

# Political Economy

LESSON IV.  
WAGES AND THE  
ACCUMULATION OF CAPITAL  
(PART I)



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## WAGES AND ACCUMULATION OF CAPITAL

### INTRODUCTORY REMARKS TO LESSON FOUR

*A study of the capitalist process of production shows that it is a process of expanding value, i. e., a process of production of surplus value. The productive relation between the capitalists and the workers consists in the fact that the worker sells his labour-power to the capitalist at its market value, and in the process of production, by his labour, produces a greater value than is equivalent to the value of his labour-power. This surplus constitutes the surplus value appropriated by the capitalist. Surplus value is the only source of all forms of capitalist income (it appears in real life as industrial profits, commercial profits, interest, rent, State taxes, etc.). Marx has outlined the essence of the social relations between the bourgeoisie and the proletariat, but in reality these relations do not appear openly as the relations of exploitation; they are disguised by the "objective relations between people and the social relations between objects." Therefore the task of economic science is to discover under the mask of "external forms" the forms in which the real nature of the relations of production manifest themselves. Marx dealt with this problem by means of an analysis of surplus value, regardless of the special forms of its manifestations.*

*Without a clear understanding of what surplus value in its "pure" form is, it is impossible to understand the complex reality of the capitalist mode of production. But it would be a mistake to think that the analysis of surplus value exhausts the entire analysis of the capitalist mode of production. There still remains the solution of the problem of how the real relations between the capitalist and the worker assume such disguised forms. In the first place it is necessary to see in what forms the value of the labour-power manifests itself. We have already*

TE.—The page references to Marx's *Capital* are to the edition of Charles H. Kerr & Company, Chicago.

*learned that not labour but labour-power is a commodity, but it appears that it is labour rather than labour-power which is bought and sold.*

*The second problem, the solution of which is based upon the theory of surplus value, is the problem of the laws of the dynamics of wages, of the direction in which wages develop. In considering the theory of surplus value we based ourselves upon the assumption that labour-power is paid at its value, and we have shown that even in this case the worker is exploited. But, in reality, labour-power in most cases is bought below its value, the fluctuations of wages around the value of the labour-power are usually to the disadvantage of the proletariat. The general movement of wages depends upon the accumulation of capital. Therefore the general law of capitalist accumulation represents the main factor regulating the movement of wages.*

*Thus, our present task consists of familiarising ourselves with the forms of wages and with the laws governing their movement.*

## I. WAGES AS A TRANSFORMATION OF THE VALUE OF LABOUR-POWER

### (a) ESSENCE OF WAGES

In the second lesson of our course we gave a comprehensive criticism of the conception of the "value of labour." There we saw the class importance of this incorrect conception and why all the enemies of the proletariat cling to it. But the conception of the value of labour is not accidental, but is rooted in the form of the manifestation of the value of labour-power, as it actually exists.

"On the surface of bourgeois society the wage of the labourer appears as the price of labour, a certain quantity of money that is paid for a certain quantity of labour. Thus people speak of the value of labour and call its expression in money its necessary or natural price. On the other hand they speak of the market prices of labour, i.e., prices oscillating above or below its natural price." (Marx, *Capital*, Vol. i, p. 586.)

Wages are in fact a monetary expression of the value of the labour-power, of the price of the labour-power. *But in form* they appear as the price of labour. The very term "wages of labour" signifies the price of labour. In practice, it is not labour-power as such that is paid for, but it is the worker who receives his wages, whether on a time basis, that is weekly, daily or hourly wages, or for a definite *amount of work*. Such is the belief not only of the capitalists and their ideologists, the bourgeois economists, but frequently of the workers themselves.

"In the expression 'value of labour,' the idea of value is not only completely obliterated, but actually reversed. It is an expression as imaginary as the value of the earth. These imaginary expressions arise, however, from the relations of production themselves. They are categories for the phenomenal forms of essential relations. That in their appearance things often represent themselves in inverted form is pretty well known in every science except political economy." (Marx, *Capital*, Vol. i, p. 588.)

Now the question arises, Why is not the value of labour-power expressed directly as the price of labour-power? In all commodities the value is the form of manifestation of social labour required for the manufacture of the commodity. This applies also to labour-power as a commodity. But if we compare the *form of the price* of the labour-power as a commodity with the form of the price of all other commodities we will discover a noticeable difference. The price of the commodity is the form (monetary form) of the value of *this commodity*; regarding labour-power as a commodity, its price, the wages, is also nothing but the monetary expression of the value of labour-power, but in practice it appears as the price of another "commodity," of labour. What is this distinction due to?

This peculiarity of the form of the value of labour-power is due to the peculiar character of the labour-power as a commodity. Recall what constitutes labour-power :

"By labour-power or capacity for labour is to be understood the aggregate of these mental and physical capabili-

ties existing in a human being, which he exercises whenever he produces a use-value of any description." (Marx, *Capital*, Vol. i, p. 186.)

Thus, if the worker sells to the capitalist his labour-power he is unable to separate the commodity sold from his body and hand it over to the buyer.

"One consequence of the peculiar nature of labour-power as a commodity is, that its use-value does not, on the conclusion of this contract between the buyer and seller, immediately pass into the hands of the former. Its value, like that of every other commodity, is already fixed before it goes into circulation, since a definite quantity of social labour has been spent upon it; but its use-value consists in the subsequent exercise of its force. The alienation of labour-power and its actual appropriation by the buyer, its employment as a use-value, are separated by an interval of time." (Marx, *Capital*, Vol. i, p. 193.)

The labour-power is paid for after it has been used by the capitalist in the labour process, that is, after the work has been done in contrast to all other commodities, which are paid for before their consumption. This means that the worker sells his commodity, his labour-power, always on credit.

How can labour-power be measured as a commodity? A quantity of sugar for sale is measured by its weight. Two pounds of sugar have twice as much use-value and twice as much value as one pound. But how is it possible to measure the quantity of labour-power sold by the worker to the capitalist? There is no other measure here except the duration of the labour process, that is the *duration of work* since the labour-power as a commodity passes over into the hands of the buyer, only through work. Thus this peculiar nature of labour-power as a commodity is the cause of this peculiarity, that the value of the labour-power is expressed not in the price of the labour-power as such, but in the price of labour.

Let us now analyse in greater detail how the value and the price of labour-power is expressed in wages, i.e., in their converted form:

"We know that the daily value of labour-power is calcu-

lated upon a certain length of the labourer's life, to which, again, corresponds a certain length of working day. (In this connection see Lesson 3 of our course, section vi, para. 2 : 'The Limits of the Working Day.') Assume the habitual working day as 12 hours, the daily value of labour-power as 3s., the expression in money of a value that embodies 6 hours of labour. If the labourer receives 3s., then he receives the value of his labour-power functioning through 12 hours. If, now, this value of a day's labour-power is expressed as the value of a day's labour itself, we have the formula : Twelve hours' labour has a value of 3s. The value of labour-power thus determines the value of labour, or, expressed in money, its necessary price. If, on the other hand, the price of labour-power differs from its value, in like manner the price of labour differs from its so-called value." (Marx, *Capital*, Vol. i, p. 590.)

" We see, further : The value of 3s. by which a part only of the working day, i.e., 6 hours' labour—is paid for, appears as the value or price of the whole working day of 12 hours, which thus includes 6 hours unpaid for. The wage-form thus extinguishes every trace of the division of the working day into necessary labour and surplus labour, into paid and unpaid labour. All labour appears as paid labour. In the *corvée*, the labour of the worker for himself, and his compulsory labour for his lord, differ in space and time in the clearest possible way. In slave labour, even that part of the working day in which the slave is only replacing the value of his own means of existence, in which, therefore, in fact, he works for himself alone, appears as labour for his master. All the slave's labour appears as unpaid labour. In wage labour on the contrary, even surplus labour, or unpaid labour, appears as paid. There the property-relation conceals the labour of the slave for himself ; here the money-relation conceals the unrequited labour of the wage-labourer.

" Hence, we may understand the decisive importance of the transformation of value and price of labour-power into the form of wages, or into the value and price of labour itself. This phenomenal form, which makes the actual relation invisible, and, indeed, shows the direct opposite of that relation, forms the basis of all the juridical notions of both labourer and capitalist, of all the mystifications of the capitalistic mode of production, of all its illusions as to liberty of all the apologetic shifts of the vulgar economists." (Marx, *Capital*, Vol. i, pp. 591-2.)

Thus, the value of the labour-power does not appear directly as a part of the general value produced by the worker. In its monetary expression it is calculated on the basis of the whole of the working day so that all the working hours appear to be paid for, though in reality the price of a working hour merely represents a part of the value produced by the labour performed in the course of an hour. Therein lies the *conversion into wages of the value, corresponding to the price of the labour-power.*

It would be erroneous to define wages only as the price of labour-power, for such a definition does not show at all that the form of wages conceals a relationship of exploitation. Hence *wages* are not the price of the labour-power in general but *represent a value corresponding to the price of the labour-power in the form of the price of labour.* This transformation has, according to Marx, a "decisive importance." Upon understanding the essence of the transformation we will be able also to expose the illusions about the freedom of the capitalist mode of production, and explain to the worker, who is still under the spell of these illusions, his true position as a wage slave of capitalism, and destroy the illusions of "industrial democracy," and to "bring to the consciousness of the present day oppressed class the conditions and nature of its own action." (Engels' *Anti-Dühring*, p. 306, German edition.)

## (b) FORMS OF WAGES

### 1. Time-Wages

In considering wages it is necessary to distinguish two factors: firstly, wages are a form of the value of the labour-power; secondly, wages themselves assume different forms (time-wages, simple piece-work, task work, bonuses, etc.). All forms of wages may be reduced to two fundamental forms: time-wages and piece-wages.

Let us first consider time-wages:

"The sum of money which the labourer receives for his daily or weekly labour, forms the amount of his nominal

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wages, or of his wages estimated in value. But it is clear that according to the length of the working day, that is, according to the amount of actual labour daily supplied, the same daily or weekly wage may represent very different prices of labour, i.e., very different sums of money for the same quantity of labour. We must, therefore, in considering time-wages, again distinguish between the sum total of the daily or weekly wages, etc., and the price of labour." (Marx, *Capital*, Vol. i, p. 595.)

It will not be difficult to understand that the total sum of the daily wages may change, while the price of labour remains unchanged and vice versa. If, for instance, the working day is lengthened while the hourly pay remains unaltered, then the daily wages increase while the price of labour remains the same. If the worker receives the same wages for a longer working day as he did for a shorter working day, then the price of labour falls since the same wages are paid for a larger number of hours. In this case we have unchanged wages and a fall in the price of labour. In conclusion let us consider still another case which most clearly illustrate the rôle of the form of wages (the price of labour) as a means of increasing exploitation. This case plays an important part in the modern struggles of the proletariat. We have in mind the reduction of wages without any change in the price of labour:

"The unit measure for time-wages, the price of the working hour, is the quotient of the value of a day's labour-power, divided by the number of hours of the average working day. Let the latter be 12 hours, and the daily value of labour-power 3s., the value of the product of 6 hours of labour. Under these circumstances the price of a working hour is 3d., the value produced in it is 6d. If the labourer is now employed less than 12 hours (or less than 6 days in the week), e.g., only 6 or 8 hours, he receives, with this price of labour, only 2s. or 1s. 6d. a day. As on our hypothesis he must work on the average 6 hours daily, in order to produce a day's wage corresponding merely to the value of his labour-power, as according to the same hypothesis he works only half of every hour for himself, and half for the capitalist, it is clear that he cannot obtain for himself the value of the product of 6 hours if he is employed less

than 12 hours. In previous chapters we saw the destructive consequences of overwork; here we find the sources of the sufferings that result to the labourer from his insufficient employment." (Marx, *Capital*, Vol. i, pp. 596-7.)

Here the price of labour remains formally unaltered. True, the worker receives less wages per day, but only because he sells to the capitalist a smaller quantity of his "commodity," that is less labour. The price of his commodity, the hourly wages, is not reduced by the capitalist, the laws of "justice," "liberty," and "equality" between the possessor of commodities, the capitalist, and the worker, are not in the least violated, for the capitalist buys labour instead of labour-power. This is how things appear when the form of their manifestation is taken for their essence.

We thus see that the form of wages as the price of labour serves as a means for reducing the price of the labour-power below its value, so that the worker himself fails to notice how the capitalist underpays him for his commodity. Hence, the important task of the class-conscious worker consists of explaining to the workers who have become tangled up in the bourgeois and social-democratic ideology, that they sell to the capitalist not their labour but their labour-power, that the maintenance of the hourly rates at the old level while the working day is reduced, constitutes nothing but a capitalist fraud and theft from the working class.

In the conditions of the present crisis of capitalism, when a short working week has become a "normal" phenomenon, the trade union bureaucracy advances the proposal to reduce the working time (a 40-hour week). The social-fascist trade union bureaucracy itself takes its proposals lightly. This is shown by its treacherous policy towards the strikes of the Berlin metal workers and Ruhr miners. The workers fought for a 7-hour day and the trade union bureaucracy did not spare any effort to break up the strikes. In England, we have the example of the Labour Government which in spite of many promises to ensure the 7-hour day for miners, passed a law for the notorious spread-over system by which the working day was increased by

a half hour. Thus for example, reduction of hours in the coal-mining industry without an *increase* in piece-rates is simply forcing the workers to sell their labour-power below its value; all short-time working at an unchanged hourly rate or piece-rate is the same, and also such arrangements as a percentage of tramwaymen only having a guarantee of 32 hours' employment a week.

The proposal of the social fascist trade union bureaucracy to introduce the 40-hour working week is nothing but a proposal to cut wages. Thus, Hudolf Wiessel writes in *Vorwaerts* of January 1, 1931:

"If a reduction of the working time is necessary it is possible only through a CORRESPONDING REDUCTION OF THE WAGES."

And further:

"I am convinced that we are on the eve of a structural change of our economy, and that the only way out of the present situation lies through a LASTING REDUCTION of the working time. If this cannot be achieved except by THE LOSS OF A PART OF THE WAGES we must agree to that."

Green, the president of the American Federation of Labour, states the same thing more plainly. In the *American Federationist* for June 1930, he says:

"A few weeks ago we recounted the constructive attitude of the Building Trades Union of Cleveland in withdrawing proposals for wage increases until the industry should be in a better condition. Another constructive solution has been worked out by the Lathers' Union of St. Louis. Many lathers in St. Louis could not get work. Lathers work by the hour. The union therefore determined that its membership would work only 6 hours per day. This will in no way affect the organisation of the construction work. It will go into effect without change of existing agreements. It will, however, decrease the daily and weekly incomes of all lathers.

"One additional man to every three now working will be added to the employed. The big gain will be to assure incomes to the group.

"It is a solution that recognises social responsibility and inter-dependence of interest."

Finally, let us analyse one more instance of the relationship between the total wages and the price of

labour, an instance directly connected with the question of overtime :

“ With an increasing daily or weekly wage the price of labour may remain nominally constant, and yet may fall below its normal level. This occurs every time that, the price of labour (reckoned per working hour) remaining constant, the working day is prolonged beyond its customary length. If in the fraction :

$$\frac{\text{daily value of labour-power}}{\text{working day}}$$

working day

the denominator increases, the numerator increases yet more rapidly. The value of labour-power, as dependent on its wear and tear, increases with the duration of its functioning, and in more rapid proportion than the increase of that duration.” (Marx, *Capital*, Vol. i, p. 598.)

This means that the longer labour lasts, the more labour-power is expended, the more difficult and tiring does work become during the last hours, so that even an increase of the hourly wages is frequently insufficient to enable the worker to compensate himself for the greater strain. In the course of a single working day an amount of labour-power is expended which is equal to two or three usual working days, and if the hourly rate (the price of labour) remains unchanged, or even rises, because the working day is lengthened, the hourly rates still drop below the value of the labour-power spent.

We have seen that the price of the labour-power “ is the quotient of the division of the daily value of the labour-power by the number of hours of the ordinary working day.” But if the category of hourly wages appears, in practice it becomes converted into a category somewhat independent of the value of the labour-power, as we have seen in the above example when the worker is employed a short week. If the connection between the daily value of the labour-power and the price of labour just established, is broken and broken in such a way that the capitalist undertakes to pay not by the day but by the number of working hours, then the hourly pay may be reduced to such a low level

that the entire wages for a normal working day will not suffice for the acquisition of the necessary food, etc. Thus the worker is forced to a lengthening of the working day :

“From the law : ‘the price of labour being given, the daily or weekly wage depends on the quantity of labour expended,’ it follows, first of all, that the lower the price of labour, the greater must be the quantity of labour, or the longer must be the working day for the labourer to secure even a miserable average wage. The lowness of the price of labour acts here as a stimulus to the extension of the labour time.” (Marx, *Capital*, Vol. i, pp. 599-600.)

The higher pay for overtime hours does not mean that the mass of surplus value is consequently reduced. This higher pay merely hides the fact that the wages for “normal” working hours are below the labour power expended and serve as an impulse to the lengthening of the working day. However, the total sum of wages, even for overtime hours, does not reach the full value of the labour power since the wearing out of the labour power “grows in an increased proportion to the duration of the functioning.”

Overtime work has the additional effect of strengthening the competition among the workers and thereby worsening the general conditions of labour. Owing to overtime work a section of the workers is released. But the growth of unemployment serves to the employer as a means of strengthening the pressure upon the employed section of the working class, that is, as a means of reducing the price of labour. Thus we see that the low price of labour is a means of lengthening the working time, while the lengthening of the working time in turn represents a means for reducing the price of labour. The struggle against overtime is thus in the interests of all the workers, whether employed or unemployed.

## 2. Piece-Work

The form of wages, the price of labour, the hourly pay makes the relationship of exploitation unnoticeable. “The connection between paid and unpaid labour is destroyed.” This form serves as a means of strengthen-

ing the exploitation. This appears even more clearly in piece-work. While time-wages (the price of labour) represents a converted form of the value of the labour-power, piece-wages represent a converted form of time-work, that is a further stage in the conversion of the form of the value of labour and, consequently, a form under which exploitation becomes even less noticed than under time-wages.

How is the time-work converted into piece-work?

"Let the ordinary working day contain 12 hours of which 6 are paid, 6 unpaid. Let its value-product be 6s., that of 1 hour's labour, therefore, 6d. Let us suppose that, as the result of experience, a labourer who works with the average amount of intensity and skill, who, therefore, gives in fact only the time socially necessary to the production of an article, supplies in 12 hours 24 pieces, either distinct products or measurable parts of a continuous whole. Then the value of these 24 pieces, after subtraction of the portion of constant capital contained in them, is 6s., and the value of a single piece 3d. The labourer receives 1½d. per piece, and thus earns in 12 hours 3s. Just as, with time-wages, it does not matter whether we assume that the labourer works 6 hours for himself and 6 hours for the capitalist, or half of every hour for himself, and the other half for the capitalist, so here it does not matter whether we say that each individual piece is half paid, and half unpaid for, or that the price of 12 pieces is the equivalent only of the value of the labour-power, whilst in the other 12 pieces surplus-value is incorporated." (Marx, *Capital*, Vol. i, p. 604.)

Thus, piece-work is established on the basis of the existing time-work. That piece-work is nothing but a converted form of time-work is always manifested in the reduction of the piece-rate when the total sum of daily wages exceeds the average level of the daily or weekly wages. But piece-work as such does not in any way reveal that it is a converted form of time-work.

"The form of piece-wages is just as irrational as that of time-wages. Whilst in our example 2 pieces of a commodity, after subtraction of the value of the means of production consumed in them, are worth 6d. as being the product of 1 hour, the labourer receives from them a price of 3d. Piece-wages do not, in fact, distinctly express any relation of

value. It is not, therefore, a question of measuring the value of the piece by the working time incorporated in it, but on the contrary of measuring the working time the labourer has expended, by the number of pieces he has produced." (Marx, *Capital*, Vol. i, p. 604.)

This is plain if we take for example the simplest form of piece-rates as were provided for in an agreement between the British engineering workers and employers in 1901, which says:

"The prices to be paid for piece-work shall be fixed by mutual arrangement between the employer and the workman or workmen who will perform the work, and the Employers guarantee that they shall be such as will allow a workman of average efficiency to earn at least his time-rate of wages with increased earning for increased production due to additional exertion on his part."

To-day this simple form of piece-rates has been replaced in the engineering industry by more complex systems. It is now used mainly where the work is highly standardised and unskilled or where the results of a day's work are easily measured—for example, loading and unloading coal, etc.

Here we see that the workers saw the increased productivity as an "increase in exertion" resulting in increased production, in other words an intensification of labour or a lengthening of working time.

In all the schemes which we will analyse we will find that they are only more complicated to gloss over that stubborn fact.

"In piece-wages it seems at first sight as if the use-value bought from the labourer was, not the function of his labour-power, living labour, but labour already realised in the product, and as if the price of this labour was determined, not as with time-wages, by the fraction,

$$\frac{\text{daily value of labour-power}}{\text{working day of given number of hours}}$$

but by the capacity for work of the producer." (Marx, *Capital*, Vol. i, p. 602-03.)

This appearance of payment by "the capacity for work of the producer," is well illustrated in everyday life

by the various premium bonus systems. There are two chief varieties of these. These and the general principle in which they are based is described by G. D. H. Cole in his book, *Payment of Wages* (page 49 *et seq.*), as follows:

“The general principle is this: instead of fixing a piece-work price for the job, the employer fixes a ‘basis time’ in which the job ought to be accomplished. If it is accomplished in less than the ‘basis time’ the workman is paid, over and above his standard time-work rate, a bonus proportionate in one way or another to the time saved. The effect of this method of payment is that, under all the systems except one, the labour cost of the job to the employer falls with every increase of output, while at the same time the earnings of the workman increase, but not in proportion to the increased output.

“The simplest system is that originally introduced by Mr. F. A. Halsey, an American engineer, and usually known as the ‘Halsey System.’ Under this system the workman is paid a fraction, usually either one-third or one-half, of the time saved, or what comes to the same thing, is paid a bonus at a fixed rate for every hour saved. Thus, supposing the time allowed for an operation is 12 hours, and a workman, whose time-rate is 1s. an hour, does it in 8 hours, he will be paid at his time-rate for either 2 or  $1\frac{1}{2}$  hours, according to the system adopted; or, alternatively, he will be paid for all the hours saved at either one-half or one-third of his time-rate, i.e., 6d. or 4d. Whichever the nominal method adopted the result to the workman will be exactly the same.

“This system has only the merit of simplicity. The second system, which has been probably more widely adopted in this country, and which has certainly been acclaimed by employers as a great new discovery in engineering, is known as the ‘Rowan System.’ The principle of this system can be expressed in two ways: the simplest is to say that for every 10 per cent. that is saved on the time allowed the workman receives a 10 per cent. increase in earnings: the more complicated way is given in the formula which is usually adopted by those who desire to explain the system.

$$\text{Bonus} = \frac{\text{time saved}}{\text{time allowed}} \times \text{time taken.}$$

“It will be seen that, under all these systems alike, the

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actual labour cost of the article to the employer decreases as the workman increases his output ; but in order to make this quite clear a Table is appended, showing how the two systems work out in practice in terms of a job for which ten hours are allowed.

Time Allowed	Hours Taken	Hours Saved	HALSEY (50 per cent basis)		ROWAN	
			Hourly Earnings	Labour Cost of Job	Hourly Earnings	Labour Cost of Job
10 hours	10	0	s. d. 10	d. 10	s. d. 10	d. 10
	8	2	11.25	9.0	1 0	9.6
	5	5	1 3	7.5	1 3	7.5
	3	7	1 10.5	6.5	1 5	5.1
	1	9	4 7	5.5	1 7	1.9

“ The fourth column in this Table gives the hourly earnings under the Halsey System (50 per cent. basis), and the fifth column the labour cost of the job to the employer under this system ; while the next two columns give the corresponding figures for the Rowan System. It will be seen that the Rowan System is the more favourable to the workman until half of the time allowed for the job has been saved, but that as soon as this point has been passed the Halsey System becomes immensely more favourable. Thus, under the Rowan System the workers' earnings are automatically limited to something less than double time : for since every 10 per cent. of the time saved gives only a 10 per cent. increase in wages, it is clear that, in order to make 100 per cent. on day-work rates, the workman will have to save 100 per cent. of the time, that is, will have to do the job in no time at all. Under the Halsey System, on the other hand, while the bonus rises more slowly at the start, there is no upper limit, and, if the effect of the adoption of the system is a great increase in output, the workman's earnings may soar far above double time. This, however, is of course not the usual case, although it takes place in isolated establishments and on isolated jobs.”

That these varieties of premium bonus systems<sup>1</sup> have

<sup>1</sup> The Bedaux system finally elaborated in 1918 is one of the latest and most “ scientific ” of these. The labourer's work is divided into units, each of which is called a “ B.” It consists “ of a fraction of a minute of work, plus a fraction of a minute of rest, always aggregating unity, but varying in proportions according to the nature of

no essential difference from piece-work can be seen if we examine one further case. If the worker were paid for the whole time saved the bonus system becomes nothing more than the piece-work with a guaranteed daily wage. It is simply another way of calculating piece-work prices by expressing them in terms of time taken and saved instead of directly in terms of quantities manufactured.

The rôle played by the English trade union bureaucrats in fastening these systems upon the workers through increased exploitation is seen in the following quotation :

“ In the following year<sup>1</sup> the question of the Premium Bonus System, which was not included in the above terms, came suddenly to the front. Trade Unions in a number of districts had already for some time been offering strenuous resistance to this new system, which was explicitly based on the desire to reduce labour costs while maintaining earnings by means of increased output. As the result of a purely local reference on the question, the matter was brought up at Central Conference between the Amalgamated Society of Engineers and the Engineering Employers' Federation, and in August 1902 a provisional agreement was made and signed by these two bodies. Under this agreement the Engineers accepted the Premium Bonus System on a national basis, subject to the safeguards incorporated in the agreement.

“The text of the agreement, usually known as the York

the strain.” The workers are paid by the number of B's they produce, plus a premium on B's produced over the number set. The Bedaux system is designed to get more work in any industry out of the workers without introducing new machinery, etc. The Bedaux expert fixes the time for the job and the rest necessary. The foreman gets paid out of the extra premium won by the workers! The Bedaux Company claims also that during the period of 1918 to 1930 the annual results from Bedaux application in more than four hundred industrial plants, with over 300,000 workers, amounted to nearly £14 million savings in manufacturing costs, whilst the increase in wages paid to labour amounted to below £8 million, to take no account of the extra wear and tear from the workers. In the Rover motor works in England the Bedaux system demanded almost double the output for 9s. a week less. (See *The Bedaux System*, published by the Labour Research Department, England; also for other examples of “premium bonuses,” etc., see *Social Aspects of Rationalisation*, published by the I.L.O.)

<sup>1</sup> i.e., after the Engineering Agreement of 1901, which allowed piece-work.

Memorandum, contains the following recommendations made by the Employers' Federation to their constituent firms (but not, it should be noted, in any way binding upon them under the terms of the agreement):

"(1) The time-rate of wages (for each job) should in all cases be paid.

"(2) Overtime and nightshift to be paid on the same conditions as already prevail in each workshop.

"(3) A time limit, after it had been established, should only be changed if the method or means of manufacture are changed.

"(4) No firm should establish the bonus system without intending to adhere to it.

"Subject to these very inadequate safeguards, the Premium Bonus System was thus accepted by the principal Society in the engineering industry. Naturally, the acceptance did not pass without question, and many adverse comments were passed by members of the Society, while the action of the A.S.E. was strongly resented by other societies, which found their resistance to the system prejudiced. Mr. G. N. Barnes, then general secretary of the A.S.E., was strongly in favour of the system, and he called in to his assistance a powerful ally in the person of Mr. Sidney Webb, whom we find writing in the A.S.E. journal of October 1902 strongly in support of the adoption of the system. Mr. Webb stated that he 'believed the system to be a good one for Trade Unionism.' He dwelt on the 'evils of competitive piece-work in the engineering trade,' and said hard things of what he called the 'crude and primitive device of payment by the hour,' a system which he also described as 'a most unscientific and inaccurate method of remuneration.' Mr. Webb expressed his preference for a piece-work list system, but realising that this was a system for which neither employers nor workmen were prepared, he expressed the view that the Premium Bonus System was, in the circumstances, 'an admirable expedient.' He therefore congratulated the Executive on its achievement, and strongly urged the members to ratify the provisional agreement.

"Naturally, this endorsement was at once seized upon by the advocates of the system. The *Engineer* had for some time been running a campaign in its support, and had secured a letter from Mr. G. N. Barnes, lending his adhesion. The articles in the *Engineer* were principally directed to explaining to employers that the Premium Bonus System

offered an opportunity of reducing labour costs, though they also included arguments directed to showing to workmen that earnings would be increased as well as output. The *Engineer* at once incorporated the letters of Messrs. Barnes and Webb, together with its own articles, in a pamphlet which had a wide circulation. . . .

“ The Premium Bonus System, thus inauspiciously introduced into this country under a collective agreement in 1902, is an attempt to adopt payment by results and at the same time to avoid some of the most obvious disadvantages of the piece-work system from the employer’s point of view. It was, in the early days of the system, always a strong point of the employer that it was strictly *ex gratia*, and that if a man did not like to receive a bonus he could go on working on time-rates. This meant that a few men began by accepting the bonus, and that most of the rest almost inevitably followed suit, when they saw that higher earnings were being made. At the same time the employer, by maintaining his attitude that the system was *ex gratia*, was able to resist any demand for collective bargaining on the subject of basis times and allowances.” (*The Payment of Wages*, by G. D. H. Cole, pp. 47-9.)

The peculiarity of piece-work consists in that the total sum of daily or weekly wages depends upon the speed of the worker. Piece-work represents an automatic means for the unlimited increase of the intensity of labour :

“ Given piece-wage, it is naturally the personal interest of the labourer to strain his labour-power as intensely as possible ; this enables the capitalist to raise more easily the normal degree of intensity of labour. It is moreover now the personal interest of the labourer to lengthen the working day, since with it his daily or weekly wages rise.” (Marx, *Capital*, Vol. i, p. 606.)

The increase of intensity means that in the course of one working hour much more labour-power is expended than previously. It has the same effect as the lengthening of the working day by means of overtime ; the total sum of wages drops below the value of the labour-power expended. The result is a speedier wearing out of the organism of the worker.

The various complex systems of task work and bonuses which represent different combinations of time-work and piece-work are even more fatal to the worker. The common characteristic of all of these systems is the fact that the piece-work (task work) or the pay for one hour's production is based not upon the average but upon the highest output. The average daily wages are divided into the number of pieces produced by the *fastest worker* so that the average worker is forced to strain all of his labour-power to the extremist limit in order to earn enough. The case with the bonuses is exactly the same as with the "better" paid overtime. The "normal" piece-rate is fixed at such a miserably low level that without "bonuses" the worker is unable to keep his body and soul together.

However, the worst thing for the working class as a whole is the competition developing within the ranks of the proletariat in consequence of piece-work. Here is repeated, in a much greater degree, the same phenomenon which we have already discussed in connection with the analysis of overtime work. Piece-work in all its forms serves the capitalist as a means of utilising one group of workers against all the others, and thus serves as a means of destroying class solidarity. The responsibility for production is placed upon the worker himself, especially in cases of group pay (group task); each worker is then urged on by all the others since the lagging of one reflects itself not only on *his* wages but also on the wages of all the others. Piece-work permits the capitalists:

" . . . to make a contract for so much per piece with the head labourer—in manufactures with the chief of some group, in mines with the extractor of the coal, in the factory with the actual machine-worker—at a price for which the head labourer himself undertakes the enlisting and payment of his assistant workpeople. The exploitation of the labourer by capital is here effected through the exploitation of the labourer by the labourer." (Marx, *Capital*, Vol. i, p. 606.)

The form of collective contracts and collective bonuses is the most subtle and dangerous. Nevertheless, in

describing this form, Cole says, in his *Payment of Wages* (1928 edition) :

“ In its pure form, this system has, of all the existing systems of ‘ payment by results,’ the most to recommend it. It does not set man against man, but treats the whole of the workers in the factory or department as an essentially co-operative group. It does away with the need for rate-fixing, and with most of the grounds that are constantly arising over the pricing or timing of jobs under the piece-work or premium bonus systems. It gives the worker a collective interest in improving the efficiency of production, and in removing causes of workshop friction. And it provides a basis on which the collective intervention of the workers in the problems of industrial technique and workshop control can be readily organised.” (Page xix.)

Here Cole lines up with his fellow theoreticians and social fascist Trade Union leaders and, under the guise of industrial democracy and economic analysis, propagates a more efficient form of speeding up than his fellow “ economists,” the Webbs and their like.

Thus, the essence of *all* forms of wages lies in their disguising the fact of exploitation, and thereby help the capitalists to increase it. This is the most important function of all the “ improved ” and “ scientific ” systems of the organisation of labour and wages connected with rationalisation :

“ But it is, moreover, self-evident that the difference of form in the payment of wages alters in no way their essential nature, although the one form may be more favourable to the development of capitalist production than the other.” (Marx, *Capital*, Vol. i, pp. 603-4.)

#### TEST QUESTIONS

1. Why cannot the value of labour-power be expressed as the price of labour-power but only as the price of labour ?
2. Explain the way in which the value of labour-power is transformed into wages, and show what is the class importance of this transformation.
3. In what way does the form of wages (price of labour) serve as a means for reducing the price of labour-power below its value (in short-time work and in over-time work) ? Give concrete examples.
4. Why must the working class fight for the shortening of working time (the seven-hour day) with the maintenance of the same daily wages ?

5. Explain the meaning of the statement that piece-wages are a converted form of time-wages and that the exploitation relation is still more veiled under piece-wages than under time-wages.
6. In what way do piece-wages serve as a means of increasing exploitation?

## II. WAGES AND CAPITALIST RELATIONS IN THE PROCESS OF SIMPLE REPRODUCTION

### (a) INTRODUCTION

So far we have investigated wages and the capitalist relations generally, the relations between the capitalist class and the working class, as revealed in the relations between one capitalist and one worker. To facilitate an understanding of the capitalist relations generally this method of analysis was necessary. The conclusions drawn by us are absolutely correct since a single worker to us is the personification of the entire working class, and the single capitalist the personification of the entire class of capitalist. The fundamental economic relation between the capitalist A and the worker B is the same as that between the capitalist C and the worker D.

On the other hand, we have studied this relation in the course of a single process of production as it were. We have not yet asked ourselves how the process of production which ends in the production of a definite mass of commodities begins anew. We have not yet considered the process of production in its uninterrupted, steadily recurring movement. Yet it is precisely this movement which is characteristic of capitalism!

If the capitalist does not sell the commodities produced or if he sells them and does not resume the process of production, he ceases to be a capitalist. The driving power of capitalism is not the production of commodities in itself but the production of surplus value, and its continued production at that.

If we consider the process of production in its constant resumption, that is as a process of *reproduction*,

we will see before us new, highly important features characterising the fundamental capitalist relations which could not be observed by us as long as we remain within the confines of a single workshop. The process of reproduction at once takes us out of these confines. Reproduction signifies not only the production of a new mass of commodities but the further production of surplus value by the worker, the fact that the worker again places himself in the position of an exploited person. The process of reproduction therefore signifies a constant resumption or repetition, that is a reproduction of the capitalist relations as a class relationship between the capitalist class (as a whole) and the working class (as a whole).

What are these new features of the capitalist relations which are revealed by the process of reproduction?

It is necessary to distinguish between simple and extended reproduction. By *simple* reproduction is meant the repetition of the process of production on the original, unaltered scale. This takes place when the surplus value produced is not used for the extension of production but is consumed by the capitalist. *Extended* reproduction presupposes that a part of the surplus value is added to the original capital, as a result of which not only is this capital increased, but the mass of surplus value produced with the aid of this increased capital is also increased. Extended reproduction thus constitutes an accumulation of capital by means of the conversion of surplus value into capital.

Let us see first what new features are revealed in the capitalist relation in the process of simple reproduction.

#### (b) WAGE LABOUR AS WAGE SLAVERY

Heretofore we assumed that the capitalist *advances* a part of his capital for the purchase of labour-power (variable capital, wages). From the point of view of a single process of production this is how things actually appear. To be sure the worker receives his wages *after* the capitalist had consumed his labour-power (and this means that the worker credits the capitalist) but

nevertheless *before* the capitalist has sold the commodities produced by the worker. The capitalist pays wages to the worker before commodities produced are converted into money; it therefore appears that the capitalist pays wages not out of the product made by the worker himself. But in the light of reproduction this assumes an entirely different aspect. If we regard each production cycle (a day, a week, a month), not as a single isolated act but as a part of the process of reproduction, it will appear that the wages paid to the worker are only the value created by him in the previous cycle of production and converted into money.

We shall explain this by the following example. Suppose that the wages are paid at the end of each working week, and that the commodity created by the workers during the first week is sold by the capitalist during the second week. The value of the weekly product consists of the value of the means of production used up by the concrete labour of the workers (constant capital C) and the newly created value by abstract labour, which falls into V (Variable Capital), representing the reproduced value of the labour-power consumed in the process of production, and the surplus value M. Here we are interested in the value of the labour-power inasmuch as we are discussing here the question of the source out of which the capitalist pays wages. By selling during the second week the commodity produced during the first week the capitalist converts into money the *value created by the worker but not owned by him*, and then pays this money to the worker at the end of the second week as wages.

“What flows back to the labourer in the shape of wages is a portion of the product that is continuously reproduced by him.” (Marx, *Capital*, Vol. i, p. 621.)

But this does not manifest itself owing to the fact that the capitalist relations of production are effected through the individual act of the sale by the individual workers of their labour-power to the individual capitalists. Each worker receives wages out of the capitalist's money, and it therefore appears that the

capitalist advances the wages to the worker. The worker does not see and cannot grasp all the processes taking place behind his back; he does not see the process in its continuous recurrence, since he enters each time into an individual, single contract embodied in a monetary form.

“The illusion begotten by the intervention of money vanishes immediately, if, instead of taking a single capitalist and a single labourer, we take the class of capitalists and the class of labourers as a whole. The capitalist class is constantly giving to the labouring class order-notes, in the form of money, on a portion of the commodities produced by the latter and appropriated by the former. The labourers give these order-notes back just as constantly to the capitalist class and in this way get their share of their own product. The transaction is veiled by the commodity form of the product and the money form of the commodity.” (Marx, *Capital*, Vol. i, pp. 621-2.)

The objection might be raised that the wages paid to the worker for the first week of his work do *not* represent a monetary form of a previously created product, since he had not created this product, since he had worked only one week, and that the capitalist therefore does actually advance the wages to him instead of paying it out of the product created by him. If the capitalist during the second week converts into money the value created by the worker, it may be argued that he by this process only receives back the money which he had advanced as variable capital before this sale.

We have already shown (see introduction to second lesson) where this “first capital” originated. We have seen that it came from the direct expropriation of the small producer. But even apart from this, the above objection to the Marxian conception of wages in the process of reproduction holds no water for the reason that each capital, no matter what its origin, represents accumulated surplus value, even under the conditions of simple reproduction. Take the following example: A capital of £10,000 yields annually a surplus of £2,000. Under simple reproduction the capitalist

consumes all of this £2,000. Thus, the surplus value consumed by him during five years amounts to  $£2,000 \times 5 = £10,000$ , that is a sum equal to the capital originally advanced. If the capitalist consumes annually only £1,000 he will consume a mass of surplus value equal to the advanced capital not in 5 but in 10 years. What follows from this?

“The value of the capital advanced divided by the surplus value annually consumed, gives the number of years, or reproduction periods, at the expiration of which the capital originally advanced has been consumed by the capitalist and has disappeared. The capitalist thinks that he is consuming the produce of the unpaid labour of others, i.e., the surplus value, and is keeping intact his original capital; but what he thinks cannot alter facts. After the lapse of a certain number of years the capital value he then possesses is equal to the sum total of the surplus value appropriated by him during those years, and the total value he has consumed is equal to that of his original capital. It is true, he has in hand a capital whose amount has not changed, and of which a part, viz., the buildings, machinery, etc., were already there when the work of his business began. But what we have to do with here, is not the material elements, but the value, of that capital. When a person gets through all his property, by taking upon himself debts equal to the value of that property, it is clear that his property represents nothing but the sum total of his debts. And so it is with the capitalist, when he has consumed the equivalent of his original capital, the value of his present capital represents nothing but the total amount of the surplus-value appropriated by him without payment. Not a single atom of the value of his old capital continues to exist.

“Apart then from all accumulation, the mere continuity of the process of production, in other words, simple reproduction, sooner or later, and of necessity, converts every capital into accumulated capital, or capitalised surplus-value. Even if that capital was originally acquired by the personal labour of its employer, it sooner or later becomes value appropriated without an equivalent, the unpaid labour of others materialised either in money or in some other object.” (Marx, *Capital*, Vol. i, pp. 623-4.)

“Variable capital, it is true, only then loses its character

of a value advanced out of the capitalist funds, when we view the process of capitalist production in the flow of its constant renewal." (*Ibid.* p. 623.)

We thus see the relations between the capitalist class and the working class in an entirely new light; as a class the proletariat itself constantly produces the sum of the means of its subsistence (or the labour fund, as the bourgeois economists call it) but it produces them as belonging not to the working class but to the bourgeoisie. In the form of paying wages, the bourgeoisie shares with the proletariat a definite part of the product produced by the proletariat. These relations are essentially relations of slavery, though of a peculiar kind, namely, of wage slavery covered up by appearances of a "free" labourer, "freely" and "voluntarily" selling his labour-power. If in the relations between an individual worker and an individual capitalist this relation of slavery is disguised by the form of wages, this disguise vanishes as soon as we consider the wages from the point of view of the working class as a whole, considering them as a form by which the capitalists allot to the working class a fund for the means of subsistence.

In reality what is taking place is not a distribution of the product between the proletariat and the bourgeoisie but an allotment; the bourgeoisie allots to the proletariat a portion, necessary for its existence, from the product created by the proletariat but appropriated by the bourgeoisie.

This argument on the reproduction process disposes finally of the idea that the worker is a participant in production on equal terms with the capitalist, that he is interested (as some Works Councils make it their "business" to be) in the sale of the commodity, that wages paid before the sale of the product are a credit advanced by the capitalist. What the worker sells to the capitalist is not the commodities produced by him, but his labour-power. He is not even for a single moment the owner of the commodities produced.

That wage labour is slavery and that the above conception of industrial democracy is only in the

interests of the bourgeoisie is revealed every time that the *mass* of the workers opposes the capitalist by a strike. Here we have instead of individual scattered contracts between the workers and the capitalist a *class* action on the part of the proletariat. Here the capitalists, instead of appealing to the "just" laws of commodity exchange appeal to the force of arms, and by the sheer violence of their State apparatus, and the active assistance of the advocates of industrial democracy, *force* the workers to "sell" their labour-power to them (recall the recent Ruhr miners' strike, and the General Strike in England, in 1926).

Thus, the *first characteristic* of the capitalist relations manifesting itself in the light of reproduction consists in that the variable capital or wages is not advanced capital. The working class is allotted a portion of its product. Wage labour is wage slavery.

#### (c) REPRODUCTION OF CAPITALIST RELATIONS

This leads to the second characteristic of the capitalist relation which is revealed in the process of reproduction. Considering a single process of production we saw the consumption by the worker as his private affair standing outside the production relationship between him and the capitalist. The worker belongs to the capitalist only during that period of time for which he has sold his labour-power to the capitalist; outside the process of production he is a free citizen upon whom the capitalist, according to the bourgeois law, can have no claim. But as soon as we take the process of production as a part of the process of reproduction, in which the place of the individual worker is taken by the entire working class, and the place of the individual capitalist by the entire capitalist class, we see that the worker's consumption represents only a factor of the reproduction of capital. By consuming the means of subsistence allotted to it by the capitalists (through the machinery of wages which hides the real relations), the working class only reproduces itself as labour-power, as the source of surplus

value. Only from this point of view does the consumption of the worker have any meaning under capitalism. The worker's personal consumption must be productive and must not go beyond the limits of what is necessary for an increase of the value incorporated in capital.

“By converting part of his capital into labour-power, the capitalist augments the value of his entire capital. He kills two birds with one stone. He profits, not only by what he receives from, but by what he gives to, the labourer. The capital given in exchange for labour-power is converted into necessaries, by the consumption of which the muscles, nerves, bones, and brains of existing labourers are reproduced, and new labourers are begotten. Within the limits of what is strictly necessary, the individual consumption of the working class is, therefore, the reconversion of the means of subsistence given by capital in exchange for labour-power, into fresh labour-power at the disposal of capital for exploitation. It is the production and reproduction of that means of production so indispensable to the capitalist: the labourer himself. The individual consumption of the labourer, whether it proceed within the workshop or outside it, whether it be part of the process of production or not, forms, therefore, a factor of the production and reproduction of capital; just as cleaning machinery does, whether it be done while the machinery is working or while it is standing. The fact that the labourer consumes his means of subsistence for his own purposes, and not to please the capitalist, has no bearing on the matter. The consumption of food by a beast of burden is none the less a necessary factor in the process of production, because the beast enjoys what it eats. The maintenance and reproduction of the working class is, and must ever be, a necessary condition to the reproduction of capital. But the capitalist may safely leave its fulfilment to the labourer's instincts of self-preservation and of propagation. All the capitalist cares for, is to reduce the labourer's individual consumption as far as possible to what is strictly necessary, and he is far away from imitating these brutal South Americans, who force their labourers to take the more substantial, rather than the less substantial, kind of food.

“Hence, both the capitalist and his ideological representative, the political economist, consider that part alone of the labourer's individual consumption to be productive, which is requisite for the perpetuation of the class, and which

therefore must take place in order that the capitalist may have a labour-power to consume ; what the labourer consumes for his own pleasure beyond that part, is unproductive consumption. If the accumulation of capital were to cause a rise of wages as an increase in the labourer's consumption, unaccompanied by increase in the consumption of labour-power by capital, the additional capital would be consumed unproductively. In reality the individual consumption of the labourer is unproductive as regards himself, for it reproduces nothing but the needy individual ; it is productive to the capitalist and the State, since it is the production of the power that creates their wealth." (Marx, *Capital*, Vol. i, pp. 626-8.)

This has manifested itself with particular force in the present crisis during which the bourgeoisie has been loudly proclaiming that one of the causes of the crisis is the exceedingly high level of consumption among the workers. The consumption of the workers must therefore be reduced through a cut in the wages, a rise in taxation and tariffs, and a reduction of the social insurance appropriations which constitute a social burden. The same point of view is maintained by Social Democracy which states: "The poor can improve their condition not by increasing consumption but by increasing their savings and by working harder" or that "the pressure upon wages creates a strong tendency towards the revival of business" (*Trade Union Newspaper*, April 1930 (Germany)). Here they deliberately hide the crying fact that the cause of "poverty" is not a shortage but a surplus of commodities. But the whole point is that even the miserable consumption of the working class which we have at present is too big compared with what is required in order to increase the value of the capital. A part of the already miserable personal consumption of the working class has proved to be unproductive to capital. What concern is it to capital that the working class is starving, degrading and dying out! The working class does not exist for itself, its destination is only to produce surplus value. If its consumption interferes with the production of surplus value in a measure necessary for a normal increase of the value of capital, it must be

reduced, even if at the price of physical extermination of a section of the working class.

“ From a social point of view, therefore, the working class, even when not directly engaged in the labour-process, is just as much an appendage of capital as the ordinary instruments of labour. Even its individual consumption is, within certain limits, a mere factor in the process of production.” (Marx, *Capital*, Vol. i, p. 628.)

Moreover, the worker belongs to the capitalist even before he has sold himself. The mere fact that the worker has been deprived of all means of production *forces* him to sell his labour-power to the capitalist. He has no other way out. The freedom of selling labour-power is only a sham. He is free (and that not always) only in the choice of an employer, in the choice of a capitalist to skin him. Speaking in general, he is condemned to wage slavery. If the individual consumption of the working class reproduces its labour-power and gives it new energy and strength, it at the same time reproduces this labour-power as a commodity, for upon destroying by consumption the means of subsistence allotted to him by the bourgeoisie, the worker is again compelled to sell his labour-power in order to secure new means of subsistence. He reproduces himself not as a worker but as a wage-worker.

“ Capitalist production, therefore, of itself reproduces the separation between labour-power and the means of labour. It thereby reproduces and perpetuates the condition for exploiting the labourer. It incessantly forces him to sell his labour-power in order to live, and enables the capitalist to purchase labour-power in order that he may enrich himself. It is no longer a mere accident, that capitalist and labourer confront each other in the market as buyer and seller. It is the process itself that incessantly hurls back the labourer on to the market as a vendor of his labour-power, and that incessantly converts his own product into a means by which another man can purchase him. In reality the labourer belongs to capital before he has sold himself to capital.” (Marx, *Capital*, Vol. i, pp. 622-33.)

For this reason the concern of Social Democracy about “ the development and promotion of production,”

“also within the limits of the capitalist forms,” is nothing but a concern about the perpetuation of labour as wage labour, a concern about the perpetuation of wage slavery. For :

“Capitalist production, therefore, under its aspect of a continuous connected process, of a process of reproduction, produces not only commodities, not only surplus value, but it also produces and reproduces the capitalist relation ; on the one side the capitalist, on the other the wage-labourer.” (Marx, *Capital*, Vol. i, p. 633.)

### TEST QUESTIONS

1. Explain the statement that wages are not capital advanced by the capitalist but a part of the product created by the working class and transformed into money.
2. Why and to what extent is the individual consumption of the worker productive consumption ?
3. Is it true that the working class is transformed into an appendage of capital ? If so, how and why ?
4. It is frequently stated that under a wage-system the worker is as free to contract for employment with anyone he pleases, as the seller of any product is to sell to any buyer ; and that hence all economic agents are on a level in this respect. What would you say to this statement ?

## III. WAGES AND CAPITALIST RELATIONS IN THE PROCESS OF EXTENDED REPRODUCTION

### (a) SIMPLE AND EXTENDED REPRODUCTION

Above it has already been pointed out that extended reproduction constitutes an increase of the amount of capital by means of the conversion of surplus value into capital, by means of accumulation of capital. Under extended reproduction the mass of surplus value grows from year to year (if the production cycle is to be taken as one year). All the characteristic features of the capitalist relations conditioned by the process of simple reproduction not only are not destroyed in the process of extended reproduction, but as will be shown, assume an even more definite character. In this case extended reproduction or accumulation of capital introduces new very essential features into the situation of the working

class. If simple reproduction means the constant reproduction of the labour-power as a commodity, the reproduction of the worker as a wage slave, the perpetuation of wage slavery, the accumulation of capital signifies reproduction of ever worsening conditions of existence of the working class. And if, as we previously maintained, the concern of the advocates of industrial democracy about the steady development of capitalist production is nothing but a concern about the growth of the capitalist economy, so their concern about the accumulation of capital or the formation of capital, is nothing but anxiety for the worsening of the situation of the working class for the sake of the capitalist development of the forces of production.

Let us consider the basic factors of extended reproduction. Let us take a capital of £10,000, with the aid of which a surplus value of £2,000 is created in a year. Let us assume for the sake of simplicity that this entire surplus value is added to the original capital. Then, in the second year (we assume everywhere the cycle of production to be equal to one year, that is we assume that in the course of a year the entire capital turns over once) the capital will be equal to £12,000. Produced with the aid of a supplementary capital of £2,000, the surplus value produced during the second year will be £2,400. If every capital (even if acquired by "honest labour," though this never happens), after a definite period, as pointed out above, is converted into accumulated surplus value, and becomes an embodiment of other people's unpaid labour, then the surplus capital of £2,000 is from the very outset a value created by the unpaid labour of others.

"There is not one single atom of its value that does not owe its existence to unpaid labour. The means of production, with which the additional labour-power is incorporated as well as the necessaries with which the labourers are sustained, are nothing but component parts of the surplus product, of the tribute annually exacted from the working class by the capitalist class. Though the latter with a portion of that tribute purchases the additional labour-power

even at its full price, so that equivalent is exchanged for equivalent, yet the transaction is for all that only the old dodge of every conqueror who buys commodities from the conquered with the money he has robbed them of." (Marx, *Capital*, Vol. i, pp. 637-8.)

In the above instance it is not merely that the £2,400 is converted into capital. Under extended reproduction the new, added mass of surplus value, equal to £400, will be converted into capital, and through it, in the third year, a new mass of surplus value will again be created, so that the aggregate capital of the third year will amount to £12,400, while the mass of surplus value will be equal to £2,480, compared with £2,000 during the first year.

"... the working class creates by the surplus labour of one year the capital destined to employ additional labour in the following year." (Marx, *Capital*, Vol. i, p. 638.)

By producing surplus value the working class, under extended reproduction, produces new means for its exploitation; it expands the conditions and means of exploitation, and reproduces wage labour on an increased scale.

"The ownership of past unpaid labour is thenceforth the sole condition for the appropriation of living unpaid labour on a constantly increasing scale. The more the capitalist has accumulated, the more he is able to accumulate." (Marx, *Capital*, Vol. i, p. 638.)

Let us now see how the accumulation of capital affects the position of the working class. In accumulation two cases are possible: (1) When the relation between the constant and variable capital does not change while the entire capital grows, and (2) when the constant capital grows faster than the variable capital, that is when the proportion of the variable capital to the entire capital falls.

The relation between the constant and variable capital (C) is called by Marx the *organic composition of capital*. The first of the cases indicated by us may be

illustrated as follows : A capital of £6,000 consists of a constant capital of £3,000 and a variable capital of £3,000 or 50 per cent. of C and 50 per cent. of V (being in the ratio of 1 : 1). The mass of surplus value produced is added to the original capital in such a way that the ratio of C to V does not change. This means that the added capital of £3,000 is divided into 1,500 C and 1,500 V. The new capital of £9,000 will consist of 4,500 C and 4,500 V, that is, will have the same composition as the original capital (50 per cent. and 50 per cent., or 1 : 1). Here we have an instance of accumulation while the composition of capital remains unaltered.

If with the increase of the capital from £6,000 to £9,000 the constant capital is increased by £2,000 and the variable by £1,000, then the new capital will have an organic composition of 5 : 4 = (5,000 C and 4,000 V) or 55 per cent. C and 45 per cent. V. The variable capital has absolutely increased by £1,000 but relatively decreased (in relation to the entire capital) from 50 per cent. to 45 per cent. Here we have a case of accumulation under a changing organic composition of capital.

When investigating the effect " which an increase of capital exercises upon the fate of the working class," Marx points out that :

" The most important factor in this inquiry is the composition of capital and the changes it undergoes in the course of the process of accumulation." (Marx, *Capital*, Vol. i, p. 671.)

Let us first see how accumulation affects the situation of the working class, when the composition of capital remains unaltered.

#### (b) ACCUMULATION UNDER UNCHANGED COMPOSITION OF CAPITAL

Such an accumulation presupposes that no changes have taken place in the productivity of labour and that therefore the extension of production is accompanied

by an increase of employment. Thus, accumulation without a change in the composition of capital is attended by an increase of the number of workers proportionate to the increase of capital. Such an accumulation results in a growth of the demand for labour-power. A time may therefore come when the supply of labour-power will be less than the demand for it.

“For since in each year more labourers are employed than in its predecessor, sooner or later a point must be reached, at which the requirements of accumulation begin to surpass the customary supply of labour, and, therefore, a rise of wages takes place.” (Marx, *Capital*, Vol. i, p. 672.)

Such a situation had been created during the first stages of the development of capitalism, when technique was progressing very slowly, when there was still no machine production, when every increase in the volume of production required a proportionate increase of the number of workers, and when capitalism had not yet created its industrial reserve army.

“A lamentation on this score was heard in England during the whole of the fifteenth and the first half of the eighteenth centuries.” (Marx, *Capital*, Vol. i, p. 672.)

But this changes absolutely nothing in the character of capitalist production. Accumulation, even if accompanied by a temporary growth of wages, does not destroy the fact that the working class is an appendage of capital. On the contrary, it means that the mass of workers exploited by capital is increased.

“The more or less favourable circumstances in which the wage-working class supports and multiplies itself, in no way alter the fundamental character of capitalist production. As simple reproduction constantly reproduces the capital relation itself, i.e., the relation of capitalists on the one hand, and wage-workers on the other, so reproduction on a progressive scale, i.e., accumulation, reproduces the capital relation on a progressive scale, more capitalists or large capitalists at this pole, more wage-workers at that. The reproduction of a mass of labour-power, which must incessantly re-incorporate itself with capital for that

capital's self-expansion ; which cannot get free from capital, and whose enslavement to capital is only concealed by the variety of individual capitalists to whom it sells itself, this reproduction of labour-power forms, in fact, an essential of the reproduction of capital itself. Accumulation of capital is, therefore, increase of the proletariat." (Marx, *Capital*, Vol. i, p. 672-3.)

"Under the conditions of accumulation supposed thus far, which conditions are those most favourable to the labourers, their relation of dependence upon capital takes on a form endurable or, as Eden says : 'easy and liberal.' Instead of becoming more intensive with the growth of capital, this relation of dependence only becomes more extensive, i.e. the sphere of capital's exploitation and rule merely extends with its own dimensions and the number of its subjects. A larger part of their own surplus-product, always increasing and continually transformed into additional capital, comes back to them in the shape of means of payment, so that they can extend the circle of their enjoyments ; can make some additions to their consumption-fund of clothes, furniture, etc., and can lay by small reserve-funds of money. But just as little as better clothing, food, and treatment, and a larger peculium, do away with the exploitation of the slave, so little do they set aside that of the wage-worker. A rise in the price of labour, as a consequence of accumulation of capital, only means, in fact, that the length and weight of the golden chain the wage-worker has already forged for himself, allow of a relaxation of the tension of it." (Marx, *Capital*, Vol. i, pp. 676-7.)

But a chain, even if made of gold, still remains a chain. The wage worker still remains a wage worker, a wage slave. Because capitalism is sometimes forced to slacken the chain it does not cease to be capitalism.

"Altogether, irrespective of the case of a rise of wages with a falling price of labour, etc., such an increase only means at best a quantitative diminution of the unpaid labour that the worker has to supply." (Marx, *Capital*, Vol. i, p. 678.)

But the rise of wages, under conditions of accumulation with an unchanging organic composition, has definite limitations, which it cannot overstep. If wages were to rise to such an extent that the reduction of the

mass of surplus value would in consequence lessen accumulation, then wages would again have to fall since, with the decrease of accumulation, the demand for labour-power would also decrease; that is, the factor which caused the rise in wages would cease to act. We see that the growth of wages is confined to very narrow limits by the mechanism of accumulation itself.

“ This diminution can never reach the point at which it would threaten the system itself. Apart from violent conflicts as to the rate of wages (and Adam Smith has already shown that in such a conflict, taken on the whole, the master is always master), a rise in the price of labour resulting from accumulation of capital implies the following alternative :

“ Either the price of labour keeps on rising, because its rise does not interfere with the progress of accumulation. In this there is nothing wonderful, for, says Adam Smith, ‘ after these (profits) are diminished, stock may not only continue to increase, but to increase much faster than before. . . . A great stock, though with small profits, generally increases faster than a small stock with great profits.’ In this case it is evident that a diminution in the unpaid labour in no way interferes with the extension of the domain of capital. Or, on the other hand, accumulation slackens in consequence of the rise in the price of labour, because the stimulus of gain is blunted. The rate of accumulation lessens; but with its lessening, the primary cause of that lessening vanishes, i.e. the disproportion between capital and exploitable labour-power. The mechanism of the process of capitalist production removes the very obstacles that it temporarily creates. The price of labour falls again to a level corresponding with the needs of the self-expansion of capital, whether the level be below, the same as, or above, the one which was normal before the rise of wages took place.” (Marx, *Capital*, Vol. i, pp. 678-9.)

This is the intrinsic quality of capitalism, inseparable from it. It is not production for the sake of satisfying needs but production for the sake of a profit. Therefore no increase of wages, which involves interference with this production for profit, is possible under capitalism. All the talk of the social-democratic theoreticians, to the effect

that the situation of the working class can substantially improve under capitalism is nothing but the decoration of capitalism by apologetics aiming to get the working class to strengthen the capitalist system of exploitation and divert its forces from the revolutionary struggle for the overthrow of capitalism. A detailed criticism of the bourgeois and social-democratic "theories" of wages and accumulation will be given later.

Thus, the basic conclusion to which we have come as a result of an analysis of extended reproduction under an unchanging organic composition of capital, is that wages are capable of moving only within the narrow limits fixed by the course and needs of capital accumulation.

(c) ACCUMULATION UNDER A GROWING ORGANIC COMPOSITION OF CAPITAL

The characteristic feature of capitalist accumulation is not an unchanging, but a growing organic composition of capital. Only during a relatively short time can the extension of production proceed under the same level of technique. Competition forces the capitalists to reduce the cost of production by raising the productivity and intensity of labour. In the previous book, in the chapter on relative surplus value, we saw how the chase of the capitalists for additional surplus value leads to a general rise of the productivity and intensity of labour and to the production on this basis of relative surplus value by a reduction of the value of the labour-power. Even for this reason alone the relations between constant and variable capital must change.

On the other hand, the perfection of technique and the increase of the intensity of labour generally signify that a smaller number of workers is required for the production of one and the same quantity of commodities. The machine replaces the worker, the composition of capital consequently changes, the share of the constant capital grows, while the share of the variable capital falls, that is, the organic composition of the capital grows.

The growth of the productivity of labour leads not only to a reduction of the value of labour-power, but also to a cheapening of the means of production produced under a higher level of productivity. For instance, if the productivity of labour in the machine-building industry and in the industries producing raw materials grows, then the factories employing these machines and working on this raw material are able to buy for a definite sum of money more means of production than before and to employ more workers than formerly (though compared with the former organic composition of capital the new composition has increased, since, as was pointed out above, the variable capital may increase absolutely while its share in the entire capital decreases). But this means the production of a greater mass of surplus value, hence a growth of accumulation. *We see that the growth of the organic composition of capital is a factor speeding up accumulation.*

But accumulation in turn increases the organic composition of capital. The larger the factory, the more opportunities does it have for initiating all sorts of technical improvements and raising the organic composition of capital. There are a number of improved machines and appliances which can be employed only in big factories. The larger the capital becomes, that is, the greater the accumulation, the more speedily does the organic composition of the capital grow.

"But all methods for raising the social productive power of labour that are developed on this basis, are at the same time methods for the increased production of surplus value or surplus product, which in its turn is the formative element of accumulation. They are, therefore, at the same time methods of the production of capital by capital, or methods of its accelerated accumulation. The continual retransformation of surplus-value into capital now appears in the shape of the increasing magnitude of the capital that enters into the process of production. This in turn is the basis of an extended scale of production, of the methods for raising the productive power of labour that accompany it and of accelerated production of surplus-value. If, there-

fore, a certain degree of accumulation of capital appears as a condition of the specifically capitalist mode of production, the latter causes conversely an accelerated accumulation of capital. With the accumulation of capital, therefore, the specifically capitalistic mode of production develops, and with the capitalist mode of production the accumulation of capital. Both these economic factors bring about, in the compound ratio of the impulses they reciprocally give one another, that change in the technical composition of capital by which the variable constituent becomes always smaller and smaller as compared with the constant.

“Every individual capital is a larger or smaller concentration of means of production, with a corresponding command over a larger or smaller labour army; every accumulation becomes the means of new accumulation. With the increasing mass of wealth which functions as capital, accumulation increases the concentration of that wealth in the hands of individual capitalists, and thereby widens the basis of production on a large scale and of the specific methods of capitalist production.” (Marx, *Capital*, Vol. i, pp. 684-5.)

Accumulation of capital is accompanied by a growth of *concentration of capital*, which consists in an ever-growing share of the entire social capital being concentrated in the hands of an ever-decreasing number of capitalists. It is obvious that big capital can accumulate more quickly than small capital: a big factory produces a greater mass of surplus value than a small one, not only because it exploits a larger number of workers, but also because the productivity of labour in it is higher, so that it can produce extra surplus value. Let us take, for instance, two factories in one and the same industry; one with a capital of £10,000 and the other with a capital of £100,000. If in the first the surplus value is equal to 10 per cent. of the entire capital or £1,000, then in the second it will be larger, say 15 per cent., or £15,000. If in both factories the entire surplus value is converted into capital, then in the first factory the capital will increase to £11,000 and in the second to £115,000. If previously the second factory had ten times as much capital as the first, now its capital is 11.4 times as large.

“Every individual capital is a larger or smaller concentration of means of production, with a corresponding command over a larger or smaller labour-army. Every accumulation becomes the means of new accumulation. With the increasing mass of wealth which functions as capital, accumulation increases the concentration of that wealth in the hands of individual capitalists, and thereby widens the basis of production on a large scale and of the specific methods of capitalist production.” (Marx, *Capital*, Vol. i, p. 685.)

Accumulation of capital leads not only to its concentration but also to its *centralisation*. The concentration of capital in big factories takes place on the basis of accumulation, on the basis of the conversion of the surplus value created into capital. Concentration therefore involves an increase of the amount of the entire social capital which is the sum of the individual capitals. Concentration in this sense coincides with accumulation. But it is possible to conceive also of a growth of some individual capital through the decrease of other individual capitals. This takes place especially during a period of crisis when the weaker, less stable enterprises become bankrupt and pass over to the hands of the stronger capitalists. Here the amount of capital increases by the addition of not new, formerly inexistent, capital, namely surplus value, but of old, already existing capital value which had previously been controlled by another capitalist. From such a combination of the capitals their aggregate sum does not directly increase.

A powerful factor towards centralisation of capital is the credit system through which small investments and capitals are converted into big capitals, stock companies, mobilising large capitals by the sale of shares, and various monopolistic combinations of capitalists.

Being a result of the accumulation of capital, centralisation in turn becomes a basis for an even speedier growth of accumulation and concentration of capital.

“Centralisation supplements the work of accumulation by enabling the industrial capitalists to expand the scale of

their operations. The economic result remains the same, whether this consummation is brought about by accumulation or centralisation, whether centralisation is accomplished by the violent means of annexation, by which some capitals become such overwhelming centres of gravitation for others as to break their individual cohesion and attracting the scattered fragments, or whether the amalgamation of a number of capitals, which already exist or are in process of formation, proceeds by the smoother road of forming stock companies. The increased volume of industrial establishments forms everywhere the point of departure for a more comprehensive organisation of the co-operative labour of many, for a wider development of their material powers, that is, for the progressive transformation of isolated processes of production carried on in accustomed ways into socially combined and scientifically managed processes of production.

“It is evident, however, that accumulation, the gradual propagation of capital by a reproduction passing from a circular into a spiral form, is a very slow process as compared with centralisation, which needs but to alter the quantitative grouping of the integral parts of social capital. The world would still be without railroads, if it had been obliged to wait until accumulation should have enabled a few individual capitals to undertake the construction of a railroad. Centralisation, on the other hand, accomplished this by a turn of the hand through stock companies. Centralisation, by thus accelerating and intensifying the effects of accumulation, extends and hastens at the same time the revolutions in the technical composition of capital, which increase its constant part at the expense of its variable part and thereby reduce the relative demand for labour.

“The masses of capital amalgamated over night by centralisation reproduce and augment themselves like the others, only faster, and thus become new and powerful levers of social accumulation. Hence, if the progress of social accumulation is mentioned nowadays, it comprises as a matter of course the effects of centralisation. The additional capitals formed in the course of normal accumulation . . . serve mainly as vehicles for the exploitation of new inventions and discoveries, or of industrial improvements in general. However, the old capital likewise arrives in due time at the moment when it must renew its head and limbs, when it casts off its old skin and is likewise

born again in its perfected industrial form, in which a smaller quantity of labour suffices to set in motion a larger quantity of machinery and raw materials. The absolute decrease of the demand for labour necessarily following therefrom will naturally be so much greater, the more these capitals going through the process of rejuvenation have become accumulated in masses by means of the movement of centralisation.

“On the one hand, therefore, the additional capital formed in the course of accumulation attracts fewer and fewer labourers in proportion to its magnitude. On the other hand, the old capital periodically reproduced with change of composition, repels more and more of the labourers formerly employed by it.” (Marx, *Capital*, Vol. I, pp. 688-9.)

How does the accumulation of capital, where the organic composition of capital grows, affect the wages and the general situation of the working class?

We have already seen in the previous paragraph that the growth of wages is confined to narrow limits and depends generally upon the needs for accumulation of capital. We have also seen that a growth of wages is possible when accumulation takes place on the basis of an unchanging organic composition and when the demand for labour-power exceeds its supply. But capitalism generally could not develop at all had the extension of production each time met with an obstacle in the form of a shortage of labour. Capitalism therefore creates the conditions which liberate it from this dependence, it creates a reserve industrial army, or a relative over-population, by raising the organic accumulation of capital in the course of accumulation. This is the basic factor affecting the movement of the wages and the situation of the working class in general.

Marx revealed and formulated the effect of the accumulation of capital on the situation of the working class in his general law of capitalist accumulation which we shall now proceed to analyse. (See next Booklet, No. 5.)

## TEST QUESTIONS

1. What is the difference between simple and extended reproduction?
2. What is meant by the organic composition of capital?
3. Does a rise in wages change the essence of the capital relation? Give reasons for your answer.
4. What causes wages to rise under capitalism, and in what way is such a rise limited?
5. What is the difference between concentration and centralisation of capital?