Surplus value and the Bush tax cut plan

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The Bush $1.6 trillion tax cut plan, which will distribute nearly $800 billion to the wealthiest 1 percent of the American population and nothing for the poorest 20 percent, can rightly be described as “welfare for the wealthy.”

But defenders of the plan, from Bush down, argue that because the wealthy pay the largest amount of tax it is they who should receive the greatest benefit from any tax cut. It is, after all “their money”, and all the government is doing is returning it to them to spend as they see fit. What could be fairer than that?

No doubt many ordinary workers and middle class people, whose real wages have scarcely advanced over the past decade, despite the longest boom in history, will smell a rat. They will instinctively feel that the tax cut plan is yet another mechanism through which the wealthy elite is increasing its riches at their expense.

And such sentiments are correct. But in order to advance beyond instincts, however soundly based, and see precisely how this process of wealth transference is taking place, it is necessary to rise above the framework within which the “tax debate” has so far taken place. This involves consideration of some basic questions concerning the structure of the capitalist economy itself.

Let us take as the starting point the question of wages. What commodity does the worker sell to the employer through the wage contract? It appears that the worker has sold his or her labour or the product of that labour. But closer examination shows that this cannot be the case. When the wage contract is entered into, labour has yet to be performed, and when it is carried out, the product of that labour certainly does not belong to the worker who performed it. Rather it is the property of the employer—as a myriad of laws and security procedures confirm.

The commodity that the worker sells to the employer is not labour, or the product of labour, but rather the capacity to labour, or what Marx termed *labour power*. Like every other commodity, the price of this commodity, which takes the form of wages, is determined in the final analysis, by its value, that is the amount of time it takes to reproduce it. Accordingly the value of labour power is determined by the value of the commodities needed to sustain the individual worker according to the social conditions of the time and which enables the worker to raise a family, that is, produce a new generation of wage workers.

Having purchased this commodity in the labour market, the employer, like every other commodity owner in free market society, is entitled to consume it. The employer consumes labour power—the capacity to work—by setting the worker to work. 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. The employer purchased the right to consume labour power not for just two hours—the time taken to reproduce its value—but for eight hours, the full length of the working day. In this second part of the working day, the worker continues to add new value, but receives no payment.

To put it another way: the worker receives payment not for eight hours labour (or whatever the working day happens to be) but for selling the sole commodity he or she owns—the capacity to work for eight hours. The fruits of the consumption of that commodity, realised when the worker gets to work, belong to the capitalist employer who purchased it.

It is this difference—between the value of the commodity that the employer purchases in the market, labour power, and the value that the consumption of that commodity yields through the performance of labour over the entire working day—which is the source of surplus value.

The surplus value that arises from the consumption of the labour power of the working class by capital is appropriated by the various sections of the capitalist class in the form of profit, interest, rent and other forms of property income.

But this very distribution process serves to conceal the fact that the *origin* of profit, and other forms of property income, is the surplus value extracted from the working class.

The worker in the car plant, the sales assistant in a department store or the waitress in a restaurant, to take the example used by Bush in explaining his tax cut program, and the corporate executive or high-paid corporate lawyer, all receive an income. But the source of that income is different. The wage received by the car worker or waitress is payment for the sale of labour power, the consumption of which gives rise to surplus value and profit.

The income received by the corporate executive or lawyer is not payment for the sale of labour power which then goes on to produce additional surplus value. Rather, it is the form through which already produced surplus value is distributed among different sections of the property-owing capitalist class and the most privileged sections of the middle class hired to defend their interests.

A few examples will help illustrate the difference. The distribution of the available surplus value among the different sections of the capitalist class takes place not according to any plan, but by means of a competitive struggle. And in that struggle each corporation has need of a whole range of staff who devise strategies and measures to boost its position vis-à-vis its rivals.

The CEO, whose cost cutting program helps boost share values, will lower the cost of capital for the corporation, enabling its to better compete against its rivals, that is, to appropriate a greater share of the surplus value which might otherwise have gone to them. Similarly, the corporate lawyer is employed to cut costs associated with the administration of the corporation's property and assets. The advertising executive is involved in the development of strategies to enable a given corporation to grab a larger market share, and appropriate a portion of surplus value which otherwise would have gone to another firm.

In other words, the services performed by these highly paid layers relate not to the *production* of surplus value but rather to the development of means by which a greater share of it can be *appropriated*.

One of the most significant features of the past decade has been the increase in property-derived incomes relative to income derived from the sale of labour power. As the Socialist Equality Party noted in its statement on the 2000 presidential election: “The naked drive for personal wealth exceeds that in any previous ‘Gilded Age.' CEO compensation rose a staggering 535 percent during the Clinton-Gore administration. The typical corporate boss makes 475 times the income of the average worker, and 728 times the income of the worker on the minimum wage. If wages had risen in the 1990s as fast as the salaries, bonuses and stock options enjoyed by CEOs, the average worker would have annual earnings of $114,000 a year, and the minimum wage would be $24 an hour.”

The mass of surplus value extracted from the working class is not only the source of all profit and property-derived income but, in the final analysis, is the source of tax revenue for the government as well. Taxation is a deduction from the mass of surplus value which would otherwise be available for distribution among the different sections of the capitalist class. This is why the introduction of income tax has long been opposed as an attack on property rights—a position still adhered to today.

Insofar as income tax revenue is used to finance spending on social services, health, education etc., it involves a redistribution of surplus value back to the working class whose labour produced it in the first place.

A tax cut, along the lines proposed by Bush, however, is a completely different process. It involves an additional allocation of the available mass of surplus value to those already receiving it in the form of property-derived incomes. These layers are therefore “twice blessed.” On the one hand their escalating incomes are themselves a distribution of surplus value, and on the other, they are to receive a further amount in the form of a tax cut.

Bush has presented his program as “tax relief for everyone” as if it involved some principle of equality. But it demonstrates that nothing works so effectively to create greater inequality than a system that treats as equal those who, in fact, are not.

The Bush plan treats all forms of income as “equal” and hence equally entitled to tax relief. However all incomes are not the same. The majority of incomes derive from the sale of labour power by workers whose labour produces surplus value, the ultimate source of tax revenue.

But the greatest beneficiaries of the tax cut will not be these workers, but rather those whose income is bound up with the appropriation of surplus value on behalf of property in its various forms.