

# Marxist economics: Labour Theory of Value

## Commodities and value

- **Commodity production** - Goods produced and exchanged for more than use value.
  - Every commodity had a use value and an exchange value. Use value satisfies human wants.
- **Exchange value** - How much of one commodity can be obtained in exchange for a given amount of another commodity. Stated in terms of money (the exchange equivalent).
  - The means to directly and quantitatively compare commodities.
  - Presupposes an element common to all commodities - use value, exchange value and all produced by labour.
  - Labour is the 'value that lies hidden behind exchange value'.
- Useful labour produces use value, whereas abstract labour produces exchange value.
  - But only **socially necessary** labour time is embodied in exchange value.

## The labour theory of value

- Labour is embodied in every commodity. However it is not the actual amount of labour which determines exchange value but socially necessary labour time.
  - i.e. average skill, productivity in the prevailing time measured in hours.
- Workers have different skills and training. Skilled labour as a multiple of unskilled/all labour time reduced to a common denominator. This is **abstract labour**.
  - You can express the value of the skilled labour in terms of the abstract labour e.g. skilled labour produces 1.5 times abstract labour per hour than unskilled labour.
- There are also 'unproductive workers'. These are self-employed, public sector workers, managers, those employed in exchange activities and household labour.
  - Need to exclude these when determining abstract labour.
- **Why does only labour add value?**
  - Everything to make a commodity traces back to labour.
  - Only common property is used to provide exchange basis.
  - Without labour, there is no role for markets.
- **Values and prices** - Market prices are affected by many influences.
  - Marx did not ignore other factors that influence prices though e.g. state of competition, personal preferences, fluctuations in consumer demands etc.
- The labour theory of value can explain relative prices between commodities, but more importantly, it explains the social relations underpinning the production of commodities.

## The social relations of production

- Marx believes capitalists have the single goal of maximising profits, and can be depended on to constantly improve the efficiency and profits of production.
- But when the factors of production are brought together, they are volatile.
  - Marx against Adam Smith - Marx said this volatility puts workers against capitalists. Workers can slow down production, sabotage or stop production (union movements). Therefore,
    - This force of competition entices even the most well-intending capitalist to break the law, reduce the value of labour and close business if it is profitable. Marx thought this unrelenting pursuit of profit was bad for the economy.

- Moreover, capitalists are estranged and alienated from their labour. This alienation separates those who work the land (feudalist), to those who's survival depends on being paid (wage labour).
  - Not voluntary but coerced and results in a loss of self.
- The division labour is profitable for capitalists as it breaks down tasks, but this specialisation leads to the estrangement and alienation of labour.
  - How are we as workers forced to work our jobs? Separated the "hand from the brain". Lost knowledge from workers, and transferred to managers.
- **Controlled labour** - Ways to keep workers performing tasks - managers, supervisors, electronic monitoring.
- The capital-labour relationship is one of exchange.
  - Worker sells her/his labour power to capitalists for wages. The exchange of labour for wages.
  - Workers then use wages to buy necessities for life. The exchange of wages for commodities to live.

## Maximising surplus value

- **Surplus value** - Is the origin of profit in capitalism. Defined as the difference between the value of what a worker produces and what he is paid in wages.
- Capitalists buy one commodity (labour power) and sell a different commodity (what labour produces in the production process), and is created by exploitation.
- Marx separate the working day in two parts. A to B was the part of the day to produce enough output (goods) to pay their wages. This is necessary labour.
  - B to C is that part of the day that is producing **surplus value**. Surplus value is used to produce the owner's profits.
- **How is surplus value maximised?**
  - Extending the working day will increase **absolute surplus value** i.e. increase B to C. But this has physical, moral and legal limits.
  - Restructuring of work will increase **relative surplus value** i.e A to B is shortened.
    - Technological displacement of workers.
    - Cutting wages.
    - Speeding up the workplace and intensifying work.
    - Move production elsewhere.

### Overview

- The labour theory of value explains the class structure of capitalism.
- A commodity's exchange value depends on the labour to produce it.
- Part of the value produced by labour is extracted by capital (through exploitation).