

Wage Labour and Capital Study Guide

I. Introduction

- A. The distinction between *labour* and *labour-power*
 - 1. Labour is a process, transforming nature through human activity
 - 2. Labour-Power is a commodity, the capacity to perform labour
- B. The value of labour-power is equivalent to its cost of production. Since labour is inseparable from the worker, the cost of labour-power is the cost to keep this worker alive and able to perform future labour.

Questions

1. What is the only value-creating commodity?

2. Given your answer to number 1, what do you think this means for the Capitalist in their pursuit to generate profit?

3. Is the value of social labour-power equivalent across different societies? Why or why not?

II. What are wages? How are they determined?

- A. Wages are generally the price of labour-power
 - 1. Marx here is using “price” to be equivalent for “value” for simplicity's sake; though this is not always the case.
 - a) Price and Value are different things that Marx further elaborates in other readings (e.g., you recognize when something is on sale and is a “good deal”, it means its price is lower than its value).
- B. The labourer exchanges their labour-power (a commodity) for money in the form of wages
- C. The labourer uses this money to purchase other commodities to continue to live (food, shelter, clothing, and other necessities)

Questions

1. What is the labourer's relationship with the commodity they produce?
2. In what ways are the wage-labourer different than the slave? In what ways are they the same?

III. By what is the price of a commodity determined?

- A. There are three competitions taking place that determine the price of a commodity
 1. Sellers of the same commodity compete to sell the most of the commodity. This competition drives prices down.
 2. Buyers compete to buy the product. The more buyers, the higher the price will rise.
 3. The sellers compete with the buyers. If supply is high (more sellers than buyers) the price will decrease, if demand is high (more buyers than sellers) the price will increase
- B. If prices are determined by supply and demand, then what determines supply and demand? Cost of production.
 1. If the price of a commodity rises, this means the price of another commodity falls.
 2. As prices of commodities change, the flow of capital also changes. Prices are constantly ebbing and flowing.
 3. Since prices constantly rise and fall, over time, they generally level out at a specific point: their cost of production.

Questions

1. How does the competition of sellers lead to monopoly?
2. Can you think of examples where competition led to trusts (i.e., a small group of corporations that control the market and are able to fix prices)?
3. If you look at a commodity in a society at a specific point of time, will its price be equivalent to its cost of production?

IV. By what are wages determined?

- A. Labour-power is a commodity and thus follows the same laws of competition.
 - 1. The seller of labour-power is the worker, the buyer is the capitalist.
- B. Since commodity prices are determined by cost of production, so too is the price of labour-power determined by cost of production.
 - 1. Labour-power is inseparable from the labourer, the cost of labour-power is the cost to maintain the labourer.
 - 2. The more skill required to produce the commodity, the higher the cost of the labourer's labour-power (training, education, etc.).
 - 3. The labourer will also need to be replaced, and thus the cost of labour-power must account for the next wave of labourers.

Questions

1. Given the cost of production of labour-power, why do certain jobs pay better than others?

2. Given what we learned about the cost of labour-power, what value do unions offer the labourer?

3. Would the same job with the same education/experience requirements pay the same wage in two different societies? Why or why not?

V. The Nature and Growth of Capital

- A. Capital consists of:
 - 1. Raw materials
 - 2. Instruments of labour
 - 3. Means of subsistence
- B. Human beings work upon nature and each other
 - 1. The ways and forms that workers interact with each other is called the social relations of production
 - 2. The social relations of production impact everything within society, including capital

- C. Exchange values are the the amount that you can exchange one commodity for another
 - 1. Exchange values are separate from the physical aspects of a commodity
 - 2. Every commodity can be exchanged for every other commodity, at different quantities
 - 3. Capital also has an exchange value
- D. Capital can only be created by labour
 - 1. Each piece of capital contains within it accumulated labour
 - 2. Living labour interacts with capital (accumulated labour) to create commodities

Questions

1. Thinking of a factory that produces a car, try to list out the different ways workers interact with each other. What do social relations look like in a factory?

2. Continuing this example, how would an introduction of a union change these relations?

3. Given what we have learned thus far, what would you say exchange values are determined by?

VI. Relation of Wage-Labor to Capital

- A. The labourer exchanges their wage-labour for money, which they use to purchase means of subsistence. Once consumed, that means of subsistence is lost forever.
 - 1. In other readings, Marx refers to this formula as: C-M. Commodity (labour-power) (C) exchanged for wages/money (M). The labourer exchanges this M for subsistence Commodities (C)
- B. The capitalist exchanges money for labour-power which generates more money for the capitalist. The capitalist uses this increased money to purchase more capital.
 - 1. Therefore capital needs labour-power to continue to grow. The more capital grows the more labour-power it will need.
 - 2. In other readings, Marx refers to this formula as: M-C. Capital (in the form of money/wages) (M) is exchanged for the Commodity (labour-power) (C) which generates more Money than before (M' - read as "M prime")
 - 3. Thus the formula of exchange for the labourer is C-M-C: while the formula of exchange for the Capitalist is M-C-M'.

- C. Real wages are different from nominal wages
 - 1. Real wages depend on supply and demand, as we saw in previous chapters
- D. Relative wages are the proportion of wages to the surplus value created

Questions

1. Using what you learned in this chapter, how would you explain the vast income inequality we see in the world today? Explain how there will still be income inequality even if wages continued to go up

2. Indicate which type of wage is impacted by each scenario:
 - a. The price of a commodity has drastically increased but the wage of the labourer producing that commodity has stayed the same.
 - b. The price of all commodities has increased but the wage of the labourer stayed the same.
 - c. The price of commodities has increased and the wage of the labourer has increased an equivalent amount.

VII. The General Law that Determines the Rise and Fall of Wages and Profits

- A. The price of a commodity needs to cover three parts:
 1. Cost of raw materials/tools
 2. Cost of wages
 3. Profit
- B. Thus wages and profits are inversely proportional: profits increase by decreasing wages and vice versa.
 1. They rise and fall to an equivalent degree
- C. Social power depends on relative wages; the ratio of wages to profit

Questions

1. Which of the three wage types (nominal, real, relative) do you think the capitalist is most concerned with? Why?

VIII. The interests of capital and wage-labour are diametrically opposed

- A. Profit grows when capital grows and relative wages decrease
 - 1. Nominal and real wages can increase while relative wages decrease
 - 2. This leads to more social power for capital
 - 3. Thus, a worker may have increased wages, a better standard of living and yet be in a worse social standing in relation to the power of capital
- B. There is a cycle of innovation
 - 1. When capital innovates this leads to more profits for the capitalist
 - 2. While making more profits, the capitalist will want to sell more and will sell cheaper than competitors driving price down
 - 3. Competition will eventually gain the same capital innovation creating a level playing field once again but at the lower price and greater production quantity

Questions

- 1. Defenders of capitalism say that the “wealthy having a bigger slice of the pie is not a bad thing for workers if the pie itself gets bigger”.. How would we, as Marxists, respond to and refute this argument?

- 2. Previously we looked at how competition of sellers will lead to monopoly. How does the cycle of innovation contribute to that? Can you explain how this accounts for Amazon’s rise?

IX. Effect of Capitalist Competition on the Capitalist class the Middle class and the Working class

- A. Competition normalizes any advancement in capital, creating an endless cycle chasing increased profits
- B. With advancements in capital, comes the need to produce more commodities
 - 1. This leads to more simplified tasks for labour
 - 2. With simpler labour comes lower cost of production for labour
 - 3. As a result, the labourer has to work longer to maintain the same level of wages
- C. In summation: the more capital advances, the more competition it creates among the workers, the lower the wages fall

Questions

1. How does this chapter explain the rise of 'assembly line production', as made popular by Ford in the USA? With the rise of "assembly line production", what does this mean for the capitalist and what does it mean for the laborer?

2. Marx discusses the idea of machinery replacing the roles of labourers. Some today fear the idea of automation fully replacing the need for human labour. How would you respond to this concern? Keep in mind the principal interests of the capitalist class as a whole.