

WORK and WEALTH

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WORK

- **Application of Labour Power**
- **Manual as well as Mental**
- **Can be Productive or Unproductive**
- **Can result in Material or Non-material Products**
- **May or may not generate 'Income'**

WEALTH

- **Stored Income**
- **Can have various forms (cash, commodities, gold, property, financial instruments, paintings, whatever can be turned into cash ...)**
- **Can be deployed for generating more wealth or can be expended for other purposes**

INCOME : VALUE ADDED

- **Income from Work**
- **Income from Wealth**
- **Income from Rights, Charity, etc.**
(Redistribution of income from Work and Wealth(?): Not a real income in the sense of value added in the society as a whole)

STANDARD VIEW

BOURGEOIS POLITICAL ECONOMY

Incomes from 'Factors':

Labour => **Wage**

'Enterprise' => **Profit**

'Capital' => **Interest**

'Land' => **Rent**

=> All forms of incomes are just and legitimate!

MARXIST POLITICAL ECONOMY

“Value Added” has two components:

- 1. Variable Capital, ‘v’ : determined by “socially necessary labour time”**
- 2. Surplus Value, ‘s’ : part of “value added” that remains after deducting the variable capital.**

Value Stored in a Commodity

$$w = c + v + s$$

c : Constant Capital (consumed part of machinery and raw materials that gets transferred to the value of the commodity, 'w')

(v + s) : Value Added

EXPLOITATION

- **Surplus Value is produced by the Worker, but appropriated by the Capitalist**
- **Rate of Exploitation: (s/v)**
- **Rate of Profit: $[s/(c+v)]$**

Transformation Problem

How Value is Turned into Price

- **Values and Prices are equal only if the Organic Composition of Capital (c/v) deployed in the production of exchanged commodities are equal.**
- **Marx solved the problem by assuming that commodities are exchanged at their prices, and not at their values, and prices are determined by the uniformity of Profit Rate across the Economy. Redistribution of surplus across the economy.**
- **Technical Problems (Boehm-Bawerk, Bortkiewicz, Sraffa, Samuelson...), but does not damage Marxist theory of Exploitation.**

CLASS and SURPLUS

- **Class Structure of a society is primarily determined by the mode of Production, Appropriation, and Distribution of Surplus Value**
- **Class location of a person is where s/he stands in a Class Process**
- **A real person can have multiple class locations as s/he can be located differently in different class processes**
- **It is possible to figure out the principal or dominant class location of a person**

Fundamental Class Processes

- **These are the processes in which Surplus Value is produced and appropriated**
- **They determine the Fundamental Classes in a given Mode of Production**
e.g. industrial capitalists and industrial worker in a capitalist enterprise, feudal lord and the serfs in feudal agriculture, slave owners and slaves on a plantation, etc.

Distributive Class Processes

- These are the processes in which part of the appropriated surplus value is distributed to persons outside the fundamental class processes
- Such recipients of surplus form the Subsumed Classes

e.g. managers and supervisors in a factory; merchants, bankers, real state owners etc. and their employees in a capitalist mode; artists employed in an entertainment firm in the capitalist mode; or artists in a king's court in a feudal mode

State as a Distributive Class Process

- **Recipient of surplus value distributed in the form of taxes, or as interest and dividend on State Capital**
- **Employees of State are mostly recipients of surplus value created elsewhere, except in cases where they are employed in producing and distributing the surplus value created in state enterprises**

Can one invest and make profit in a distributive class process?

- **Yes, one can. The bankers or the merchants invest capital in their respective enterprises.**
- **The average profit rate in these enterprises must be equal to the average profit rate in the economy.**
- **Despite investments and profits no surplus value is created in such an enterprise.**
- **It remains an enterprise of recipients of surplus value created elsewhere.**

Can exploitation take place in a distributive class process?

- **Strictly speaking, NO!**
- **Exploitation is defined as taking away surplus value from those who produce it.**
- **Employees of bankers or merchants are recipients of surplus value created elsewhere.**
- **These employees may be forced to sell their labour power due to systemic reasons, and may be forced to sell it below its actual value.**
- **They are “cheated”, but not “exploited”.**

Non-Class Processes

- **Processes in which Surplus Value is not involved; in the sense that its production, appropriation and distribution have already taken place. There are two kinds of such processes:**
 - **Non-class Economic Processes**
 - **Non-class Non-economic Processes**

Non-class Economic Processes

- **Most Important Example: Exchange of Commodities**
- **Commodities are exchanged at their value; no exploitation takes place in this process**
- **This is true even for the sale of Labour Power; exploitation takes place not in its sale but in the process of appropriating surplus value**
- **Exceptions: when monopoly or power prevents exchange at value**

Non-class Non-economic Processes

- **Many of the processes within the Family and Household**
- **Many of the cultural processes within a community**
- **Production and reproduction of ideologies in the society without involving any monetary kind of exchange**
- **Etc.**

Systems and Processes

- **A system, or a mode of production, is principally defined by the fundamental class processes**
- **But it depends as importantly on the distributive as well as the non-class processes**
- **Fundamental class processes do not uniquely determine other processes**
- **The system is overdetermined by all the processes**

Productive and Unproductive Work

- **A System-based Definition**
- **Capitalism: Work that produces surplus value is productive.**

Examples: Workers in a commodity-producing factory are productive; managers and supervisors in the same factory are unproductive

In general, everyone involved in a distributive class process is unproductive

Both productive and unproductive work are equally needed by the system!

Productive and Unproductive Work

- **The same work may be productive or unproductive depending on the situation:**

The singer is unproductive if she sings for the audience for a direct payment to her; but she is productive if she sings for a music company that pays her and makes money by selling her music in the market

The Djin in the story going up and down the pole is productive if people are buying tickets to see it go up and down the pole

Productive and Unproductive Work

- **Productive Workers are the exploited ones in the capitalist system; surplus produces by them is taken away from them**
- **Unproductive workers (e.g. managers as well as peons) are recipients of surplus produced elsewhere; managers may be with the system because they are paid much above the value of their labour power; peons may go against the system because they may be paid below the value of their labour power**

Productive and Unproductive Work

- **Petty Commodity Production: e.g. small peasantry in a market system working the fields through family labour**

Individual producer is the individual appropriator and distributor of surplus value; productive work

Distributes part of the surplus to various subsumed classes

May still be exploited through unequal exchange of products on the market

Productive and Unproductive Work

- **Communism:**

Value, hence surplus value, would no longer exist; all production will be directly for the satisfaction of human needs

So, productive work would mean whatever is done to satisfy human needs

Unproductive work may still exist; the Djin may still be going up and down the pole!

Productive and Unproductive Work

- **Socialism: The road beyond capitalism eventually leading to communism.**

A part of the productive labour will be directly for meeting human needs.

But value and surplus value will continue to exist, though exploitation will cease to exist. In this part, productive means that which produces surplus.

Material Products and Services

- **Material Products: Commodities carry value; value can be transported with the commodity; can remain stored in the commodity**
- **Services: A more complex scenario**

Services

- **Broadly of three kinds:**
 - 1. Part of the material production process**
e.g. transport of raw materials, consumption of power, managerial and supervisory services, etc.
 - 2. Part of the Distributive Class Processes**
e.g. banking, retailing etc.
 - 3. Services for direct consumption**
e.g. household services; Lata sings and we listen or Dhoni plays and we watch; etc.

Services

- **Can be productive as well as unproductive**
- **True even for the services for direct consumption; e.g. singing for direct payment or for a music company**
- **Often, enormous wealth is accumulated through providing productive or unproductive services, remember Lata or SRK, Sachin or Dhoni...**
- **In case of productive services for direct consumption, the workers may even be exploited despite being paid enormous sums**

Wealth and Exploitation

- **Wealth may originate in exploitation; may result directly from exploitation (fundamental class process); or indirectly (distributive class processes).**
- **It may originate from wage and salaries; e.g. wage income of workers, clerks or professors, incomes of artists and athletes...**
- **Elimination of exploitation does not mean elimination of all kinds of wealth.**

Wealth and Exploitation

- **Wealth can be deployed for exploitation—capital invested in the fundamental class processes. Direct exploitation.**
- **Wealth can be augmented through subsumed class processes—e.g. deposit in banks, income from real state etc. Connected to exploitation.**
- **Wealth can be expended on consumption. Not connected to exploitation in this process.**

Socialism

- **End of exploitation. Collective producers will be collective appropriators.**
- **Collective producer-appropriators of surplus will distribute part of it to various non-producers. Subsumed class processes.**
- **Various non-class processes necessary for reproduction of the system will also exist.**

Socialism

- **Exploitation will end but wealth will exist.**
- **Wealth will arise from incomes in fundamental and subsumed class processes as well as from the non-class process of income from work.**
- **Wealth deployed in the fundamental class processes for augmenting itself will be collective wealth.**
- **Individual wealth can be augmented in subsumed class processes. Interest on bank deposits, for example.**
- **All kinds of wealth can be expended for consumption.**

Socialism

- Will there be the filthy rich? Yes and no, but progressively No! Wealth will grow, but it will be more evenly distributed.
- **Ambanis shall not exist, but what about Dhonis?**
- **Non-class accumulation of wealth may continue; e.g. people paying to cricketers or musicians. But such wealth will not multiply through class processes.**
- **Filthy rich of all kinds will cease to exist only when cultures and value-systems change.**