Nick Beams replies to two readers on the issue of surplus value

Nick Beams
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In the following correspondence, Nick Beams, a member of the World Socialist Web Site *editorial board, replies to two readers on the issues raised by his article* "Surplus value and the Bush tax cut plan*" posted on March 5.*

Dear Editor,

In the middle of the 7th para of Nick Beams' article, he writes:

"...In the first part of the working day, say for example two hours, the worker will reproduce the value of his or her labour power. But the labour process does not end there..."

Now, I've read this several times in Marx's writing, and I wonder: what proof is there that the labour power takes "say for example two hours" to reproduce?

Also, unrelated to this, what's the simplest, practical meaning of "Use value" and "Exchange value"?

Fraternally,

M

Dear M,

Let me deal with the last part of your e-mail first because it has a direct bearing on the question you raise on the value of labour power.

A commodity, Marx explains in the first chapter of *Capital*, the economic cell-form of capitalist society, is first of all a use value—an object outside of us that, by its properties, satisfies human wants of one sort or another. The use value becomes a reality through consumption.

Use values constitute the substance of all wealth "whatever may be the social form of that wealth." In *capitalist* society, the commodity is also the material depository of exchange value. Exchange value "presents itself as a quantitative relation as the proportion in which values in use of one sort or another are exchanged for those of another sort."

Marx goes on to show that the proportions in which commodities exchange are governed by the amount of socially necessary labour time embodied in them, that is, the amount of time it takes, under the average conditions prevailing, to produce them.

Now let us consider what takes place in the wage contract. What does the worker sell to the capitalist employer? Not the commodities which the worker produces—they never belong to him. The worker does not sell his labour, or the product of his labour to the capitalist, but his labour power, or capacity to labour.

The value of this commodity is, like every other, determined by the amount of socially necessary labour (measured by time) it takes to produce it. Accordingly, the value of labour power is determined by the value of the commodities it takes on average to sustain the worker, under the social conditions which prevail at the time, and to raise a family—that is, to produce another generation of wage workers.

Having purchased labour power, the capitalist consumes it by putting the labourer to work in the production of commodities. The amount of value which is added to the raw materials, machinery and other means of production supplied by the capitalist, is determined by the length of the working day.

But this value, which is added in the production process, will be greater than the value of labour power. In other words, in a working day of eight hours it will take say, four hours, or two hours, to reproduce the value of labour power, with the rest of the day given over to the production of surplus value.

If, on the contrary, it took the whole day for the worker merely to produce the value of his labour power, then we would have a society in which the level of the productive forces was so low that the community could do nothing more than sustain itself.

Explaining this point, Marx wrote: "If the labourer wants all his time to produce the necessary means of subsistence for himself and his race, he has no time left in which to work gratis for others. Without a certain degree of productiveness in his labour, he has no superfluous time at his disposal; without such superfluous time, no surplus-labour and therefore no capitalists, no slave-owners, no feudal lords, in one word, no class of large proprietors" [*Capital* Volume I, page 479].

Only when the productive forces have risen to a certain level and it becomes possible for one section of society to produce a surplus over and above what it needs to sustain itself does class society emerge.

Marx makes the point that the key to understanding the structure of any class society is to reveal how this surplus is pumped out of the immediate producers. Looking back at earlier forms of class society this is clear and transparent—the slave is forced to render a surplus to the owner, the serf is compelled to deliver a portion of his surplus production to the feudal lord, or to work on his lands and so on.

In these earlier forms of class society, the process by which surplus labour is extracted is clear and transparent. Not so under capitalism. Here the extraction of surplus labour is concealed by the very social relations through which it is created.

The worker and the capitalist confront each other in the market as equals—one the seller of a commodity, the other a purchaser. This sphere is, as Marx caustically put it, a very "Eden of the innate rights of man" in which freedom and equality rule.

But of course matters do not end there. Having sold his labour power, the worker now enters the factory or workplace where this commodity is consumed in the process of production. That is, its use value is realised. And for capital, the use value of labour power is that its expenditure, or consumption, yields more value than it contains.

The difference between the length of the working day and the time taken to reproduce the value of labour power depends in the final analysis on the development of the productive forces. The more developed the productive forces, the shorter the time it will take to reproduce the value of labour power, and the greater will be the surplus value.

And this process is the basis for the continuous revolutionising of the productive forces which takes place under capitalism.

If at the start of the Industrial Revolution the value of labour power was reproduced in six or eight hours, today it will be produced in a fraction of this time, possibly only minutes.

Yours sincerely,

Nick Beams

To the *WSWS*,

This letter is in response to your article "Surplus value and the Bush tax cut plan".

I've heard the "surplus value" argument before, and (to use a capitalist phrase) I don't buy it. Perhaps that's because I don't fully understand it.

The argument seems to boil down to this: a worker produces products that sell for more than he is paid. For example, a worker might be paid $10 a day to produce widgets that sell for $10 each. The worker pays himself with the first widget, but during the day he produces nine more. The $90 resulting from the sale of those nine other widgets, should, according to the argument, belong to the worker also.

It seems to me that this argument completely ignores overhead, i.e., other factors that contribute to the production of the widgets. Did the worker produce the widget in a factory? Who pays for the heat and light? Did the worker use a machine to produce the widget? Who built or bought the machine? Who pays to keep it maintenanced? Does the worker himself carry the 10 widgets to the 10 retail outlets across the country? If not, why shouldn't the carrier be paid something out of the $90? In short, the $90 widget profit, which you call "surplus value extracted from the working class", actually goes to cover a host of overhead costs associated with producing the widget and getting the widget to market. Am I missing something here?

The "surplus value" argument also implies that the managerial class, and the owner himself, contribute nothing whatsoever to the value of the widget. Bob of Bob's Widgets might put in an eight-hour day upstairs in the same factory, but according to you he's being paid out of the worker's money. According to you his work produced nothing. I would tend to disagree. It seems to me that, in general, human effort is more productive when organised. Therefore, the organiser (the owner, CEO, what-have-you) contributes something vital to the value of the goods produced. In the case of a high-tech widget, it might not be possible to produce the widget at all without someone organising the production. Without him, the worker would not be producing $10 widgets, but $0.50 brooms, because there would be no widgets. Hasn't he—the owner—produced some portion of the widget income?

This all seems so basic to me that I believe I'm not understanding the "surplus value" argument correctly. But I can't figure out what aspect I'm missing, at least not by reading your article.

Sincerely,

MW

Dear MW,

Thank you for your e-mail on surplus value for it enables me to go further into this question.

The first point, referring to your example, is that the worker does not pay himself with the first "widget" he produces. It never belonged to the worker in the first place. The product of labour—the embodiment of the expenditure of labour—belongs from the outset to the capitalist. It never belongs to the worker and so he cannot pay himself nor do anything else with it. This point is crucial to understanding the origin of surplus value.

To be able to sell something it is first of all necessary to own it. The only commodity that the worker owns is his or her labour power, or capacity to work, which is sold in the wage contract to the employer. The employer, like every other purchaser of a commodity, is entitled to the use value that derives from its consumption. Labour power is consumed by putting the labourer to work in the production of new commodities.

The employer puts the labourer to work, supplying the necessary raw materials, machinery, computer software, buildings and all the other means of production necessary for the task at hand. Those means of production have a value and they pass it on to the new commodities that are produced. In the case of raw materials, all of the value will be contained in new commodity. In the case of machinery, buildings, etc., which are used up over a longer a period of time, only a portion of the value they embody will be passed on and preserved in the new commodity.

Thus the total value of the new commodity will be the value of the commodities used up to produce it, plus the additional labour which has been added by the worker in the production process, determined by the length of time the worker is employed.

The crucial point to understand here is that the new value which the worker adds during the course of the working day, and the value of labour power, the commodity which he or she sells to the capitalist, are two entirely different things. A portion of the working day will be spent in the reproduction of the value of labour power, the commodity that the capitalist purchased through the wage contract. But labour continues beyond that point, rendering surplus value which is not paid for.

Now to the question you raise regarding the labour involved in the organisation of production. There is no question that those workers involved in design, organisation, planning and the myriad of other tasks which go to make up the modern production process are adding value and are a source of surplus value. Labour is, as you point out, more productive when it is organised. Indeed, production is impossible without organisation, which is why Marx speaks of the work of the *collective labourer*, involving all the different aspects of the production process, which may formerly have been carried out by one person but have now been divided among whole departments.

But the wages paid to these workers, who are involved in the *production* of new value and surplus value, should not be confused with the salaries paid to CEOs and the upper echelons of management in major corporations.

As I sought to point out in the comment, the surplus value that is produced by each corporation is not directly appropriated by it. Rather, there is a struggle among the different sections of capital to appropriate a portion of the mass of surplus value which has been extracted from the working class as a whole (the workers involved in the immediate production and those involved in planning and organisation).

The top management levels of major corporations are paid according to how well they can position their firm in this battle to appropriate surplus value—by introducing new systems which eliminate labour and cut costs, devising strategies to capture a larger share of the market, boosting the share price to lessen the cost of funds etc.

Their salary packages are not payment for the sale of labour power which has been used to create new value and surplus value, but constitute a portion of the surplus value appropriated as profit by the corporation for which they work. And the form of the salary package—stock options, profit incentive schemes and other forms of property-based income—reflects this.

Yours sincerely,

Nick Beams