

## CHAPTER X

### THE ALLEGED RIGHT OF LABOR TO THE ENTIRE PRODUCT OF INDUSTRY

IN a preceding chapter we saw that Marxian Socialism is logically debarred from passing *moral* judgment upon any social institution or practice.<sup>1</sup> If social institutions are produced necessarily by socio-economic forces they are neither morally good nor morally bad. They are quite as unmoral as rain and snow, verdure and decay, tadpoles and elephants. Consistent Socialists cannot, therefore, censure on purely ethical grounds private capital and interest.

This logical requirement of the theory of economic determinism is exemplified in much of the rigidly scientific discussions of Socialists. Marx maintained that the value of commodities is all determined and created by labor, and that interest is the surplus which the laborer produces above the cost of his keep; nevertheless Marx did not formally assert that the laborer has a moral right to the whole product, nor that interest is theft. He set forth his theories of value and surplus value as positive explanations of economic facts, not as an ethical evaluation of human actions. His object was to show the causes and nature of value, wages, and interest, not to estimate the moral claims of the agents of production, or the morality of the distributive process. In his formal discussion of the theory of value and of surplus value, Marx said nothing that implied a belief in genuine moral responsibility, or that contradicted the principles of philosophical material-

<sup>1</sup> Cf. Engels, "Socialism: Utopian and Scientific," pp. 45, 46; and Hillquit-Ryan, "Socialism: Promise or Menace," 103, 104, 143-145.

ism and economic determinism. It is, therefore, quite erroneous to infer that, since the Marxian theory attributes all value and products to the action of labor, Marxian Socialists must condemn the interest-taker as a robber.

Neither Marx nor any other Socialist authority, however, has always held consistently to this purely positive method of economic exposition. When they declare that the laborer is "exploited," that surplus value is "filched" from him, that the capitalist is a "parasite," etc., they are expressing and conveying distinct moral judgments. In their more popular writings Socialist authors do not seriously attempt to observe the logical requirements of their necessitarian philosophy. They assume the same ethical postulates, and give expression to the same ethical intuitions as the man who believes in the human soul and free will.<sup>1</sup> And the great majority of their followers likewise regard the question of distribution as a moral question, as a question of justice. In their view the laborer not only creates all value, but has a just claim to the whole product.

### *The Labor Theory of Value*

This doctrine is sometimes formally based upon the Marxian theory of value, and is sometimes defended independently of that theory. In the former case its groundwork is about as follows: By eliminating the factors of utility and scarcity, Marx found that the only element common to all commodities is labor, and then concluded that labor is the only possible explanation, creator, and determinant of value.<sup>2</sup> Since capital, that is, concrete capital, is a commodity, its value is likewise determined and created by labor. Since it cannot create value, for only labor has that power, it can contribute to the product of the productive process in which it is engaged only as much value as it originally received. Since it is only a reservoir of value, it cannot transfer more value than it

<sup>1</sup> Cf. Hillquit-Ryan, *op. cit.*, pp. 75, 76.

<sup>2</sup> "Capital," pp. 1-9; Humboldt Edition.

holds and possesses. In the words of Marx, "the means of production transfer value to the new product, so far only as during the labor-process they lose value in the shape of the old use-value. The maximum loss of value that they can suffer in the process is plainly limited by the amount of the original value with which they came into the process, or, in other words, by the labor time necessary for their production. Therefore, the means of production can never add more value to the product than they themselves possess independently of the process in which they assist. However useful a given kind of raw material, or a machine or other means of production may be, though it may cost 150 pounds, or say 500 days labor, yet it cannot, under any circumstances, add to the value of the product more than 150 pounds." <sup>1</sup>

To view the matter from another angle: capital contributes to the product only sufficient value to pay for its own reproduction. When, as is the normal usage, the undertaker has deducted from the product sufficient value or money to replace the deteriorated or worn out machine, or other concrete capital, all the remaining value in the product is due specifically to labor.

When, therefore, the capitalist goes further, and appropriates from the product interest and profits, he takes a part of the value that labor has created. He seizes the surplus value which labor has produced in excess of the wages that it receives. In ethical terms, he robs the laborers of a part of their product.

It is not necessary to introduce any extended refutation of this arbitrary, unreal, and fantastic argument. "The theory that labor is the sole source of value has few defenders to-day. In the face of the overwhelming criticism which has been directed against it, even good Marxists are forced to abandon it, or to explain it away." <sup>2</sup> It may, however, be useful to recount very briefly the facts

<sup>1</sup> Op. cit., p. 117

<sup>2</sup> Skelton, "Socialism: A Critical Analysis," pp. 121, 122.

which disprove the theory. Labor creates some things which have no value, as wooden shoes in a community that does not desire wooden shoes; some things have value, exchange value, although no labor has been expended upon them, as land and minerals; the value of things is sometimes greater, sometimes less, proportionately, than the labor embodied in them; for example, paintings by the old masters, and last year's styles of millinery; and, finally, the true determinants of value are utility and scarcity. If it be objected that Marx was aware of these two factors, the reply is that he either restricted them to the function of conditions rather than efficient causes of value, or attributed to them an influence that is inconsistent with his main theory that labor is the sole determinant of value. Indeed, the contradictions into which Marx was led by the theory are its sufficient refutation.<sup>1</sup>

With the destruction of the labor theory of value, the Marxian contention that capital contributes only its own original value to the product is likewise overthrown. The same conclusion is reached more directly by recalling the obvious facts of experience that, since the joint action of both capital and labor is required to bring into being every atom of the product, each is in its own order the cause of the whole product, and the proportion of the whole that is specifically due to the causal influence of either is as incapable of determination as the procreative contribution of either parent to their common offspring. The productive process carried on by labor and capital is virtually an organic process, in which the precise amount contributed by either factor is unknown and unknowable.

In so far, therefore, as the alleged right of labor to the whole product is based upon the Marxian theory of value, it has not a shadow of validity.

### *The Right of Productivity*

But the claim is not necessarily dependent upon this

<sup>1</sup> Cf. Skelton, loc. cit.

foundation. Those Socialists who have abandoned the labor theory of value can argue that the laborer (including the active director of industry) is the only *human* producer, that the capitalist as such produces nothing, and consequently has no moral claim to any part of the product. Whatever theory of value we may adopt, or whether we adopt any, we cannot annul the fact that interest does not represent labor expended upon the product by the capitalist.

Nevertheless, this fact does not compel the conclusion that the share of the product now taken by the capitalist belongs of right to the laborer. Productivity does not of itself create a right to the product. It is not an intrinsic title. That is to say, a right to the product is not inherent in the relation between product and producer. It is determined by certain extrinsic relations. When Brown makes a pair of shoes out of materials that he has stolen, he has not a right to the whole product; when Jones turns out a similar product from materials that he has bought, he becomes the exclusive owner of the shoes. The intrinsic relation of productivity is the same in both cases. It is the difference of extrinsic relation, namely, the relation between the producer and the material, that begets the difference between the moral claims of the two producers upon the product.

The right of the producer is conditioned by certain other and more fundamental relations. Why has Jones a right to the shoes that he has made out of materials that he has bought. Not because he needs them; he is not alone in this condition. The ultimate reason and basis of his ownership is to be sought in the practical requirements of an equitable social distribution. Unless men receive an adequate return for their labor, they will not be able to satisfy their wants in a regular and sufficient manner. If they are forced to labor for others without compensation, they are deprived of the opportunity to develop their personality. They are treated as mere instruments to the welfare of beings who are not their superiors, but their

moral and juridical equals. Their intrinsic worth and sacredness of personality is outraged, their essential equality with their fellows is disregarded, and their indestructible rights are violated. On the other hand, when a producer, such as Jones, gets possession of his product, he subordinates no human being to himself, deprives no man of the opportunity to perform remunerative labor, nor appropriates an unreasonable share of the common bounty of the earth. He has a right to his product because this is one of the reasonable methods of distribution.

In fact, it is the exigencies of reasonable distribution that constitute the fundamental justification of every title of ownership. The title of purchase by which a man claims the hat that he wears; the title of inheritance by which a son claims the house that once belonged to his father; the title of contract through which a laborer gets wages, a merchant prices, and a landlord rent, are all valid simply because they are reasonable devices for enabling men to obtain the goods of the earth for the satisfaction of their wants. All titles of property, productivity included, are conventional institutions which reason and experience have shown to be conducive to human welfare. None of them possesses intrinsic or metaphysical validity.<sup>1</sup>

Therefore, the Socialist cannot establish the right of labor to the full product of industry until he proves that this so-called right could be reduced to practice consistently with individual and social welfare. In other words, he must show that to give the entire product to the laborer would be a reasonable method of distribution. Now the arrangement by which the Socialist proposes to award the whole product of labor is the collective ownership and operation of the means of production, and the social distribution of the product. If this system would not enable

<sup>1</sup> The exaggerated claims made on behalf of social productivity in the matter of land values have been examined in a previous chapter. Similar exaggerations with regard to capital will be considered in chapter xii.

the laborer and the members of society generally to satisfy their wants to better advantage than is possible under the present system, the contention that the laborer has a right to the entire product of industry falls to the ground. The question will be considered in the following chapter.