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# Cotton's Weekly

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## "Profit is Made by Selling a Commodity at its Value," says Marx He Who Understands This, Knows the True Way to Freedom

### HEART OF THE QUESTION

Dear Comrade, Will you kindly explain in Cotton's Weekly the value of a commodity at its value, as stated by Karl Marx in Value, Price and Profit—C. P. Styles, Fisherton, Man.

He who understands how profit is made by selling commodities at their value understands the revolutionary aim of Socialism. He understands the difference between reform movements which appear radical, yet leave the workers in their slavery. He understands why the master class will allow ministers in their pay to preach many so-called "socialistic" sermons, but withdraw their support the moment a minister preaches the necessity of abolishing the commodity nature of labor. He understands the immense difference between the economic doctrines of Karl Marx and the economic doctrines of the classical school of English economists. He understands how the Single Tax scheme is but a measure that will cause to burgeon more fully the capitalist system of exploitation. He understands the immense change Socialism will introduce in society, a change so vast as to completely revolutionize our civilization and moral and mental conceptions, a change so great that society will be born anew upon a fuller, freer, richer, more esthetic, more moral a plane.

The capitalists think that they make a profit on what they buy and sell, that they make a profit on renting their buildings and the like. This only appears so. All the rent, interest and profit really comes from one source. The capitalists buy only one thing out of which they can get any profit, and they get this, not by selling what they buy, but by selling something else. They buy labor power from the working class, and they sell congealed labor time. The difference between the value of the labor power bought and the value of the congealed labor time sold is the source of all rent, interest and profit. The Socialists aim at abolishing the wages system, or the commodity nature of labor power. When the capitalists can no longer buy labor power, they no longer can get rent, interest or profit.

This may not be clear to those young in the Socialist movement. Hence we will explain these points more fully.

### CLASSIC ECONOMISTS

The average business man of Canada holds with the classic school of economics. Adam Smith, Ricardo and others wrote books many years ago which the capitalists took for their bibles. Even Woodrow Wilson, President of the United States, has written a book on economics which is as full of fallacies as an egg is full of meat. I waded through this book when at McGill University, and I realize what the Socialists of the United States realize. Wilson is an ignorant professor who takes the shows of things for the realities. Karl Marx in his Value, Price and Profit, and in his Capital, has completely exploded the theories propounded by the capitalist economists.

You go and buy an article in a store. You pay the ordinary price for it. You say, "My, that costs a lot," and the storekeeper will tell you you are only paying the value of the article. When you think on the matter, you try and find out what makes the value you pay for.

The classic economists held that the value of a commodity was composed of various things. The manufacturer bought the raw material and hired wage workers, and figured out a certain amount for depreciation of his plant. These three costs formed part of the value of the commodity. Then the maker added a bit to the price to cover an item called rent, and another bit to the price and called it interest on his capital, and another bit to the price and called it profit. According to them the value of an article was composed of its actual cost, plus three added sums called rent, interest and profit. The storekeeper bought the article at a value composed of all these things, added to it the cost of selling it, and also added to that sum three other little sums to cover rent, interest and profit. This was the selling price, and composed the value of the commodity sold.

These writers saw men getting rent, and they saw men getting interest and they saw men getting profit. So they put down these three words and said that as they formed part of the selling price, they formed part of the value. But when they tried to find out what part should be rent and what interest and what profit, they could only say that experience showed what these three things came to. They had to say there was a natural rent, and a natural profit and a natural interest. But why it was natural they could not say. These three things existed, and they explained this fact by saying they existed "naturally." Their explanation was no explanation at all.

### THE MARXIAN SCHOOL

Karl Marx approached the question from an entirely different point of view. He not only observed, but he explained. He got behind the shows of things. His analysis of rent, interest and profit has stood the test of time. Many professors in colleges, many writers on newspapers know Marx is right, but they must not say so or they will lose their jobs. There are those who laughed at Copernicus when he said the earth went around the sun instead of the sun going round the earth. But there always have been foolish laughers.

Marx observed that there was a natural price towards which commodities gravitated. He saw that everything on the market exchanged for money and the money exchanged for everything on the market and he saw that there must be some common quality in all the commodities being bought and sold and exchanged. If there was no common quality to all of them, they could not be exchanged. We all have had some would-be humorous person propound a question to us like this, "If beans are two dollars a bushel, why is a frog?" There is no answer, because

there is no common quality between the price of beans and the existence of a frog. Karl Marx puzzled over, and finally discovered the quality common to all commodities.

That quality, common to all commodities, is labor power applied to the raw material from nature. Boots and blankets and guns and houses and automobiles all take labor time to make. Boots and blankets and guns and houses and automobiles are produced by hundreds and thousands. So it is discovered how much socially necessary labor time it takes to make these various things, and they exchange on the basis of the socially necessary labor time it takes to produce them. If an automobile sells for \$1,000 and a pair of blankets for \$20, this shows (if the price equals the value) that it takes 50 times the socially necessary labor time to produce and market an automobile that it takes to produce and market a pair of blankets.

The price of a commodity is not always the same as its value, but taking the up and downs of the market over a long course of years, price and value equal each other. We cannot here go into all the details of the variations of the question. The three volumes of Capital, totaling two thousand pages, will have to be read. But speaking generally, commodities exchange at their value in proportion to the amount of socially necessary labor time it takes to produce each commodity.

### PROFIT

If commodities exchange at their value, how then can profit be made? There is only one source of profit. All profit, which ultimately includes rent and interest, comes from the difference between the value of labor power purchased and the value of congealed labor time sold.

In the previous article we have seen that commodities exchange at their value. A workingman hires out to an employer. He sells something. What he sells on an average he sells at its real value. Have you ever figured out just what you sell? I do not mean what the boss says you sell, but what you really do sell? Right here is the real point of Marx's discovery.

You sell labor power. You, a man, with hands and feet and brain, sell your labor power, the power which you have and which is capable of being applied to the raw material your boss wants you to work on. This labor power is wrapped up in a body. That body needs food, clothing and shelter. You grow old and die. You must have children to take your place in the factory. You must reproduce your labor power or the working class will die out. So you have to have a wage that will allow you to buy food and clothing, a place to sleep in, and also for many of you to marry and take care of children from day to day until they are old enough to themselves sell their power to work. You therefore get a wage which will cover these expenses. YOU SELL YOUR LABOR POWER AT ITS VALUE, namely, the value of the socially necessary labor time it takes to maintain and reproduce that labor power.

Supposing it takes four hours of socially necessary labor time to maintain and reproduce your labor power. When you go to your boss and sell your labor power, he gives you its value day by day, namely, a wage that will allow you to purchase commodities that took four hours of socially necessary labor time to produce.

But although your labor power has a value, as a commodity, of only four hours a day, social labor, nevertheless you can apply that labor power for nine hours a day. You can congeal in a commodity nine hours of socially necessary labor time. Your boss buys your labor power for four hours of social labor a day and gets nine hours of social labor out of you.

The difference between your value as a laboring machine and the number of hours of value you place in commodities is the source of all rent, interest and profit.

Thus profit is made by selling commodities at their value. You sell your commodity, labor power, at its value, and the boss sells your congealed labor time at its value. The difference between the two, called by Marx surplus value, is profit.

As long as you allow this system to continue. As long as the working class submit to have the masters buying the workers' labor power and selling congealed labor time, the master class will exist and rule and live on unearned incomes. Therefore, the working class, in the words of Marx, "ought to inscribe on their banner the revolutionary watchword, 'Abolition of the wages system.'"

### CONSTANT AND VARIABLE CAPITAL

If, as a general theorem, profits are made at selling things at their value, and as there is only one thing, labor power, which produces surplus value, then, in reality, it is only that part of capital used to purchase labor power which makes a profit for the master class. All other capital which produces revenue for its owners gets its revenue by compelling the capital which purchases labor power to divide up with it.

In the production of commodities, Karl Marx called the capital which did not purchase labor power CONSTANT capital, because it never increased, and that part of capital which purchased labor power VARIABLE capital because it increased.

Let us illustrate the difference between constant and variable capital. Let us suppose a capitalist has \$220,000. This is all his own. He invests this in a manufacturing establishment. \$100,000 he pays for building and machinery, raw material, and \$20,000 he uses for the purchase of labor power, commonly known as the wage bill. Let us assume, for simplicity, that the variable capital equals the annual wage bill. Let us presume that the plant and machinery depreciate, get worn out, at the rate of ten per cent per year. To keep his plant up, he has to set aside \$10,000 each year for depreciation. Let us suppose that this capitalist at the end of his year's business, after paying all expenses, after setting aside his \$10,000 for depreciation, finds himself with \$44,000 more than he started with. That \$44,000 will be profit.

The capitalist, knowing not the real condition of affairs, being deceived by "the delusive appearance of things," will say to himself, "I have \$220,000 capital invested in this business, my profit is \$44,000. This is 20 per cent of my capital. My capital has earned me 20 per cent."

As a matter of fact, the only capital that got any revenue at all was the \$20,000 used to hire wage slaves. The \$100,000 invested in the building and machinery brought in nothing. The \$100,000 used to purchase raw material brought in nothing. For commodities are sold at their value and the \$100,000 worth of raw material simply changed its form and sold for \$100,000. It was only the labor incorporated therein that brought the increase.

The only thing that brought in any profit was the purchase of labor power and the sale of congealed labor time. As the wage bill was \$20,000 and as the profits were \$44,000, this means that \$20,000 worth of labor power produced surplus values worth \$44,000. The \$20,000 invested in building, machinery, and raw material brought in nothing. The \$20,000 invested in labor power brought in \$44,000, or 220 per cent. If that capitalist had a trade union plant with the eight hour day, the employees would work 24 hours reproducing the daily value of their labor power, and then they would go on working 51 hours producing surplus values for their master.

The \$200,000 CONSTANT capital earned nothing. The \$20,000 VARIABLE capital, simply because it was used to purchase labor power and sell congealed labor time, brought in 220 per cent.

The capitalist, however, will not figure that way. If he divides his capital at all, he divides it into fixed and fluid capital. He calls the capital tied up in the building fixed capital, and the \$20,000 used for the purchase of raw material and labor fluid capital. So it is extremely difficult, in reading the financial reports of the capitalist class, to find out what their variable capital is, and what profit their variable capital brings them.

### RENT INTEREST AND PROFIT.

"But," some capitalist-minded person will exclaim, "Karl Marx talks rot. There are lots of capitalists who do not hire wage workers and yet they make money. Landlords rent their buildings and they do not hire wage workers and they get rent which allows them to live without work. The man with money gets interest on it. They do not hire wage workers." They think that thus they prove that unearned revenues come from capital itself, that commodities are not sold at their value, and that there are other ways of getting unearned revenues besides buying labor power and selling congealed labor.

Let us revert to our illustration of the manufacturing plant above given. The joint stock company has been formed for \$800,000. Into this company the farmer puts all his \$250,000, let us suppose. He draws \$12,500 per year. Where does that come from? It comes from the \$44,000 worth of surplus values created by those wage workers who sold their labor power for \$20,000 and produced \$44,000 surplus values.

Suppose the farm became a town instead of having a waterfall handy. The farmer gets \$250,000, invests it in the said company and draws his revenues in the same manner.

The single taxer comes along and tells us it is wrong that simple ownership of raw material or land or waterfalls which humanity needs to live by should allow certain parasites, groundhogs and the like, to draw immense revenues from the labor of humanity. "Tax 'em, tax 'em out of existence," they say. "Let rent of land and of mines and of water power be taken by the state to carry on the common affairs of the people, so that the terrible drain of revenues now going to parasites who live by drawing rent from God's free gifts to man may go to benefit all the people."

The single taxers do not aim at abolishing the wages system. They want it to continue. They do not want the employer to cease being an employer, nor do they want goods produced for use instead of for profit. They want rent to be taken by the state, to pay all the expenses of the government, Dominion, provincial, municipal. Let us see where this leads us, not forgetting that the only source of rent, interest and profit is the surplus value produced by wage workers which they create and do not get. Let us remember the single taxers do not desire to tax buildings, but only site values.

In 1901 the total value of the lands upon which the manufacturing establishments of Canada were situated was \$27,000,000, the buildings were valued at \$69,000,000 and the machinery at \$91,000,000. Let us return to our factory capitalist who has \$100,000 in plant and machinery, and whose wage workers live in houses valued at \$80,000. Let us assume the capitalist lives in a \$10,000 house. Upon the basis of the 1901 census the value of land and buildings of employer's home, factory, and workmen's homes would be \$114,000, while the site values would be \$10,500. At present for municipal purposes the whole \$114,000 of land and buildings is taxed. Under single tax only \$49,500 would be taxed. Present taxes equal about 2-1/3 per cent for municipal purposes, or \$3,600 a year. When site values would be taxed to their full annual revenue, say ten per cent, the revenue from the site values alone would bring in \$4,050 per year for this one slave plant and the homes of the workers and the boss. This might be slightly higher than the present rate of taxation, but then those holding building lots for profit would have to pay ten per cent per year on them and would be forced to sell them cheap to some capitalist who wanted them to build homes for slaves on, or to build a place where he could separate wage workers directly from their surplus value. Water power sites like the one mentioned above, would be taxed to its limit, and all this taxation would go to relieve the capitalist class from taxation.

Single tax will not stop exploitation of labor. It will simply make it more intense, as the employing capitalist will be able to invest more of his capital in the means to exploit labor. In the case of our factory capitalist, who has \$100,000 tied up in land, buildings and machinery, the site value of that factory cost \$14,500. His annual taxes are \$1,275. At present that capitalist had to pay \$14,500 originally for the site, and pay \$1,275 annually in taxation. Under the principle of single tax which is so great as to confiscate the private ownership of non-productive land, the capitalist could get his site value for nothing, have his \$14,500 with which to buy raw material and labor power, and pay about the same taxes as he does now. The intelligent capitalists like Joseph Fels hold up both hands for the Single Tax.

workers believe they are doing it from pure benevolence. The workers know there is much devilry behind any philanthropic schemes started by their skinnners.

### SINGLE TAX.

"If profit is made by selling commodities at their value," we are asked, "how is it that one man will buy a piece of land for a thousand dollars, and when a city comes along and the people want the use of his land, he becomes a millionaire? How is it that a waterfall with a potential energy for electric power will bring its owner a quarter of a million?"

Here is where we meet the single taxers with their idea of economic rent and taxing the increment value out of existence for the good of the community. He who understands that rent, interest and profit come from the difference between the value of labor power and the value of congealed labor time, should have no difficulty in answering the arguments of the single taxer.

Let us take the case of the water power site. Here, let us suppose, a simple farmer has his farm on the banks of a river. A power syndicate comes along and buys his right to the waterfalls and adjacent land, paying him \$250,000 for it. This looks as though a quarter of a million clear profit is made from the simple ownership of natural resources.

This, however, is not so. The farmer cannot eat or wear or sleep under \$250,000. But he can lend them or invest them and get about five per cent on them, or an annual income of \$12,500. This income he can spend for food, clothing, shelter, travel, etc., all of which calls for the expenditure of labor power. The farmer ceases to be a farmer and becomes a gentleman of leisure.

That \$12,500 annual income comes from the surplus value created by the wage workers. Let us revert to our illustration of the manufacturing plant above given. The joint stock company has been formed for \$800,000. Into this company the farmer puts all his \$250,000, let us suppose. He draws \$12,500 per year. Where does that come from? It comes from the \$44,000 worth of surplus values created by those wage workers who sold their labor power for \$20,000 and produced \$44,000 surplus values.

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It is only because of unintelligent thinking that any wage slave boosts for the single tax proposition.

### PRICE.

Price must not be confounded with value. Karl Kautsky in his Class Struggle declares that price very rarely coincides with value. Price is sometimes a little above and sometimes a little below value. (Continued on Page Two)

### CONTROLLING THE LAWS

The Montreal Street Railway has had a difference of opinion with the Postoffice Department as to the amount that should be paid for the carrying of the mail carriers. The custom is for the government to pay a lump sum for the transportation of the mail carriers for the year. They jump on and off the cars when they like. The Street Railway wants twice what the government is willing to pay for this service. The two parties cannot agree, and so other means have to be taken to transport the mail carriers of Montreal.

To overcome this difficulty, the Postmaster General, Mr. Pelletier, has introduced a bill into the House of Commons, entitled, "An act respecting the conveyance of letter carriers on electric railways."

This act provides that the Postmaster General may fix the amount at which the electric railways shall convey letter carriers. If the railway refuses, then the Postmaster General shall arrange other methods of conveyance, and the electric railway shall refund to the Postoffice Department what it cost the government over what the electric railway was offered.

Such a law of course interferes with the freedom of contract. It imposes the authority of the state upon a private company and confiscates some of the profits of the private owners; but as the majority of capitalists want their letters carried cheaply, they think this a good law, although the railways think it horrid.

The capitalists know the compelling power of the state. They know how laws are made for or against them. So they take good care to control the lawmaking powers of the state to benefit them.

If laws can be made in favor of the capitalists, why cannot they be made in favor of the workers? They can, just as soon as the workers resolve that they want to control the laws and have them made in the interest of the workers. This is what we Socialists are endeavoring to teach the workers. Let the workers capture the law-making power, and then they can control industry, commerce, the railways, the banks.

This fact the capitalists carefully conceal from the workers. Because their masters conceal it is a potent reason why the workers should realize they ought to know this fact. That class which controls the law-making bodies, controls the laws.

The Nova Scotia Steel and Coal Company has declared its net profits last year to be \$1,000,000. This is equal to the annual average wage of 2,106 Canadian wage workers. The thirteen directors paid themselves \$92,196 for their services, or \$7,092 each. These thirteen took the wages of 103 average Canadian slaves. We are told that the capitalists get their revenues because of their ability. It comes expensive to the working class to pay \$1,092,865 to the capitalist class to run the affairs of one Canadian fourth-rate concern. Sam Gompers gets only \$6,000 a year for being president of the organization of over 2,000,000 wage workers. When the workers get wise, they will capture the political power and sack the capitalist class from the job of managing industry. They will have plenty of just reasons for the capitalists are greedy, overbearing, wasteful, extravagant, inefficient servants of the body politic and should in no wise be given control of the management of production and distribution.

The Toronto General Trusts Co. reports its annual profits at \$233,915, an amount that it takes 492 Canadian wage slaves, working hard for a whole year, to get. The worker is looked down upon as an inferior creature by the ruling class, not so much because he is a worker, but because he is such an easy mark for robbery.

The Empire Loan Company of Winnipeg declared its net profit of last year at \$335,294, or an amount equal to the income of 727 Canadian slaves. The slaves get their income by hard work. The shareholders get their income by the hard work of the slaves. This is a nice arrangement for the parasites, but what about the slaves?

The Canada Landed and National Investment Company, Ltd., with headquarters at Toronto, has declared net profits of \$335,000 for the past year. This equals the average income of 705 Canadian workers. The capitalists think it is their brains which give them their revenues. Not a bit of it. They get their revenues simply because the working class has gone to sleep and allowed itself to be robbed.

The A. Macdonald Company, Ltd., a trading company, has declared its net profits last year to be \$242,455. This is equal to the total annual wages of 615 average Canadian wage workers. There are hundreds of such exploiting concerns scattered throughout Canada. Why do the workers submit to such robbery?

The Ogilvie Flour Mills Company, Ltd., has declared that its net profits for its last fiscal year amounted to \$521,431.22. This is equal to the total annual earnings of 1,100 average Canadian wage workers. The working class little realize how tremendous is the amount of the wealth they create which they do not get.

In British Columbia white strikers have been scabbing on Chinese strikers. The capitalist class consider neither race, creed nor color in their search for the scab worker.