Marx's Concept of Surplus Value

An Honors Thesis (ID 499)

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Muncie, Indiana
August 9, 1976
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INTRODUCTION

The name Karl Marx evokes many different reactions from many different people. To some he is a saint; the expositor of one of the most devastating condemnations of Capitalism the world has ever known, and at the same time promising a world of bliss and plenty. The set of beliefs which he presented in his numerous works bear a closer relationship to a religion for many people than to a rational, well-ordered plan with which to view the world. Other people see him as the cause of the majority of the world's suffering. They attribute the injustices and inhumanities which daily occur in modern "Marxist" countries directly (and often inaccurately) to this man. Yet, strangely enough, the intense emotions which the mention of the name Karl Marx bring up are quite often formulated with a total absence of knowledge of the thought of this man. In this paper I hope to present one of the more important aspects of the Marxian analysis of Capitalism in an explanatory way so that a basic understanding of the concept of surplus value can be obtained by the reader.
The notion of surplus value is by no means a new one. While the first inhabitants of the earth produced what they needed, and consumed everything they produced, the person was soon alienated from the product of his work through such sociological inventions as the feudal and slave systems. Control over the objects produced as a result of labor power changed from being in the hands of the worker himself into the hands of a person other than the worker, often the person who "owned" the worker's person.

In the first years of mankind's existence, it took all the time and effort a man possessed simply to stay alive. No time was left over that could be applied to other than sustenance-producing activities. But as man made more and more discoveries of the innumerable life sustaining mechanisms provided by the earth (such as fire, fertile land, etc.) he soon began to acquire the capability of producing those materials necessary for life not only for himself, but for others as well. When, through the development of history, a man's person was no longer necessarily owned by himself, this capability of providing a means of subsistence for others than just himself was
also owned by the person in control of the worker's person. While the advent of surplus value has occurred at an earlier point in time, it was not until man lost control over his own ability to produce more than was necessary for his own subsistence that the expropriation of surplus value occurred.

So while the feudal lord or the slave owner were every bit as guilty of expropriating a worker's surplus value as is the modern day capitalist, the modern capitalist achieves this expropriation to a much more thorough degree.

Although the main sociological structure upon which Capitalism rests is concentration of ownership of the means of production in a few hands, if surplus value were nonexistent, there would be no motive for an ambitious or lustful man to accumulate ownership of the means of production. And if it were not for the continuing existence of surplus value, no logical reason would exist for a man to engage in large scale production of commodities via the use of labor power. It is the goal of accumulating vast sums of surplus value which entices the Capitalist and turns him into, at times, an inhuman
apparition incapable of humane or socially beneficial actions.

Since the Marxist system is one of the major analytical tools which can be used in the scrutiny of the Capitalist system, it is only wise to take into consideration the definition, causes, and results which Marx ascribes to surplus value.

PART I. VALUE

A. COMMODITIES

As with most theoretical systems, acquaintance with the terms and their corresponding meanings within the context of the system is necessary in order to gain a thorough and accurate understanding of the ideas forwarded by that particular theoretical system. This is especially true of Marxism. While Marx uses many "traditional" terms (such as value, commodity, etc.), he gives meanings to them which are distinctive of the Marxian system. Consequently, a brief description of the more important terms involved in the discussion of the Marxian concept of surplus value is in order.
According to Marx, in societies where the capitalist mode of production prevails, wealth is measured in terms of commodities. Thus, Marx began his three volume work on capital with an analysis of the commodity. Marx said: "A commodity is, in the first place, an object outside us, a thing that by its properties satisfies human wants of some sort or another." However, a commodity is more than this. A commodity is not produced by labor for individual satisfaction. A commodity is a good which is produced for disposition on the market. Thus, while the corn a farmer produces for his own family's consumption is an economic good, it is not a commodity, for it was not produced with the intention of marketing it. In a society which is characterized by self-subsistence living, where each person or family produces only those goods which it needs for daily survival with no thought of what those goods can be traded for, there is a complete absence of commodities. However, when one member of the society (be he a farmer, a fisherman, etc.) discovers that he

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has an unusual talent for the creation of a certain product and that other people are willing to trade commodities which they produce to obtain this good, then commodities have entered the society. For instance, consider a man who, while farming to support his family, enjoys making shoes for his family to such an extent that he spends a large amount of his time doing this. As a result of all the practice he gets in producing shoes, this man becomes an expert shoemaker. While heretofore, no one in this society had ever contemplated obtaining the necessities of life through any other means than producing them themselves, this man's neighbors soon realized that the shoes he made were of a much higher quality than those which they could make themselves. Consequently, they offered the expert shoemaker some of the goods they produced in exchange for a pair of his shoes. The shoemaker saw that in this way he could perform the work he enjoyed most and still obtain the required goods he and his family needed to survive. As a result, he began to produce shoes for the purpose of trading them for goods he no longer had the time to produce himself (since he devoted more of his time to making shoes), and his neighbors
devoted the time they normally spent on making shoes to producing an extra amount of another good, not for their own consumption, but for the express purpose of trading this good for a pair of shoes. Thus, since goods are no longer produced strictly for personal use, but instead are produced so as to obtain another good with them (through a market, no matter how crude), commodities are now an integral part of the society. As this example suggests, commodities exist in all societies which are not characterized by self-subsistence living.

Since Capitalism is based on the production and exchange of commodities, Marx relegates products which are not commodities to a position of no importance as far as his analysis of Capitalism is concerned. Commodities receive Marx's entire attention in the analysis, with products receiving little further mention.

B. USE VALUE, EXCHANGE VALUE, AND SOCIArry NECESSARY LABOR TIME

Commodities consist of not only value, but of two distinct and different forms of value, which at times exist separately from each other and at times coexist
in the same commodity at the same time. These two forms of value are use value and exchange value.

Use value is the most basic of the two values, exchange value always presupposing use value (this will be explained later). Use value is present in all levels of societies, with no exceptions. The term use value is simply a way of expressing the ability of a good or commodity to satisfy a human want. Thus, food, clothing, and horses all have use values. Use value is a relationship between a person and a good or commodity. This relationship, given the good or commodity, will vary widely with different people. The same good or commodity will be of differing degrees of usefulness to different people. Consequently, a good or commodity's use value is not constant, but takes on many different values corresponding to the relevant relationship between the good or commodity and the person using it.

Although Marx is a strong proponent of the labor theory of value, stressing the idea that all value has its base in labor, he nevertheless admits that:

The use values, coat, linen, etc., i.e., the bodies of commodities, are combinations of two elements--matter and labour. If we take
away the useful labour expended upon them, a material substratum is always left, which is furnished by Nature without the help of man. The latter can work only as Nature does, that is by changing the form of matter. As William Petty puts it, labour is its father and the earth its mother. 2

While it may be said (and has been admitted by Marx) that use value is a combination of both labor and nature, this cannot be carried so far as to say that a good or commodity can have use value with no labor expended on it; in other words, a good provided entirely by nature with no aid from any other source. While nature provides the iron ore necessary for the use value which iron contains, in order for this use value to be made available, labor must be expended to mine the ore. Even the one good which might at first be thought to be provided entirely by nature is not acquired without a form of labor. While air requires no mining or refining, it does require the labor of the lungs to acquire its use value. So, while use value does not rely solely on labor for its existence, it cannot exist independently from labor.

2 Ibid., p. 43.
While a potential use value is inherent in all goods and commodities, the good or commodity must be used in order for the use value to be realized. As stated before, use value is a relationship between a person (or user) and a good or commodity. If a good or commodity is not used, no relationship can exist, and hence there is no actual use value. For example, a club lying on the ground is of no use to anyone while it is just lying there (although it is potentially useful). However, when a person picks up the club and uses it to hunt deer, a relationship has been formed, and the club has a use value. While the use value of the club will change according to the use the person receives from the utilization of the club, there will always be some use value obtained through the club's use (for if the person could obtain no use value from the club, he would not use it).

The second type of value a commodity possesses is exchange value. Marx says "Exchange value, at first sight, presents itself as a quantitative relation, as the proportion in which values in use of one sort are exchanged for those of another sort, a relation constantly
changing with time and place. In other words, exchange value seems to be the trading of one use value for that of another. This explains the statement made earlier that exchange value presupposes use value. If a commodity had no potential use value to another person, he would not exchange anything for it. Consequently, in order for a commodity to have exchange value, someone must be willing to exchange something to obtain the use of the commodity (implying that it has use value to the person willing to trade for it).

While the use value of a commodity varies according to the person utilizing the commodity (and thus the amount a person is willing to exchange for the commodity varies from person to person), the price of a commodity is the same for everyone. This discrepancy led Marx to the conclusion that there must be a constant behind this variation that would explain the simultaneous existence of a single price and multiple use values for the same commodity. Marx sought this constant through his renown dialectical approach.

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Ibid., p. 36.
Let us take two commodities, e.g., corn and iron. The proportions in which they are exchanged, whatever those proportions may be, can always be represented by an equation in which a given quantity of corn is equated to some quantity of iron: e.g., 1 quarter corn = x cwt. iron. What does this equation tell us? It tells us that in two different things—in 1 quarter of corn and x cwt. of iron, there exists in equal quantities something common to both. The two things must therefore be equal to a third, which in itself is neither the one nor the other. Each of them, so far as it is exchange value, must therefore be reducable to this third.

This common "something" cannot be either a geometrical, a chemical, or any other natural property of commodities. Such properties claim our attention only in so far as they affect the utility of those commodities, make them use-values. But the exchange of commodities is evidently an act characterized by a total abstraction from use-value. As use-values, commodities are, above all, of different qualities, but as exchange-values they are merely different quantities, and consequently do not contain an atom of use value.

If then we leave out of consideration the use-value of commodities, they have only one common property left, that of being products of labour.4

By this reasoning Marx "discovered" the constant behind exchange value as being labor; the exchange value of a commodity thus being determined by the relative amounts of socially necessary labor time embodied in each commodity.

This does not mean that value (which is created by the amount of labor time expended on a commodity) is

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4Ibid., p. 37.
identical with exchange value. Exchange value is inseparably related to abstract value, yet at the same time both retain their distinctive identities. Value is inherent in any good, whether it be a commodity or simply a product produced for self-consumption. As long as labor is embodied in a good or commodity, that good or commodity has abstract value, regardless of whether it is used or entered into the market. A commodity which has been entered into the market has a certain amount of labor embodied in it. Since labor is the substance of value, then the former statement is equivalent to saying that a commodity has a certain amount of abstract value in it. It is this abstract value (or labor embodied within the commodity) which determines the commodity's exchange value. Marx admits that the actual exchange value of a commodity may deviate slightly from that determined by the amount of labor embodied in the commodity as a result of supply and demand factors. However, he insists that the actual exchange value will vary around (sometimes higher, sometimes lower) the true exchange value (determined by the amount of labor embodied in the commodity).

At first thought, Marx's contention that a commodity's value is determined by the amount of labor
time expended on it may seem absurd. If that was all there was to it, a worker could increase the value of the commodity he produced simply by working slower, and thus incorporating more labor time into each commodity produced. If this were the case, the same type commodity would have several different exchange values, depending on which worker it was produced by (since each worker would require a different amount of time to produce the commodity). Since each individual commodity on the market does not have a separate price, then this obviously cannot be the manner in which exchange value is determined.

When Marx said that "the value of a commodity is determined by the quantity of labour spent on it..."\(^5\), he had a specific method of determining the quantity of labor necessary for the production of a commodity. This quantity is not determined at the level of the individual worker, but on the societal level. It is the amount of socially necessary labor which determines the value of a commodity. Socially necessary labor time is "the labour-time socially necessary . . . to produce an article under

\(^5\text{Ibid.}, p. 39.$
the normal conditions of production, and with the average degree of skill and intensity prevalent at the time."\(^6\)

It is more or less a societal average.

Thus, the exchange value of a commodity changes with the changes in productiveness of labor, which in turn is dependent on such things as the state of science, the skill of the individual worker, and the capabilities of the means of production.

C. VALUE OF LABOR

In pre-Capitalist societies, labor power could in no way be classified as a commodity in the Marxian sense of the word. In order to be a commodity, a product must be produced with the intention of entering it in the market. In order for a man to sell his labor power, he must have complete ownership of it. He must then be willing to enter the labor market and offer his labor power for sale. However, he must offer it only for a limited amount of time each day, for if no stipulation were put on the amount of

\(^6\) Ibid., p. 39.
time he sold to the buyer, he would be selling not only his labor power, but also himself. By selling his labor power, yet retaining enough time to himself so as to satisfy his human needs, the worker retains the ownership of himself and his labor power. However, if the worker sells an unlimited amount of time to the buyer, he is selling himself as well as his labor power; he has turned himself "from an owner of a commodity into a commodity."7

In ancient societies, this prerequisite to being a commodity was not met. Slaves, serfs, indentured servants; none could claim ownership to anything, not even themselves. They were the commodity, not their labor power. However, in the modern Capitalist system, man no longer owns other men. Under Capitalism, very few men have the instruments necessary with which to use their labor power in a self-supporting manner. Ownership of the means of production is limited to a small, privileged class. Consequently, a worker in the Capitalist system is effectively forced to sell his labor power to one of the few owners of the means of production. Thus, under Capitalism, labor power becomes a commodity, with the same characteristics and the same basis of value as any other commodity.

7 Ibid., p. 168.
The value of labour-power is determined, as in the case of every other commodity, by the labour-time necessary for the production, and consequently also the reproduction, of this special article.... Given the individual, the production of labour-power consists in his reproduction of himself or his maintenance. For his maintenance he requires a given quantity of the means of subsistence. Therefore the labour-time requisite for the production of labour-power reduces itself to that necessary for the production of those means of subsistence; in other words, the value of labour-power is the value of the means of subsistence necessary for the maintenance of the labourer.8

The definition of the phrase "maintenance of the labourer" must be interpreted to mean not only the necessity of keeping the worker himself alive, but also the need to sustain his family. In the Capitalist system, the family is the only institution capable of assuring a steady supply of labor power. If the family cannot survive, then (assuming no immediate changes in the mores of the society) the birth rate will decrease drastically, at least temporarily. This would result in a severe interruption in the supply of labor power, and hence production would have to be suspended. So not only must the worker himself be kept alive, but his family as well. Consequently,

8 Ibid., p. 171.
"the value of labour-power is the value of the means of subsistence necessary for the maintenance of the labourer" and his family.

Obviously, the value of labor power will vary from society to society and country to country, corresponding to the differing costs of maintaining a worker and his family. A worker's natural wants, such as food, clothing, fuel and housing vary according to climatic conditions and other pertinent conditions of where he lives. The cost of keeping a worker and his family alive in a severe climate like that of Siberia will naturally be much higher than it would be in a more moderate climate, such as in Italy.

However, the maintenance of a worker and his family involves more than just satisfying his animalic needs of food, shelter, and warmth. In addition to a man's natural wants (those common to all men), his necessary wants must also be satisfied. These necessary wants are formed independently of the worker. They are controlled by a country's historical development, and therefore depend

\[\text{Ibid.}\]
a great deal on the degree of civilization attained in that country. So, even if the cost (in terms of labor power) of the natural wants of two workers living in different countries is identical, the value of their respective labor power may differ as a result of varying necessary wants.

PART II. SURPLUS

Under Capitalism, the Capitalist enters the market with money and purchases materials, machines and labor power. He then combines these in a production process, through which a certain quantity of commodities are produced. These commodities are then entered into the market, where they are sold. Marx assumes that all materials, machines and labor power are bought at their value, and the commodities produced are sold at their values. Yet, at the conclusion of the process, the Capitalist has more money than he began with. How can this be? Somehow and at some point in the process, an extra amount of value, or surplus value, has been produced.

Marx rules out the possibility that this surplus value could be attributed to the circulation
of commodities. In a perfectly competitive system (which Marx assumed) no producer would be willing to sell his commodity below its value. This means the Capitalist could not purchase the necessary materials, machinery or labor power below their value. In order for this creation of surplus value to be in the circulation process, then, it must occur when the Capitalist sells his commodity. To obtain more than the commodity's value, its price must be raised above its value. However, if everyone were to try and increase profits in this manner, what a Capitalist gains as a seller he would lose as a buyer, and no surplus value would be created.

Marx then turns to the materials utilized in the production process as a possible source of this surplus value. The materials transfer their value to the new commodities at the completion of the product, but Marx sees no reason to assume that these materials have the miraculous power to increase their value.

In the same manner, Marx discounts the possibility that the machines used in the production process could be the source of increase in value. Marx proposes that machines pass their value into commodities the same as materials,
the only difference being the period of time this transfer requires.

By a process of elimination, labor is left as the only possible producer of surplus value. While other commodities pass on the value they contain, but no more value than they contain, labor is not thus limited in its creative power. Labor is the only commodity capable of producing more value than it contains itself. This unique trait possessed by labor is a result of the discrepancy between labor power's use value and its exchange value.

As explained before, the exchange value of a commodity is the amount of socially necessary labor needed to produce, or reproduce, that commodity. In the case of the worker, this means the amount of labor necessary to produce the value of the goods necessary for the maintenance of the worker. The use value of labor power is the value of the commodities which it can produce. Surplus value results from the fact that the worker (under a Capitalist system and its consequent division of labor) is able to produce more than is necessary for his subsistence. In other words, the use value of labor power is greater than its exchange value. Let us see how this occurs.
Assume that a worker requires $10 per day for his maintenance. Assume further that this worker can produce $2 worth of value each hour. This worker's exchange value (or cost of subsistence) is $10 which he can produce through five hours of work. However, his employer has purchased his labor power for an entire day. So for every hour over five that this worker works, he produces $2 of surplus value. If the length of the work day is eight hours, then the use value of this worker is $16. The Capitalist has purchased the labor power at the exchange value of $10, but has received the labor power's use value, which is $16. Thus, through the purchase and use of the commodity labor power a surplus value equal to $6 has been produced. Through comparing the processes of producing value and of creating surplus value, we can see that the latter is nothing but the continuation of the former beyond a certain point.

In Capitalism, capital is required to produce value, and so also surplus value. Marx distinguishes between two different types of capital; constant capital and variable capital. While both are necessary for the production of surplus value, only one, in combination with the other, has the unique ability to create surplus value.
These two types of capital, along with the surplus value created by their combination, are the three components which comprise the totality of a commodity's value.

A. CONSTANT CAPITAL AND VARIABLE CAPITAL

As mentioned earlier, labor must be expended on a product or commodity in order for that product or commodity to have a use value. Even raw materials, which are "produced" by nature, must have labor acted upon them in order to be made available to society.

Machines, or more properly, the use values the machines possess, are necessary in the Capitalist production process. These machines, in turn, require that a certain amount of socially necessary labor time be expended on them. Since labor (the source of all value) has been embodied in the machines, they have a value equal to the socially necessary labor it took to produce them. During the production process, the machines gradually lose their value as they wear out. However, this value does not vanish from the production cycle. Rather, it is transferred from the machine into the products which the machine has acted on in a productive manner. A machine has this in common with a worker. It
is able through the worker, to transfer the power endogenous to itself into the products it helps produce, just as the worker, with or without the aid of a machine, can transfer the value inherent in him into the products he creates. However, while a machine has a specific amount of value within it (as a result of the past labor expended upon it), a worker not only possesses value equal to the past labor embodied in it, but also has the unique ability to produce a new quantity of value; a quantity which is not the direct result of the amount of past labor which was required to maintain him. Thus, constant capital cannot contribute directly to the production of surplus value, while variable capital can.

Consequently, a machine (which does not possess the unique ability to create new value) can pass on only a constant amount of value, and so is called constant capital. Labor is called variable capital, because value of varying magnitudes can be produced by it. While labor is the only form of variable capital, there are many forms of constant capital, such as machines, buildings, materials, etc.

B. RATE OF SURPLUS VALUE

Total capital (C) consists of constant capital (c) and variable capital (v). Thus, the equation $C = c + v$ is
an expression of the amount of capital entered into the production process of a commodity. However, during the production process, an extra measure of value, or surplus value \((S)\), is produced as a result of the employment of labor. The capital embedded in the commodity at the end of the production process, instead of having the value \(c + v\), thus has the value \((c + v) + S\). The original \(C\) has changed to \(C'\), and so at the end of the process, the relevant equation is \(C' = (c + v) + S\), not \(C = c + v\).

While the constant capital invested in the production of a product helps to determine the value of the product, it can in no way affect the surplus value which is inherent in the commodity, since constant capital cannot create value. Consequently, the rate of surplus value is defined by Marx as the ratio of the amount of surplus value created in the production of the commodity to the amount of variable capital used in the production of the same commodity, or \(\frac{S}{v} = S' = \text{rate of surplus value}\). This equation defines the rate of surplus value in terms of value. It can also be done in terms of labor.

Marx draws a distinction between two types of labor. Necessary labor is that amount of labor necessary
to produce the value of the goods which are required to maintain the worker. Surplus labor is any amount of labor which produces value above the value produced by necessary labor. Thus, the value of the variable capital (or labor) invested in the commodity is equal to necessary labor time. The value of the surplus value is equal to the value of the surplus labor. So an alternative way of expressing the rate of surplus value is the ratio of surplus labor to necessary labor, or \( \frac{\text{surplus labor}}{\text{necessary labor}} \).

C. ABSOLUTE SURPLUS VALUE

It is quite apparent from these equations that the only way possible, according to Marxian analysis, to increase the rate of surplus value is either to decrease the value of the variable capital (or reduce the necessary labor time) or to increase the surplus value produced (increase the amount of surplus labor in the production process).

As the rate of surplus value may be varied in two ways, so also can surplus value itself (this is not the same as saying that surplus value and the rate of surplus value change in equal increments and/or in the same direction). The Capitalist can increase surplus value (1) by holding the
length of the work day (comprised of necessary and surplus labor) constant, but changing the amount of necessary labor time, or (2) holding the amount of necessary labor time constant but varying the length of the work day. The former Marx called relative surplus value and the latter he labeled absolute surplus value.

Work Day

English Labour Statutes from the fourteenth century into the middle of the eighteenth century tried to lengthen the work day by compulsion.\(^\text{10}\) In contrast today's labor statutes make shorter work days mandatory. What determines the length of the work day?

In all countries and societies, the work day has the same relative maximum length. In order to continue to be able to offer his labor power for sale, a worker must be allowed enough time to perform the basic necessities without which human life cannot be maintained. These include such things as rest, eating, and procreation. The type society or the particular country a worker lives in can

\(^{10}\text{Ibid., p. 271.}\)
influence the magnitude of need experienced for these necessities very little, if at all. They are determined almost entirely by the human physiology. Thus, the maximum possible length of the work day will be almost identical in all countries and societies.

The minimum length of the work day, however, may vary widely, depending on the sociological structure, and the geographic and climatic conditions under which the worker lives. The value of the goods necessary to maintain a worker and his family in one set of sociological circumstances can be much different than that necessary to maintain a worker and his family in another society. The society relevant to the worker determines what is considered necessary for the maintenance of the worker. In a particularly wealthy society, it may be thought necessary for each worker to have a servant and a fine house in order for him to be properly maintained. In another society, the worker may be expected to perform his own house chores, and a hovel may be considered adequate housing. Obviously, the cost of maintaining the first worker is much higher than that of maintaining the second, thus necessitating a higher amount of necessary labor to support the first worker in relation
to that required to support the second worker. Since more necessary labor is required to maintain the first worker, then the minimum length of his work day would be longer than the minimum length of the work day for the second worker.

The actual length of the work day will fall somewhere between the maximum and minimum lengths possible. There are many factors which help to determine the length of the work day. One of these is the general business conditions.

If a Capitalist's profits fall as a result of poor business conditions, he must find some way of stopping, or at least slowing this decline. Assume a Capitalist is selling a particular commodity and the price consumers are willing to pay for that commodity decreases, thus meaning lower profits for the Capitalist. This loss of profit would throw the Capitalist into a panic, so he will frantically try to come up with a way to keep profits from falling. Since the Capitalist is working in a market characterized by pure competition (this was assumed by Marx), then he can in no way influence the market price of the commodity. But he does have the power to influence the size of the
part of the price he receives for the commodity which goes
to cover the cost of producing the commodity. In other
words, he can (at least partially), control the cost of
producing the commodity. If less of the price paid for the
commodity is needed to cover the costs of producing the
commodity, then more would be left for profit. The easiest
way of reducing the cost is for the Capitalist to squeeze more
free labor time, or surplus labor, out of the workers.
In order to do this, he simply lengthens the work day.
Thus, in an effort to keep profits constant during a period
of declining business conditions, the Capitalist increases
the length of the working day.

Another factor affecting the length of the working
day is depreciation, especially technological depreciation.11
A machine begins to depreciate from the moment its production
is completed, even if it is not used. While the depreciation
that occurs as a result of a machine being worn out by use
can be controlled, there are other forms of depreciation
over which the Capitalist has no control (such as technological
depreciation), and it is this type of depreciation which

prompts the Capitalist to lengthen the working day.

Technological depreciation is the result of two separate forces. The first is innovation and the second is the declining cost of producing the same machine. When a machine is produced, the technology available at the time of production is what is incorporated in the machine. Once the machine is completed, the only level of technology it is capable of employing in the production of commodities is that which it was made with. However, the level of technology itself does not stand still. For instance, one year after a machine is completed, it will still be using the same technology that was available when it was built, while new machines would be using a more advanced technology. These new machines may thus be able to produce the same commodity at a lower price than the old machine.

Along with this increase in technology comes an increase in the productivity of the worker. This means less labor is necessary for the production of a commodity than was needed before, so the commodity costs less. Since the value of a commodity or machine is the amount of socially necessary labor time needed to reproduce it, the old machine is worth less now than it cost, because the same machine
can now be reproduced for less than it could have been built for one year earlier. This means that the old machine will not be able to transmit on to the commodities it produces a value equal to the amount the Capitalist paid for it.

Since the Capitalist loses more surplus value the longer he must use the same machine (as the result of this depreciation) he will naturally try to wear out his machinery as quickly as possible. To do this, he increases the work day of each worker and institutes the relay system, which provides for workers to work in shifts, or relays, throughout the entire twenty-four hours of each day so that the machines will not lie idle.

While the factors which determine the minimum and maximum lengths of the work day are out of the control of the Capitalist, he does have the power to determine at what point between these boundaries the actual length of the work day will fall. The capitalist is not entirely free, though, to make this decision, for there are such factors as depreciation and general business conditions which strongly affect his decision. In any event, this surplus value which is the result of the lengthening of
the work day, and consequently the amount of surplus labor, Marx calls absolute surplus value.

D. RELATIVE SURPLUS VALUE

In contrast to absolute surplus value, which is the result of an increase in the length of the working day while the price of labor power (or the amount of necessary labor) stays constant, relative surplus value is the result of lowering the price of labor power while the length of the work day remains constant.

Recall that the price (or value) of labor power is equal to the value of all the commodities and services necessary to maintain the worker. So, in order to increase relative surplus value, all that must be done is to lower the cost of maintaining the worker (assuming that the length of the work day is constant).

Subsistence Wage

As mentioned before, the cost of maintaining the worker, or the subsistence wage, is not comprised solely of what it takes to keep the worker alive. For if the Capitalist wishes to be assured of an adequate work force in the future,
he must also assure the survival of the worker's family. Thus, the subsistence wage is that wage which is necessary to supply both the worker and his family with all the commodities and services necessary for their survival.

This allows the Capitalist a tremendously lucrative method of increasing the amount of surplus value he can obtain from his workers. In the past, before industrialization and its corollary Capitalism, only the man of the family worked "to put the bread on the table." Although the woman made it possible for the man to be away at work all day by taking on the responsibility of raising the children and maintaining the home, she did not participate directly in the sustenance producing activities. Enter Capitalism and the Industrial Reserve Army--the situation changes. There is such an oversupply of labor that workers must compete to obtain a job. If one worker does not accept the wages offered by the Capitalist, another will eagerly do so. Since many people are out of work, and consequently earning no money, they are willing to work for almost anything. The wage rate for a single worker is thus forced down (ironically, by the workers themselves) below the subsistence level. This necessitates that, in order for a family to
survive, more than one of its members must work. This is an undreamed of fortune for the Capitalist. Remember, the price of labor is the wage necessary to maintain the worker and his family. With, for example, two members of the same family working, each needs to receive only one half of the amount necessary to maintain the family, yet the Capitalist receives the full use value of both workers. Thus, for the same (ignoring the minimal extra costs incurred by two members of the same family working) price as he must pay to obtain one worker and his use value, the Capitalist receives two workers and their use values. He effectively doubles the amount of surplus value produced.

Productivity of the Worker

Increasing the productivity of the worker is perhaps the most common method of increasing a relative surplus value. An increase in the productivity of the worker means that there has been an increase in the quantity a worker can produce without a corresponding increase in the amount of labor needed to produce the extra quantity. With less labor embedded in it, each commodity produced possesses less value, and so has a lower price to the consumer. This
process of decreasing prices as a result of increasing worker productivity results in a lower cost of maintaining the worker. Thus, less of the work day is taken up by necessary labor and more is devoted to surplus labor, increasing the amount of surplus value produced.

A decrease in the price of labor power through an increase in the productivity of labor, however, is possible only if the increase in worker productivity occurs on a society wide level. If all workers who are employed in factories which produce gold buttons experience an increase in their productivity, the price of labor power would not decrease at all. Although the price of gold buttons will have decreased, gold buttons are not an item necessary for the maintenance of the worker, and so the cost of maintaining the worker will not have decreased. In order for the price of labor to decrease, a decrease in the prices of those commodities necessary for the workers maintenance is necessary, which, speaking in terms of worker productivity, means that only the productivity of workers employed in industries which manufacture commodities necessary for the worker's maintenance (or which produce other commodities used in the production of these necessary commodities) can affect the
price of labor. Remember here that it is the socially necessary labor time which determines a commodity's value, so in order for the price of these necessary commodities to do down, it is not necessary for the productivity of every worker in every factory and industry producing these necessary commodities to decrease. It is only necessary that the average amount of labor needed decreases.

A natural outgrowth of the concentration of the ownership of the means of production in a few hands is division of labor. If a worker cannot own the instruments necessary to carry on his trade, he cannot earn a living for his family and himself. Consequently, he is compelled to work for one of the few people who do own these means of production, as most of his fellow workers are. This vast number of workers is brought together in several large groups, each under a single roof.

Whereas much of the previous manufacturing of products had been carried on in private households, under Capitalism this is no longer true. The ownership of the means of production has become concentrated in the hands of a few Capitalists, and these Capitalists have found it more profitable to assemble a large mass of workers and
machinery in the same building. This increase in profit resulting from the concentration of workers and machinery is due to the cooperation which occurs in such a situation.

Marx says that "when numerous labourers work together side by side, whether in one and the same process, or in different but connected processes, they are said to co-operate, or to work in co-operation."\(^{12}\) Obviously, then, cooperation goes hand-in-hand with division of labor. When a number of workers are assembled in a single building to produce one specific kind of commodity, then the function of each worker must be related to the production of the final commodity, or he would not be employed in that production process. The production process used is broken down into a number of smaller processes. Each worker's labor is assigned to one of these component processes. This is the division of labor. The aggregate labor is divided into units, and each unit is then assigned a particular function in the production process.

The Capitalist gains an increase in worker productivity (and surplus value) in many ways from this

\(^{12}\) Marx, p. 325.
concentration of workers and subsequent division of labor. A portion of this increase in surplus value is achieved as the result of the savings acquired from lower building costs. Suppose one hundred seamstresses are employed in a clothing factory. It is much cheaper to build one structure which is capable of housing all one hundred seamstresses and their necessary equipment than it is to build one hundred separate structures. The construction of a single building means that less constant capital is invested in each commodity, and so its price is lower. If these economies of agglomeration occur in enough areas of production, then the price of labor would decrease, which would mean a corresponding increase in surplus value.

The productivity of the worker can be increased simply by the existence of a larger number (up to a certain point) of workers. To use one of Marx's examples, consider the building of a brick wall. If only one worker is devoted to the task, then that one worker must perform all the necessary functions. However, because of the nature of man, only one task may be performed by this worker at the same time, so he must progress from step to step in sequence. For instance, before he can begin laying the bricks, he must
mix the mortar, then move the mortar and the bricks up to the level where he is working. But if more than one worker is devoted to the job, then this body of men "is, to a certain degree, omnipresent."\textsuperscript{13} Instead of each separate function being completed step by step in sequence, one man can be assigned to each function, and each function can thus be worked on at the same time. "The various parts of the work progress simultaneously."\textsuperscript{14} While one man is mixing the mortar, another man can carry the bricks and mortar which is already prepared up to the man laying the bricks. There is thus no need for any of the workers to stop what they are doing in order to perform another necessary function. Obviously, this means the production process will require less labor time (even though more workers are being used, less labor is expended on the production of the commodity) and so the resulting commodity will cost less. Here again, if this occurs in a sufficient number of factories and industries, then the price of labor (the subsistence wage) will decrease, and surplus labor will increase.

\textsuperscript{13} Ibid., p. 327.

\textsuperscript{14} Ibid.
Another source of savings in the production process that is a result of cooperation and division of labor can be attributed to "the creation of a new power, namely, the collective power of masses."\textsuperscript{15} By bringing together a large number of workers, a task which could not be performed by a single worker could be carried out with ease, only the cooperation of all these men being needed. "As one man cannot, and ten men must strain to lift a ton of weight, yet 100 men can do it only by the strength of a finger of each of them."\textsuperscript{16} The gain made by this aspect of cooperation is not an insignificant one. Take for example a job which involves the carrying of an object weighing three hundred pounds from one point to another point twenty feet away. One man (admittedly, a very strong one) could conceivably perform this task. However, the strenuous nature of the work would severely limit the length of day this worker could withstand. He would obviously have to work long enough so as to reproduce a quantity of commodities having sufficient value to equal the cost of maintaining him. Let us say that

\textsuperscript{15}Ibid., p. 326.

he can then work an extra two hours (which is surplus labor, which equals surplus value). Now suppose that four more men are assigned to this job, all five workers being instructed to work in unison. Since the job is now much easier on each man working in unison than it was on the worker performing the task alone, each man can work a full day of ten hours. While the Capitalist gains no increase in the amount of surplus value he obtains from the four extra workers, he does obtain an increase in the surplus value produced by the original worker. If it requires four hours worth of labor to equal the amount necessary for the maintenance of the worker, and this worker was able to produce two hours of surplus labor when working before, then the Capitalist gains four extra hours of surplus labor. This surplus value is absolute surplus value, since it is the result of an extension of the work day.

More relative surplus value is also produced. These five workers could move more of these objects weighing three hundred pounds by working together than five men could working separately in the same amount of time. Thus, since the same amount of labor accomplishes a greater amount of work, worker productivity has risen, and prices will go down (since
less labor is embedded in each commodity). When this occurs in enough industries to lower the cost of maintaining a worker and his family, the price of labor will decrease and the amount of surplus value produced will increase.

Basic human competitiveness provides the impetus for yet another increase in the production of surplus value. Man is a social animal, and so when a number of workers are brought into close contact with one another, they perform more effectively than when they must work by themselves. The mere fact that many workers are in close proximity to each other thus results in an increase in productivity. This again may result in an increase in surplus value through a reduction in the price of labor.

Of course, the "practice makes perfect" argument also is a basis for the production of an increased amount of surplus value. As a result of division of labor, a worker is forced to perform the same, often minute tasks many, many times a day, every day he works. Naturally, the worker will, over time, develop a proficiency at this task that a worker not as well acquainted with the task will not have. So the result of division of labor will be a decreasing amount of socially necessary labor time which must be expended.
on each commodity produced by an industry employing division of labor. The expected result will be an increase in surplus value.

The Use of Machinery

Machines were introduced into the production process by Capitalists in order to increase the surplus value created by their workers through increasing their productivity. In the short run, this may be effective, but, according to Marx, in the long run, the increasing use of machinery results in exactly the opposite outcome than that which was desired by the Capitalist.

As explained earlier, a machine is a commodity which has a value which is determined by the amount of socially necessary labor time embedded in it. Also, a machine, unlike labor, can transfer no more value to the commodities which it produces than has been entered into it as the result of labor being expended upon it. In other words, machines cannot produce surplus value.

Then why use machines, it may be asked. There are two major reasons why a Capitalist would introduce machinery into the production process. The first, which has already
been mentioned, is to increase worker productivity and thus increase the surplus value produced by a worker. While a machine is incapable of directly producing surplus value, it can increase a worker's productivity, and thus indirectly make an increase in surplus value possible. A machine is produced by human labor, but is in no way limited to performing only those functions which a human can perform. A machine is capable of working faster and longer than a human, and is capable of handling tasks which are far beyond a human's strength or endurance. Because a human's capabilities can be increased so tremendously by their integration with the use of machinery, a worker's productivity can be fantastically increased.

A second reason that a Capitalist would adopt the use of machinery is because of the pressure of competition. The use of machinery, through increasing worker productivity, leads to a decrease in a commodity's price. Consumers naturally buy the commodity with the lowest price, given that the other variable qualities of the commodity are assumed to be the same. If one Capitalist used machinery in his production process, and another did not, the Capitalist who did use machinery would be able to charge a lower price
than the Capitalist who did not use machinery. This would allow the Capitalist who used machinery to gain a large part of the market of the Capitalist who did not use machines. This would at the least force profits down for this Capitalist, and could very possibly force him out of business. As can plainly be seen, a Capitalist who wished to maintain his position in the market is forced to use machinery once any other Capitalist producing the same product or a near substitute begins to mechanize his production process.

Yet another reason for the increased use of machinery is that in this way the Capitalist can more thoroughly exploit the worker and his family. As machines become improved, they can be used to perform the tasks which require a great amount of physical strength and stamina. Since it takes little effort to operate such a machine, women and children can now be used to a greater extent in the production process. As was explained earlier, by employing an entire family, the Capitalist can obtain a surplus value which is a multiple of the number of family members who are employed, yet have to pay no more to obtain the services of these extra family members than he formerly had to pay to obtain the services of just one.
This adoption of machinery by the Capitalist locks him into a vicious cycle which eventually helps to hasten his demise. Once machinery has been introduced into the production process by one Capitalist, the other Capitalists must follow suit in order to protect their own interests. But the increased use of machinery in the place of labor results in a decrease in the amount of surplus value produced. Bear in mind that a machine is not capable of producing surplus value. It can merely pass the value which has been entered into it on to the commodities it produces. In contrast, a laborer performing the same task would create surplus value. Of course the use of machinery increases worker productivity and thus decreases the price of labor. This would tend to partially offset the decline in the production of surplus value experienced as the result of the use of machines. However, according to Marx, after a certain degree of substitution of machines for labor has been reached, the amount of extra surplus value which results from the rise in worker productivity is not sufficient to make up for the amount which is lost from the fact that the worker is no longer involved in that aspect of the production process. The result is a net decrease in the production of surplus value.
One might query why the Capitalist would be silly enough to substitute machinery for the worker past the point where surplus value actually declines. As mentioned earlier, Marx assumes a perfectly competitive economic system. This implies homogeneous products, which the consumer will discriminate between on no other basis than that of price. So the Capitalist must constantly strive to increase worker productivity so that he can offer the commodity he produces at a lower cost. If he cannot offer his commodity at a price as low or lower than his competitor's then he will lose profits. And since a loss of profits is much more visible to a Capitalist than a loss of surplus value, the Capitalist will choose to hold his profit constant by increasing the use of machinery at the expense of the amount of surplus value which he obtains. While in the short run this allows the Capitalist to continue production, in the long run, the production of surplus value, which is the life blood of the Capitalist, will steadily decline until it is no longer sufficient to support the Capitalist who depends on it for his existence.

E. DIVISION OF SURPLUS VALUE

A Capitalist society spawns many people who perform no productive work of their own but who live off
of the surplus value which is created by those who do. The creation of surplus value is necessary for the existence of such people as the Capitalists themselves, shopkeepers, and middlemen. It is plain to see how the Capitalists or Captains of Industry expropriate the surplus value created by workers. But it is less clear as to how a middleman, for instance, can appropriate enough surplus value to sustain himself. He has no workers under his supervision who are engaged in any form of productive work where surplus value can be produced. He himself performs no function from which surplus value may arise. Yet this middleman is able to share in the surplus value which is produced by workers in a factory over which he has no control.

In order for the large scale production which is prevalent under Capitalism to occur, such activities as wholesaling, warehousing and retailing must be performed. These activities require the services of a person who, like the Capitalist, engages in no productive activity himself. In order to survive, then, he must be allowed to share in the surplus value which is created in the production process. It is obvious, then, that the Capitalist cannot retain the total mass of surplus value produced. This
mass of surplus value must be divided among all the members of the production, financing and distribution processes in accordance with the ratio of their contribution to the entire process.

Since a detailed discussion of rent and interest would be inappropriate in a paper dealing with the topic of surplus value, let it suffice to say that in addition to the salaries received by Capitalists, surplus value is further divided among members of the financing, production and distribution process by means of interest and rent.

PART III. COMMENTS

While it must be conceded that many aspects of Marx's analysis of surplus value are brilliant, others are open to serious doubt and even to outright challenge.

The contention that machines are incapable of creating surplus value, and can only transfer a value equal to the labor expended on them into the commodities they produce is the most blatant error Marx makes. Marx at no time convincingly proves his assertion that machines are incapable of producing surplus value. He attempts to use his peculiar form of logic to present his assertion as an
undeniable truism, yet he does not try to discover why labor does have this unique ability to produce surplus value and machines do not. Through his dialectical method, Marx rules out all of the possible sources of surplus value except labor, saying that machines cannot produce more value than that which has been entered into them by the expenditure of labor on them.

He then goes on to say that labor can produce more value than it has embedded in it due to the expenditure of labor on it, but he offers no explanation as to why labor can do something that machines cannot.

Can it unequivocably be said that when a worker is combined with a machine in the production process, that the surplus value created is attributable solely to the worker? Is it not possible that the surplus value produced is a result of the combining of the worker and the machine, and not one of the two individually? Marx states that a machine's value is equivalent to the amount of labor power invested in it, and that it can transfer this "dead labor power" into the commodities it produces. Marx does not even consider the possibility that the machine cannot only transfer the productive capacity of the labor power embedded
in it, but also the capacity to produce surplus value. It is only logical to assume that if a machine is capable of receiving the labor power which is exercised upon it and retain the characteristic of productivity that was intrinsic to the original labor power, then it should also be capable of retaining other characteristics of the labor power embedded in it, even that characteristic of being able to produce surplus value.

This is commonly accepted as fact by businessmen today. In fact if it were not true that machines could impart more value to the commodities it produces than the machine cost, businessmen would not bother to invest in machines. If a machine is not capable of returning the original investment (or its value) plus a "surplus value," then the investor would turn elsewhere to invest his money. To this Marx might argue that it is not the machine which in actuality produces the surplus value. He would insist that it is the worker who operates the machine. With the sophistication which exists in modern machinery, it can be argued that man no longer contributes to productivity. To Marx, a Capitalist, besides being a person who owned the means of production, was a person who contributed in no material way to productivity,
who simply oversaw the operations of his factory and served to coordinate the activities of the production process. For this he received a portion of the surplus value produced by the workers in his factory. Consider the operator of a large, automater machine in a modern factory. He in no way contributes materially to the production of commodities. The machine he operates performs all the work while the operator sits and pushes buttons. The operator, like Marx's Capitalist, simply watches over the operation of the machine and makes sure that everything is working smoothly. Does the operator in this case, while not owning the machine, in every other way not resemble the Capitalist of Marx's description, who lives off the surplus value created by others? Is it not the machine which, once given life by having had labor expended on it, the true producer of surplus value?

Marx repeatedly states that when a worker makes something, he enters a part of himself into the object he has produced. When the object of a worker's labor is taken away from him, a part of the man himself has been stolen. 17

By this does Marx mean that the part of himself that the worker enters into an object which he creates is simply value, and not a fraction of his humanness? If this were the case, and a certain amount of value were all that the worker lost, the worker would of course be upset, but he would not have lost a part of his humanness and been reduced closer to the level of an animal as Marx claims in the *Economic and Philosophic Manuscripts of 1844* is the inevitable outcome. If no humanness were transferred into the object which had been stolen from the worker (an object upon which the worker had spent labor) then no humanness would have been lost. However, since Marx asserts that the worker is dehumanized by the process whereby he puts a part of himself into an object, and that object is then snatched from him by the Capitalist, a certain amount of that worker's humanness must have been transferred into the object of his labor. Since the ability to produce surplus value is a human characteristic, or in other words, part of a worker's humanness, is it not logical to assume that this aspect of a worker's humanness enters the object of the worker's labor along with the multitude of other aspects comprising his humanness? In other words, when a worker enters a portion of his humanness into the
object he produces, the capacity to produce surplus value passes into that object along with all the other characteristics comprising the worker's humanness. So, when a worker expends labor power on the production of a machine, not only is the capacity of productivity transferred to that machine, but also the capacity to create surplus value.

Marx himself explains one way in which a machine can produce surplus value. The amount of surplus value produced as the result of the production of a commodity depends in part on the amount of labor put into that commodity. The amount of labor which is necessary for the production of the commodity is considered to be the average amount of labor necessary under the prevailing production conditions, or the socially necessary labor. Marx states in volume one of *Capital* that one factory may be able to produce a commodity using less than the socially necessary labor time. Even if the increase in productivity experienced by this factory is a result of the use of machines, the cost for which the Capitalist can produce the commodity is still lower than the price which a factory requiring the full amount of socially necessary labor time can produce its commodity for. Yet the commodities from both factories could sell at the same
price, that determined by the amount of socially necessary labor required for the production of the commodity. Since Marx assumes perfect competition, both Capitalists can sell all of the commodities which they can produce. Consequently, the more productive factory produces more surplus value. While the amount of surplus value realized by the sale of each commodity produced by the more efficient firm is less than that of the average firm the more efficient factory can produce, and thus sell, a larger number of commodities. Since the length of the work day is equal in the two factories, the same amount of surplus value is produced as a result of the employment of labor power. However, the more efficient firm receives an extra amount of surplus value. This extra amount is equal to the difference between the price which the commodities sell for and the lower amount which the more efficient firm is capable of producing the commodity for, since less labor is invested in it. Since this Capitalist sells the commodity for a price which is higher than the amount of value which the commodity contains, extra surplus value is obtained.

Marx can in no way claim that this extra surplus value is the result of labor power. The more productive
factory can produce the commodity with less labor as a result of the use of machinery. Since it is because of this increase in productivity that the Capitalist receives extra surplus value, and since the increased productivity is the result of the use of machines, it must be acknowledged that this extra amount of surplus value is created by the machines in the production process, not by the labor power.

Another incidence which Marx failed to see in his analysis of the Capitalist system and the consequent predictions he made about Capitalism is the rise of labor unions. Marx, in company with Malthus and Ricardo as well as other classical proponents of the dismal science, was of the persuasion that the wage the worker could earn would consistently remain at the subsistence level. This perennial doldrums in which the worker was, according to Marx, to forever live was to eventually cause a revolution, the revolution of the proletariat. Marx, however, had no vision whatsoever of the worker gaining any type of coercive or bargaining power against the Capitalists. But that is exactly what has happened. Workers have joined together, and instead of striving to better their own individual conditions by individual action, they now act in concert,
wielding substantial power against the Capitalist. Since labor now acts as one mind and one body, the modern Capitalist (if one in actuality still exists) faces the choice of either bending to the demands of the worker, at least partially, or of possibly losing his supply of labor.

Of course, with every increment in wage a worker obtains which raises his wage further above the subsistence level, more surplus value must of necessity be repatriated from the Capitalist back to the worker, who is the source of all surplus value. This results in a larger share of the surplus value which is produced being retained by the worker, and a smaller amount being expropriated by the Capitalist.

While it can be contended that Marx committed a number of other errors in his presentation of the topic surplus value, I believe that two presented above to be the only two unshakeable falsehoods propounded by him. All others survive only in the realm of logic and as such have no absolute truths or falsities. Consequently, I have omitted a discussion of these other possible errors, as this paper is not an exercise in the use of logic, but is instead a treatise on Marx's concept of surplus value.
CONCLUSION

It must be kept in mind that Marx's concept of surplus value is only one of many alternate theories. Some theories run parallel at many points to Marx's, diverging at several, or possibly only a few, important points. Others are very nearly the antithesis of what Marx projects surplus value to be. Still others deny the existence of such a thing as surplus value altogether. It cannot be said absolutely that any of the available theories are right or that any are wrong. The best of each must simply be extracted from them as the viewer of the theory perceives the best to be.

The contents of this paper have in no way attempted to color Marx's theory of surplus value in one way or another. The intent has been to present in an objective manner Marx's concept of surplus value so that a more clear understanding of the topic could be obtained.

The inclusion of a short discussion at the end of this paper on two aspects of Marx's theory of surplus value was considered necessary by the writer of this paper for fear that one or more readers of this paper may mistake the
fact that a great deal of time was spent for the purpose of explaining these points with an expression of concurrence with Marx's analysis. Nothing could be further from the point. So the last section was included to forestall any reader from discarding the contents of the entire paper on the basis that if the writer could agree with such an obviously invalid analysis, his treatment of the rest of the subject must be similarly impaired by the same lack of intelligence.
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