"The maximum of profit is, therefore, limited by the physical minimum of wages and the physical maximum of the working day. It is evident that between the two limits of this maximum rate of profit an immense scale of variations is possible. The fixation of its actual degree is only settled by the continuous struggle between capital and labor."

Here, in *Wages, Price and Profit*, Marx is posing the rules of the game presently being played out in the National Wage Case. Of course, whatever decision is brought down will not settle the matter. The struggle is, as he remarks, continuous.

Not only does it include what goes on in the National Wage Case, it also involves individual wage agreements, both award and over-award. Taxation policy is important also. All these separate struggles determine the rate of exploitation* and hence the "actual degree" of profits.

The boss can increase the rate of exploitation by lengthening the working day, by speeding up the work process, by cutting wages or by introducing new methods of production. If prices are going up all the time, he just has to hold wages constant in money terms, to get the same effect.

The worker can decrease the rate of exploitation by fighting for a shorter working day on full pay, by fighting speed-ups.

* The rate of exploitation is the ratio of surplus value produced to variable capital employed in the production process. Or, in other words, the ratio of surplus labor time (during which the worker produces profits for the boss) to necessary labor time (during which the worker produces value equal to her/his wages).
demanding a share of the extra product she/he creates and by fighting for higher wages. Worker and boss also struggle over the rate of exploitation when they fight to determine the country's taxation policy.

To see this working in the past, and now, we need to refine these notions a little, and compare them with quantities that are measured. The Australian Bureau of Statistics collects and publishes data on wages, gross domestic product, and so on. However, what they choose to investigate and the categories they use, are determined by concerns other than ours. While they are worried about the rate of exploitation, they can see the ideological problems of talking about it in these clear terms, so there is some mystification and confusion that needs to be hacked away before we can get from their numbers to what is important.

The quantity used in discussions of labor's share of the national product by bourgeois economists and statisticians is the national accounts category "wages, salaries and supplements". Variations in this quantity as a proportion of the gross domestic product do not, however, directly indicate changes in the rate of exploitation. There are a number of reasons for this:

1. The class structure of Australia is changing, and in the period for which we have good national accounts data - say, since the Second World War - it has changed dramatically. The size of the traditional petty bourgeoisie - people who are self-employed, has fallen, as Table 1 shows. The increased proportion of wage and salary earners in the workforce will itself account for a greater share of wages, salaries and supplements without any underlying change in the rate of exploitation.

   For example, the income of a corner shopkeeper is regarded as 'profit'. When she/he is forced out of business, or taken over by a supermarket chain, and becomes an employee, their income goes on the other side of the equation.

2. A worker is only productive for capital if she/he contributes to capital's self-expansion. In other words, her/his labor must both transfer value to the product equivalent to wages received, and add additional, surplus, value. A worker who does not do this is unproductive for capital, even though she/he may do things useful to the capitalist. In fact, he may, and does, pay workers to perform such services as keeping his books, selling his products, or even managing his factory, rather than doing it himself.

   However, these unproductive workers (and they include some of the highest paid executives in the country) must be paid out of the surplus value created by other workers. Hence we should subtract their wages and salaries from the figure given in the official data, and add it to the figure for the surplus.

   It is in fact impossible to do this in practice. For one thing, the figures when they are collected are not classified in this way, and are all added together. Also, the line between productive and unproductive workers is not an easy one to draw in many cases. Some engineers, for instance, do design work, which is productive; others, like foremen, provide discipline and supervision, while some do both, for different proportions of their time.

Despite these conceptual and practical
difficulties, however, we can still extract some information from the official data, as in Table 2. Changes in class structure will have effects on the quantities measured by the statisticians; but the more short term our view, and the slower these changes, the more valid it is to exclude them.

The tax system collects a portion of the incomes of both workers and capitalists, and redistributes this between the classes. Total social variable capital is what the working class can exchange for commodities on the market to maintain and reproduce itself. Hence, it is what is left after taxation, and after the distribution of social services.

Thus Fraser's policy of cutting company tax liability through implementation of the companies' part of the Mathews Committee recommendations, and through investment allowances, will leave more of the burden on income and indirect taxes, which fall in large part on the working class. This represents an increase in the rate of exploitation, even if all other quantities remained the same.

All we can really see and measure are changes in these aggregate quantities. It would be fairly complicated to use the income tax data, together with information on class structure and on government spending to determine just what these redistribution effects are. The Asprey Committee, both in its full report, and in a series of commissioned studies, has carried out an investigation of the effects of the present tax system, and it includes some data on redistribution.

Some of these practical difficulties disappear, however, once we further refine our basic categories. What matters is after-tax income, plus social service benefits; all the rest is part of the surplus. It does not really matter whether this part of the surplus starts off in a wage packet only to be taken by the Taxation Department. Thus the same result could be achieved by workers paying no taxation at all, and all government revenue being raised through company tax. Wages, of course, would be much lower, and pre-tax profits much higher.

There are historical reasons why the situation evolved differently. Each change in taxation practice is the result of struggle between the classes; the present situation is the result of hundreds of such struggles where, in particular, the capitalist class, to maintain its position in the face of an assertive working class, has successfully used the state to force workers to carry more of the tax burden. It's an easier option than lowering wages, though Fraser now seems bent on trying both.

There are additional advantages in raising taxation through Pay As You Earn Income Tax. During inflation the government obtains automatic tax increases as people on the same real income move into higher money income brackets. Also, periodic capitalist crises introduce wild fluctuations in profit levels; a corresponding instability in government revenue raising would make managing a capitalist economy even more difficult than it is.

**THE EVIDENCE**

The Department of Labor and Immigration last year published a discussion paper called Labour's share of the National Product - The Post-War Australian Experience. It is an attempt to discover what happened to labor's share in the period 1948/9 to 1970/1, the period for which the authors had good national
income data. They discuss both long term trends, and short term fluctuations.

THE LONG TREND

This study attempts to solve the problem of structural change in the economy by constructing a number of series, excluding some industries that offer conceptual difficulties.

They also give series in which the industrial structure has been "frozen" by weighting and adjusting the data to conform to the actual structure in a chosen base year. In all they present 32 different series, most of which show similar behaviour. Figure 1 shows two of these series, the ones preferred by the authors. (Gross domestic product at factor cost measures the value added by the factors of production and in turn represents the income available for distribution. Gross factor incomes is defined as gross domestic product at factor cost less an allowance for the consumption of capital equipment, that is, depreciation. Because of their treatment of unproductive labor, and because capitalists lie on their income tax about depreciation, these categories should be taken with a grain of salt.)

The overall trend is at first sharply downwards, and then slowly upwards. Since 1948/9 labor's share has shown a long term decline; however, if the analysis begins in 1953/4 the conclusions are the opposite. This is because of the substantial decline in the period 1948/9 to 1953/4.

This period saw big defeats for the working class; the defeat of the coal strike, Chifley's defeat by Menzies, the start of the Cold War with its attacks on trade unions and militants. The victories won by the working class in the immediate post-war period were in part negated, and capital was able to recommence production again in the mid-fifties with a higher rate of exploitation, and hence profitability.

It was the start of the long post-war boom, and although the economy faltered a number of times, there were no big crashes.

The trend increase in labor's share after 1953 is, by any measure, very small. If we take into account both the decline in the size of the traditional petty bourgeoisie, and the increase in unproductive labor during this period, it seems that the rate of exploitation actually increased.

UPS AND DOWNS

Figure 1 also shows some cyclical behaviour. During each cycle, the rate of exploitation gradually decreases, or in other words, labor's share gradually rises. Boom conditions with full employment mean workers can win wage increases, with less threat of the dole queue at their back. Productivity increases sharply in the early part of the recovery as previously unemployed workers, and idle capital, come back into production.

However, workers win a greater proportion of these gains in output in more confident

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Average weekly earnings</th>
<th>After tax earnings</th>
<th>Consumer price index</th>
<th>After tax real earnings</th>
<th>Labor's share</th>
</tr>
</thead>
<tbody>
<tr>
<td>September 73</td>
<td>4.6</td>
<td>3.72</td>
<td>3.6</td>
<td>0.12</td>
<td>58.9</td>
</tr>
<tr>
<td>December 73</td>
<td>3.3</td>
<td>2.69</td>
<td>3.6</td>
<td>-0.91</td>
<td>59.2</td>
</tr>
<tr>
<td>March 74</td>
<td>3.8</td>
<td>3.11</td>
<td>2.4</td>
<td>0.71</td>
<td>60.3</td>
</tr>
<tr>
<td>June 74</td>
<td>6.2</td>
<td>4.99</td>
<td>4.1</td>
<td>0.89</td>
<td>68.5</td>
</tr>
<tr>
<td>September 74</td>
<td>10.0</td>
<td>12.60</td>
<td>5.1</td>
<td>7.50</td>
<td>68.7</td>
</tr>
<tr>
<td>December 74</td>
<td>5.5</td>
<td>3.89</td>
<td>3.8</td>
<td>0.09</td>
<td>63.5</td>
</tr>
<tr>
<td>March 75</td>
<td>3.3</td>
<td>2.33</td>
<td>3.6</td>
<td>-1.27</td>
<td>69.2</td>
</tr>
<tr>
<td>June 75</td>
<td>1.2</td>
<td>0.86</td>
<td>3.5</td>
<td>-2.61</td>
<td>71.1</td>
</tr>
<tr>
<td>September 75</td>
<td>2.9</td>
<td>1.97</td>
<td>0.8 or 2.9*</td>
<td>1.17 or -0.93*</td>
<td>69.0 (est)</td>
</tr>
</tbody>
</table>

(*depending on whether the effect of Medibank is included.)
struggles. At the same time, capitalists seek to invest more and more of their surplus to cash in on the good times. Eventually the projected return on these new investments falls below not only what the capitalists had come to expect in the recovery phase, but what they are prepared to tolerate. Investment dries up, and productivity begins to falter. Workers are "over-confident" just when capitalists begin to "lose confidence".

As investment slackens, workers in heavy industry and in building and construction are laid off, or have their overtime cut. They do not spend as much, and this affects other industries, clothing, food, and household goods. Soon the downturn is general, and profits plunge further. But not all plants with an empty order book lay off all their workers; skilled workers and staff are kept on, waiting for improvement. Labor's share rises by default, and productivity falls even further as plant and machines stand idle.

Soon though, unemployment has its effect. Wages are held, or cut in real terms. Labor "discipline" is re-established, and production can begin again at a higher rate of exploitation. Thus at the start of each recovery there is a sharp increase in the rate of exploitation, sufficient to restore the "confidence" of investors.

This increase in the rate of exploitation is resisted by workers, however, and as the economy takes off workers are in a stronger bargaining position. Figure 2 shows both changes in productivity and changes in labor's share from December 1951 to June 1973. Results from every quarter are plotted here, rather than the annual data used in Figure 1. Labor's share is shown only in fluctuations around the long term trend. The mechanism of the boom/bust cycle, and the key role of the rate of exploitation can be read from this figure.

Although workers win some battles during this continuous struggle, the only possible final resolution is to abolish the wages system itself. So long as capitalists confront workers across this class division, the boom/bust cycle and the struggle over the rate of exploitation will continue.

During the recovery of 1973 and 1974, workers were able to win real gains. Table 3 shows the increase each quarter in average weekly earnings and in consumer prices. By subtracting one from another we would get a rough measure of the increase in real incomes. However, this measure would be too large because of taxation; as incomes go up a bigger proportion goes in taxes, so the real, after tax increase is not as big. The third column shows the increase in real, after tax average weekly earnings and the last column shows labor's share.

It is clear that the wage freeze policy had some effect in the last year of Labor's rule. It is also clear, both from Fraser's present policies, and from past experience, that what the capitalist class is looking for to re-establish profitable production, is a sharp increase in the rate of exploitation, and hence an attack on working class living standards.