Pierre Jalee: "How Capitalism Works", (Monthly Review Press, 1977), p. 22-31.

4
Labor Power: A Unique Commodity that Creates Surplus Value

Before the advent of capitalism, the peasant and the artisan would go to the market and get money in exchange for commodities which were the product of their labor. With the proceeds they then acquired various articles needed for their personal consumption. For example, the peasant might sell vegetables and buy cloth with the proceeds. The artisan weaver would do the opposite: this was called *small-scale commodity production.*

Both peasant and artisan were *selling in order to buy* and the movement of the exchange could be expressed as follows:

Commodity (C) → Money (M) → Commodity (C)

The value of (C) in the third and last stage was the same as the value of (C) in the first stage.

But soon a new actor appeared on the stage, as we have seen, a person who held money, or capital, with which to undertake exchanges as a profession. Owning only money, this person must first acquire a commodity—the weavers' cloth for example—not for personal consumption but for resale. The aim is no longer to sell in order to buy but, on the contrary, to *buy in order to sell,* or rather resell. The movement of exchange then became:

M (Money) → C (Commodity) → M′

M′ is money at the end of the transaction, and is not the same as the sum committed at the beginning of the transaction, for capitalists would never use their money for the purchase of a commodity that they could not resell for more than they had spent. Thus, M′ is greater than M: M′ equals M plus m, where "m" is what is commonly called the gain or profit, which we will refer to as *surplus value.* Moreover, the capitalist trader can only realize surplus value insofar as the artisan weaver and the rest who sell their products hand them over at less than their value: they choose to yield part of this value to the trader rather than waste much precious time chasing after customers.

It is obvious that the operation of selling to buy cannot be continuous. Weavers could not repeat it before weaving some more cloth. On the other hand, the owners of capital can always put their money back into circulation and repeat their operations as often and as quickly as possible: buying to sell, starting with money to acquire more money, which thus enables them to increase their capital. The operation is, however, limited by the fact that they cannot buy more goods than others produce since their own activities do not create new wealth. Thus, at a certain stage in their history, as we have seen, the capitalist traders realize that it is in their interests to transform themselves into capitalist manufacturers, and then industrialists, and to devote their capital to the acquisition of buildings, machinery and equipment, raw materials, and labor force—with all of which they will produce commodities for subsequent sale against money. Again, there is in the first place a certain amount of money (M); then various commodities including labor; and, at the end of the process, money again, but *more* of it: M′. The only difference is that the commodities originally purchased have been transformed into other commodities. But this does not alter the nature or the course of the operation. The movement of capital is still present, still continuous, and unlimited. Every day new amounts of raw materials, labor, etc, come into play; each day fresh quantities of commodities are produced and put on sale; money enters and leaves the enterprise daily. The formula M → C

→ M′ must thus be regarded as the *general formula of capital.*

Next we must inquire into the origin of surplus value. As we saw earlier, the exchange value of a commodity is determined by the amount of social labor inherent in it, and its price is only the monetary expression of that value. Exchange cannot change the value of a commodity.

In the general formula of capital, M′ becomes greater than M only because the productive forces of the factory come into play. The buildings, machines and equipment, raw materials, and labor power are purchased by the capitalist for the sum M, which is their value, but through the production process they generate a certain quantity of manufactured goods which at that point, without leaving the factory, are valued at M′ = M plus m. Independently of any buying or selling operation, a new value (m) has been created simply by the entry into the production process of a commodity unlike any other and which, once purchased and put into operation, has the property of creating supplementary value or surplus value. This commodity is *labor power*, which must not be confused with work.

Marx defined labor power as "the aggregate of those mental and physical capabilities existing in a human being, which he exercises whenever he produces a use-value of any description."[4] Thus labor power is a capacity, a potential which can be left fallow or brought into action and which can be used more or less intensely. Work is the act of working ("I worked six hours yesterday"), and is also the result of bringing this faculty into action ("That's a fine piece of work").

When a worker appears at the factory gates looking for a job, what happens? Two people are involved, the worker and the capitalist (or rather a representative), who are going to make a deal: with the money in hand the capitalist buys the worker's labor power and the latter agrees to sell it. This deal is carried out exactly as if any material commodity were involved: cloth or a ballpoint pen. In other words, the capitalist buys labor power at its money value,

and in exchange for this labor power agrees to pay the worker a certain wage. Just as price is the monetary expression of the value of commodities in general, the wage is the monetary expression of the value of that particular commodity represented by labor power.

We have already seen that the value of a commodity is determined by the amount of labor socially necessary to produce it. This law of value is general, and applies to labor power as much as to any other commodity. So we must ask ourselves: What makes it possible to produce labor power? What determines its value? It goes without saying that to exist and reproduce itself labor power requires the worker to be fed, clothed and sheltered from the elements, to be cared for when ill, to have transport to and from the factory, etc. In brief, the production and maintenance of labor power requires means of subsistence the value of which represents the value of this labor power. The expression "means of subsistence" must be widely interpreted. Thus the day will come when the worker will be too old to work, and will have to be replaced by his or her children. The means of subsistence have, therefore, to be applied to the worker and the worker's family.

The concrete expression of this concept of means of subsistence varies in space and time. In space it does not encompass the same amount of goods in an "underdeveloped" as in an "advanced" society. (This topic will recur when we come to discuss imperialism.) To take Europe as an example, it is obvious that the products necessary for the reconstitution of the labor force are not the same now as, say, 150 years ago. Civilization has brought in new factors, and there are more needs to be satisfied. For example, holidays with pay are now considered necessary to maintain the labor force. Thus a social factor (which varies by country and type of society) and an historic factor (varying through time in the same country) enter into the determination of labor power. But "in a given country, at a given period, the average quantity of the means of subsistence necessary for the laborer is practically known."[5]

The capitalist buys the labor power of many workers, but this same capital must also buy the means of production to enable labor power to function. Thus the capitalist transforms money capital into productive capital which includes the following factors: (1) buildings, tools, and equipment; (2) raw materials and other supplies; (3) labor power.

By "other supplies" are meant products which do not become incorporated into the finished goods as are raw materials but which are, nevertheless, essential to their production (e.g., lubricants for the machinery, energy required to put them into action, and so on).

When applied, the workers' labor power has two effects: on the one hand, it *transfers* into the final product the value contained in the means of production used. If the means of production are completely consumed, their whole value is transferred, but if it is a matter of buildings, tools, and equipment which depreciate and last a long time, only a small part is transferred. On the other hand, all new value is the outcome of labor; this *creates* new value which is incorporated into the commodity in the process of its manufacture.

Let us suppose a worker to have been engaged at an hourly rate which will pay sixty units of currency for an eight-hour day. These sixty units represent the value of the worker's labor power, which is the value of the means of subsistence for himself or herself and the family. Let us suppose that after four hours' work the worker's labor power has created value equal to his or her daily subsistence requirements, in this case sixty units. But, as noted, during these four hours he or she has not only added new value, but also transferred to the product (1) the value of the raw materials that are incorporated (embodied) in the final product produced and (2) the value of the machinery that has been used up (worn away) during the manufacture of the product—which in this case amounts to forty units of value.

The value of the commodities produced in four hours will be: $40 + 60 = 100$. At this point the capitalist has committed one hundred units of capital and acquired products

that are also worth one hundred units. If that were the end of the day's work, the capitalist would make nothing and might just as well close the factory and retire to a good climate; and the capitalist system would collapse. For the system to function the worker must labor for longer than it takes to *create* a value equal to that of his or her daily requirement of the means of subsistence, known as *necessary labor time*, that is, what is necessary to reproduce his or her labor power.

For this reason the working day is fixed at eight hours rather than four, entitling the capitalist to use the worker's labor power for eight hours. During the second four-hour period the capitalist will again supply means of production by which another value of 40 units will be transferred to the final product. But the worker's extra four hours of labor will not be paid for, since his or her boss has already paid 60 units as the total value of labor power—which has been recouped during the first four hours. Thus the latter part of the day's work is supplementary, unpaid labor which is usually called *surplus labor*.

During the four hours' surplus labor the value of commodities produced will again be 40 units (derived from the value of the means of production transferred) plus 60 units (added by labor) equals 100 units. This value is the property of the capitalist, but this time he or she will have spent only 40 units to bring it into being, since the 60 units added by surplus labor are not paid for. The 60 units, the product of surplus labor, is *surplus value*—the product of capitalist exploitation. It can be measured by ascertaining the ratio between the amount of time given to surplus labor and that to necessary labor. In our example the *rate of exploitation* or the *rate of surplus value* is four over four equals 100 percent.

Of course this example is schematic and designed only to translate the analysis of reality into simple terms. But the above rate of surplus value is not unrealistic. In 1962 a French economist calculated that the general annual rate of surplus value in France was 166 percent, meaning that overall, "the wages and social payments of a productive worker would be worth three hours of an eight hour day and capital would directly appropriate the remaining five."[6] The author was correct in writing "capital" and not "the capitalist," for surplus value is far from remaining wholly in the hands of the capitalist who is its direct and immediate beneficiary.

It is now necessary to state some new definitions which we shall need as we proceed.

We have seen that there are two elements in the value of any commodity: (a) all or part of the value of the buildings, tools and equipment, raw materials, and supplies is simply transferred to the product in the course of the process of production; this part of the capital does not change and is called *constant capital*; (b) on the other hand, that portion and only that portion of capital going to wages and salaries provides an increase in value, or surplus value, and it is called *variable capital*.

As surplus value represents unpaid labor, the capitalist will naturally seek to maximize its growth. The number of hours of necessary labor is practically invariable at any given time, since it represents the average value of the means of subsistence necessary to maintain labor power. But if the capitalist can increase the hours in a working day without raising wages, this will increase the hours producing surplus labor and so increase surplus value. *Absolute surplus value* is used to describe surplus value obtained solely by lengthening the working day. The issue of the length of the working day was at the heart of the great workers' struggles of the nineteenth century. First the bosses lengthened it to fourteen hours and more; then the class struggle developed and made it possible to reduce the working day to twelve hours, then ten, and finally eight hours.

How can capitalists increase surplus value even when the length of the working day remains stable over a long period, as is generally the case today? For they are always striving to obtain such an increase. They can achieve it by decreasing the time required for necessary labor, that is, by

creating conditions to modify the internal relationship within a fixed eight-hour day—between the time spent in necessary labor and that in surplus labor. An increase in surplus value brought about by modifying this internal relationship is called *relative surplus value*.

Thus a reduction in necessary labor time is most likely to be brought about if scientific and technical advances increase productivity in the manufacture of subsistence goods required to maintain labor power: food, clothes, etc. A reduction in the value of such goods leads to a parallel reduction in the value of labor power and so in necessary labor time. For example, necessary labor time might decrease from four to three hours in an eight-hour day and surplus labor increase correspondingly from four to five hours, with a relative increase in surplus value. Capitalists understand very well that increased productivity of labor without proportionate wage increases constitutes a reinforcement of the exploitation of labor, and they have made great use of this approach since the Second World War.

It is equally well understood that exploitation can be reinforced not only by increasing the *productivity of labor* (increased results with unchanged effort), but also by increasing the *intensity of labor* by requiring of the worker greater physical effort: speeding up, overseeing more machinery, etc. In this case the surplus labor time remains the same, but its product is increased by greater effort. The effect is the same as that of lengthening the working day without raising wages; the worker puts as much productive effort into eight hours as would normally be put into ten. There is a subsequent increase in absolute surplus value.

Without surplus value the capitalists could not have come into being, nor could they survive, so that it is always in their interests to seek to increase it either by playing on relative or absolute surplus value, or by some combination of the two. Surplus value lies at the root of the capitalist mode of production and can be created only by the surplus labor of the proletarians for which they are not paid. This gives rise to an antagonism between the working class and capitalist class which cannot be resolved in the framework of the system, since it flows from its controlling laws. That is to say, among other things, that there cannot be good capitalists, only more or less bad ones, since it is in the nature of the capitalist to appropriate surplus value extorted from the proletarian.

5
Early Conclusions

Before pursuing further our study of the capitalist mode of production itself, we should now step aside and try to bring together, from what we have seen so far, some general principles and early deductions which will illuminate subsequent materials. We have already made enough observations to provide concrete examples for our reflection.

We have already observed that in the world, that is, in nature and in society, *all is movement*, change, constant transformation. Slavery gave rise to feudalism and feudal society in its turn gave rise to capitalism. The productive forces develop at varying rates, but never stand still. Though capitalism does not change its essential character, it is constantly varying its manifestations, affected, for example, by scientific and technological progress or working-class resistance. We are now in the historic epoch when the major problem of the day is that of capitalism's total replacement by a different mode of production and a new society: socialism.

What practical conclusions can we draw? We must realize that in the way we look at everything we must always try to embrace this movement, to perceive what is declining at any given moment, and may be about to vanish and what, on the contrary, is developing and may be about to come into being. That which is on the verge of dis-