The Economics of Labor

(Continued from last issue)

ALL wealth is produced by labour and it is its object, not its source, which determines whether wealth is or is not capital. Capital, then, is simply the result of past labour, used to assist present labour in producting wealth in order to produce profit for its owner. It is clear, then, that capital owes its existence to labour and must have been preceded by labour. One of the mischievous results of reversing the proper order of these two elements is that economists represent labour as dependent on capital. Capital, they say, is the result of thrift and abstinence on the part of the capitalist, who makes advances to the thriftless workman while he is working. Profit and interest are the reward which the capitalist receives for his thrift and abstinence—the natural, economic reward received through making these advances. Now all this is entirely fallacious. Capital does not make any advance to labour. Generally speaking, labour makes advances to capital. The workman, as a rule, works a week or a fortnight before he receives any wages at all, and during that time he increases the value of his employer's capital by far more than he receives in wages. The capitalist does not subsist him during that time; he pays him the cost of his subsistence after he has done his work—not before. And even then the capitalist does not really give him anything beyond an order on other labourers to supply him with a certain quantity of food, clothing, and shelter, all of which, bear in mind, have been produced, not by the capitalist, but by these other labourers. A man's wages are only useful in so far as they enable him to get hold of these various commodities produced by other labourers. Indirectly, then, he merely exchanges the result of his labour with that of other labourers, all of which must necessarily be produced before it can be exchanged. All that the capitalist does is to act as a sort of go-between and pay himself well for performing this part somewhat badly.

That profit and interest are the reward of abstinence is not less fallacious than that capital subsists labour, or that capital is the result of abstinence. The natural economic reward of abstinence is the result of abstinence. If two of us have ten shillings each, and one spends his in drink, while the other saves his, the result is that on the morrow one has ten shillings and the other has a headache. The reward for the abstinent one is the possession of ten shillings and freedom from headache. But his continued abstinence from consuming the ten shillings will not make the ten shillings grow, and the reward of his abstinence becomes no bigger from long-continued contemplation. According to the orthodox theory, this ten shillings should grow and grow, so long as its owner abstained from consuming it. But if it were left alone it is quite certain that it would not increase at all, and it is necessary to seek for another source than mere abstinence for the return to capital represented by interest and profit.

Profit and interest have their source, as has all wealth, in the labour of the workers, applied to natural objects. What we are immediately concerned with is the consideration as to how, if they are the result of labour, they go to others than the workers. Nobody, except the economists, believe profits to be the reward of thrift and abstinence—and it is even doubtful if the economists themselves believe it. They appear to me to put this forward as a justification for what is morally unjustifiable—as an ethical basis for what is ethically unsound. But the majority of people are not troubled by considerations of abstract ethics in matters of business. They do not therefore consider if profit is the reward for the practice of any virtue; to them profit is the reward of astuteness in business, of the practice of the art of buying cheap and selling dear, which art is the perfection of commercialism. Yet this theory is as fallacious as the other, and only arises in consequence of the fact, to which I have before referred, that production today—capitalist production, is not carried on for the purpose of supplying human needs, but for the production of profit. Consequently you have, not the production of articles of utility, per se, but the production of commodities to be put upon the market to sell. This is the characteristic feature of the capitalist system which distinguishes it from preceding stages of economic development. Whereas under other economic conditions production was carried on primarily for use and only superfluities were sold or exchanged, production today is carried on primarily for exchange.

In mediæval times, with all the evils of serfdom, there was this advantage, that people used to grow food to eat, make clothes to wear, and build houses to live in. Now, strange as it may seem, we do not grow food to eat, make clothes to wear, or build houses to live in. All these things are made to sell at a profit, with the result that we have adulterated food, shoddy clothing, and jerry-built houses. The sooner things are destroyed or tumble to pieces the better for everybody, except the unfortunate purchaser. With the change in economic conditions there has come a change in the political, the religious, and the social phases of the life of the community. In mediæval times the feudal chieftain was absolute master—land was the dominant economic factor. But with the growth of manufacture, of production for sale, the rise of the bourgeoisie meant the downfall of feudalism. The plutocrat supplanted the baron, capitalism became king. The "old nobility" of England today are successful brewers, bankers, and traders, and the Nonconformist Conscience dominates in the place of Holy Mother Church. These facts go to illustrate what I have already incidentally pointed out, that the economic conditions dominate all other conditions. Economic dominance is bound to secure political and religious dominance, the owner of capital being master in the material field of economics, dominates in all other departments of social life. On the other hand, attempts to secure political power without economic freedom meet with but sorry success. The political atmosphere is probably more corrupt in America than in any other country in the world, because there you have a sham political democracy on top of a real economic plutocracy. There capitalism is unrestricted by any of the old feudal traditions which still have some influence in other countries, it is absolute monarch, and the pretended freedom of the American people only serves to gild the chains which enslave them.

This then is the economic system of today, the production of commodities to be put upon the market to sell, for profit. From this arises the very general impression that it is on the market, and in the process of Exchange, that profit is made, that people make their profits by buying cheap and selling dear. This I say is the general view, and yet a very little consideration should be sufficient to demonstrate that it is impossible for everybody to be buying cheap and selling dear. If one buys cheap somebody has to sell cheap, and if one sells dear someone has to buy dear. Now it is the bourgeoisie, the capitalist class, who are engaged in this trading, in this buying cheap and selling dear, and although sometimes here and there one goes under, and some here and there make fortunes, they are all, generally speaking, daily and yearly getting richer. Now, to suggest that they are getting rich at each other's expense is as absurd as the statement that the inhabitants of the Scilly Isles make a precarious living by taking in each others' washing. "Dog doesn't eat dog," and capitalist does not exploit capitalist. He cannot. The higgling of the market is simply a gambling with the products of other men's labour, but it produces no more than gambling does as a rule. If you in this room had a hundred pounds and started gambling with it, and kept it up till tomorrow this time, some of you would probably be richer and some poorer than when you started, but your hundred pounds would not have increased by a red cent. But, as I have said, apart from their individual losses and gains, the whole capitalist class grow richer, and apparently in this process of gambling among themselves. Yet, as you must see, this is only apparent, not real. It is not here that gains are made. All that the process does eventually is to determine the proportion of the surplus value each partner in the long firm shall take. What would you have? "Honour among thieves." And the capitalist cannot keep all his gains for himself, but must share them out with his hangers-on and assistants, the landlord, the lawyer, the parson, and the prince.

Just now, however, the question we are concerned with is how he comes by his gains rather than how he apportions them. We have seen that they are not really the reward of abstinence, and that they are not in the process of exchange—seeing that neither abstinence nor exchange can of themselves create anything.

If, however, we pursue our investigation of this process of exchange we may discover the actual source of the surplus-value which is gambled with therein. If we conclude that there is no ultimate gain made simply by the exchange of commodities we arrive at this, that over the whole area of exchange there is a general average, that taking the whole mass of exchanges, all commodities exchange at equal values. The price of one commodity may rise above, that of another fall below, its normal value, but the two exchanges cancel this difference, and falls or rises in individual instances make no more difference in the rule as to exchange of equal values than the rise and fall of the waves of the sea make to the sea level. But what is this value, which must be equal in any two commodities which exchange for each other? So many pairs of boots, for instance will exchange for a watch; but what is there in common between the boots and the watch? Nothing but this, that they are both the embodiment of a certain amount of human labour. The amount of socially necessary human labour that is expended on a commodity determines its value in exchange with any other commodity. This is simply an amplification of the theory of the older economists—Adam Smith and others, that the cost of production was the basis of value. Karl Marx has taken this theory and given it a scientific value by amplification and limitation.

We say, for instance, socially necessary human labour. If it takes as much labour to produce a watch as would produce two pairs of boots, then, generally speaking, two pairs of boots are of equal value with one watch and the boots and watch will exchange for each other. If a man took twice as long as was ordinarily necessary to make a pair of boots—that would not make his one pair of boots equal a watch as a value in exchange. If, however, by some improved method of production watches could be produced with one half the usual amount of labour, while the cost in labour of producing boots remained the same, the result would be that the value of watches in exchange with boots would fall to one half, and whereas formerly one watch equalled two pairs of boots it would now only exchange for one pair. It is sometimes attempted to disprove this theory on the ground that it is the utility of a thing and not its cost of production which determines its value. But a coat as an article of utility remains the same, although its exchange value may fall considerably as the result of improved method of production. The utility of a loaf of bread, as compared with a gold watch, to a starving man may be incalculable, but it makes no difference to their relative values in exchange. Objectors to this theory will point to a picture which will fetch a fabulous price, or to a man dying of

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