

## The Secret of Capitalist Exploitation

Day in and day out, in plants and factories all over this country, workers talk about “*A fair day’s wages for a fair day’s work.*” This has been one of the main mottos of working people and is the banner under which most of the union organizing activity has been carried out. Yet almost a century ago, in an article about English workers’ newspaper, the Labor Standard, Frederick Engels showed that this slogan was based on bourgeois ideas of what is “fair” and could not guide the struggles of working people.

Engels asked, “*What is a fair day’s wages, and what is a fair day’s work?*” How are they determined by the laws under which modern society exists and develops itself? For an answer to this,” Engels argued, “we must not appeal to what seems morally fair or to legal arguments, nor to any sentimental feelings of humanity, justice or even charity.” What is fair in the relations between worker and capitalist can be decided only by “the science which deals with the material facts of production and exchange, the science of political economy.” Karl Marx and Frederick Engels studied political economy in order that the workers movement would gain a scientific understanding of the exploitation of labor under capitalism and the way in which it would be ended.

What Marx and Engels found out was that the only thing fair about a fair day’s wages is that it is the price of a worker’s ability to work for a day, set just like the price of any other product you buy in the market. Marx and Engels saw that, under capitalism, all economic relations work through buying and selling of products on the market (also called the *exchange of commodities*). Sometimes one side may charge too much and the other side gets cheated, but on the average, there is “fair exchange” and both sides get the same value.

So what do workers and capitalists exchange? When workers are asked, “how much are your wages?” one answers “I get \$100 a week from my employer.” Another says “I get \$125 a week,” and so on. According to the different sorts of work they do, workers mention different sums of money which they receive from their employers for the performance of a particular type of work. In spite of the variety of the statements, all would agree on one point: wages are the sum of money paid by the capitalist for a particular labor time, or a particular output of labor.

The capitalist, it seems, therefore, *buys* the workers’ labor with money. They *sell* him their labor for money. But this is merely the appearance. In reality, what they sell to the capitalist for money is their *labor power*. The capitalist buys this labor power for a day, a week, a month, etc. And after he has bought it, he uses it by having the workers work for the set time. For the same amount of money, for example \$100, the capitalist could have bought some other commodity—for example, so many yards of cloth. One is measured by the clock; the other with a ruler.

Why do workers and capitalists make this exchange? Marx and Engels saw that under capitalism, the capitalists are owners of the means of production—they own the factories and the machines, and control the raw materials. The capitalist, however, needs in addition to buy the use of wage labor in order to use the machines and produce goods for the market. The proletariat or working class is the class of modern wage laborers who have no means of production of their own, and have nothing to sell on the market in order to live except their labor power or ability to work. So the worker and the capitalist make an exchange of wages for labor power.

Having made this bargain, the capitalist sits the worker in front of the machine, provides the raw materials, and sets the worker to work. Now you'd think, says Engels that "according to common fairness, the wages of the laborer ought to consist in the product of his labor. But that would not be fair according to political economy. On the contrary, the produce of the workman's labor goes to the capitalist and the workman gets out of it no more than the bare necessities of life." This is because the capitalist has not purchased the worker's labor. He does not have to pay according to the value of the produce of the worker's labor. Wages are not the worker's share in the value of the product he produces. Wages pay only for the value of the worker's ability to work for a certain period of time: wages pay for labor power, a commodity.

But how is the value of the labor power determined? Normally, it is the amount of money a worker needs to buy those goods and services which are necessary to maintain him or herself and continue to get to work, day after day. Just as we measure the value of a product by the amount of labor that goes into its production, we measure the value of labor power by the cost of maintaining the worker as a worker, including the raising up and training of new workers (that is, maintaining the worker's family). This amount varies from country to country according to different standards of living, different cultures, and so forth. And in addition, some workers receive more than other workers because it costs more to train them and for other reasons; but we can still say that on the average, the workers' wages are set according to this cost of providing labor power to the capitalist.

The capitalist, then, pays wages to cover the cost of goods and services the worker needs to live. But the worker produces a lot more than this! Look at how Rockefeller lives! Look at how the whole capitalist class lives! All the wealth in society that is produced is the product of the workers' labor; but most of this goes to the capitalists. "This," says Engels, is a very peculiar kind of fairness."

Let us consider an example. A worker produces yarn from cotton in a textile mill. She makes \$80 per week. Let us suppose that the capitalist spends \$760 per week for the cotton used by this worker, and that he spends \$80 per worker to cover overhead, wear and tear of the machinery, and other costs, every week. Let us also suppose that he can sell the finished yarn produced by one worker in one week for \$1000. The worker has used \$760 worth of cotton, and \$80 worth of the machinery and other necessary items, or a total of \$840 worth of previously produced products and materials, and has now produced \$1000 worth of products. In other words, at the end of the week, the worker has added \$1000 minus \$840, or \$160, to the value

of the cotton by transferring it into yarn. Does the worker get this \$160, the product of her labor? No, in fact, long before the capitalist takes this yarn to market and sells it, he has settled with the worker for only \$80 for the week, on which this textile worker must live. The capitalist pays \$80 to replace the labor power he bought from the worker, and he gets to keep all the rest of the total value produced by the worker: that is, \$160 minus \$80--or \$80--is his to keep.

Let us look at the matter differently. In the course of the 40 hour week, the worker adds \$160 to the value of the cotton. In the first day, she adds \$32; by the end of the second day, she has added \$32 again, or a total of \$64. And so on, until by the end of the week she has added  $\$32+\$32+\$32+32+32=\$160$ . Now if by the end of the second day she has added \$64, halfway through the third day she adds an additional half of \$32, or \$16, to the value of the cotton. This means that by the middle of the third day she has added  $\$32+\$32+16=\$80$  to the cotton. In other words, by the middle of the work week she has replaced the value of her labor power by creating the same amount of new value in the production of the yarn from cotton. But even though she has replaced the value of her labor power in only  $2\frac{1}{2}$  days, she has sold the capitalist the use of her labor for the whole work week. Therefore she must continue to work for the rest of the week, and she continues to create new value for the rest of the week. This value is known as *surplus value*. It goes not to the worker but to the employer, the capitalist who pockets this surplus in the form of profits. In this case, the capitalist receives \$80 in surplus value from the labor of this one worker.

It is only because the worker can create this surplus and only because the capitalist can pocket it that labor is hired and capitalism can produce and grow. The capitalist *exploits* the ability of labor to create more value than it requires to provide this labor. That is the secret and there is no other.

Engels concludes:

“A fair day’s wages for a fair day’s work? . . .From what has been stated it is pretty clear that the old watchword has lived its day, and will hardly hold water now-a-days. The fairness of political economy, such as it truly lays down the laws which rule actual society, that fairness is all on one side—on that of Capital. Let, then, the old motto be buried forever and replaced by another: “Possession of the means of work—raw materials, factories, machinery—by the working people themselves.”

For Further reading:

Engels, *The Wage System*

Marx, *Wage Labor and Capital*

Lapidus and Ostrovityanov, *An Outline of Political Economy* (1929), pages 65-75

Question for Discussion:

1. What is a commodity?
2. What does a worker “put on the market” in exchange for a day’s wages?
3. What is labor power?
4. What decides how much a worker gets paid?

5. Is there any such thing as a good wage?
6. Why do workers always have to work?
7. Why do capitalists have to buy labor power?
8. What else do capitalists buy? What do they sell? If a capitalist pays the worker the full value of his labor power, how can he receive surplus value?
9. Were Marx and Engels exaggerating when they said that the workers only got enough for the 'bare necessities'? What do they mean by this? If we were very careful, could we save enough to buy a business of our own?
10. How can we say that part of the wages goes to maintain the worker's family, the training and education of the workers and so on, when the capitalist pays single workers the same amount as workers with a family? Also, some workers spend more than others for recreation or cultural activities. What part of these are 'necessary'?
11. A merchant makes a profit by "buying low and selling high." Does he produce surplus value? Where do his profits come from? Why can't all capitalists "do it the easy way" and be merchants? What about landlords? They make a profit on rent. Do they receive surplus value?
12. What is the difference between a wage worker and a small business man (a store owner or small farmer?)
13. What is the difference between a wage worker and a slave?
14. In feudal times, most people were peasants and produced goods for the lords. What is the difference between a peasant and a wage worker?
15. The capitalists constantly introduce new machines in order to increase the amount of goods produced. Does this mean that machines produce surplus value?

*Source Unknown. Vintage: 1970s. The Engels article referenced was published in 1881.*

**How Much of Our Day's Work Goes to Our Wages?**  
**vs.**  
**How Much of our Day's Work Goes to the Boss's Surplus?**  
**A.T. & T. 1975**

(Not including Western Bell Electric or Bell Labs)\*

A T & T has 957,000 employees  
 113,000 are managers and officials  
 101,000 are professionals  
 743,000 are non-supervisory employees

---\$28,957,000,000 was the total revenue received from sales and services

--\$11,416,000,000 went for the wages of non-supervisory workers and professionals

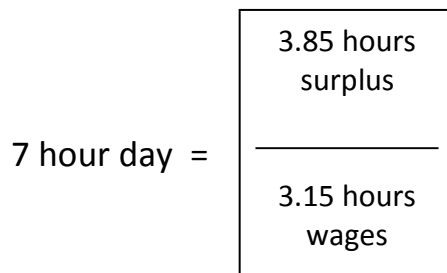
--\$4,088,000,000 went to pay for depreciation and repairs on plants and machinery.

---

--\$13,453,000,000 is the boss's surplus.\*\* This went to:

- \$2,260,000,000 to the salaries of managers and officials
- \$5,071,000,000 for taxes
- \$2,296,000,000 to banks and bond holders in the form of interest
- \$1,266,000,000 for marketing (advertising)
- \$2,178,000,000 in the form of dividends to the owners

To see this in terms of a 7 hour working day for the average non-supervisory worker and professional,  
 3.15 hours goes to reproduce your wages and  
 3.85 hours goes to the surplus\*\*\*



\*Data comes from the AT& T annual report, 1975.

\*\* Constant Capital Consumed + Variable Capital+Surplus Value = Total Value of Product  
 \$4,088,000,000 + \$11,416,000,000 + \$13,453,000 = \$28,957,000,000

\*\* \*These numbers are derived by dividing the non-supervisory and professional wages bill and the surplus by the sum of the two. The proportion is then multiplied by a seven hour day.

## Marxist Glossary

**Bourgeoisie** – the capitalist class, owns the means of production and exploits the wage earning class

**Proletariat** – the working class. Does not own the means of production.

**Petit-Bourgeoisie** – small capitalists and middle elements (doctors, professors) that exist between the bosses and the workers.

**Capitalism** – an economic, social and political system where production is social but appropriation remains private.

**Imperialism**-- when capitalism reaches the monopoly state, capitalists export capital to continue to expand their wealth.

**Socialism** – an economic, social and political system which represents the struggle for the equal distribution of wealth by eliminating private property and the exploitative ruling class. “From each according to their ability, to each according to their work.” With a state structure to coordinate and repress the return of the bourgeoisie class.

**Communism** – the political system after socialism when classes cease to exist. “From each according to their ability, to each according to their needs.”

**The State** – political organization of the economically dominant class, having as its aim the defense of the existing economic order. Lenin said the state is a machine to maintain the domination of one class over another.

**Forces of production**—machines, tools, raw material and human labor needed to do work.

**Oppressed Nationalities**—under capitalism, certain national groups emerged as oppressors while others were dominated by them. Not all oppressed groups are nations, nor are all forms of discrimination the same. We use 5 criteria to determine nation status.

**Exploitation** – This term describes the relationship between the owners and the workers. The class in power gains from the labor of the oppressed.

**Surplus value**—the specific form that exploitation takes under capitalism (distinct from slavery, for example). Generally, the workers are not paid the full value of what they produce. Surplus value is the primary source of wealth.

**Accumulate capital**—the goal of the capitalists in starting up production of anything is not to produce that thing, but to make themselves wealthier.

**Crisis cycles**—inherent in the system are booms and busts. These are caused when the capitalists accumulate so much capital, while on the other hand, the workers are unable to buy back what they have produced.

**Concentration of capital** – the basis of monopoly: capital by this nature tends to concentrate in fewer and fewer hands.

**Supply and demand theories**—this is how the capitalists explain the ebbs and flows of their economies. It ignores exploitation.

**Uneven development** – in imperialism. Then they stagnate and are surpassed by new competitor countries.

**Base**—the forces and relations of production in society (how the material necessities of life are produced, and how wealth is produced and distributed). Distinct from the superstructure of society (forms of state being the main one).

**Superstructure**—distinct from the base, one every historical phase of society (ancient slavery, feudalism, capitalism, socialism) a form of political and social life rises that stems from that specific stage.