Economics for Workers

BY PETER T. LECKIE.

PROFITS AND SURPLUS VALUE

ALL through our economic discussions we have seen that the production of a surplus value, the creation of a profit, is the direct object of capitalist production, in fact it is the all-compelling motive and immediate purpose.

This profit cannot convert the capital invested into a greater value unless the capitalist exchanges his variable capital for living labor and exploits this labor. But as he cannot exploit this labor unless he advances the constant capital along with his variable capital, although it is only the variable capital that creates the surplus, he slumps them together and the actual rate of gain although produced by the variable is proportioned to the total capital which gives him the rate of profit but does not give the rate of surplus value or exploitation.

The gain measured by the total capital is the rate of profit. But the gain measured by the variable capital is the rate of surplus value.

Profits are a disguise of surplus value and are defined as the legitimate earnings of capital, and the "unpardonable sin" of Karl Marx is that he discovered and laid bare the process of the exploitation of the worker. Marx has pointed out that the exploitation of the worker takes place at the point of production.

In former slaveries this exploitation was quite noticeable, but because the surplus value is not realized until commodities enter the process of circulation, it is assumed that the surplus arises by buying cheap and selling dear; "but as every buyer is also a seller what he gains as a seller he loses as a buyer." The laborer produces a surplus value because the difference between the price of labor-power and the result of the labor performed are not quivalent values. The required amount of labor to produce the laborer's keep (value of labor power) is below the amount of labor performed. This surplus labor equals surplus value; in other words it is unpaid labor. Whether this surplus value is pocketed by the industrial capitalists or has to be divided up with the money lender and landlord in interest and rent is no concern of the worker. The surplus is produced before the division takes place. The laborers being unable to buy back that which they have produced, we have a state called over-production, not because of the laborers' limited consuming capacity, but because of their limited purchasing power.

Marx points out how some economists deny the fact of over-production of commodities and speak of the over-production of capital instead. Marx points out that capital consists of commodities, and an over-production of capital implies an over-production of commodities. A commodity is produced for the world's market, not for the locality wherein it is produced.

The investor is not primarily interested in the profit made on each individual commodity but the profit on his total investment of 5, 10, or 20 thousand dollars, as the case may be.

Freight, advertisement, etc., are figured into the average cost, not merely on the commodity that abroad than at home, where produced; that is part output. Very often a commodity sells cheaper abroad than at home, where produced, that is part of the process, but remember commodities are produced for a world's market.

Marx points out in Vol. III., p. 572-573 an instance of selling cheap abroad with the expectation of buying tea in exchange and selling it at a profit on the home market, to make the loss good.

The "Literary Digest," November, 1920 reviewed a book, "The Case for Capitalism," where the writer says: "The capitalist—the man who owns the plant and takes the risk of enterprise—does not rob the worker of surplus value created by the latter, because the surplus value is due to the existence of the plant, and is shared by the laborer through the far better standard of life that the equipment of industry has enabled him to secure. Without the plant the laborer could only supply himself with a bare subsistence, if that . . It is true the most of the plant has been made and put there by labor, but this was only possible because the wage earners were paid to do so under the direction of capitalists, who, instead of spending their money on immediate enjoyment invested part of it in industry, creating surplus value for the whole civilized world."

This is a "strong" case for capitalism, admitting labor produced the capital and also created the surplus value.

In connection with surplus value a question arises about the "Great Contradiction." This question is briefly stated in J. B. Cross's "Essentials of Socialism" to the effect "that if, as Marx exclaims, labor is the creator of surplus value, and if it is through the appropriation that the capitalist becomes wealthy, why is it that they are so anxious to replace labor by the means of machinery? Or to state it somewhat differently, how does Marx explain why a capitalist, hiring much labor and using very little machinery, secures no more than the average rate of profit obtained by an employer who uses much machinery with very little labor?"

We saw in the introduction of the power-loom the effect of machinery and how it has reduced the necessary time to produce the laborer's sustenance, lowering the value of labor-time, which resulted in less hours to produce labor-power value, making a greater surplus value through greater surplus hours worked. The answer to the average rate of profit question is discussed from many angles by Marx.

In "Capital" (vol. iii., p. 367) Marx says: "If the yearly general rate of profit is 15 per cent. and the merchant advances £100 sterling, which he turns over once a year, then he will sell his commodities at 115. If his capital is turned over five times per year, then he will sell a commodity-capital of 100 purchase price five times per year at 103, which will amount in one year to a commodity-capital of 500 sold 515. This constitutes the same annual profit of 15 per cent. on his advanced capital of 100 as before. If this were not so, then the merchants' capital would yield a much higher profit in proportion to the number of its turnovers than the industrial capital, and this would be a contradiction to the law of the average rate of profit."

If the industrial capital is turned over four times a year instead of two it obtains twice as much surplus value and profit so long as the capital has the monopoly of the improved mode of production to which it owes the accelerated turnover; small profits and quick turnovers is the principle followed today very closely, but the munitions industry illustrated how the abnormal profits soon fell to the average rate of profit.

Marx points out that the law of tunrovers of merchants' capital holds good in each line of commerce only for the average turnovers made by the entire merchants capital invested in each particular line. "The capital of A, who deals in the same line as B, may make more or less than the average number of turnovers. This does not alter the turnover of the total mass of merchants capital invested in this line. But this is of decisive moment for the individual merchant or shopkeeper. He makes in this case an extra profit, just as the industrial capitalists make extra profits, if they produce under conditions more favorable than the average. If competition compels him, he can sell cheaper than his competitors without lowering his profit below the average. If the conditions, which would enable him to turn his capital over more rapidly, are themselves for sale, such as a favorable location of the shop, he can pay extra rent for it, that is to say, a portion of his surplus profit is converted into ground rent." We will notice this under the discussion of rent.

Marx says, vol. iii., p. 431: "If the prices of commodities in a certain sphere are below or above the price of production . . . . . a balance is effected by an expansion or restriction of production."

We saw this effect in gold mining and munitions when dealing with prices,—how regulation of supply and demand operated. In the profit question the same law applies. Marx says: "It is by such a compensation of the average market prices of commodities to prices of production that the deviations of specific rates of profit from the general or average rate of profit are corrected." The rate of profit is always smaller than the rate of surplus value because the variable capital is always smaller than the total capital, which is the sum of variable plus constant capital.

This is the key to the secret of surplus value. This is where the mystified surplus value as profit is dissected by Marx, and exploitation laid bare, which I will endeavor to show in continuing Profit and Surplus Value.

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CLARION MAIL BAG.

(Continued from page 3)

Enquiries and subs arrived from Nelson, Nanaimo, North Vancouver and Victoria. A letter from Com. Braes, Cumberland, was received, in which he refers to the recent mine explosion. Two of his personal friends were killed outright and another terribly injured. Mining slaves take terrible chances to get the price to live. He encloses five dollars for the "Clarion" two of which are from Com. Russell, who in addition writes from Comox sending a renewal of sub and a dollar to Maintenance Fund.

Cheering letters from Los Angeles and San Francisco were received containing orders for literature and subs.

Com. Thompson who is in Hercules, Cal., sends best regards to "the dialecticians" and enquiries for mail.

Thos. Davies writes from Bay City, Mich. enclosing two dollars as renewal of subs to "Clarion."

Things in Vancouver are steadily improving. The weather is beautiful and outdoor propaganda meetings are drawing big crowds. Headquarters are quiet these days, but an exceptionally good programme of classes and informal talks will be going on soon when the boys come home. The future looks good to us.

CLARION MAINTENANCE FUND.

C. Lee $1; Joe Wedin $1.70; Hugh Russell $1; J. Douglas 25 cents; Anonymous $1; St. John, N. B, Comrades, per M. Goudie $10.25.

Above, C. M. F. contributions received from 30th Aug. to 14th Sept., inclusive, total $15.20.

Socialist Party of Canada

PROPAGANDA MEETINGS

STAR THEATRE, 300 Block, Main Street

SUNDAY SEPTEMBER 17.
Speaker: J. HARRINGTON

SUNDAY SEPTEMBER 24th
Speaker: T. O'CONNOR

MEETINGS EVERY SUNDAY.
All meetings at 8 p.m.

Questions. Discussion.