

CHAPTER VII

SURPLUS-VALUE

As shown in Part I. chapter i., one of the fundamental theories of the economic teaching of Socialism is that of surplus-value as set forth in Marx's *Capital*. Starting from the conception that the value of any commodity is determined by the average labour-time socially necessary for its production—a conception which, as already stated, is now repudiated by many Socialists themselves—he arrives at the conclusion that the value of labour, *i.e.* wages, is similarly determined by the necessary cost of maintenance of the labourer and his family, *i.e.* the labour-time necessary to produce his labour-power. On this foundation—shown to be false in Part II. chapter i.—he erects the theory of surplus-value. Shortly stated it runs: The average labour-day (labour-power) is largely in excess of the time required by the labourer to produce the equivalent of his maintenance (labour-value). The excess of time spent in labouring produces a surplus-value which, being appropriated by the employer, becomes ultimately divisible into rent, interest, and profit. Supposing the labour-day to number twelve (12) hours, and six hours to be sufficient to produce the value required for the labourer's maintenance or wages, it follows that the other six hours are spent in labouring for the exclusive benefit of the capitalist-employer. His gain, the surplus-value, therefore, arises from the unpaid appropriation of a part of the labour-time of every labourer, *i.e.* from that part of the value of the product of individual labour which exceeds the cost of the labourer's maintenance. Surplus-value, therefore, is a

deduction from the product of individual labour, appropriated by the capitalist-employer.¹

As Marx himself admits that the creation of surplus-value, in his theory, is merely an extension beyond a certain point of the production of value generally,² the demonstration, given in Part II. chapter i., of the erroneous nature of his theory of value destroys the basis on which his conception of surplus-value rests. For if the value of labour-power is not determined by the consumption of the labourer and his family, and if the value of goods is determined by other factors than the average labour-time socially requisite to produce them, then the difference between the value of labour-power and labour-product does not necessarily arise from the unpaid appropriation by the employer of part of the labour-power. The importance of the subject is, however, far too great to allow it to rest at this point, and requires a complete examination. In this and the following chapters, therefore, an endeavour will be made to show that this entire conception of the origin of surplus-value is crude and misleading, first by showing that the theory is contradicted by facts, secondly, and at greater length, by a careful examination of the component parts of surplus-value.

If the Marxian conception of the origin and nature of the tribute which is undoubtedly exacted from labour were true, *all* surplus-value must be a deduction from the product of individual labour. If it can be shown that there are cases in which surplus-value arises which can be seen by him who runs not to be deducted from the product of such labour, the conception must be false. The following examples furnish such instances :—

A jeweller employs five women in sorting and stringing pearls. His capital is, say, £150,000, and his annual sales of strings of pearls amount to £100,000. His average annual clear profit is, say, £8000. If this sum represents a deduction from the produce of individual labour, it must be deducted from the labour-product of the five women whom the jeweller employs. Each of them must, there-

¹ For quotations see Book I. chapter i.

² See quotation from *Capital*, pp. 176, 177, in Part I. chapter i. p. 5.

fore, be entitled to an addition of £1600 a year to the wages which she is actually receiving.

If, to this *reductio ad absurdum*, it is objected, that the surplus-value of £8000 may, as to its greater part, be deducted from the product of the labour of the divers and other labourers employed in harvesting the pearls from the ocean-bed, and transporting them to the jeweller's shop, the reply is obvious. These men were not employed by the jeweller, but by preceding capitalists, who, according to the supposition, themselves extracted surplus-value from the labour of their workmen. The price which the jeweller paid for the pearls included this surplus-value, just as the price which his customers pay to him includes any surplus-value he may receive. The surplus-value which he exacts, therefore, is additional to that exacted by previous employers, and, if it is a deduction from the produce of individual labour, it can only be deducted from that of the labour which he has employed, viz. five women. Unless, therefore, it is contended that the labour-product of each of these five women exceeds £1600 a year, this surplus-value must be admitted to be no deduction from the produce of labour.

The following case is even more decisive. A *vigneron* obtains from his vineyard new wine to the value of £100, constituting the entire return of the year's harvest. He keeps this wine for ten years, at the end of which period, and without any labour having been done to it in the interval, the wine possesses a value of £200. From whose labour has this surplus-value of £100 been deducted? The only labourers who could be victimised are those who were employed in attendance on the vines, plucking grapes, and making the wine. When their labour ceased, its entire produce, inclusive of that of the *vigneron's* own labour, had a value of £100 only. The additional £100 which makes its appearance subsequent to the cessation of their labour, cannot be the product of the latter, and cannot, therefore, be a deduction from the product of their or any other man's labour.¹

¹ Both examples are a free rendering of those given in *Capital and Interest* by von Böhm-Bawerk.

These two examples will suffice to show the erroneous nature of the Marxian theory of surplus-value on which Socialism is based. A close examination of the phenomenon, moreover, shows that surplus-value is a compound of many elements, some of which are natural consequences of the mental constitution of man and of his physical environment, and not in any sense deducted from the product of individual labour ; while others, which constitute such deductions, are the result of limitations placed on the equal freedom of men by legislative enactments which confer special privileges on some. Of these latter, monopoly-tribute or spurious interest has already been dealt with in so far as its origin is concerned. The next few chapters will be devoted to the examination of other component parts of surplus-value, and to that of the influence which each of them exercises upon the earnings of labour.