Wages, Price and Profit

Karl Marx

Part I

PROLE ACADEMY NOTES

WAGES, PRICE AND PROFIT

49 • A couple of addresses **Karl Marx** gave at the First International in 1865 in response to the ideas of a member of their General Council, **John Weston**.

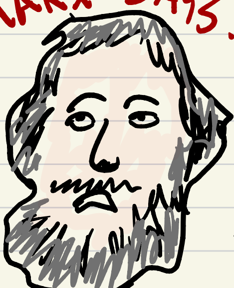
- What was Weston's argument?
    - That rising wages won't help workers because the prices of goods would rise to match
    - That trade unions weren't beneficial to workers

Chapter 1 - Production and Wages

Weston's Argument:

- the amount of goods a nation produces is fixed; it doesn't change
- the amount of real wages (in terms of what they can buy) is also fixed

51 MARX SAYS:



"... Nah bro, that's dumb as hell"

(Marx really, really enjoyed telling people he thought they were morons, a tradition we leftists unfortunately carry on)

52 • Weston's assertions are WRONG
- productive output increases all the time in industrial nations

• The amount of wages isn't fixed either, nor is the ratio of wages to corporate profits

53 • Basically the only thing Marx thinks Weston gets right is that capitalists can reduce wages and will do so whenever possible to maximize profits

Chapter 2 - Production, Wages, Profits

55 • Weston argues the amount of commodities is fixed, a zero-sum like a bowl of soup. Wages are like a spoon in that soup. And

getting a bigger spoon doesn't mean there's more soup.

56 **Marx** replies: Your spoon analogy sucks and everyone's spoons ARE too small

- Marx: a change in the rate of wages can affect demand for goods.
- **REMEMBER:** working class spends most of its earnings, right away, on necessities
  - if wages rise, demand for these necessities goes up

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- When the **rate of profit** falls in one sector of the economy, investment (and jobs) tend to get moved to a more profitable sector, where more production will take place until supply meets demand. At that point, profits will fall there, too, and prices.

This back-and-forth tends to equalize the average rate of profit across the economy.

59 • Marx cites the rise in wages taking place in Great Britain between 1849 to 1859

- wages rose in British factories 40% and the result was more employment,
60 lower prices for goods, more investment - all of it driven by increased demand.

- Naysayers like Weston were wrong, basically

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• Marx cautions against getting overly excited by accounts of how much wages rise if you don't know what wages were <u>before</u>.

62 i.e a rise of \$1 to \$2 isn't a big rise in absolute terms, but it's a 100% rise.

63 • A rise in wages can increase demand which may initially raise prices, but it also spurs more spending, production and investment in capital, which can normalize or even lower prices below their baseline

Chapter 3 – Wages and Currency

65 • Currency Circulation!

(I know, I'm bored, too.)

66 – basically through a good money supply and good circulation, the UK paid about 250 million pounds of wages with about 3 million pounds in physical cash. The money circulates through transactions all year long and gets re-used.

- Marx cites a period during the American Civil War where the fighting affected both cotton-dependent industries and the agricultural sector more broadly

- his point being that currency being fixed is nonsense. Its amount, form, position and value varies daily.

Chapter 4 – Supply and Demand

Weston rails against high wages.

But what constitutes high or low wages? What do we measure against?

- "Supply and Demand", conventional economists say.
  - And what influences supply and demand? Marx responds
    - Demand > supply = wages rise ↑
    - Supply > Demand = wages fall ↓

  And if you accept that supply and demand govern wages, then you have to accept they will rise and fall and Weston's position against wage increases makes no goddamn sense

- Marx's point: supply and demand govern how prices fluctuate around their baseline

Chapter 5 - Wages and Prices

71 Weston Dogma - "the prices of commodities are determined or regulated by wages"

72 Marx - prices of commodities are NOT governed by the price of labor

73 Marx argues Weston is talking in circles - "labor determines the prices of commodities and commodities determine the value of labor."

This is what we would call a TAUTOLOGY

75 Chapter 6 - Value and Labor

Now we're cooking with gas!

Marx moves on from decimating Weston and starts laying out his own theory of value.

(check back to the beginning of my notes for a recap of this) pages 2-8

- What is the value of a commodity? How is it determined?
  - its value is expressed relative to other commodities (different rates of exchange)
- LABOR is the common "social substance" of all commodities
- Note - a product created by us, for our own use, is NOT a commodity; commodities are made to be bought and sold
- commodities act as "crystalized social labor"
- How do we measure labor?
  - by time - how long the labor lasts
  - commodities that embody the same amount of labor are equal in value
  - the reward for labor (wages) and the quantity of labor performed don't always match in capitalism

- i.e. wages can't exceed a product's value, but wages can be as far below a product's value as the capitalist can get away with

Dead labor - value includes both the most recent labor AND the previous "generations of labor" used to make the tools, machines, buildings, raw material and even education needed prior to the most recent labor

↓

these tools, machines, etc. give parts of their value to products as they depreciate over time (wear and tear)

Only SOCIALLY NECESSARY LABOR COUNTS - in a given society, in average conditions with average effort and skill.

- The amount of socially necessary labor, then, can change w/ things like new technologies and techniques

- if necessary labor time gets lower, so does value, and vice versa

80 - The productive power of labor depends on nature and the social organization of capital (social power of labor); i.e. division of labor, methods, communication, transport, etc.

- More labor increases value, while more efficient production methods decreases it

- Price - the monetary expression of VALUE

81 - "market price" expresses average amount of socially necessary labor
    - can deviate from "natural price", the "central" price from which the market can fluctuate around

- When supply and demand are in relative balance, market and natural prices will align

Commodities are sold at real values ON AVERAGE, and profits can be derived, on average, from doing so

Chapter 7 - Laboring Power

83

- VALUE OF LABOR
  - you sell your labor power, not labor, to employers; the right to the use of your labor power for a set period of time (your shift) in exchange for a set amount (your wage)

84

- Hobbes - The value or worth of a man is, as in all other things, his price: that is, so much as would be given for the **USE OF HIS POWER**
- Marx alludes to primitive accumulation, says he can't go into it now
- So what's the value of labor power?
  - the amount of labor necessary to produce it!

In other words, your

MEANS OF SUBSISTENCE

(and that of your family

85 • Marx notes that, because it costs different amounts to train and sustain different types of laborers, it is "insane" to expect universal equality of wages under capitalism.

Chapter 8 - Production of Surplus Value

87 • Worker sells labor power to capitalist

- the cost of that labor power is the means of subsistence, but the value of that labor is much more, since the laborer will create more value in working than it takes to reproduce their labor.

88 If they didn't, there'd be no profit (and no point to this system)

• that extra value created from working beyond what it takes to make up the value of your wage (surplus labor)? We call it SURPLUS VALUE