

SHORT BIOGRAPHY FOR ERWIN MARQUIT

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Areas of Marxist Political Economy and Historical Materialism Affected by Globalization

Erwin Marquit*

Traditional Marxist analysis needs updating in several areas as a result of the economic and scientific/technological developments that are stimulating and have been stimulated by globalization. Updating is required in what in the twentieth century was referred to as the *political economy of capitalism* and the *political economy of socialism*. Also, the aspect of *historical materialism* (or *scientific socialism*) concerning the transition from the socioeconomic formation of capitalism to communism should be rethought.

The basic framework of historical materialism, referred to in the time of Marx and Engels as the *materialist conception of history*, has lost none of its validity since Marx formulated it in his preface to *A Contribution to Critique of Political Economy* published in 1859. In this preface, Marx laid out the law of social development based on the interconnections among the forces of production, the relations of production (property relations), and the material and ideological superstructure, which had the function of maintaining the stability of the property relations.

Marx's examination of the extraction of surplus value under conditions of capitalist relations of production enabled the working class to understand that its labor alone was the source of the value added in production. He thus gave the working class the understanding that its labor provided the material basis for the surplus value appropriated by the capitalist, and hence it had every ground to demand not only a greater return of the product of its labor, but also the eventual elimination of the appropriation of the surplus product by the capitalist. The working class requires this essential understanding of the true character of exploitation—the material basis of class struggle—to liberate itself forever from such exploitation.

Marxist theory must address the informational/technological revolution and the major impacts that the accompanying spurt in globalization has had on the political economy of the developed capitalist countries. One impact is the absolute and relative decline of the industrial manufacturing sector as domestic labor in the developed countries is being replaced with the cheaper labor in less developed countries, either by exporting capital or outsourcing production to other firms in the less developed countries. A relative decline in the industrial manufacturing sector has also resulted from the increase in the relative role in the economy of nonmaterial commodities and services.

The absolute and relative decline of industrial manufacturing needs attention in Marxist theory for a number of reasons.

The traditional view in scientific socialism has been that the growth of the industrial working class would be the major stimulus for the development of a socialist consciousness in the working class because of the increasingly social character of production as more and more workers are brought together in an enterprise. The Communist movement has always, therefore, paid special attention to the recruitment into its ranks of industrial workers as the potential primary bearers and disseminators of a revolutionary consciousness. Some Communist parties have even considered the working class to consist only of industrial workers, and for this reason no longer regard the working class as the class basis for their parties.

Marx actually defined a *proletarian*, however, as any producer of surplus value: “Since the direct purpose and the *actual product* of capitalist production is *surplus value*, only *such labour* is *productive*, and only such an exerter of labour capacity is a *productive worker*, as directly *produces surplus value*.” Although he cautioned against giving too much weight to capitalist investments in nonmaterial production, Marx discussed “the literary proletarian who produces books . . . at the instructions of his publisher,” “a singer . . . engaged by an entrepreneur,” “a schoolmaster who is engaged as a wage labourer in an institution along with others,”—in short, people who are employed for wages to perform services that are turned into material or nonmaterial commodities in order to provide surplus value to the person or

establishment employing them (Economic Manuscript of 1861–1863 [Conclusion], in vol. 34 of *Karl Marx, Frederick Engels: Collected Works*, 442–52. New York: International Publishers, 1994). The problem Marxism has to face is not the decline of the working class, but the consequences, for the emergence of a socialist consciousness of the changes in the technological character of the workplace, in the nature of the work performed, and in the educational level of the working class.

This problem is related to the attacks by capital on the working-class living standards that we are now witnessing in the major capitalist countries. These often devastating assaults take the form of demands for lower wages, decreases in pensions, increases in length of the workweek, and decreases in budgets for health care, education, and other social services. The resulting decline in the quality of life is justified by citing the need for competitiveness on the global market in face of the wide availability of labor at lower wages.

The Marxist analysis of this situation cannot be based on setting the interests of the workers in developed countries against the interests of the workers in less developed countries. A resolution of this problem must be rooted in proletarian internationalism. Without a theoretically elaborated strategy uniting the interests of the working classes of the developed and less developed countries, it will not be possible to unite the two major international labor federations—the World Federation of Trade Unions and the International Federation of Free Trade Unions. This international working-class unity is required to elevate the class struggle to the international level on the needed scale. Research on this problem is acquiring increased urgency.

A similar problem arises in connection with agriculture, where the monopolization of the distribution of agricultural products by what we now call *agribusiness* has led to the price of agricultural products being set below the cost of production, so that the industrialized countries have to maintain their agricultural base by subsidies and import duties and quotas. As a consequence, U.S. and European agribusiness can undercut the prices of agricultural products from the less developed countries. An internationalist Marxist solution to this problem must be found through international

agreements on production quotas for agricultural products to be placed on the world market, and for stable prices that will allow a balanced development of the agricultural economies of both the developed and developing countries.

The dynamic growth of mixed economies in the socialist-oriented countries is another area that requires attention in Marxist economics and historical materialism.

The initial attempts of the former socialist countries to develop centrally planned economies consisting only of state and cooperative sectors was essentially based on the assumption that it was possible to isolate the fully socialized economies from the world capitalist economy. Such isolation would have allowed socialist economies to set their own pace of economic development without regard to developments in the capitalist world. It was not possible, however, to maintain two separate world economic systems intrinsically antagonistic to one another. Developments in military technology alone imposed a pace of technological development on the socialist countries that was not achievable in view of the shortcomings of the premature introduction of centralization and socialization of the means of production. This utopian illusion required not only economic, but also cultural isolation, which was ruled out by the revolutionary development of information technology.

The traditional Marxist view of socialist construction has been the two-stage concept of development. In this model, the first stage is the socialization of the means of production, during which the right of the worker to the product of production is proportional to the value of the worker's contribution in the labor process. In the *Critique of the Gotha Programme*, Marx characterized this principle of distribution as *bourgeois right*, to indicate that it is on the same principle that operates under capitalism. The task of socialist construction is then to increase the scale of production to the point at which distribution based on need becomes possible. Real life has put this two-stage concept into long-term storage. It is not clear when, if ever, it will be taken out of storage and put on the active agenda.. The Chinese and Vietnamese economies, which include large socialized and private sectors, base their wage systems on the same principle of bourgeois right. They have no immediate goal, however, for the socialization of the private sector, so that these economies have not

entered the two-stage process discussed in the *Critique of the Gotha Programme* or in Lenin's elaboration of it in *State and Revolution*. Marxist economics now has the task of projecting more clearly how the present model of socialist-oriented mixed market economies will lead to the communist goal of production and distribution based solely on need. While individual models may have been proposed, no generally accepted approach has yet surfaced.

We need not set a timetable for the replacement of all capitalist relations of production by socialist relations of production. As Marxists, however, we cannot be oblivious to the need to deal with this question at some point. For the mixed economies to continue to develop while embracing both foreign and domestic capitalist investments, it will be necessary to develop a strategy for transition to communism in a manner relatively free of class confrontation with the capitalist sectors, foreign and domestic. Is this possible?

Marx's discovery of surplus value as the source of capitalist profit demonstrated the irreconcilable conflict between interests of capital and labor, a conflict of interest that can only be eliminated by socialization of the means of production. The workers' wages under capitalism are determined by the law of value: the value of a commodity is determined by the socially necessary labor time embodied in its production. The value of the worker's labor-time is therefore determined by the value of the commodities consumed by the workers in the course of reproduction of their labor. This is the historically conditioned standard of living of the working class as determined through class struggle.

In his discussion of productive and nonproductive labor, Marx demonstrated that the wages of those employed in nonproductive labor—that is, those who are not engaged in production of surplus value—are determined by the wage levels of productive workers engaged in comparable labor. This is still the case in the capitalist countries, where with some modification it affects the relatively large workforces in the public sector. Some public-sector workforces, for example, public-school teachers, although not producers of surplus value, do engage in class struggle, since their struggle is with the capitalist state. Because of their larger numbers, they are able

to win gains that are subsequently reflected in the wage levels of private-sector teachers. Nevertheless, the wage demands of public-school teachers are generally constrained by the wage levels in the private sector of workers with comparable education and skill.

In socialist countries with mixed economies, where the state should be characterized as a dictatorship of the proletariat, the wage levels in the state sector are not determined by class struggle, but by negotiated agreement between the state bodies and the trade unions that represent the workers in the negotiations. If, despite the irreconcilable conflict of interest between labor and capital in the private sector, the wages of the workers in the private sector are not to be determined by class struggle, a theory of price formation for wage labor in the private sector under conditions of dictatorship of the proletariat has to be formulated. Such a theory must be based on the state playing the determining role in establishing wage levels for the private sector. One way of increasing the effective wage level without discouraging foreign and domestic private investment is for the state to use its social consumption fund to provide a variety of benefits to the working population. The problem of correlating wages in the private sector to the wages in the public sector and the role of the workers in the process, if not solved theoretically and practically, can be the Achilles heel of any attempt at socialist transformation.

Another area that requires a rethinking of Marxist economics is related to Lenin's concept of imperialism. What he termed the new imperialism was characterized by the growing role of the export of capital in contrast to the dominance of commerce in goods under the older imperialism. The emergence of finance capital from the merging of banking capital with industrial capital facilitated the amassing of the large amounts capital for investments in the colonies and other countries. The history of the twentieth century clearly confirmed Lenin's analysis of the role of the export of capital in establishing political and economic domination over other lands, and imperialism's use of military power to force open new areas for capital investment.

What we refer to today as *capitalist globalization* is the continuation of imperialist exploitation on the qualitatively higher level that has been made possible by

technological developments in information processing and transfer and transportation of goods. Military, political, and economic aggression by the United States, European Union, and Japan, aided by their dominance of international agencies like the World Bank and International Monetary Fund, WTO, continues unabated in different regions of the globe. Nevertheless, the export of capital from capitalist countries to socialist countries like China, Vietnam, and Cuba, however, cannot be regarded as imperialist activity, even though those capitalist countries pursue imperialist policies elsewhere. Although capitalist investment of any kind involves the exploitation of labor by the appropriation of surplus value, the ruling Communist parties in these countries guide the domestic and foreign capital investments into those branches of the economy that are needed for balanced development and place obstacles in the path of investments that lead to distorted growth. The socialist state seeks investment for maximum growth, not maximum profit. The export of capital cannot in itself be a criterion for application of the term *imperialism*. One must also take into account the conditions under which such export takes place.

State-owned enterprises in socialist-oriented countries are now also exporting capital to other countries to establish productive operations that will enhance their competitive economic activity in the globalized world economy. For example, a state-owned Chinese company considered purchasing the largest mining corporation in Canada to provide ore for Chinese industry. In such a situation, a state-owned company in a socialist country would be extracting surplus value from workers abroad. How does such an operation abroad remain competitive without engaging in the same antilabor practices that characterize corporations in the capitalist countries? Marxist economics has to deal with such questions. The extraction of surplus value from workers abroad by a socialist state should not be viewed as a violation of proletarian internationalism if in the long term it contributes to the strengthening of socialism. Nevertheless, the Marxist principle of proletarian internationalism cannot be abandoned in guiding labor-management relations in such enterprises abroad. Failure to do so can do great harm to international worker solidarity. This problem is not very different from that faced by state-owned companies in socialist countries that have to

compete with the private sector firms that hide their profits, to avoid taxes, cheat their workers, violate conditions of labor safety and health, etc.

In this presentation, I have not attempted to solve all the new problems globalization poses to the development of Marxist economic theory. I have merely attempted to sketch out some areas that will need attention. It is obvious that globalization presents us with a mass of difficult theoretical work in the period ahead. The priority we give this work, and the thoughtfulness we invest in keeping the Marxist intellectual heritage alive, will have a great influence on human progress.