

Man vs. Machines: Who Produces Profit?

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If machinery cannot produce profit, why do capitalists, at great expense, always introduce new machinery? In the early days of capitalism, entrepreneurs started to use machinery because there was a limit to their exploitation of the laborers. Marx did not know anything about this. He said,

In short, it (machinery-Ed.) is a means for producing surplus value (Capital, Part IV, Chapter XV, Section 1, p. 371).

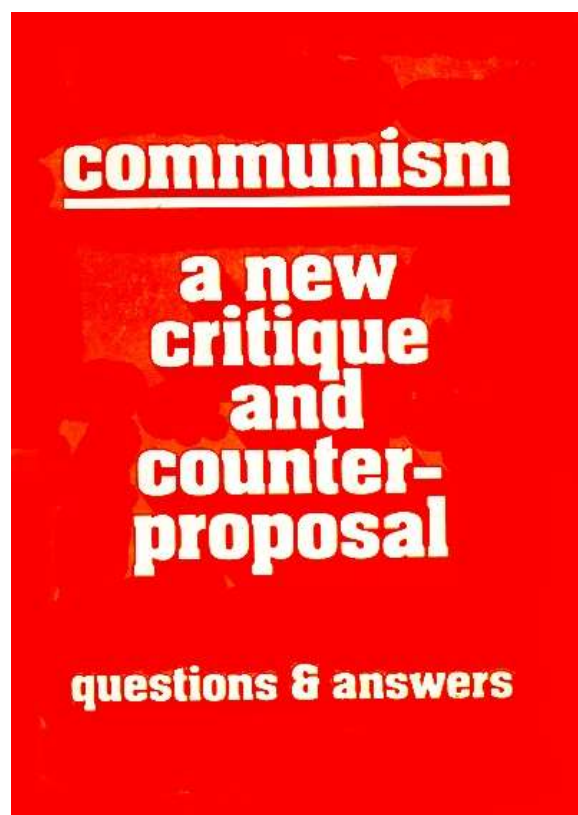
The starting point of Modern Industry is, as we have shown, the revolution in the instruments of labour, and this revolution attains its most highly developed form in the organised system of machinery in a factory (Ibid., Section 3, p. 394).

So soon as the handling of this tool becomes the work of a machine, then, with the use-value, the exchange-value too, of the workman's labour-power vanishes; the workman becomes unsaleable, like paper money thrown out of currency by legal enactment (Ibid., Section 5, p. 431).

Hence, in the place of the hierarchy of specialized workmen that characterizes manufacture, there steps, in the automatic factory, a tendency to equalize and reduce to one and the same level every kind of work that has to be done by the minders of the machines (Ibid., Section 4, p. 420).

In the factory we have a lifeless mechanism independent of the world (man, who becomes its mere living appendage (Ibid., p. 422).

Therefore, despite clearly recognizing the importance of machinery in the process of production, Marx persisted in the theory that profit comes solely from labor force.



What is the reason for this? It is obviously because all his theories and the need for revolution, which was his final goal, would have been demolished if he had admitted that machinery contributes to the production of profit. To protect his theories he invented his depreciation law and the relative value theory.

If, when the lengthening of the working hours and the reduction of wages have reached the limit, and yet more profit is obtained through the introduction of machinery, this increased profit must come from the machinery. Everybody knows that the purpose and motive for machinery invention is far greater production capability. Especially nowadays we have automation; factories that produce much profit without laborers. If Marx lived today and saw this phenomenon, he would surely burn his "Capital." There can be no question about the production of profit by machinery. Machinery is variable capital like labor force.

Profit production

Why can labor force and machinery produce profit?

First I must explain about the production of profit by

labor force. Labor force can produce profit because it has life power and creative power.

Life power is the capability for growth and creation, an ability that all living beings possess. In a plant, after the seed is sown, the shoot forms and grows into a stem. Then it grows branches; soon leaves and flowers appear; it bears fruit, and eventually seeds again thrive on the food of the fruit, all because of the innate vitality within the plant. The young animal grows, becomes a parent and multiplies because of its vitality. Growth and multiplication is the creation of a new individual. That a young animal can come out of a fertilized cell shows the creation of new life, by vitality. Some animals create various kinds of objects from outside materials, for instance, beavers build dams, bees make hives, and birds make nests.

All this growth, multiplication and building, are done because of the original vitality, the creative power

itself. In man this vitality is highly developed far beyond that of animals because man is a rational being. Animals' creative power is merely instinctive, whereas human creative power has technical creative power in addition to pure instinctive creative power. Man, then, has these two creative powers innately, and the labor force of man comes mainly from technical creative power, which is also a kind of living power. It is through these powers that profit is produced.

Then why can machinery produce profit? Because it is also technical power. Machinery is hardly a lump of iron. It is technical creative power materialized. A machine is created by a scientist's invention, when the technique and creative power of a man is transferred to material form. Therefore a machine has a technical creative power just like labor force.

Action of give and take and profit production

Here I must clarify that creative power can never produce profit just by itself. Creative power can produce profit only when it has an action of give and take with other elements. A plant grows through mutual action with the soil, fertilizer, and water, just as animals multiply by the action of give and take between the male and female. Likewise, profit is produced through the mutual give and take action between the various elements in the production process that contain creative power. Cooperation between machinery and labor force creates gain. I must make clear that entrepreneurs, technicians, and office workers respectively, all contribute a kind of creative power and contribute to the production of profit. This means that profit cannot be produced by machinery and labor force only. Because the process of production is that of cooperation, it is obviously false that profit is produced by surplus labor.

Profit distribution

Because of such cooperation, every element that contributed to the profit production is entitled to obtain a certain part of the profit. Marx blamed capitalists for their exploitation, claiming all the profit belonged to the laborers. However, the capitalists' criminal offense is not in the exploitation of profit itself but in the excessive monopolization of the profit, without the impartial distribution to every element that participated in the process of production. Since capitalists set up the machinery by investing their capital, and the machines contribute to the creation of profit, a part of the profit should rightly belong to the capitalists. In our times especially, because entrepreneurs take an active part in the production process, there is no doubt that they should also take some profit. Only the way in which the profit is distributed comes into question. The exploitation of the capitalists is not that of the surplus value but that of the profit. For this mistake the capitalist should still have been accused. To correct the exploitation, more appropriate distribution should be undertaken.

Essence of profit is reward for the creation of value

Before I explain about the original nature of profit, let me first touch upon the subject of the production and formation of profit. Previously, I showed how all the producing elements, including labor power and machinery, come to produce profit, directly or indirectly, by the action of give and take during the process of production. But this was a simplification for the easy understanding of Marx's theory of surplus value. Strictly speaking, what is produced in the process of production is not profit itself but the factor of profit. We should understand that there are both the source of profit and the actual profit itself.

The source of profit means the factors that make the profit come to exist, whereas the realistic profit is the gain in money. Just as there are no stalks or flowers without seeds, so too, there can be no profit without the corresponding element of the source of this profit in commodities. What does this mean? It means that the source for the profit is that which is produced, but the actual profit itself bears fruit in money form. It is a general tendency to think that profit is produced first of all in the market but this is wrong. Truly speaking profit is formed in the market only on the basis of the source of profit which has been produced in the process of production.

Now to discuss the essence of profit. As we have seen, Marx's assertion that surplus value is the original source of profit is wrong. Then what is the real essence of profit? To make a premature conclusion, profit is the social reward for the activity of creating value. This value is use value, and is the very source of the profit. For easy understanding we have previously said that man produces profit, however, strictly speaking, it is use value that is created. This is realized in the market as effective value and becomes realistic profit during the process of circulation.

Use value is the objective value of a commodity, therefore no profit can be formed without it. Profit is the reward that society returns for the services that the entrepreneurs and merchants provide by increasing the social wealth as they create, transfer or sustain use value. In brief we call this the social reward for the value-creating activities.

Since the entrepreneurs, including the traders, brought to the society the service of creating value, the society pays them back a definite amount of money as a reward. This amount is the profit. Here I must

again emphasize that such reward is not for the entrepreneurs' labor itself, but for the creation of use value that they have performed. Dealing with use value is very important when considering profit.

Without dealing with use value, profit cannot be made. It is a type of give and take action between the givers and receivers. Then what is the relationship between price and profit? Profit is the amount of gain and is of course expressed in price. In determining the price, producers, including traders, assess the price, exceeding the production cost (or circulation cost in the case of traders) that would satisfy them, taking into consideration demand, supply and other market conditions. In this case the amount exceeding the production cost is automatically profit. Consumers buy the commodities when they also are satisfied; they have taken into consideration their economic situation and the effect they expect from the commodities. The money earned from this sale is profit.

Since the actual price and amount of profit is determined by the entrepreneurs themselves, it may seem unreasonable to maintain that profit is their reward. But in view of the fact that the consumers buy the commodities only when they are satisfied with the price, profit may well be called reward. Moreover the price determination varies depending on various economic and social conditions such as supply and demand, time, place, controls, monopolies, currency, export, import, etc.

The price then, cannot be arbitrarily determined by the producers. This means that in reality, the profit is determined by, society and consequently, profit may well be looked upon as reward given to the producers by the society.