EXPLOITATION IN AFFLUENT SOCIETY

In today's "affluent society" the Australian worker gets a smaller share of the national wealth—exploitation has increased.

Because of the rise in the standard of living of the working class in Australia during the last two decades, the view is widely held, and actively propagated, that with rising living standards exploitation is diminishing.

In popular usage, the term 'exploitation' has a variety of meanings ranging from extreme cruelty or inhumanity, arduous working conditions, sweat shops and grinding poverty, to declining living standards. It rests on subjective attitudes.

Bourgeois economic theory, insofar as it recognises exploitation at all, rests also on subjective attitudes. In orthodox marginal economic analysis, exploitation occurs when labor receives less than its marginal output.

The representatives of so-called welfare economics (founded by A. C. Pigou) define exploitation as a deviation of the actual division of the social income from what it would be in conditions of free competitive capitalism. Monopolistic exploitation is said to consist in the appropriation by monopoly capital of more than is its 'due' according to the norms of profit in free competition. According to this theory the workers may even 'exploit' the capitalists if they obtain more than their labor power is 'worth' according to the norms of free competition.

The marxist analysis places exploitation on an objective basis. Marx discovered the solution to the problem with which the classical bourgeois economist had been grappling: the problem of how to explain the origin and persistence of that value-difference between input and output upon which the economic development of society depends.

(See e.g. The Economics of Welfare by A. C. Pigou, pp. 556-571, 813-814.)
By giving the concept of value as embodied labor a sociological content (of which Ricardo was only dimly aware) Marx found the secret of the wealth of the ruling class—surplus value. The concept of the value of labor power as being distinct (in magnitude) from the value which this labor power creates in the process of production, provided a basis for analysis of the main lines of development of the capitalist system as a whole.

The classical assumption that scientific analysis must start from the relations between men in production in the given historical conditions once applied to the working class, led Marx to elaborate the theory of the peculiarity of labor power as a commodity able to produce more commodities than its own upkeep and replacement requires.

This difference between what it creates and its own value provides the surplus, the difference between input and output, the total surplus value. (Examination of Marx’s development of the concept of price of production, a modified form of value applying under conditions of developed capitalism, is beyond the scope of this article.) Exploitation is the appropriation of this difference by the class which owns the means of production and which by virtue of its position in society is able to impose the acceptance of this appropriation on the working class.

Exploitation with Marx is not a vague, subjective concept. It has a scientific meaning and the rate of exploitation can be measured. From this it follows that with the growth of technology the rate of exploitation will grow if (1) the standard of living of the working class remains static or (2) rises more slowly than the increase of production due to technological advance.

Historically Marx’s economic theory had two opposite effects. It made a rapid and far-reaching impact on the working class movement. It provided the workers with a ready explanation of their status in society. The concept of exploitation in particular had an immediate mass appeal.

Bourgeois economic science on the other hand could not accept the political implications which flowed from Marx’s economic analysis, and, unable to cope with problems on this ground, vacated it. In place of the study of relations between people, it made man’s relation to goods the basis of its economic analysis. In so doing it restricted the whole scope of analysis. There was no longer any problem of exploitation, as this arises only out of relations between people, between classes. It was simply defined out of existence.

Economic problems were considered apart from production relations, apart from social conditions. Boehm-Bawerk for in-
stance begins his analysis with “a man sits by a spring of drinkable water” and goes on to give examples like “a traveller in the desert”, “a farmer cut off from the world”, “a colonist whose cabin is situated in a virgin forest”, etc.

Subjective approaches and theories took the place of an objective examination of economic processes in capitalist society. . . the introduction of a subjectivism . . . absolved economists from concerning themselves with a particular social order. Theorems which had been developed on a basis of equal individuals undertaking abstinence and toil and trouble could have nothing to say about the real differentiation of these individuals. But more often they were excellently suited for defending an existing reality far removed from the abstract assumptions. (A History of Economic Thought by Eric Roll, p. 373.)

This inevitably led bourgeois economic theory away from the large problems of economic life to the smaller problems. Attention was restricted to matters of detailed adjustment between smaller units of economic activity, individual firms, price phenomena, etc.

With Keynes came a significant change in bourgeois economics. The crisis of 1929-33 had shattered the complacent view that it was sufficient to have theories which would whitewash the capitalist system. It was no longer enough to ignore the defects in the system—it became necessary to prevent it from destruction.

Capitalism needed, and needs, economists who can devise practical methods to make the system work more efficiently. This forced a return to the real world and to the problems of macro-economics (inter-relations of large aggregates: national income as a whole, consumption, investment, export and import, etc.). Problems of crises and unemployment could no longer be ignored. Practical needs, increased state intervention in the economy, the problems of economic growth (stimulated by the competition of the socialist world), the problem of the underdeveloped countries, the professionalisation of economic science—these are some of the forces which compelled bourgeois economics to a consideration of new problems.

This led to a significant development of bourgeois economics in certain fields. But it remains restricted because of the absence of a scientific framework; in fact, the need for such a framework is rejected by current bourgeois economic theory. Keynes states openly that he regards the social structure to be merely “a given factor” in the total situation (General Theory, p. 245). He deliberately ignores or plays down the economic and social significance of monopoly and oligopoly.

This inevitably confines Keynes’ field of application. He is not really concerned with a theoretical framework. He does not
want to explain what underlies the system, he wants to stop it from destroying itself. He and his followers have in fact developed a number of objectively valid techniques to enable the capitalist system (in the advanced countries) to reduce some of the most serious effects of its in-built contradictions. It is an attempt to use modern techniques to prolong the life of an outdated and over-ripe social system.

Bourgeois economics has not been able to provide an alternative theoretical framework to the one established by Marx. Neither has it been able, despite all efforts, to theoretically destroy this framework. Such marxist concepts as value, surplus value, exploitation, have retained their relevance to present day conditions.

Perhaps more serious for the development of marxist economic theory has been a doctrinaire interpretation of it. Attempts to defend every conclusion reached by Marx, rather than to treat marxist economics as a developing theory (as Lenin did), which is continuously enriched by the absorption of new data, including some positive achievements of bourgeois theories and techniques, by new generalisations flowing from changes in economic life—have a negative effect on development of marxist economic theory. This has led to a slowness to examine new phenomena, and to onesidedness in estimating them. There have also been tendencies to vulgarise marxist economic theories, to make exaggerated claims for their application which Marx himself did not make.

Nevertheless, marxist economic theory provides the only consistent framework to explain present economic realities in the current vogue of sweeping assertions, arbitrary selection of facts and even outright distortions.

Exploitation in Australia

A large part of the public case for the maintenance of the capitalist system in Australia rests on the claim that post-war developments have led to constant rise in the standard of living and that this will continue, leading to growing prosperity for all. It is claimed that there is a trend towards equalisation of income, that the old class differences are being steadily reduced, and that our system is able to provide a large and expanding measure of security of employment to the people.

Based on the spectacular growth of our economy in the post-war years—our industrial production today is more than 400% of pre-war—these claims have had a considerable public effect even in the labor movement itself, and unfortunately, they have not come under adequate challenge.
It is certainly true that there has been a rise in the absolute standard of living of the majority of the Australian people. It is expressed in a greater variety and increased quantity of consumer goods that go into most homes, as compared to pre-war. With modern technological development and rapid industrial growth many new types of consumer goods have come into general use (TV, long playing records, synthetic fibres, plastics, etc.), which were unknown a generation or two ago. There have also been improvements in housing. This must be coupled with the absence of widespread, mass unemployment which was the blight of a whole generation before the Second World War.

These developments which have made a big mark in the experience of most people are the basis for claims that the glaring inequalities of earlier capitalism are diminishing and the capitalist system is gradually solving the remaining problems of our day.

The truth is, however, that the class differential of income in Australia has actually increased in the post-war years, that income inequality has grown. But, because of the general rise in the standard of living this is not so obvious to many people. It is certainly not illuminated by the propaganda media.

In 1938-39 the total value of production* in the manufacturing industry was £203 million, of which the wage and salary earner received £107 million (52%) and the employers £96 million (48%). In 1963-64 the total value of production in manufacturing was £2,635 million, of which wages and salaries amounted to £1,326 million (50%). (References: Commonwealth Year Book.) In accordance with the practice of the Commonwealth Statistician no allowance has been made for depreciation in either case.

The crucial difference is that in 1938-39 the wages and salaries were shared by 565,000 workers, in 1963-64 by 1,172,000 workers, i.e., more than double. The number of employers has not increased likewise; in fact, the concentration at the top has grown. Comparable figures from census returns show that the number of employers in manufacturing industry was 19,144 in 1933 and 33,507 in 1961, a 75% increase. As a percentage of the workforce in manufacturing, employers have decreased as follows:

1933, 5.1%; 1961, 2.9%.

To all this should be added that the means of concealing profits have been perfected considerably since 1939. A favored method used these days is by means of capital gains which is tax free. The extensive use of expense accounts to provide an untaxed income is widely known, yet not recorded in statistics. It

* by 'value of production' is meant the new value added in the course of production after all costs of production except salaries and wages and depreciation are deducted.
finances expensive trips, entertainment (of varying kinds) and a multitude of other things.

Similarly, an analysis of Australian distribution of personal income and wealth in 1962-63 shows that the top 5% of all taxpayers receive 42.2% of all property incomes (profit, interest and rent), i.e., income not derived from employment. If expense accounts, capital gains and other means of concealing income and evading taxation are included it would certainly amount to over 50%.

Neither is the trend towards any levelling out. A comparison of the distribution of total taxable income shows that in 1944-45 the top 30% of taxpayers had 53.0% of all taxable incomes. In 1962-63 this was 52.4%. This minute decline really reveals an increase when the abovementioned increased perfection in concealing taxable income is taken into account. (Reference: 28th Report of the Commonwealth Commissioner of Taxation, pp. 23-25.)

The inescapable conclusion is that the Australian worker today, despite his higher real income, gets a smaller share of the total wealth of the nation—his exploitation has grown—he is relatively worse off. Today when moral issues are increasing in importance, economic problems are certainly not losing their significance. In fact, the growth of exploitation in our society is also a prime moral issue.

How much of the four fold increase in industrial production and the doubling of productivity since the end of the war has gone to the working people? Australian official statistics generally ignore class divisions in our society. They do show however that personal consumer spending in the years from 1949 to 1965 has risen by twenty per cent. It is certainly not relatively higher than this for working people. This means that allowing for the growth in population, about eighty per cent of the extra wealth produced has gone to the wealthy employers.

It is one of the features of our political life that the labor movement has done nowhere near enough to bring home to the workers that even where they achieve gains these fall far short of what they ought to gain, of what society could or should provide for them.

Karl Marx’s observation on this matter remains valid in a period of rapidly rising productivity of labor:

A house may be large or small; as long as the surrounding houses are equally small it satisfies all social demands for a dwelling. But if a palace arises beside the little house, the little house shrinks into a hut. The little house shows now that its owner has only very slight or no demands to make, and however high it may shoot up in the course of civilisation, if the neigh-
boring palace grows to an equal or even greater extent, the dweller in the relatively small house will feel more and more uncomfortable, dissatisfied and cramped within its four walls. (*Wage Labor and Capital.*)

If current Australian reality seems to throw some doubt on the truth this is a testimony for the effectiveness of the propaganda machine of the Australian wealthy, and on the lack of effective challenge. For there is little doubt that vast numbers feel 'uncomfortable, dissatisfied and cramped', even if they don't know the cause. Once people understand that they are 'being had', they will fight for their rights.

In addition to the absolute rise but relative decline for the majority, there are pockets of real poverty in our community. They cover a significant minority segment of our people. They too tend to get ignored within the framework of the intense propaganda drive about our 'affluent society'. That they continue to exist in an economy which has expanded to the degree ours has, puts a different complexion on our society from that which the ideologists of the establishment would have us believe.

Any serious consideration about trends in standards of living has to take account of the process whereby with changing technique the luxuries of yesterday become the necessities of today, where what appeared as frills a generation ago, is now part of the socially necessary standard of life. This process goes on, being accelerated by the faster growth of the productive forces and the consequent greater speed of change in the pattern of life.

It is this which makes the lag in public and social services—education, health, transport, etc., such a growing source of tension and discontent. The burden of their increasing inadequacy falls exclusively on the ordinary people. It continuously widens the gap between the 'small hut and the neighboring palace', between what society could provide and what it does provide, between growing aspirations increasingly widely shared and opportunities which remain restricted and unequally distributed.

Once we go beyond the surface appearances and the propaganda picture fed by the mass media, the economic picture of Australia reveals a highly socialised productive apparatus restricted and distorted by private property relations. Society pays an increasingly high price for keeping it this way.