'Profits only arise from exploitation.' How far is this the basis of Marxist economics and politics?

To answer this question effectively I will first make a brief number of introductory points about Marx and his ideas, before moving on to look more specifically at the theory of surplus value and the concepts which derive from it. As we shall see, an understanding of this is essential in assessing the validity of the above statement.

Karl Marx was born in Prussia in 1818 and received his formal education at the universities of Bonn and Berlin, where he discovered the work of Hegel, an eminent philosopher of the time whose ideas significantly influenced Marx's own intellectual development, particularly those that related to the philosophy

of history. Marx's so-called 'materialist conception of history' holds that societies can be understood primarily by looking at the way that mankind organises production of the basic wants and necessities of life, and the social relations arising thereof - 'In order to meet its fundamental material needs, a society develops an economic base and social classes... How it does this conditions the whole social, political, legal, moral and intellectual life' (5, p137). It should be noted, however, that although this economic base provides the main foundation for the 'superstructure' of the wider social system, Marx does not deny the existence of causal factors which operate in the other direction, although these are held to be much less significant. Hence, the most powerful stimulus for social change comes into being when the forces of production develop to the extent that they become incompatible with and are hampered by the existing structure of society, ultimately leading to the eclipse of the latter and the emergence of a new social order. In Marx's view, European civilization had passed through several distinct epochs as defined by the nature of the forces and relations of production, beginning with 'primitive communal' societies and culminating with the current system of capitalism, characterized by the sale of labour power as a commodity. Marx argued that internal contradictions in this system would in turn precipitate its downfall, giving way to a new system which he termed socialism. The most powerful factor in this eventual downfall was held to be that those owning the means of production and distribution (the bourgeoisie) achieved their success and superior status through the economic exploitation of a large class of workers (the proletariat), who would eventually come to understand their subservient position within the system and take steps to destroy it.

Marx's theory of value and surplus value assumes a pivotal role at this point, because it is here that he describes what he perceives to be the economic base of capitalism and illustrates exactly how and why exploitation takes place. As we have already seen, Marxist theory holds that one of the key attributes of capitalism is the way that labour power exists as a commodity. More specifically, this commodity (which Marx terms variable capital) is bought by those who own the means of production, and confers on the buyer the right to direct such labour power for a set period of time and take possession of the fruits of this labour. However, this goal can only be realized with the addition of what Marx called constant capital, which consists of inputs such as raw materials, machinery and tools, each of are the products of previous labour and can be thought of as having a certain number of units of labour embodied within them. The end result is the creation of new commodities, which are eventually sold and have a higher value in exchange than the wages paid to the worker who produced them. It should be noted that the concept of value in exchange refers to the quantity of other commodities or money a commodity can be exchanged for in the market, as opposed to that of use value which refers to the inherent characteristics of a commodity such as its ability to satisfy a human desire e.g air has a very high use value but is worth little or nothing in exchange.

Hunt and Sherman summarize Marx's view on where this extra value comes from - 'The capitalist buys the worker's labour power as a commodity in the market at its market value, then sells the product of the worker at a higher value' (4, p281). In the Marxist way of thinking, the exchange value of labour power (or the worker's wage) is determined in the same manner as any other commodity with labour embodied in it, because labour must be expended to ensure a constant supply of itself. In other words, to be able to sell their labour power to capitalists as well as nurture their offspring (who will eventually work themselves), workers must earn enough to be able to afford the basic necessities of life such as food and shelter, hence the concept of a 'subsistence' wage.

However, in a typical working day it can be seen that only a relatively short period of time is taken up in producing enough output to cover the exchange value of the worker's wages, and for the remainder the worker is labouring exclusively for the benefit of the capitalist, who derives profits from the sale of what is produced in these extra hours. For example, if a man's wages are twenty pounds for an eight hour day, and it only takes him two hours to create twenty pounds worth of goods, then his employer is effectively deriving six hours of unpaid work from him, in view of the fact that his wages do not reflect his creation of, say, sixty pounds worth of surplus value embodied in the goods produced in this additional period. In Marx's own words - 'That part of capital, represented by labour power, does, in the process of production, undergo an alteration of value. It both reproduces the equivalent of its own value, and also produces an excess, a surplus value, which may itself vary, may be more or less according to the circumstances'. Hence, Marx feels that workers are exploited because they are not rewarded with the true value of what they produce, much of which is appropriated by capitalists in the form of profits. However, as we shall see, the process of exploitation does not end here.

As we have seen, constant capital transfers part of its value to a commodity due to the consumption of raw materials and the fact that machinery depreciates over time, whereas variable capital actually creates extra value on top of its own. Freedman illustrates this with the example of a spinning machine with a working life of ten years - 'After ten years of service, all its value is transferred to the commodity... If the original value of the machine was 150 or, say, 500 labour days, the machine cannot add to the commodity any more than the equivalent of 150 or 500 labor days' (3, p84). The actual ratio of constant to variable capital (the 'organic composition of capital') was held by Marx to be a major influence on the behaviour of capitalists, as competition and technological advances leading to increased automation would inevitably cause this ratio to increasingly favour the former. As profits can only come from the surplus value derived from the use of variable capital, this would result in a general tendency for the rate of profit to fall, even though in absolute terms the total amount of variable capital and profits may be increasing - 'since the rate of profit is measured by the

proportion of the mass of surplus value (the total amount of profit) to the total value of invested capital, the falling rate of profit reflects the falling ratio of surplus value to total capital...' (3, p87) The rate of profit can thus be defined mathematically:

rate of profit = surplus value or profits

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variable plus constant capital

(or wages plus material costs)

Marx believed that in order to offset the effects of this tendency, capitalists would typically attempt to make their existing variable capital better at producing profits by squeezing more and more out of their workers. In effect, this would raise the rate of surplus value, a term which can be defined as the ratio of the time taken for a worker to produce the exchange value of his wages relative to the additional period of 'unpaid' work which creates surplus value for the capitalist.

rate of surplus value/exploitation = surplus value = profit _________________ ______

variable capital wages

There are a number of ways in which a capitalist would attempt to achieve the above goal and thus increase the rate of exploitation, the first being the extension of the working day to extract more surplus value from the worker. In this respect it can be seen that constant capital such as machinery is used to a fuller extent, something which is desirable given its limited lifespan. Forcing individuals to work harder and thus produce more output in the same period is another strategy which can be employed to reduce the time taken by the worker to produce the exchange value of his or her wages. For example, increased productivity could result in someone only having to work for one hour instead of two to produce the equivalent value of their wages.

Thirdly, capitalists may introduce the labour of women and children into the productive process where physical considerations allow for it, which effectively means they can lower wages and achieve a higher rate of surplus value. This is because if an entire family of four people can be employed to earn a subsistence amount of, say, one hundred pounds per week between them, then the wage level can be reduced to twenty five pounds per person, as opposed to the hundred pounds payable to just one person if they were the only wage-earner. Other mechanisms for raising the rate of surplus value include measures by employers to reduce 'time-wasting', such as harsh financial penalties for lateness and reductions in the length of breaks, all of which serve to maximize the output of the worker.

As we have seen, in the Marxist analysis profits can only be created through the extraction of surplus value, something which is exacerbated by the tendency of the rate of profit to fall and the fact that capitalists constantly attempt to offset this by increasing the surplus value they extract from individual workers. In this respect, the idea of profits resulting from exploitation lies at the very heart of the marxist critique of the economics and politics of capitalism - 'Marx argues that the profits of the capitalist come from the exploitation of the worker; as there can be no profits without exploitation, capitalism is by its very nature a system of exploitation.' (5, p141)

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