

Technology, the service industries and socialism

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Dear WWS,

This is stimulated by DP's "The cause of capitalist crises".

I've been a regular reader of your site for more than a year, have read all three volumes of *Kapital*, and unlike DP am not unfamiliar or uncomfortable with Marxist theory.

The thing that struck me immediately about your exchange with DP was the focus on commodities. In fact, most of the activity in modern post-industrial economies is in the services sector. By concentrating on 19th century economic models I think you completely miss the boat. From what I understand 80 percent of the economic activity in the US for example is in the service sector.

More to the point, I believe the failure of advocates of socialism to rise to the historical moment at the start of 21st century signifies more of a crisis of socialism than it does of capitalism. Some points:

Prices under Socialism

Earlier, another reader asked about how wages would appropriately compensate say a highly skilled neurosurgeon vs. an unskilled laborer and the response was equally unsatisfying. The larger issue here is: how do movements advocating social equality address the fact that inequality is a fundamental aspect of human reality that a beneficial social order will exploit for the good of society rather than try to suppress.

I was struck also by a recent rereading of my college economics textbooks' (1) section on pricing in an ideal socialist economy. It reminded me that Pareto had shown at the turn of the twentieth century that an ideal socialism would have to solve the same equations as capitalism does. Which brings us to ...

Information Technology and Modern Revolutionary Socialism

I find it hard to understand why you seem to ignore the critical role of this industry central as it is in so many ways to your project.

First, Samuelson's first dismissal of the feasibility of socialism is based on an inability to compute the prices for a real world economy given a societal objective function. But he wrote that in the 1970s. It is not an inherently contradictory project like Hilbert's Erlangen Program to found mathematics on logic which Godel showed to be impossible, but rather one that we are already very close to being able to solve with currently available technology.

Second, the IT worker is the counterpart of the 19th century factory worker, on whom socialism advocates should be intensely focused. The greatest capitalists of our time owe their enormous wealth to the exploitation and expropriation of IT workers in a situation which makes the 19th century mill-owner seem fair by comparison. At least the industrialist could say that the factors they input to the production were the critical and most valuable ones while IT products are nothing more than the intellectual work product of the workers that create them.

Finally, there is the matter of the free software movement, which if it has been mentioned anywhere on the WWS, I completely missed it. Are the WWS editors aware that this movement of free IT workers embodies the principles of the struggle they advocate and is already far advanced,

that free software is increasing its market share at a very significant rate and already dominates certain applications?

Crises of Capitalism?

I firmly believe that Capitalism will persist largely if socialist leaders and teachers remain mired in polemics and strategies of the past and do not adapt to the challenges of today. Capitalism thrives on the crises which Marx himself said were an inherent aspect of it. Stale reworkings of his or Trotsky's thinking only reinforce the idea that most people have that socialism has already experienced its final crisis.

(1) Economics, Paul Samuelson, 10th Edition

Epilog to Microeconomic Pricing, Appendix: Review of Commodity and Factor Pricing.

Dear JG,

The first point to make in reply to your series of questions is that you make a false distinction between commodities and services.

It is true that in the first chapter of *Capital* Marx explains that a commodity is "first of all, an external object, a thing which through its qualities satisfies human needs of whatever kind. The nature of these needs, whether they arise, for example, from the stomach, or the imagination, makes no difference."

From this statement you appear to have drawn the conclusion that services, which do not take the form of a material object, are not commodities. Consequently, you maintain that Marx's analysis is outdated because so much of economic activity today involves the production of services.

While an initial reading of Marx may well lead to the conclusion that so far as he was concerned services did not constitute commodity production, further examination makes clear that his definition of a commodity extended beyond the production of material things.

Consider, for example, the following passage:

"Are there not at every moment of time in the market, alongside wheat and meat, etc., also prostitutes, lawyers, sermons, concerts, theatres, soldiers, politicians, etc.? These lads or wenches do not get corn and other necessities or pleasure for nothing. In return they give or pester us with their services, which as such services have a use-value and because of their production costs also an exchange-value. Reckoned as consumable articles, there also is at every moment of time, alongside the consumable articles existing in the form of goods, a quantity of consumable articles in the form of services. The total quantity of consumable articles is therefore at every moment of time greater than it would be without the consumable services" [Marx, *Theories of Surplus Value* Volume I, pp. 168-169].

Marx here refers to services as "consumable articles" which have a use-value and an exchange-value. This must make them commodities, although they are not material objects.

The reason Marx did not go greatly into the question of services is that in the 19th century there were not big companies specialising in providing them. But Marx's analysis does provide the means through which an analysis of their operations can be undertaken.

Most important of all Marx discovered the “secret of surplus value” by revealing the nature of the commodity which the worker sold to the capitalist—labour power.

“Labour-power, or labour capacity, [is] the aggregate of those mental and physical capabilities existing in the physical form, the living personality, of a human being, capabilities which he sets in motion whenever he produces a use-value of any kind”[Marx, *Capital* Volume I, Penguin edition, p. 270].

This definition reinforces the point that services must be considered as commodities. Labour power, which is certainly a commodity, is clearly not a material object but rather capabilities existing in a physical form.

Like all other commodities, labour power has an exchange-value and a use-value.

Its exchange value is the value of all the commodities needed to reproduce it—to maintain the individual worker, and to enable the raising of another generation of wage workers.

The use value of labour power, which, like the use values of all other commodities is enjoyed by the purchaser (in this case the capitalist), is that it is a source of additional value. That is, the worker adds more value in the course of the working day than the value of the labour power he sold through the wage contract. The buying and selling of labour power and then the consumption of its use-value in the process of production is the origin of surplus value.

One of the main features of the past period has been the transformation of the majority of the world’s population into wage workers. Back in the 1950s, it was argued that Marxism had been proved incorrect because of the continued existence of the peasantry in the underdeveloped countries and the expansion of the middle classes in the advanced capitalist countries. Now the peasantry is being transformed everywhere into proletarians and the middle classes in the advanced capitalist countries are likewise being turned into wage workers. It could be said that rather than Marx being behind the times, the world is only now catching up to Marx.

Of course it is true that the type of labour now carried out, even in the production of material objects, is vastly different from Marx’s day. However, while the nature of the labour process may have changed a great deal, the social relations remain the same. The basis for the accumulation of capital is still the surplus value that is extracted from the labour of the working class whether it is engaged in the production of material goods or is employed in the so-called service industries. And the source of the crises of capitalism is the insufficient production of surplus value relative to capital to enable its accumulation, not the insufficiency of consumption by the working class.

In your second question you imply that individual differences between human beings are the basis of social inequality. This is the argument so beloved of the defenders of capitalism because it seems to provide a “natural” basis for inequality. On this basis it is claimed socialism is impossible because it goes against Nature.

Socialism has got nothing to do with suppressing differences between human beings. On the contrary, as Marx explained, under socialism or communism the old class divisions—with all their attendant social inequalities—will be replaced by an association in which “the free development of each is the condition for the free development of all.” Or, as he was to put it later, with the further development of the productive forces under socialism society will be organised according to the principle “From each according to his ability, to each according to his need.”

In fact, only through the creation of a society where human need, not profit, is the basic principle for the organisation of the economy, will it be possible for the talents and capacities of all, not just a privileged minority, to flourish. It is not socialism but capitalist society and the ever-widening social inequality it engenders that block the development of the individual and differing capacities and talents of the overwhelming majority of its members.

WSWSYour has ~~disregarded~~ ^{ignored} that role the of technology and its implications for “modern revolutionary socialism” could not be wider of the mark. We have continually pointed out, particularly in statements and articles on globalisation, that both the necessity for and possibility of socialism arise from the development of the productive forces associated with the scientific and technological advances of the past 100 years, and in particular the vast changes of the past two decades bound with the processes of computerisation.

The scientific basis of our analysis derives from the fact that we have sought to show that the mounting social problems of the past period arise necessarily from the deepening contradiction between the development of the productive forces, that is, the social productivity of labour, and the social relations of capitalism. Let me recapitulate some of the main points.

The driving force of the capitalist system is the accumulation of capital, the basis of which is the surplus value extracted from the working class.

The growth of the productive forces affects the accumulation process in two contradictory ways. On the one hand, to the extent that the increase in the social productivity of labour increases the surplus value extracted from every worker it leads to an increase in surplus value, thereby ensuring an increase in capital accumulation. On the other hand, to the extent that increased labour productivity drives labour out of the production process it leads to a decrease in the appropriation of surplus value and a decline in capital accumulation.

Whether capital accumulation goes forward depends on the relation between these two tendencies. Provided the increased extraction of surplus value from each worker proceeds at a greater rate than the elimination of living labour from the production process capital accumulation will take place.

However, a point must necessarily arise at which the increase in the rate of surplus value can no longer compensate for the elimination of living labour. This is because, in the final analysis, the rate of surplus value is determined by the division of the working day between the time taken by the worker to reproduce the value of his labour power (necessary labour) and the unpaid labour (surplus labour) which he renders in the form of surplus value to capital.

The development of the productivity of labour, a process that takes place over a protracted period, involves the continual reduction of this necessary labour. But eventually this is reduced to such a small portion of the working day that further increases in labour productivity result in almost negligible increases in surplus value. For example, if at an earlier stage in the development of capitalism the working day was divided in the proportions, four hours of necessary labour and four hours of surplus labour, then there is considerable scope for capital accumulation to proceed through the further reduction of necessary labour.

However, if as a result of previous developments in the productivity of labour, necessary labour has already been reduced to a tiny fraction of the working day, say an hour, half an hour or even less, then it is clear that further reductions can only yield a tiny increase in surplus value.

This is the situation that has confronted capital in the past period, manifested in the continuous pressure on the rate of profit. Capital attempts to overcome this pressure through a series of measures. These include: the speed-up of the labour process, the cutting back on conditions and benefits, the introduction of part-time work so that labour is employed strictly on a just-in-time basis without waste, relentless downsizing and cost-cutting as each section of capital seeks to increase its profits at the expense of its rivals, and so on.

These processes are not confined to the factory or the corporation. They extend to society as a whole. All social expenditures represent, in the final analysis, a deduction from the surplus value extracted from the working class. When the mass of surplus value is expanding, as it was in the 1950s and 1960s, capital can tolerate these expenditures. Indeed, it may even support them as a means of providing social stability. But under

conditions where the mass of surplus value is stagnant or contracting, and cannot be increased even with great increases in the productivity of labour made possible by new technologies, capital strives to claw back all these deductions. Moreover, it seeks new areas of exploitation.

This is the driving force behind the attacks on social services, health and education spending common to the programs of all governments in the past period. It is likewise the impetus for the programs of “structural adjustment” that have been imposed on hundreds of millions of people under the dictates of the IMF.

The point which I have sought to emphasise is the following: the central contradiction of the modern world—the fact that increasing productivity of labour is manifested in increasing poverty and social misery rather than an advance in living standards—can only be explained through the analysis of the value-form and the social relations of capitalism giving rise to it carried out by Marx. And that this explanation establishes the objective necessity for the overturn of these social relations if human progress is to resume.

On the issue of free software, there have been a number of articles posted on the WSWWS dealing with this issue.

Here again, the significance of this development can only be fully grasped on the basis of Marx’s analysis of the commodity form.

A commodity is the unity of use-value and exchange-value. The seller of the commodity realises its exchange-value in a sale to another individual but loses its use-value. The right to the use-value, which is realised in the consumption of the commodity, passes to the purchaser.

But the commodification of information through the development of digital products comes into conflict with these social relations. Digital products are not like other commodities in that they can be used simultaneously by many people. Furthermore not only is their use-value not exhausted by use, it may be enhanced the more widely the products are shared.

This has been seen in the free software movement and music-swapping on line. The more people on-line and sharing their acquisitions the greater the benefits for them and all participants.

Here we have a striking example of how the development of the productive forces—in this case digital technology—comes into conflict with the value-form itself and the social relations of capitalism. This is why the major corporations have made such efforts to protect their interests through copyright laws and the enforcement of so-called “intellectual property rights.”



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