Economics for Workers

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PROFITS AND SURPLUS VALUE CONTINUED.

TO illustrate the difference of the rate of surplus value and the rate of profit let us take the following example.

If a capital of 100 produces with 20 laborers working 10 hours a day a wage of 20 and a surplus of 20 we have this result:—

Total Capital.	Constant Cap.	Var. Cap.	Sur. Val.	Exploitation
100	80	20	20	100%

The total product being 120, would show 20 per cent profit.

If the hours were increased to 15 a day and wages (i.e. variable capital) remained the same we would have the total value increased from 40 to 60, since 10 to 15 equals 40 to 60.

The result would be:—

C.C.	V. C.	S. V.	Ex.	Rate Profit
80 plus	20 plus	40 equals	200%	40%

The exploitation and the profit had increased at the same ratio.

On p. 74 (Capital, vol. 3) Marx shows how the rate of profit can become less and surplus value remain the same, e.g.:—

	C.C.	V.C.	S.V.	T't'l. Cap.	Exploitation.	Profit
1st.	80 +	20+	20	100	100%	20%
2nd.	100+	20+	20	120	100%	16 2-3%
3rd.	60+	20+	20	80	100%	25%
4th.	90+	10+	20	100	200%	20%

We have the rate of exploitation rising from 100% in number 3 illustration to 200 in number 4, while the rate of profit has fallen from 25% to 20%.

Here is the mystery of exploitation laid bare. The 1st and 2nd illustration show the rate of profit falling while exploitation remains the same. This answers the great contradiction, as machinery means greater capital making the profits look smaller as they are quoted on a percentage basis, i.e., on the total capital invested.

Marx also shows that profits can rise or fall at a greater rate than surplus value; if variable capital increases or decreases or if surplus value increases or decreases.

For instance Profits can rise when surplus falls or Profits fall when surplus value rises. For example:—

1st: Variable capital decreases, surplus value rises while profits fall.

C.C.	V.C.	S.V.	Exploitation.	Profit.	Capital
80+	20+	20 equals	100%	20%	100
90+	10+	15 equals	150%	15%	100

Again, when raw material falls profits increase. e.g.:

C.C.	V.C.	S.V.	Exploitation.	Profit.	Capital
80+	20+	20 equals	100%	20%	100
20+	80+	40 equals	50%	40%	100

We therefore see how lower priced material lowers constant capital, increases variable capital and increases profits, while exploitation has decreased to 50%. The explanation is that surplus value is percentage on variable capital as it is through the exploitation of labor that surplus value is created while the rate of profit is the percentage of surplus value to the total capital invested.

Again, the rate of profit may increase through the cheapening of constant capital while the rate of exploitation of the laborer remains the same. e.g.:

C.C.	V.C.	S.V.	Exploitation.	Profit.	Capital
80+	20+	20 equals	100%	20%	100
30+	20+	20 equals	100%	40%	50

Marx states, however: "The falling tendency of the rate of profit is accompanied by a rising tendency in the rate of surplus value, that is in the rate of exploitation. . . Both phenomena, the rise in the rate of surplus value, and the fall in the rate of profit are but the specific forms through which the productivity of labor seeks a capitalistic expression.

"The rate of profit does not fall because labor becomes less productive but because it becomes more productive."

Kautsky touches this point in his "Class Struggle" p. 60: "The total amount of surplus yearly produced in capitalist society today increases rapidly, but still more rapidly grows the total amount of capital invested. It therefor happens that while exploitation grows the rate of profit falls. Some would imagine this would put an end to the capitalist class, but that in no way implies that the income of the capitalist class is becoming less, but the mass of surplus flowing into their hands is growing larger. The conclusion would be correct if the rate of profit sank and the capital invested remained stationary.

The decline of profit and interest does not bring on the downfall, but the narrowing of the capitalist class, and therefor the concentration of wealth and industry into fewer hands. The more highly developed the capitalist system becomes, the more capital is needed, the narrower the field for the worker to leave the laboring class and the capitalist becomes a parasite on the body politic."

Unterman puts it: "The increase of mass profits, despite the decrease in the rate of profit compels the capitalist to invest in new industries and countries, but, they grow up and intensify the situation. The unemployed increases and becomes permanent, keeping wages at a bare subsistence."

The following table illustrates surplus or exploitation at 100% while the rate of profit falls.

C.C.	V.C.	S.V.	Ex.	Value.	Profit
60+	40+	40	100%	140	40%
80+	20+	20	100%	120	20%
90+	10+	10	100%	110	10%

In "Value, Price and Profit", Marx says:—

1st. "A general rise in the rate of wages would result in a fall of the general rate of profit but broadly speaking, not affect the prices of commodities.

2nd. "The general tendency of capitalist production is not to raise but to sink the average standard of wages."

Marx points out how Adam Smith inferred that the accelerated accumulation of capital must turn the balance in favour of the worker by securing a growing demand for labor, but modern industry was just then in its infancy. We have a number today who claim that more machinery means giving more employment, but Marx shows in "Value, Price and Profit" that if the proportion of the two elements remained the same, Constant Capital to Variable Capital as one to one, it will in the progress of industry however become 5 to 1 or more.

He says: "If of a total capital of 600, 300 is laid out in instruments, raw materials and so forth, and 300 in wages, the total capital wants only to be doubled to create a demand for 600 working men instead of for 300 men.

But if of a capital of 600, 500 is laid out in machinery, materials and so forth, and 100 only in wages, the same capital must increase from 600 to 3600 in order to create a demand for 600 men instead of 300 men. In the progress of industry the demand for labor keeps, therefor, no pace with the accumulation of capital. . . . it will still increase, but increase in a constantly diminishing ratio as compared with the increase of capital."

Therefor the capitalist position is strengthened to sink the average wage to a bare subsistence level.

Surplus value, however, is divided up in Rent, Interest and Profit, but is a result of unpaid labor split up amongst the landowner, industrial capitalist and moneylender.

If the capitalist is the owner of the capital he employs and also is the landlord, well, he pockets the whole surplus.

It is immaterial to the worker whether he pockets the whole surplus or has to divide it up as interest and rent. The surplus is produced before the division takes place and it is unpaid labor that produces it. Why then, workers, bother your heads with single tax and other palliative reform nostrums when you only get your slave's portion.

Marx deals with interest bearing capital as representing capital as ownership compared to capital as a function in production.

Marx says: "The money capitalist hands over to the industrial capitalist, money as a commodity. The industrial capitalist receives it as capital; what then is the use value the capitalist hands over? It is the use value the money assumes as being capable of being invested as capital and performing the functions as capital so that it can create a surplus value in addition to preserving its original magnitude of value. In the case of other commodities the use value is ultimately consumed. The substance disappears in consequence and with it their value, but the commodity capital has the peculiarity that the consumption of its use not only preserves its exchange value and its use value but also increases them. The money loaned in this respect shows an analogy with labor power in its relation to the industrial capitalist. The use value of labor power to the industrial capitalist consists in the faculty that labor-power creates more value. In like manner the loan capital appears as its faculty of preserving and increasing value; but interest is just the division of profits. Profits consist of surplus value and surplus value is unpaid labor."

The capitalist mode of production has now separated the superintendence of industry from its ownership and it is no longer necessary for the capitalist to perform any useful function himself; that is performed by paid employees, just as a director of an orchestra need not be the owner of the instruments of its members, nor is it part of the duties of a director that he should have anything to do with the musicians. A superintendent's wages fall like all other skilled-labor wages, with the general development which reduces the cost of production of specially trained labor power. Our technical education moves in that direction.

Therefore, having seen that it is becoming more and more difficult to rise from the working class to the capitalist class, discovering that capitalist development tends ever and anon to sink wages to the limit of subsistence, with a greater rate of exploitation, we should agree with Karl Marx when he said: "Instead of a conservative motto: 'A fair day's work for a fair day's wage,' the unions ought to inscribe on their banner the revolutionary watchword: 'The abolition of the wages system.'"

Next article: Rent.