Emile Burns: Introduction to Marxism

Chapter 3

Capitalist Society

A great part of Marx's life was devoted to the study of capitalism - the method of production which had succeeded feudalism in Britain and was establishing itself all over the world in the course of last century. The aim of his study was to discover the "law of motion" of capitalist society. Capitalism had not always existed, but had grown up gradually; it was not the same in Marx's day as it had been at the time of the "industrial revolution" in Britain in the latter part of the eighteenth century. The problem was not merely to describe the capitalist method of production of his own time, but to make an analysis which would show why and in what direction it was changing. This approach to the question was new. Other writers on economic matters took capitalism as it was, and described it as if it was a fixed, eternal system; for Marx, this method of production, like all others in history, was changing. The result of his study was therefore not only a description, but a scientific forecast, because he was able to see the way in which capitalism was in fact developing.

The feudal form of production gradually gave way to production for profit, which is the essential mark of capitalism. Production for profit required two things: someone with enough resources to buy means of production (looms, spinning-machines and so on); and, secondly, people who had no means of production themselves, no resources by using which they could live. In other words, there had to be "capitalists," who owned means of production, and workers whose only chance of getting a livelihood was to work the machines owned by the capitalists.

The workers produced things, not directly for themselves or for the personal use of their new "lord," the capitalist, but for the capitalist to sell for money. Things made in this way are called "commodities" - that is, articles produced for sale on the market. The worker received wages, the employer received profit - something that was left after the customer had paid for the articles, and after the capitalist had paid wages, the cost of raw materials and other costs of production.

What was the source of this profit? Marx pointed out that it could not possibly come from the capitalists selling the products above their value - this would mean that all capitalists were all the time cheating each other, and where one made a "profit" of this kind the other necessarily made a loss, and the profits and losses would cancel each other, leaving no general profit. It therefore followed that the value of an article on the market must already contain the profit: the profit must arise in the course of production, and not in the sale of the product.

The enquiry must therefore lead to an examination of the process of production, to see whether there is some factor in production which adds value greater than its cost (its own value).

But first it is necessary to ask what is meant by "value." In ordinary language, value can have two quite distinct meanings. It may mean value for use by someone - a thirsty man "values" a drink; a particular thing may have a "sentimental value" for someone. But there is also another meaning in ordinary use - the value of a thing when sold on the market, by any seller to any buyer, which is what is known as its "exchange value."

Now it is true that, even in a capitalist system, particular things may be produced for particular buyers and a special price arranged; but what Marx was concerned with was normal capitalist production - the system under which millions of tons of products of all kinds are being produced for the market in general, for any buyer that can be found What gives products their normal "exchange value" on the market? Why, for example, has a yard of cloth more exchange value than a pin?

Exchange value is measured in terms of money; an article is "worth" a certain amount of money. But what makes it possible for things to be compared with each other in value, whether through money or for direct exchange? Marx pointed out that things can only be compared in this way if there is something common to all of them, of which some have more and some less, so that a comparison is possible. This common factor is obviously not weight or colour or any other physical property; nor is it "use value" for human life (necessary foods have far less exchange value than motor cars) or any other abstraction. There is only one factor common to all products - they are produced by human labour. A thing has greater exchange value if more human labour has been put into its production; exchange value is determined by the "labour-time" spent on each article.

But, of course, not the individual labour-time. When things are bought and sold on a general market, their exchange value as individual products is averaged out, and the exchange value of any particular yard of cloth of a certain weight and quality is determined by the "average socially necessary labour-time" required for its production.

If this is the general basis for the exchange value of things produced under capitalism, what determines the amount of wages paid to the actual producer, the worker? Marx put the question in precisely the same way: what is the common factor between things produced under capitalism and labour-power under capitalism, which we know also has an exchange value on the market? There is no such factor other than the factor which we have already seen determines the exchange value of ordinary products - the labour-time spent in producing them. What is meant by the labour-time spent in producing labour-power? It is the time (the average "socially necessary" time) spent in producing the food, shelter, warmth and other things which keep the worker going from week to week. In normal capitalist society, the things necessary to maintain the family of the worker have also to be taken into account. The labour-time necessary for producing all these things determines the exchange value of the worker's labour-power, which he sells to the capitalist for wages.

But while, in modern capitalist society, the time spent in maintaining the worker's labour-power may be only four hours a day, his power to labour lasts eight, ten or more hours a day. For the first four hours each day, therefore, his actual labour is producing the equivalent of what is paid to him in wages; for the remaining hours of his working day he is producing "surplus value" which his employer appropriates. This is the source of capitalist profit - the value produced by the worker over and above the value of his own keep - that is, the wages he receives.

This brief statement of Marx 's analysis of value and surplus value needs to be made more exact in many ways, and there is not space to cover every variation. But a few of the general points can be indicated.

The term "exchange value" has been used, because this is the basis of the whole analysis. But in actual life things hardly ever sell at precisely their exchange value. Whether material products or human labour power, they are bought and sold on the market at a *price,* which may be either above or below the correct exchange value. There may be a surplus of the particular product on the market, and the price that day may be far below the correct exchange value; or, if there is a shortage, the price may rise above the value. These fluctuations in price are, in fact, influenced by "supply and demand," and this led many capitalist economists to think that supply and demand was the sole factor in price. But it is clear that supply and demand only cause fluctuations about a definite level. What that level is, whether it is one penny or a hundred pounds, is clearly not determined by supply and demand, but by the labour-time used in producing the article.

The actual price of labour-power - the actual wages paid - is also influenced by supply and demand; but it is influenced by other factors as well - the strength of trade union organisation in particular. Nevertheless, the price of labour-power in ordinary capitalist society always fluctuates around a definite level - the equivalent of the worker's keep, taking into account that the various grades and groups of workers have varying needs, which are themselves largely the result of previous trade union struggles establishing a standard above the lowest minimum standard for existence.

The labour-power of different grades of workers is not, of course, identical in value; an hour's work of a skilled engineer produces more value than an hour's work of an unskilled labourer. Marx showed that such differences were in fact accounted for when articles were sold on the market, which, as he put it, recorded a definite relation between what the more skilled worker made in an hour and what the labourer made in an hour.

How does this difference in value come about? Marx answers: not on any "principle" that skill is ethically better than lack of skill or any other abstract notion. The fact that a skilled worker's labour-power has more exchange value than the labourer's is due to exactly the same factor that makes a steamship more valuable than a rowing boat - more human labour has gone to the making of it. The whole process of training the skilled worker, besides the higher standard of living which is essential for the maintenance of his skill, involves more labour-time.

Another point to note is that if the intensity of labour is increased beyond what was the previous average, this is equivalent to a longer labour-time; eight hours of intensified labour may produce values equivalent to ten or twelve hours of what was previously normal labour.

What is the importance of the analysis made by Marx to show the source of profit? It is that it explains the class struggle of the capitalist period. In each factory or other enterprise the wages paid to the workers are not the equivalent of the full value they produce, but only equal to about half this value, or even less. The rest of the value produced by the worker during his working day (i.e. after he has produced the equivalent of his wages) is taken outright by his employer. The employer is therefore constantly trying to increase the amount taken from the worker. He can do this in several ways: for example, by reducing the worker's wages; this means that the worker works a lesser proportion of the day for himself, and a greater proportion for the employer. The same result is achieved by "speeding up or intensifying the labour -the worker produces his keep in a smaller proportion of the working day, and works a larger proportion for his employer. The same result, again, is achieved by lengthening the working day, which increases the proportion of the working day spent in working for the employer. On the other hand, the worker fights to improve his own position by demanding higher wages and shorter hours and by resisting "speeding up.

Hence the continuous struggle between the capitalists and the workers, which can never end so long as the capitalist system of production lasts. This struggle, starting on the basis of the individual worker or group of workers fighting an individual employer, gradually widens out. Trade union organisation on the one hand, and employers' organisation on the other, bring great sections of each class into action against each other. Finally, political organisations of the workers are built up, which as they extend can bring all industrial groups and other sections of the people into action against the capitalist class. In its highest form, this struggle becomes revolution - the overthrow of the capitalist class and the establishment of a new system of production in which the workers do not work part of the day for the benefit of another class. This point is worked out more fully in later chapters; the essential thing to note is that the class struggle under capitalism is due to the character of capitalist production itself - the antagonistic interests of the two classes, which continually clash in the process of production.

Having analysed wages and profits, we now pass to the study of capital. First it must be noted that the "surplus value" created by the worker in the course of production is not all kept by his employer. It is, so to speak, a fund from which different capitalist groups take their pickings - the landowner takes rent, the banker takes interest, the middleman takes his "merchant's profit," and the actual industrial employer only gets what is left as his own profit. This in no way affects the preceding analysis; it only means that all these capitalist sections are, as it were, carrying on a certain subsidiary struggle among themselves for the division of the spoils. But they are all united in wanting to get the utmost possible out of the working class.

What is capital?

It has many physical forms: machinery, buildings, raw materials, fuel and other things required for production; it is also money used to pay wages for production.

Yet not all machinery, buildings and so on, and not even all sums of money are capital. For example, a peasant on the west coast of Ireland may have some sort of building to live in, with a few yards of ground round it; he may have some livestock, and a boat of some sort; he may even have some little sum of money. But if he is his own master and nobody else's master, none of his property is capital.

Property (whatever the physical form) only becomes capital in the economic sense when it is used to produce surplus value; that is, when it is used to employ workers who in the course of producing things also produce surplus value.

What is the origin of such capital?

Looking back through history, the early accumulation of capital was very largely open robbery. Vast quantities of capital in the form of gold and other costly things were looted by adventurers, from America, India and Africa. But this was not the only way in which capital came into being through robbery. In Britain itself, the whole series of "Enclosure Acts" stole the common lands for the benefit of the capitalist farmers. And in doing so, they deprived the peasantry of their means of living, and thus turned them into proletarians - workers with no possibility of living except by working the land taken from them for the benefit of the new owner, or by finding some other capitalist employer. Marx shows that this is the real origin of capital ("primitive accumulation"), and he ridicules the legend that capitalists were originally abstemious men who "saved" from their meagre living:

"This primitive accumulation plays in Political Economy about the same part as original sin in theology ... In times long gone by there were two sorts of people; one the diligent, intelligent and, above all, frugal elite; the other, lazy rascals, spending their substance, and more, in riotous living ... Thus it came to pass that the former sort accumulated wealth, and the latter sort had at last nothing to sell except their own skins. And from this original sin

dates the poverty of the great majority, that, despite all its labour, has up to now nothing to sell but itself, and the wealth of the few that increases constantly although they have long ceased to work."
(Capital, Vol. I. Ch. **XXVI).**

But capital does not remain at the level of primitive accumulation; it has increased at an enormous rate. Even if the original capital was the product of direct robbery, what is the source of the additional capital piled up since that period?

Indirect robbery, Marx answers. Making the worker work more hours than is necessary for his keep, and appropriating the value of what he makes in those extra hours of work - the "surplus value." The capitalist uses a part of this surplus value for his own maintenance; the balance is used as *new capital* - that is to say, he adds to it his previous capital, and is thus able to employ more workers and take more surplus value in the next turnover of production, which in turn means more capital - and so on *ad inftnitum.*

Or, rather, it would go on to infinity but for the fact that other economic and social laws come into play. In the long run, the most important obstacle is the class struggle, which from time to time hinders the whole process and eventually ends it altogether by ending capitalist production. But there are many other obstacles to the smooth course of capitalist development, which also arise out of the nature of capitalism.

Economic crises occur which check the expansion of capital, and even lead to the destruction of part of the capital accumulated in previous years. "In these crises,'? Marx says *(Communist Manifesto,* 1848), "there broke out an epidemic that, in all earlier epochs, would have seemed an absurdity - the epidemic of over-production." In feudal society, a bumper wheat harvest would have meant more food for everyone; in capitalist society, it may mean starvation for workers thrown out of employment because the wheat cannot be sold, and therefore less wheat is sown next year.

The features of capitalist crises were only too familiar in the years between the two wars: there is overproduction, therefore new production declines and workers are unemployed; their unemployment means a further decline in the market demand, so more factories slow down production; new factories are not put up, and some are even destroyed (shipyards on the north-east coast or cotton spindles and looms in Lancashire); wheat and other products are destroyed, though the unemployed and their families suffer hunger and illness. It is a madman's world; but at last the stocks are used up or destroyed, production begins to increase, trade develops, there is more employment - and there is steady recovery for a year or two, leading to an apparently boundless expansion of production; until suddenly once more there is over-production and crisis, and the whole process begins again.

What is the cause of these crises? Marx answers: it is a law of capitalist production that each block of capital strives to expand - to make more profit, and therefore to produce and sell more products. The more capital, the more production. But at the same time, the more capital, the less labour-power employed machinery takes the place of men (what we know now as "rationalisation" of industry). In other words, the more capital, the more production and the less wages, therefore the less demand for the products made. (It should perhaps be made clear that it need not be an *absolute* fall in total wages; usually the crisis comes from a *relative* fall, that is, total wages may actually increase in a boom, but they increase *less* than total production, so that demand falls behind output)

This disproportion between the expansion of capital and the relative stagnation of the workers' demand is the ultimate cause of crises. But, of course, the moment at which the crisis becomes apparent, and the particular way it develops, may depend on quite other factors - to take an example from the USA in 1950 onwards, a big armaments production (i.e. a Government "demand" which is right outside the normal capitalist process) may partially conceal for a time the fact that crisis' conditions are developing. So may other factors such as the Government buying up of surplus farm products, or a great expansion of consumer credit - instalment buying. But none of these factors alter the growing gap between production and consumption; they merely postpone the crisis.

Then there is another most important factor in the development of capitalism - competition. Like all other factors in capitalist production, it has two contradictory results. On the one hand, because of competition to win larger sales of products, each capitalist enterprise is constantly trying to reduce production costs, especially by saving wages - through direct wage reductions or by speeding-up labour-saving devices, the latest form of which is known as automation. On the other hand, those enterprises which succeed in getting enough capital to improve their technique and produce with less labour are thereby contributing to the reduction of demand owing to the total wages paid out being reduced.

Nevertheless, the enterprise which improves its technique makes a higher rate of profit for a time - until its competitors follow suit and also produce with less labour. But not all its competitors can follow suit. As the average concern gets larger and larger, greater amounts of capital are needed to modernise a plant, and the number of companies that can keep up the pace grows smaller. The other concerns go to the wall - they become bankrupt and are either taken over by their bigger competitors or are closed down altogether. “One capitalist kills many.” Thus in each branch of industry the number of separate concerns is steadily reduced: big trusts appear, which more or less dominate a particular field of industry. Thus out of capitalist competition comes its opposite - capitalist monopoly. This brings out new features, which are described in the next chapter.