The socialist response to US railroads' false claim that "labor does not contribute to profits"

Tom Hall
24 August 2022

Last week's release of contract recommendations by a Presidential Emergency Board has infuriated 100,000 railroad workers across the United States, who have been working without a contract for nearly three years. The Biden-appointed board recommended a settlement that would contain wage increases well below inflation, eliminate caps on individual contributions to health care and, worst of all, leave intact the hated attendance policies that management has used to drive tens of thousands out of the industry.

Out of the 120-plus-page document, one section has been singled out in particular by railroaders for scorn. During hearings before the board on wages, according to the PEB report, the railroads argued that labor from railroad workers does not contribute to their profits. "The Carriers maintain that capital investment and risk are the reasons for their profits, not any contributions from labor," the PEB report said. "The Carriers assert that since employees have been fairly and adequately paid for their efforts… then they have no claim to share in the [profits]."

The statement sums up the total contempt that management feels for railroad workers, who have turned it into a catchphrase. Workers have printed it on t-shirts, left flyers with the offending sentence in break rooms and shared memes about it on social media.

The rail companies know the claim is absurd and self-contradictory. After all, if labor did not contribute to profits, what objection could there be to workers carrying out a national strike? Indeed, why would the Railway Labor Act, in force since 1926 to block strike action through endless mediation and "cooling off periods," exist at all? More importantly, if their profits bear no relationship to the socially-useful work of railroad workers in moving goods across the country, what social justification can there be for profits themselves? The statement is a declaration that the railroad companies and their owners function as social parasites, making billions while contributing nothing of value to society.

However, from an economic standpoint, the railroads' claim is totally false. The reaction to the provocative claim shows that workers instinctively grasp this, but it was proven scientifically more than 150 years ago by Karl Marx, in his seminal 1867 work *Capital*. On the basis of his extensive critical analysis of the economic and social laws underlying the capitalist system of economy, Marx founded modern socialism, which is based on scientific laws of development of the class struggle.

Labor and the origin of surplus value

Marx's *Capital* begins with an analysis of the commodity, the cell form of the capitalist system in which all its development is rooted. In societies where the capitalist mode of production prevails, he wrote, wealth presents itself as an 'accumulation of commodities'—from industrial products, means of communication, entertainment, etc, to all the basic necessities of life—which are bought and sold on the market.

Marx begins by an examination of the laws of commodity production as the basis for his analysis of capitalism. The value of any commodity (a phone, a car, etc.) is determined by the socially necessary labor needed to produce it. That is, commodities that require the same amount of labor to produce have the same value and are exchanged as equivalents in the market.

In the transition to capitalist society, which develops out of simple commodity production, an epoch-making change takes place. This happens when labor power, or the capacity to work, becomes a commodity, likewise bought and sold on the market.

But if, according to the laws of commodity production, equivalents are exchanged for equivalents, how does an additional or surplus value (profit) arise, as it clearly does in capitalist society?

Of course, an individual may be able to sell, for one reason or another, a commodity above its value, and he will gain in the exchange. But there will be no creation of additional value in society as a whole because one individual's gain is another's loss—a zero-sum game.

The answer to this question lay in the examination of the new commodity, labor power, the capacity to work, which forms the basis of social relations in capitalist society.

The value of the commodity labor power is determined by the value of the commodities needed to reproduce it—that is, the value of the commodities needed to keep the worker alive and continuing to work, including food, clothing, shelter, etc., and to raise a family and produce the next generation of wage workers.

But the particular usefulness of this commodity labor power is its ability to create new value out of the labor of the worker. The value that a worker adds to the productive process in a given day is equal to more than the value that goes to wages. A worker, for example, may need only work for four hours in a day in order to reproduce the value that was spent on his or her wages. But this fact does not keep the capitalist from keeping the worker on the job for eight, 12 or even 16 hours a day. This surplus value, the difference between the value of the workers' wages and the value of the goods and services he or she produces over the course of a working day, is the source of all profits.

Marx's discovery of the origins of surplus value was revolutionary in the most literal sense of the word. It showed how the apparent free exchange of equivalents in the market, including the exchange of labor power for wages, concealed in actual fact a system of class exploitation. While the working class produces all surplus value, this surplus is expropriated by the capitalist. The worker, who himself owns no factories,

© World Socialist Web Site

railroads, mines or other means of production, is forced to sell his labor power to the capitalist in order to survive.

Even though they deny that workers' labor is the source of their profits, the statement by the railroads that workers are not entitled to share in profits because they "have been fairly and adequately paid for their efforts" is essentially a paraphrase of what Marx said, from a critical standpoint, about capitalist exploitation.

Since its discovery, the law of surplus value has formed the core of the socialist understanding of the class struggle and the inevitability of socialist revolution. Tracing the history and forms of surplus value accumulation—that is, the economic history of modern society and next to it, the conflict between the working class and the capitalist class—Marx and subsequent generations of socialists concluded that the working class, the basic creative and progressive force in capitalist society, would eventually be compelled to take political power, expropriate the expropriators, and reorganize economy in the interest of human need, not private profit.

This historical turning point would be reached when the capitalist system and the profit motive are no longer compatible with the further development of human civilization—as Marx said, when "the material productive forces of society come into conflict with the existing relations of production."

Financialization and the railroads

The fact that the railroads feel compelled, in the course of the defense of their "right" to unlimited profits, to dispense with the usual corporate nonsense about "family" and "shared sacrifice" and flatly deny the right of workers to share in their profits, is one symptom that society has reached this point. The railroads, as is now widely acknowledged, are a shambles, with constant delays and safety issues a daily reality. But the railroads are also the most profitable industry in America, "earning" a margin of more than 50 percent in 2019.

The denial of the labor theory of value is aimed, in the first place, at concealing the origin of this profit in railroaders' constant 70 hour workweeks, 24/7 on-call status, missed children's birthday parties and sports games, as well as massive levels of overwork, redundancies and dangerous working conditions. Workers, however, feel the truth from their own bitter personal experiences. As Marx put it, "Accumulation of wealth at one pole is, therefore, at the same time accumulation of misery, agony of toil, slavery, ignorance, brutality, mental degradation, at the opposite pole."

But the railroads' statement that "labor does not contribute to profits" is also significant as a frank admission of the parasitic outlook of the super-wealthy individuals and Wall Street hedge funds that own the industry. They see the value of wages as simply a drain on their profits, to be reduced as close to zero as possible. This is what is behind, for example, the longstanding push by the railroads for greater automation and the imposition of one-man crews (and, at some point after, zero-man crews).

As Marx explained, the production of goods and services—such as the maintenance of a functioning, reliable rail network—is for the capitalist only a means to an end, as a source of profit, but one which always entails considerable "risk," as the railroads frankly state. The capitalist aversion to this "risk" produces continual attempts to free themselves from the productive process entirely, and instead make money purely out of money through various forms of financial parasitism.

One example of this is the use of $70 billion by the railroads to finance share buybacks in order to artificially inflate their stock prices. Indeed, the railway industry itself functions for its owners as little more than a piggy bank. The billions made off the backs of workers are plugged into Wall Street.

This "fictitious capital"—securities, stocks, credit default swaps and financial swindling of all kinds—appears to violate the law of surplus value by producing profit seemingly out of thin air. In reality, this mountain of fictitious capital is a claim on future value to be created by and extracted from the working class. If there is even the expectation by investors that this value in adequate quantities will not be forthcoming, then the entire financial house of cards could come crashing down.

Railroaders and the fight against capitalism

As of this writing, the Dow Jones Industrial Average is currently at 32,909.59. Two years ago, in the opening weeks of the pandemic, when much of the working class was at home under lockdown, the Dow fell by more than 10,000 points, until Congress intervened to bail out Wall Street with a multi-trillion-dollar rescue package. But the bailout, while creating massive new reservoirs of fictitious capital on the stock market, did not create a single cent in new value—that still needs to be paid for through a massive ramping up of exploitation of workers. Indeed, the first reopenings began shortly after the bailout was passed.

As bad as things have gotten for workers in the US and worldwide over the past four decades, the law of surplus value compels the capitalist class to make it much worse, reducing workers to the level of industrial slaves. This is being organized by the Biden administration, with the support of both parties. His top domestic priority is the reining in of wage growth, even though it has not come close to keeping pace with inflation, by jacking up interest rates to drive up unemployment.

The most "pro-union president in American history" is also conspiring with the trade union bureaucracy, which owns tens of billions in financial assets itself, giving it a stake in the exploitation of its own members, to suppress wage growth, enforce substandard contracts and prevent the outbreak of strikes, particularly in critical industries such as the railroads, the docks, the airlines, oil and gas and others.

This is to be supplemented through a renewed upsurge of imperial plunder, forcibly acquiring new markets and sources of raw materials at the expense of its chief rivals Russia and China. This, and not any insincere concern for the sovereignty of Ukraine or Taiwan, is what is propelling the US to risk World War III.

Battle lines are being drawn across the country and around the world. By whom and in whose interest will society be run? On one side stands not only the RLA, but the White House and Congress, and with them the pro-corporate trade union bureaucracy. For the "good of the economy," that is, for profits, and so as not to disrupt their war plans, they cannot stand by and allow railroaders to strike. They will use every means at their disposal to either prevent or suppress it.

On the other side stand the railroaders, with the support of the working class around the country and the world. Indeed, workers all over the world are rising up against runaway inflation and brutal working conditions. In Britain, the first national rail strikes in decades have taken place this summer. A strike on the US railroads would have an electrifying effect among workers around the world.

But for a struggle on the railroads to succeed, workers must know what they are up against and steel themselves against any illusions. Railroaders must draw the necessary conclusions. They are not just locked in a fight for "fair wages" against particularly greedy railroad corporations, but against the capitalist system of exploitation itself. The railroads themselves, in both words and in action, are proving this to be true.

© World Socialist Web Site

To contact the WSWS and the Socialist Equality Party visit:

wsws.org/contact

© World Socialist Web Site