  - Materialist conception of history
  - Dialectics
  - Structure and Organization of *Das Kapital*
- Required Readings
  - Basu, D. (2018). *The Logic of Capital: An Introduction to Marx's Economic Theory*. Chapter 1, 2.

- Cohen, G. A. (1986). Forces and relations of production. In Romer, J. (Ed.), *Analytical Marxism* (pp. 11-22). Cambridge, UK: Cambridge University Press.
- Lenin, V. I. (1913). The Three Sources and Three Component Parts of Marxism.
- Lenin, V. I. (1915). On the Question of Dialectics.
- Further Readings
  - Cohen, G. A. (1978). *Karl Marx's Theory of History: A Defence*. Princeton, NJ: Princeton University Press.
  - Foley, D. K. (1986). *Understanding Capital: Marx's Economic Theory*. Cambridge, MA: Harvard University Press. Chapter 1.
  - Gabriel, M. (2011). *Love and Capital: Karl and Jenny Marx and the Birth of a Revolution*. New York, NY: Little, Brown and Company.
  - Tse-tung, M. (1937). On Contradiction.
  - Wood, A. W. (2004). *Karl Marx*. Second Edition. New York, NY: Routledge. Chapters 5-8 (for historical materialism) and Chapters 13-15 (for dialectical method).
- Response paper
  - Question: Explain what you understand by 'historical materialism'. Make sure you explain the following three concepts and their relationships: productive forces; relations of production; superstructure.
    - Reading: Cohen, G. A. (1986). Forces and relations of production. In Romer, J. (Ed.), *Analytical Marxism* (pp. 11-22). Cambridge, UK: Cambridge University Press.

## PART II: THE LOGIC OF CAPITAL

The second part of the course will develop the conceptual framework and flesh out the details of Marx's political economy, following the argument as it unfolds in the three volumes of *Das Kapital*. Our study of the structure and organization of *Das Kapital* gave us the following insight: Volume I of Capital is a study of the generation and accumulation of surplus value; Volume II studies the realization of surplus value; and Volume III investigates the distribution and redistribution of surplus value.

### Module 2: The Generation and Accumulation of Surplus Value

#### A. The Commodity and Money

- Overview
  - In this section of the course, we will begin the study of political economy. The first object of investigation will be the commodity - the basic form of wealth in capitalism. Through our study of the commodity, we will develop the labour theory of value, which will give us a framework to see the relationships between labour, value and money. We will end this section by studying the question of commodity fetishism - a systematic distortion in the domain of ideas that arise in a commodity producing system.
- Topics:
  - Use value, exchange value and value

- Concrete and abstract labour
- Money
- Commodity fetishism
- Required Readings
  - Basu, D. (2018). *The Logic of Capital: An Introduction to Marx's Economic Theory*. Chapter 3.1, 3.2.
  - Sweezy, P. M. (1942). Chapter II, III, pp. 23-55.
- Further Readings
  - Foley, D. K. (1986). *Understanding Capital: Marx's Economic Theory*. Cambridge, MA: Harvard University Press. Chapter 2, pp. 12-30.
  - Marx, K. (1867). *Capital. Volume I*. Chapter 1.
  - Rubin, I. I. (1973). *Essays on Marx's Theory of Value*. Chapter 8: Basic Characteristics of Marx's Theory of Value. pp. 63-75.
- Response Paper
  - Question: Explain the meaning of 'abstract labour' and highlight its importance and place in Marxist value theory.
    - Reading: Rubin, I. I. (1978). Abstract Labour and Value in Marx's System. *Capital & Class*, pp. 109-139.

## B. Surplus Value and Capital

- Overview:
  - In the previous section, we studied the commodity and through an investigation of the commodity understood the relationship between labour, value and money, three key concepts of political economy. On the basis of these concepts, we will now start our investigation of capitalism - a system of generalized commodity production. The most important idea we will develop in this part of the course is that surplus value, which is the source of income of the capitalist class, is a monetary expression of the unpaid labour time of the working class.
  - On the basis of the basic argument about the generation of surplus value, one can pursue a more advanced study of two important issues: domestic labour, and exploitation.
    - In developing this argument, an important conceptual issue will need to be addressed: how to determine the value of labour power? Addressing this issue will allow us to acquaint ourselves with important contributions by Marxist-Feminists on the issue of domestic labour. Key readings here are Vogel (2000) and Vogel (2008).
    - The Marxist tradition sees capitalism as an exploitative system, where the capitalist class exploits the working class. How can we think more carefully about the issue of exploitation? Key readings here are Vrousalis (2018) and Wood (2004; chapter 16).
- Topics:
  - Surplus value and capital
  - Capitalist exploitation
  - Constant capital, variable capital, and organic composition of capital

- Rate of surplus value, and rate of profit
- Value of labour power, social reproduction, domestic work
- Required Readings
  - Basu, D. (2018). *Logic of Capital: An Introduction to Marx's Economic Theory*. Chapter 3.3.
  - Vogel, L. (2008). Domestic Labour Debate. *Historical Materialism*, 16:237-243.
  - Wood, A. W. (2004). Chapter 16 (Capitalist Exploitation), pp. 242-264.
- Further Readings
  - Foley, D. K. (1986). *Understanding Capital: Marx's Economic Theory*. Cambridge, MA: Harvard University Press. Chapter 3, pp. 31-48.
  - Marx, K. (1867). *Capital. Volume I*. Chapter 7.
  - Vogel, L. (2000). Domestic Labour Revisited. *Science & Society*, 64(2):151-170.
  - Vrousalis, N. (2018). Exploitation: A Primer. *Philosophy Compass*. 2018;13:e12486.
- Response Paper (Choose Any One)
  - Question: Explain Marx's argument in Chapter 7 of Volume I of Capital as to how surplus value can be generated even when all exchanges are exchanges of equivalents.
    - Reading: Marx, K. (1867). *Capital. Volume I*. Chapter 7.
  - Question: Explain how the domestic labour debate can help us understand the oppression of women in capitalism.
    - Reading: Vogel, L. (2008). Domestic Labour Debate. *Historical Materialism*, 16: 237-243.

### C. Production under Capitalism

- Overview:
  - In the previous section of the course, we studied two key concepts that help us in understanding capitalism: surplus value and capital. We saw that the primary motivation of the capitalist system is the generation of surplus value. This motivation allows us to understand the historical evolution of the organization of capitalist production through cooperation, manufacture and machine production.
  - After developing the basic argument about the evolution of the organization of production, it is possible to extend the analysis into some advanced topics: degradation of work, ecology, and commodification of knowledge & information.
    - We will try to understand how the overarching imperative of generating surplus value, to the exclusion of virtually all other considerations, impinges, in a capitalist system, on the two foundations of all wealth: labour and nature. The first line of investigation, i.e. understanding the effect of capitalist relations on the worker will allow us to understand the enduring themes of alienation of labour and degradation of work. The second line of investigation, i.e. understanding the effect of capitalist relations on nature, will allow us to study the emerging field of Marxist ecology. Key readings here are Braverman (1998) for degradation of work, and Foster and Clark (2018) for ecology.

- An important recent transformation in capitalism relates to the increasing use of knowledge in the production process and the development of knowledge commodities (like software, and pharmaceuticals). How does Marxian political economy understand such recent transformations? Key readings here are Fuchs (2015; chapter 5) and Starosta (2012).
- Topics:
  - Absolute surplus value, relative surplus value
  - Cooperation, manufacture, machine production
  - Effect of capitalist production on the worker
  - Effect of capitalist production on nature
  - Knowledge commodities and the labour theory of value
- Required Readings
  - Basu, D. (2018). *Logic of Capital: An Introduction to Marx's Economic Theory*. Chapter 3.4.
  - Excerpts from Capital, Volume 1.
- Further Readings
  - Braverman, H. (1998). *Labour and Monopoly Capital*. New York, NY: Monthly Review Press.
  - Foley, D. K. (1986). *Understanding Capital: Marx's Economic Theory*. Cambridge, MA: Harvard University Press. Chapter 4, pp. 49-61.
  - Fuchs, C. (2015). *Culture and Economy in the Age of Social Media*. New York, NY: Routledge.
  - Marx, K. (1867). *Capital. Volume I*. Chapter 13, 14, 15.
  - Wood, A. W. (2004). Chapter 1-4 on Alienation.
- Response Paper (Choose Any One)
  - Question: Explain the ecological crisis from a Marxist perspective.
    - Reading: Foster, J. B., and Clark, B. (2018). The Expropriation of Nature. *Monthly Review*, March.
  - Question: Explain the logic of the degradation of work in twentieth century capitalism.
    - Reading: Braverman, H. (1998). The Degradation of Work in the Twentieth Century. In, Braverman, H. *Labour and Monopoly Capital. Appendix 2* (pp. 316-325). New York, NY: Monthly Review Press.
  - Question: Does the emergence of knowledge commodities invalidate the labour theory of value?
    - Reading: Starosta, G. (2012). Cognitive Commodities and the Value-Form. *Science & Society*, 76(3):365-392.

#### D. Accumulation of Capital

- Overview:
  - The key driver of the capitalist system is the overarching imperative of generating ever more surplus value. But what does it do with the surplus value once it has been generated and converted into monetary form through the sale of the commodities? The capitalist system throws back a large part of the surplus value

back into the production of commodities - a process that Marx calls the accumulation of capital. In this section, we will study some of the key issues related to the accumulation of capital. One of the key ideas that we will understand is how the capitalist system needs to continually reproduce a large pool of unemployed, underemployed or precariously employed labour, which Marx calls the 'reserve army of labour', to stabilize its workings.

- Topics:
  - Accumulation of capital
  - The Reserve Army of Labour
- Required Readings
  - Basu, D. (2018). *Logic of Capital: An Introduction to Marx's Economic Theory*. Chapter 3.5.
  - Foster, J. B., McChesney, R. W., and Jonna, R. J. (2011). The Global Reserve Army of Labour and the New Imperialism. *Monthly Review*, 63(6).
  - Sweezy, P. M. (1942). Chapter 5, pp. 83-92.
- Further Readings
  - Basu, D. (2013). The Reserve Army of Labour in the Postwar U.S. Economy. *Science & Society*, 77(2):179-201.
  - Foley, D. K. (1986). *Understanding Capital: Marx's Economic Theory*. Cambridge, MA: Harvard University Press. Chapter 5, pp. 64-66.
  - Marx, K. (1867). *Capital. Volume I*. Chapter 19, 23, 24, 25.
- Response Paper
  - Question: What is the reserve army of labour? What is its analytical significance in Marxist political economy?
    - Reading: Sweezy, P. M. (1942). Chapter 5, pp. 83-92.

## E. Primary Accumulation of Capital

- Overview:
  - In the first 25 chapters of Volume I of Capital, Marx presents an abstract model of a capitalist economy. This is what we have studied so far. Now it is time to attend to a question that Marx asks at the end of Volume I of Capital, i.e. in chapter 26 to 33: what are the conditions under which capitalist relations of production can emerge? Marx develops the concept of 'primary (or original) accumulation of capital' (often also referred to as the primitive accumulation of capital) to answer this question. In this section, we will study some aspects of the primary accumulation of capital as presented in Volume I of Capital.
  - After developing the basic argument about the primary accumulation of capital, we will look at two more specialized and advanced topics.
    - How do we use Marxist categories to understand the emergence of capitalism from the womb of feudalism in Western Europe. Key readings here are Brenner (1976) and Brenner (1982).



- Is the concept of primitive accumulation, or what some scholars have called 'accumulation by dispossession', relevant to understanding events and developments in contemporary capitalism? Key readings here are Harvey (2004) and Levien (2011).
- Topics
  - Primary accumulation of capital
  - The transition from feudalism to capitalism in Western Europe
- Required Readings
  - Basu, D. (2018). *Logic of Capital: An Introduction to Marx's Economic Theory*. Chapter 3.6.
  - Sanyal, K. (2007). Chapter 3, pp. 113-119.
- Further Readings
  - Brenner, R. (1976). Agrarian Class Structure and Economic Development in Pre-Industrial Europe. *Past & Present* 70(1):30-75.
  - Brenner, R. (1982). Agrarian Class Structure and Economic Development in Pre-Industrial Europe: The Agrarian Roots of European Capitalism. *Past & Present* 97(1):16-113.
  - Harvey, D. (2004). The 'New Imperialism': Accumulation by Dispossession. *Socialist Register*, 64:63-87.
  - Levien, M. (2011). Special Economic Zones and Accumulation by Dispossession in India. *Journal of Agrarian Change*, 11(4):454-483..
  - Marx, K. (1867). *Capital. Volume I*. Chapter 26-33.
- Response Paper
  - Question: Summarize Ellen Meiksins Wood's argument about the agrarian origins of capitalism.
    - Reading: Wood, E. M. 1998. The Agrarian Origins of Capitalism. *Monthly Review*, 50(3), July-August.

### Module 3: The Realization of Surplus Value

- Overview:
  - In Volume I of Capital, Marx abstracts from problems of aggregate demand. In Volume II, Marx returns to these issues and analyzes them from various angles under the topic of circulation of capital. The basic question investigated in this section of the course will be the following: how does the capitalist system generate adequate demand to purchase all the commodities at prices that are necessary to realize all the surplus value generated?
- Topics
  - Circulation of Capital
  - The Problem of the Realization of Surplus Value
- Required Readings
  - Basu, D. (2018). *Logic of Capital: An Introduction to Marx's Economic Theory*. Chapter 4.
  - Sweezy, P. M. (1942). Chapter 5, pp. 75-79.
- Further Readings

- Basu, D. (2014). Comparative Growth Dynamics in a Discrete-time Marxian Circuit of Capital Model. *Review of Radical Political Economics*, 46(2):162-183.
- Foley, D. K. (1986). *Understanding Capital: Marx's Economic Theory*. Cambridge, MA: Harvard University Press. Chapter 6.
- Harris, D. J. (1978). *Capital Accumulation and Income Distribution*. Stanford, CA: Stanford University Press.
- Marx, K. (1884). *Capital. Volume II*. Chapter 7, 9, 12-14, 18, 20, 21.
- Response Paper (Choose Any One)
  - Question: What is the circuit of industrial capital? Discuss its stages and the sense in which it is a circuit. Explain the analytical difference between production and circulation.
    - Reading: Basu, D. (2018). *Logic of Capital: An Introduction to Marx's Economic Theory*. Chapter 4.
  - Question: Use Marx's reproduction schemas to explain the condition, in terms of the use value basis of production, for smooth reproduction of a capitalist system undergoing 'simple reproduction'.
    - Reading: Sweezy, P. M. (1942). Chapter 5, pp. 75-79.

#### Module 4: The Distribution and Redistribution of Surplus Value

In Volume III of *Capital*, Marx investigates the process of distribution and redistribution of surplus value, the generation and realization of which had been analyzed in Volume I and II, respectively. The argument in Volume III proceeds in two steps. In the first step, Marx shows how redistribution of the total surplus value across sectors results in the emergence of an economy-wide average rate of profit and prices of production. The key mechanism driving this redistribution is the competition between capitals which manifests in the mobility of capital across sectors in search of higher rates of profit. In the second step, some of the surplus value is further distributed to commercial capitalists as 'commercial profit', to owners of money capital as 'interest' and to owners of non-reproducible resources like land as 'rent'. The key mechanism driving the redistribution of surplus value in the second step of the argument is bargaining, i.e. bargaining between capitalists who are involved in the production of commodities and resource owners, owners of money capital and commercial capitalists.

#### A. Prices of Production

- Overview:
  - In this section we will study the first step of the argument, which relates to the distribution of surplus value across sectors of production that come about due to differences in the organic composition of capital and the mobility of capital across sectors. For classical economists and Marx, the mobility of capital across sectors in search of higher rates of profit is the defining feature of competition. The long run equilibrium of such a process is the emergence of an average rate of profit and a concomitant set of prices that support an average rate of profit in every branch and industry - prices of production. The most important conceptual idea

here is to understand that the emergence of prices of production is at the same time a redistribution of surplus value across sectors.

- The basic understanding of the redistribution of surplus value through the emergence of prices of production can be extended into a study of the debates on the labour theory of value.
  - There is a vast literature on the so-called transformation problem that provides a unique lens into different approaches to the labour theory of value. Key readings here are Foley (2000) and Mohun and Veneziani (2017).
- Topics
  - Redistribution of Surplus Value
  - Average Rate of Profit and Prices of Production
- Required Readings
  - Basu, D. (2018). *Logic of Capital: An Introduction to Marx's Economic Theory*. Chapter 5.1.
  - Sweezy, P. M. (1942). Chapter 7, pp. 109-130.
- Further Readings
  - Baumol, W. J. (1974). The Transformation of Values: What Marx "Really" Meant (An Interpretation). *Journal of Economic Literature*, 12(1):51-62.
  - Foley, D. K. (1986). *Understanding Capital: Marx's Economic Theory*. Cambridge, MA: Harvard University Press. Chapter 6.
  - Foley, D. K. (2000). Recent Developments in the Labour Theory of Value. *Review of Radical Political Economics*, 32(1):1-39.
  - Marx, K. (1884). *Capital. Volume III*. Chapter 9.
  - Mohun, S., and Veneziani, R. (2017). Value, Price and Exploitation: The Logic of the Transformation Problem. *Journal of Economic Surveys*, 31(5):1387-1420.
- Response Paper (Choose Any One)
  - Question: What are prices of production? Explain how prices of production and an average rate of profit emerges in the long run through the mobility of capital. Also explain how the emergence of prices of production leads to a redistribution of surplus value across sectors of any capitalist economy.
    - Readings: Basu, D. (2018). *Logic of Capital: An Introduction to Marx's Economic Theory*. Chapter 5.1.
  - Question: A theory of prices is of secondary importance in Marxian political economy. Hence, critics of Marx who base their argument on the so-called transformation problem miss the forest for the trees. Explain in detail.
    - Readings: Baumol, W. J. (1974). The Transformation of Values: What Marx "Really" Meant (An Interpretation). *Journal of Economic Literature*, 12(1):51-62.

## B. Productive and Unproductive Labour

- Overview:
  - In this section, we will study an important concept that Marx takes from classical political economy: the difference between productive and unproductive labour.

- Topics
  - Productive and Unproductive Labour
- Required Readings
  - Basu, D. (2018). *Logic of Capital: An Introduction to Marx's Economic Theory*. Chapter 5.2.
  - Shaikh, A., and Tonak, E. A. (1994). *Measuring the Wealth of Nations: The Political Economy of National Accounts*. Cambridge, UK: Cambridge University Press. Chapter 2, pp. 20-37.
- Further Readings
  - Shaikh, A., and Tonak, E. A. (1994). *Measuring the Wealth of Nations: The Political Economy of National Accounts*. Cambridge, UK: Cambridge University Press.
- Response Paper (Choose Any One)
  - Question: Explain the difference between productive and unproductive activities, and the difference between productive and unproductive labour. Use proper examples to illustrate your answers. What is the significance of these differences for Marxist political economy?
    - Reading: Shaikh, A., and Tonak, E. A. (1994). *Measuring the Wealth of Nations: The Political Economy of National Accounts*. Cambridge, UK: Cambridge University Press. Chapter 2, pp. 20-37.
  - Question: Are services unproductive?
    - Reading: Basu, D. (2018). *Logic of Capital: An Introduction to Marx's Economic Theory*. Chapter 5.2.
  - Question: Explain the link of productive labour and digital media platforms like Facebook.
    - Reading: Fuchs, C. (2016). *Culture and Economy in the Age of Social Media*. New York, NY: Routledge. Chapter 5 (especially pp. 146-168).

### C. Commercial Profit

- Overview:
  - In this section, we will study the first fraction of surplus value appropriated through bargaining: commercial profit. The quintessential commercial activity is trade, the pure buying and selling of a commodity, which is distinct from both its production and its transportation and results merely in the transfer of ownership. With the development of capitalism, a section of the capitalist class specializes in trading activity. Since their activity does not create value, and hence surplus value, the entire revenue of the trading sector comes from surplus value generated in production. The profit income of the capitalists involved in trade is called 'commercial profit'.
- Topics
  - Trade and Commercial Profit
- Required Readings
  - Basu, D. (2018). *Logic of Capital: An Introduction to Marx's Economic Theory*. Chapter 5.3.

- Further Readings
  - Foley, D. K. (1986). *Understanding Capital: Marx's Economic Theory*. Cambridge, MA: Harvard University Press. Chapter 7, pp. 116-122.
- Response Paper
  - Question: Explain the origin of commercial profit using an example.
    - Reading: Basu, D. (2018). *Logic of Capital: An Introduction to Marx's Economic Theory*. Chapter 5.3.

#### D. Interest and Fictitious Capital

- Overview:
  - In this section, we study the second fraction of surplus value appropriated through bargaining: interest. Capitalist production and distribution of commodities often requires borrowed money to finance its operations. Owners of stocks of money lend money to capitalist producers for fixed periods of time and charge a payment for the use of the money. The payment is called 'interest' and can be seen as a portion of the surplus value generated in capitalist production. Once interest income becomes established in an economy, it allows the capitalization of future streams of revenue and leads to the emergence of what Marx calls 'fictitious capital'.
  - The basic discussion of interest, finance and fictitious capital can be used to probe further into financialization in contemporary capitalism and its role in the financial crisis of 2007-08.
    - One important question for Marxist political economy is to understand the origin and source of financial profits. To investigate this question, use Lapavistas (2013; chapter 6) and Durand (2017; chapter 6). To understand the role of the financial sector in the crisis of 2007-08, use Duménil and Lévy (2013) and Durand (2017).
- Topics
  - Interest
  - Fictitious Capital
- Required Readings
  - Basu, D. (2018). *Logic of Capital: An Introduction to Marx's Economic Theory*. Chapter 5.4.
- Further Readings
  - Duménil, G., and Lévy, D. (2013). *The Crisis of Neoliberalism*. Harvard, MA: Harvard University Press.
  - Durand, C. (2017). *Fictitious Capital: How Finance is Appropriating Our Future*. Translated by D. Broder. London, UK: Verso. Chapter 3, pp. 41-56 (on fictitious capital); Chapter 6, pp. 83-104 (on sources of financial profits).
  - Foley, D. K. (1986). *Understanding Capital: Marx's Economic Theory*. Cambridge, MA: Harvard University Press. Chapter 7, pp. 109-116.

- Lapavistas, C. (2013). *Profiting without Producing: How Finance Exploits Us All*. London, UK: Verso. Chapter 6, pp. 138-168 (on the sources of financial profits).
- Response Paper (Choose Any One)
  - Question: What is fictitious capital? Explain in detail how government bonds can be considered fictitious capital.
    - Readings: Basu, D. (2018). *Logic of Capital: An Introduction to Marx's Economic Theory*. Chapter 5.4.
  - Question: Where do financial profits come from?
    - Readings: Durand, C. (2017). *Fictitious Capital: How Finance is Appropriating Our Future*. Translated by D. Broder. London, UK: Verso. Chapter 6, pp. 83-104.

## E. Rent

- Overview:
  - In this section, we study the the third fraction of surplus value appropriated through bargaining: rent. Rent is the portion of surplus value that is appropriated by owners of non-reproducible resources like land by the mere fact of ownership. The key idea here is that the private ownership of non-reproducible resources like land allows the owners of the resource to bargain away a part of the surplus value generated in capitalist commodity production as 'rent'.
  - With the basic understanding of rent developed in this part of the course, we can explore deeper into some related issues.
    - Much of Marxist writing on rent has been descriptive, which has often made it difficult to pin down key analytical insights of Marx. For recent attempts to formalize Marx's ideas on rent see Basu (2018a; 2018b) and Das (2018).
    - Some recent work in critical social sciences has seen knowledge commodities and knowledge production - like software, pharmaceuticals - as giving rise to "knowledge rents". To engage with this literature see Fisher and Fuchs (2015) and Rotta and Teixeira (2018).
- Topics
  - Surplus Profit and Rent
  - Differential Rent, Absolute Rent
- Required Readings
  - Basu, D. (2018). *Logic of Capital: An Introduction to Marx's Economic Theory*. Chapter 5.5.
  - Fisher, E., and Fuchs, C. (2015). *Reconsidering Labour and Value in the Digital Age*. Basingstoke: Palgrave-Macmillan. Chapter 1, Chapter 2.
  - Rotta, T., and Teixeira, R. A. (2018). The Commodification of Knowledge and Information. Greenwich Papers in Political Economy, GPERC 60.
- Further Readings

- Basu, D. (2018a). Marx's Analysis of Ground Rent: Theory, Examples and Applications. Working Paper 2018-04, Department of Economics, University of Massachusetts Amherst.
- Basu, D. (2018b). Addendum to "Marx's Analysis of Ground Rent: Theory, Examples and Applications". Working Paper 2018-09, Department of Economics, University of Massachusetts Amherst.
- Das, D. (2018). A Model of the Marxist Rent Theory. Working Paper 2018-10, Department of Economics, University of Massachusetts Amherst.
- Response Paper (Choose Any One)
  - Question: Explain how ground rent emerges in capitalism. Illustrate your answer with an example.
    - Reading: Basu, D. (2018). *Logic of Capital: An Introduction to Marx's Economic Theory*. Chapter 5.5.
  - Question: Is Facebook a rent-seeking organization?
    - Reading: Fuchs, C. (2016). *Culture and Economy in the Age of Social Media*. New York, NY: Routledge. Chapter 5 (especially pp. 173-185).