



WAGE LABOR AND CAPITAL

Karl Marx

Format

1. Clarification on Topics
2. Background and Discussion of the Text
3. Critical Questions about the Text
4. Remaining Questions
5. Applications of the Text

Clarifications

Marx

- 1816-1883; Prussia
- Worked with Friedrich Engels to develop modern, scientific socialism through the eyes of historical and dialectical materialism
- Main works:
 - Capital (3 Volumes)
 - The Communist Manifesto
 - On the Paris Commune
 - Critique on the Gotha Programme
 - Wage Labor and Capital
- Fused science and philosophy together in Marxism
- Stateless in 1845

Background

- Considered to be the TL;DR of Das Kapital
 - Mechanisms and methods
- Written in 1849 as an essay for his newspaper *Neue Rheinische Zeitung (New Rhine Times)*
 - *"The Organ of Democracy"*
- Goal of the paper was to educate German workers about capitalism
- Marx wrote many articles and essays for his paper
- *Revolutionary activity* in Paris scared the German government so much they banned the paper
- Marx was forced to move to Paris and stop writing
- Engels made a bunch of revisions in the 1890s after Marx died

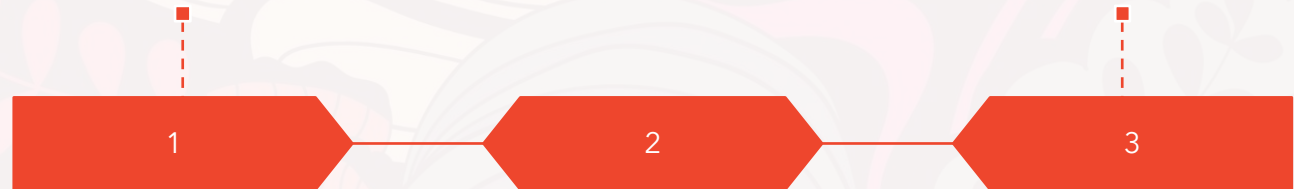
The Paris Commune

- Similar in nature to CHAP/Z from June 2020
- Paris was the hot spot for radical socialism in the late 1800s
- 1870 Prussia [Germany] and France were at war
- Germans sieged Paris for 4 months, leading to a French Surrender
- Paris had 500,000 workers who were economically and politically repressed by the French State
- Scared a monarchy would repress them more, Parisian workers took control of the city with the help of the nat'l guard
- Socialists established a democratic government that ruled for 2 months
- City council with equal representation from all roles in society:
 - Abolished death penalty and military drafts
 - Ended working at night
 - Awarded pensions to families who lost members that defended the commune
 - Abolished interests on debts
 - Provided the economic framework to establish worker owned co-ops
- French army came in full force and killed all of them, including women and children

"Three Great Divisions"

Relation of Wage-labor to Capital,
Slavery of the Worker, Rule of the
Capitalist

The Commercial Subjugation and
Exploitation of the Bourgeois
Classes of the various European
nations by the Despot of the World
Market



The Inevitable Ruin of the Middle
Classes and the so called peasants
under the present system



1

Wages, Prices, and Commodities

What are Wages? How are they Determined?

- Labor Power is being sold by the worker for a wage
 - Not amount of labor, but capacity of labor
- Therefore, wage is valued as capacity to do work NOT the value of your work
 - Labor power is no more a commodity than yarn or a loom is
- Your wage is not your share in the profit of the commodity.
 - It is part of the cost of the commodity
- Why does the wage worker sell their time as a commodity?
 - To survive
 - You can 'choose' not to work but you will die

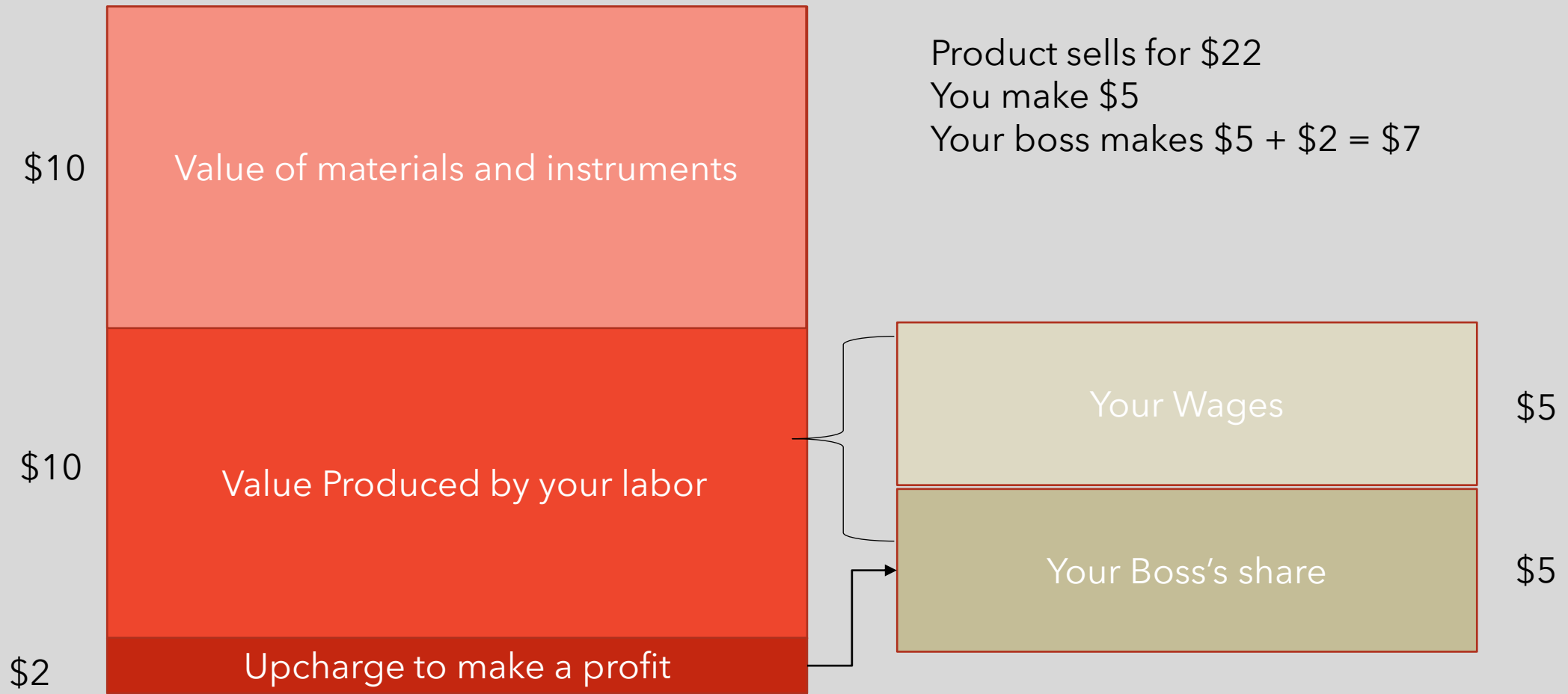
By What is the Price of a Commodity Determined?

- TL;DR- Supply and Demand
 - Buyers compete with sellers to get a good price for products in their view
- But what does it mean for prices of goods to go up and down?
- The cost of production governs what is a 'good price' for a commodity
 - If good costs \$5 to produce, a reasonable price for it would be \$6, but a terrible price would be \$4
 - When prices for materials increase, products that rely on those materials follow suit
- Just as prices fluctuate with how expensive goods are labor, too, is a commodity that is factored into this in the form of **wages**

By What are Wages Determined?

- Same idea of supply and demand, plus cost to produce
- How is cost of labor power determined?
 - Cost of living, plus the cost of training
- A factory worker theoretically should get paid less than a skilled artisan
- But just as you have to replace factory equipment, you have to replace workers
- So you need to give workers enough money to be able to have kids and create more workers
 - And to maintain the “wear and tear of the worker” -Healthcare!!!
- Along with ‘market forces’, wages are determined by the cost of living and how much you need to raise a family

Price breakdown of a product



Takeaways

- Getting paid for a job is not renting your time, it's selling your labor power to the capitalist
- Prices of commodities are determined by market forces like supply and demand, and ultimately by the cost to produce an item
- Factored in to the cost to produce an item is the cost of materials, and the price of your labor power, aka wage

Critical Questions

- If wages are tied to cost of living and the means to raise a family, why are wages currently low relative to those standards?
 - Companies can get away with not raising the minimum wage and not paying their workers enough to survive because they take advantage of welfare programs designed to help those who can't afford food, housing, etc. by doing this, they are creating a class of workers who should not have to be on welfare - people working full-time jobs, or even two full-time jobs. This limits their long-term upward mobility and keeps more people in lower-wage jobs for longer, perpetuating the cycle.
- The Capitalist is the one who takes the initial risk with starting the business. Shouldn't their investment pay off?
 - A capitalist is not necessary to start a business. Workers can just as easily come together with their own idea for a business and start a democratically controlled co-op where they call the shots. Additionally, the capitalist often has nothing to do with what is being produced. Owning a facility and creating a product are two completely separate roles.
- My boss built her business from the ground up, working in her shop 12 hours a day. She even pays herself the less than the rest of the workers. Where's the exploitation there?
 - Whatever she pays you as a wage, has to be less than the value of your labor for her to make money off of her shop. It doesn't really matter what she pays herself, though, since her surplus value is going directly to herself. In fact, if she produces \$10 of value making a product, she will see all of those \$10, plus whatever profit she gets from selling that item, **plus** the surplus value of all of the other employees. Where as you made the same product, and are getting less than the surplus value you put in to make that product.



2

The Relationship of Commodities,
Production, and Wages to Capital

The Nature and Growth of Capital

- People and commodities become capital when they can be used to generate surplus value
- The method of generating surplus value changes with time
- So too does our class structure:
 - Feudalism -> Agrarian
 - Mercantilism -> Trade and slave-based
 - Capitalism -> Industrial
- When a better 'tool' is discovered, we shift class definitions around it
- People who have power wield capital, and people with capital wield power
- Capital's goal is to grow. It doesn't care about conditions, etc

Relation of Wage-Labor to Capital

- What is the nature of the deal made between worker and employer?
 - Workers sell their labor power, and employers let workers use their capital to produce value
- Without labor, however, capital cannot exist
- The interests of both classes seem to concern keeping each other afloat
- As the working class grows the price of labor goes down
- Wages may remain the “same”, but their purchasing power will change (relative is constant, real goes down)
- Real Wages:
 - How much your labor is actually worth
- Relative Wages:
 - How much it makes sense to pay you and still make a profit

The General Law That Determines the Rise and Fall of Wages and Profits

- “Wages are not a share of the worker in the commodities produced by them. Wages are that part of already existing commodities with which the capitalist buys a certain amount of productive labor-power”
- [See diagram from before]
- Thought experiment:
 - You make 3 dollars per day
 - Bread costs 3 dollars
 - Economic crisis hits
 - You now make 2 dollars per day
 - Bread falls to 1 dollar
 - You can now buy 2 loaves of bread for a day's wages! Awesome, right?
 - That \$1 you lost still must go somewhere, and it goes to the capitalist
- Capitalist can pay you less and employ more workers
 - More labor for less cost to the capitalist

The General Law That Determines the Rise and Fall of Wages and Profits

- Profits are inversely related to wages (duh!)
- A capitalist paying workers more, cannot take as much for themselves
- Profits don't rise because wages have fallen, wages fall because profits rise
- Despite how the prices of goods change in the market, their average cost is determined by cost to produce
 - If you used to be able to produce 50 adhesive labels in one day, and one of your engineers develops a way to produce 100 for the same price, your cost to produce has halved, but you still make the same amount of money in the long run
- As the capitalist hires more workers through more revenue gotten from increased machine efficiency, they also stand to make more money through increased profit

Takeaways

- Capital is defined as being of use to a capitalist as a tool to create surplus value
- It's the most recent development of generating surplus value, in a long chain of methods for generating surplus value
- Capital's goal is growth at all costs
- Without labor and a working class, capital cannot exist
- Capitalists try to maximize their surplus value while paying workers the least amount of money possible

Critical Questions

- What is the difference between surplus value and profit?
 - "Profit... is the same as surplus value only in a mystified form that is nonetheless a necessary out growth of the capitalist mode of production." (*Capital Vol. 3*)



3

The Consequences of the Continued
Growth of Capital

In What Manner does the Growth of Productive Capital Affect Wages?

- [Machines were coming to take your jobs since the invention of capitalism]
- Since wages and profit are inversely proportional, profits increase sharply when wages decrease sharply
- Ex. If your wages increase in a year by 20%, but total company profit increases by 30%, your relative wage has actually decreased!
- Didn't we just say the interests of the capitalist and the worker are the same?
 - Well yes, but superficially
 - The worker wants to take more from the capitalist in the form of wages
 - More capital means more "breadcrumbs" falling to the worker
 - More capital also means more employment
- Wages rise disproportionately slower than capital increases in size
- Trickle down economics has existed since the beginning of capitalism
 - "We dare not believe [capitalists] even when they claim that the fatter capital is the more will its slave be pampered"

In What Manner does the Growth of Productive Capital Affect Wages?

- The sad reality of the world is that there are many capitalists
- In order to survive, they have to compete with each other
- They compete by trying to take each other out of business
- This typically involves price wars, undercutting, acquisitions, etc.
- The main goal of all of this is to sell products cheaper than the competitor
- There are several ways in which to do this:
 - Increase efficiency in workers
 - Replace workers with machines
 - Diversify by acquiring more businesses
 - Expand your market
 - Rinse and repeat

Thought Experiment

- You have a machine that produces 10 adhesive labels per hour. The cost of production is \$1/sticker. You charge \$1.05
- After 1 hour, you make \$10.5 total. So your surplus is \$2.5 per hour. After a 12 hour work day, you make \$30
- A new sticker machine is released that can crank out 50 labels per hour at a cost of \$0.25 per sticker.
- If the market price stayed the same, after 12 hours you would make \$52.5 total. Your surplus is \$40 per hour. After a 12 hour work day you make \$480. Awesome!
- The problem now is that you have 500 more stickers to sell. So something must change: the market demand, or the price you charge per sticker. The problem is there are other adhesive label capitalists who are all competing to sell the most stickers
- If price per sticker falls to \$0.30 per sticker to match cost of production, you would have a surplus of \$2.5/hour you are back at \$30 per day.
- The cycle continues!!

Effect of Capitalist Competition on the Capitalist Class, the Middle Class, and the Working Class

- Positive feedback loop of improving the production process leads to steep competition among capitalists
 - "...competition seeks to rob capital of the golden fruits of this power by reducing the price of commodities to the cost of production."
- Because of competition, innovation leads to more product- NOT necessarily more profit surplus
- The higher degree of labor division, the less skill is required by the worker
 - Meaning you can pay the worker less for their job!
- The worker needs wages to survive. If you pay them less, they will either work more hours, or try to produce more while on the job.
 - Subsistence is non negotiable
- The scaling of capital to surplus value is the same with workers and wages. The more workers there are trying to earn a wage, the lower their wage will be. They will work more hours for the same wage

Effect of Capitalist Competition on the Capitalist Class, the Middle Class, and the Working Class

- Economists: "Workers being supplanted by machines will simply find new venues of work"
- Marx: "Facts cry out too loudly against this lie."
- This only holds for workers whose jobs were just rendered obsolete. And even then, it only is good for capitalists. Workers would now have to fight for even scarcer jobs, with lower wages.
- There is a balance, though. If all the jobs were rendered obsolete, there would be no capital since you need a working class to add value to the raw materials.
- People point to the manufacture of machines as hope in all of this. But increasingly machines are being made to make machines. And these jobs also tend to get diversified. Leading to more scarce roles and lower wages.
- This can really only lead to monopoly capitalism with a few companies coming out on top.

Takeaways

- Capitalists can use relative and real wages to give you the illusion of being paid more, when in reality they are getting more surplus value from your labor power
- Capitalism has a growth cycle that applies to production and wage workers, which yields diminishing returns in exchange for materially worse conditions
- As technology advances, the goal of the capitalist is to automate as much as possible so as to pay the worker less in wages
- This results in fewer jobs available for workers. The jobs that are available are low-skilled low-wage jobs
- Competition yanks low-performing capitalists into the work-force, increasing the “industrial reserve army” as capital tries to consolidate further

Final Questions?

Wrap-Up

- Start
- Stop
- Continue