

## Chapter 5: Rising Exploitation, Super-Exploitation and the Lowering the Value of Labour Force

In the past decades, which were marked by stagnation and decline of capitalism, we have seen a vicious offensive of the capitalist class against the global working class on all continents. Both in the rich imperialist countries and in the poorer, semi-colonial countries the capitalists increased the rate of exploitation – this means that they obtained a higher profit by increasing the rate of surplus value (i.e. the proportion of non-paid labor time appropriated by the capitalist in relation to the paid labor time received by the workers in the form of wages).

### Marx and the Depressing the Wages below the Value of the Labor Force

Marx explained already in *Capital* Vol. III the importance of increasing the rate of exploitation of the workers as a tool to counter the tendency of the rate of profit to fall. In Chapter XIV he mentions six important means for the capitalists: i) “Increase in the degree of exploitation of labour”, ii) “Depression of wages below their value (i.e. the value of labour power)”, iii) “Cheapening of elements of constant capital”, iv) “Relative over-population”, v) “Foreign trade” and vi) “The increase in share capital”.<sup>126</sup>

Given the context of this book we will not deal here with the cheapening of elements of constant capital and the increase in share capital. The role of foreign trade is very important for the capitalists and will be dealt with below. The increase in the degree of exploitation of labour, the forcing of wages below their value and the relative over-population, all directly affect the wage and the working condition of the proletariat.

The increase in the degree of exploitation of labour by the capitalists takes place either by prolonging the working day (increase in absolute surplus value) or by intensification of labour (increase in relative surplus value). In the brutal reality of capitalism today both forms are used by the capitalists to raise their surplus value. We see this by a constant rising of productivity above the general growth of the output and by the growth of over-time work (often unpaid).

Another important way is the growth of the relative over-population. Through rationalization – made possible by the increase in labour productivity – capital is constantly ‘releasing’ labour, i.e. making them unemployed, and thus increasing the relative over-population (industrial reserve army). This

<sup>126</sup> See Karl Marx: *Das Kapital*, Band III, MEW 25, pp. 242-250; in English: Karl Marx: *Capital* Vol. III, Chapter XIV (Counteracting Influences)

industrial reserve army increases the competition among proletarians. Through the existence of a host of unemployed, the availability of cheaper labour power (previously women and children, today migrants and government job-scheme workers) forces wages down. We will later deal in detail with the increasing role of migrants from the semi-colonial world who are living as super-exploited workers in the imperialist countries.

We shall make a somewhat more detailed remark on the role of forcing wages below the value of labour power. This means that capital tries to depress wages below the value of the commodity labour power, i.e. below the costs of its reproduction. Interestingly Marx dealt with this issue in a seemingly contradictory way. He wrote only a few remarks in his works on political economy on this question. At the same time he characterised this law in *Capital* Vol. III as “one of the most important factors checking the tendency of the rate of profit to fall.” He explained in the same place the reasons for the lack of attention he gave to this factor with the following argument: “This is mentioned here only empirically, since, like many other things which might be enumerated, it has nothing to do with the general analysis of capital, but belongs in an analysis of competition, which is not presented in this work.”<sup>127</sup>

However he elaborated a bit more on the depression of the wages below the value of the labor force in his *Economic Manuscript of 1861-63*:

*“The value of labour capacity can therefore be resolved into the values of the means of subsistence required for the worker to maintain himself as a worker, to live as a worker, and to procreate. These values for their part can be resolved into the particular amount of labour time needed, the quantity of labour expended, in order to create means of subsistence or the use values necessary for the maintenance and propagation of labour capacity. (...)*

*Naturally, the means of subsistence needed by the worker to live as a worker differ from one country to another and from one level of civilisation to another. Natural needs themselves, e.g. the need for nourishment, clothing, housing, heating, are greater or smaller according to climatic differences. Similarly, since the extent of the so-called primary requirements for life and the manner of their satisfaction depend to a large degree on the level of civilisation of the society, are themselves the product of history, the necessary means of subsistence in one country or epoch include things not included in another. The range of these necessary means of subsistence is, however, given in a*

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<sup>127</sup> See Karl Marx: *Das Kapital*, Band III, MEW 25, p. 244; in English: Karl Marx: *Capital* Vol. III, Chapter XIV (Counteracting Influences). See on this also his remark in *Capital* Vol. I: “This result, however, would be obtained only by lowering the wages of the labourer below the value of his labour-power. With the four shillings and sixpence which he produces in nine hours, he commands one-tenth less of the necessities of life than before, and consequently the proper reproduction of his labour-power is crippled. The surplus labour would in this case be prolonged only by an overstepping of its normal limits; its domain would be extended only by a usurpation of part of the domain of necessary labour-time. Despite the important part which this method plays in actual practice, we are excluded from considering it in this place, by our assumption, that all commodities, including labour-power, are bought and sold at their full value.” (Karl Marx: *Das Kapital*, Band 1; in: MEW 23, pp. 332-333.; in English: Karl Marx: *Capital*, Vol. I, Chapter 12)

particular country and a particular period.

Even the level of the value of labour rises or falls when one compares different epochs of the bourgeois period in the same country. Finally, the market price of labour capacity at one time rises above and at another falls below the level of its value. This applies to labour capacity as to all other commodities, and is a matter of indifference here, where we are proceeding from the presupposition that commodities are exchanged as equivalents or realise their value in circulation. (This value of commodities in general, just like the value of labour capacity, is represented in reality as their average price, arrived at by the mutual compensation of the alternately falling and rising market prices, with the result that the value of the commodities is realised, made manifest, in these fluctuations of the market price itself.) The problem of these movements in the level of the workers' needs, as also that of the rise and fall of the market price of labour capacity above or below this level, do not belong here, where the general capital-relation is to be developed, but in the doctrine of the wages of labour. It will be seen in the further course of this investigation that whether one assumes the level of workers' needs to be higher or lower is completely irrelevant to the end result. The only thing of importance is that it should be viewed as given, determinate. All questions relating to it as not a given but a variable magnitude belong to the investigation of wage labour in particular and do not touch its general relationship to capital. (...)

If a lower-grade commodity is put in the place of a higher and more valuable one, which formed the Worker's main means of subsistence, e.g. if corn, wheat, replaces meat, or potatoes are put in the place of wheat and rye, the level of the value of labour capacity naturally falls, because the level of its needs has been pushed down. In our investigation, however, we shall everywhere assume that the amount and quality of the means of subsistence, and therefore also the extent of needs, at a given level of civilisation is never pushed down, because this investigation of the rise and fall of the level itself (particularly its artificial lowering) does not alter anything in the consideration of the general relationship."<sup>128</sup>

In *Capital* Vol. I, Marx mentions the rising unemployment as a major factor for depressing the wages below the value of the labor force:

"That portion of the working-class, thus by machinery rendered superfluous, i.e., no longer immediately necessary for the self-expansion of capital, either goes to the wall in the unequal contest of the old handicrafts and manufactures with machinery, or else floods all the more easily accessible branches of industry, swamps the labour-market, and sinks the price of labour-power below its value."<sup>129</sup>

How did Marx assess the value of the commodity labor power – i.e. the workers capacity to produce commodities? He said that the value is determined by the totality of average labor time which is necessary to produce the means

<sup>128</sup> See Karl Marx: *Ökonomisches Manuskript 1861-1863. Teil 1*, in: MEW 43, pp. 40-42; in English: Karl Marx: *Economic Manuscript of 1861-63, Chapter 1) Transformation of Money into Capital. The Valorisation Process*; in: MECW Volume 30, *Value of Labour Capacity. Minimum Salary Or Average Wage of Labour*, <http://marxists.org/archive/marx/works/1861/economic/ch14.htm>

<sup>129</sup> Karl Marx: *Das Kapital*, Band 1; in: MEW 23, p. 454; in English: Karl Marx: *Capital*, Vol. I, Chapter 15

for the maintenance of the workers (including the next generation, i.e. his or her children as future workers). Thus he wrote in *Capital* Vol. I:

*"We must now examine more closely this peculiar commodity, labour-power. Like all others it has a value. How is that value determined? 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. So far as it has value, it represents no more than a definite quantity of the average labour of society incorporated in it. Labour-power exists only as a capacity, or power of the living individual. Its production consequently pre-supposes his existence. 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. Labour-power, however, becomes a reality only by its exercise; it sets itself in action only by working. But thereby a definite quantity of human muscle, nerve, brain, &c., is wasted, and these require to be restored. This increased expenditure demands a larger income. If the owner of labour-power works to-day, to-morrow he must again be able to repeat the same process in the same conditions as regards health and strength. His means of subsistence must therefore be sufficient to maintain him in his normal state as a labouring individual. His natural wants, such as food, clothing, fuel, and housing, vary according to the climatic and other physical conditions of his country. On the other hand, the number and extent of his so-called necessary wants, as also the modes of satisfying them, are themselves the product of historical development, and depend therefore to a great extent on the degree of civilisation of a country, more particularly on the conditions under which, and consequently on the habits and degree of comfort in which, the class of free labourers has been formed. In contradistinction therefore to the case of other commodities, there enters into the determination of the value of labour-power a historical and moral element. Nevertheless, in a given country, at a given period, the average quantity of the means of subsistence necessary for the labourer is practically known."*<sup>130</sup>

We already see here that Marx differentiated between the physical minimum on one hand and the historical or moral element of the value of the laborer on the other hand. He elaborated this concept in *Value, Price and Profit*, a lecture from 1865:

*"But there are some peculiar features which distinguish the value of the labouring power, or the value of labour, from the values of all other commodities. The value of the labouring power is formed by two elements -- the one merely physical, the other historical or social. Its ultimate limit is determined by the physical element, that is to say, to maintain and reproduce itself, to perpetuate its physical existence, the working class must receive the necessaries absolutely indispensable for living and multiplying.*

<sup>130</sup> Karl Marx: Das Kapital, Band 1; in: MEW 23, p. 185; in English: Karl Marx: Capital, Vol. I, Chapter 6

The value of those indispensable necessities forms, therefore, the ultimate limit of the value of labour. On the other hand, the length of the working day is also limited by ultimate, although very elastic boundaries. Its ultimate limit is given by the physical force of the labouring man. If the daily exhaustion of his vital forces exceeds a certain degree, it cannot be exerted anew, day by day.

However, as I said, this limit is very elastic. A quick succession of unhealthy and short-lived generations will keep the labour market as well supplied as a series of vigorous and long-lived generations. Besides this mere physical element, the value of labour is in every country determined by a traditional standard of life. It is not mere physical life, but it is the satisfaction of certain wants springing from the social conditions in which people are placed and reared up. The English standard of life may be reduced to the Irish standard; the standard of life of a German peasant to that of a Livonian peasant. The important part which historical tradition and social habitude play in this respect, you may learn from Mr. Thornton's work on over-population, where he shows that the average wages in different agricultural districts of England still nowadays differ more or less according to the more or less favourable circumstances under which the districts have emerged from the state of serfdom.

This historical or social element, entering into the value of labour, may be expanded, or contracted, or altogether extinguished, so that nothing remains but the physical limit. During the time of the anti-Jacobin war, undertaken, as the incorrigible tax-eater and sinecurist, old George Rose, used to say, to save the comforts of our holy religion from the inroads of the French infidels, the honest English farmers, so tenderly handled in a former chapter of ours, depressed the wages of the agricultural labourers even beneath that mere physical minimum, but made up by Poor Laws the remainder necessary for the physical perpetuation of the race. This was a glorious way to convert the wages labourer into a slave, and Shakespeare's proud yeoman into a pauper.

By comparing the standard wages or values of labour in different countries, and by comparing them in different historical epochs of the same country, you will find that the value of labour itself is not a fixed but a variable magnitude, even supposing the values of all other commodities to remain constant.

A similar comparison would prove that not only the market rates of profit change, but its average rates.

But as to profits, there exists no law which determines their minimum. We cannot say what is the ultimate limit of their decrease. And why cannot we fix that limit? Because, although we can fix the minimum of wages, we cannot fix their maximum.

We can only say that, the limits of the working day being given, the maximum of profit corresponds to the physical minimum of wages; and that wages being given, the maximum of profit corresponds to such a prolongation of the working day as is compatible with the physical forces of the labourer. 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 the maximum rate of profit and immense scale of variations is possible. The fixation of its actual degree is only settled by the continuous struggle between capital and labour, the capitalist constantly tending to

*reduce wages to their physical minimum, and to extend the working day to its physical maximum, while the working man constantly presses in the opposite direction. The matter resolves itself into a question of the respective powers of the combatants.”*<sup>131</sup>

Marx emphasized that the value of the labor force is not simply a reflection of the productivity of a given society. While the level of productivity certainly is an important factor, the relation of class forces and the struggle between them is even more important. Therefore Marx polemicized against those who suggested a direct linkage between the wages and productivity:

*“In an “Essay on the Rate of Wages”, one of his first economic writings, H. Carey tries to prove that the wages of the different nations are directly proportional to the degree of productiveness of the national working days, in order to draw from this international relation the conclusion that wages everywhere rise and fall in proportion to the productiveness of labour. The whole of our analysis of the production of surplus value shows the absurdity of this conclusion, even if Carey himself had proved his premises instead of, after his usual uncritical and superficial fashion, shuffling to and from a confused mass of statistical materials.”*<sup>132</sup>

The Marxist economist John Smith and his co-thinker Andy Higginbottom have emphasized in their recent works that this factor – the depression of the wages below the value of the labor force – has constantly been underestimated by most Marxists. They stress that, in fact, the depression of wages below their value has been a major factor for the capitalists to raise their profits and, in particular, to increase the super-exploitation in the South. We think that they are correct to integrate the depression of the wages below the value of the labor force as a major factor to understand the present state of imperialism and the increasing misery of the proletariat around the globe and particularly in the South.<sup>133</sup>

Indeed Marx himself already pointed out that the exploitation of the labor forces in the South are an important counteracting influence against the declining rate of profit because of their lower costs of reproduction:

*“As concerns capitals invested in colonies, etc., on the other hand, they may yield higher rates of profit for the simple reason that the rate of profit is higher there due to backward development, and likewise the exploitation of labour, because of the use of slaves, coolies, etc.”*<sup>134</sup>

This brings us to the impoverishment of the working class associated with capitalist exploitation. It is well known that Marx differentiated between the

<sup>131</sup> Karl Marx: Lohn, Preis und Profit; in: MEW 16, pp. 147-149; in English: Karl Marx: Value, Price and Profit, Chapter 14 (emphasis in original)

<sup>132</sup> Karl Marx: Das Kapital, Band I; in: MEW 23, p. 587; in English: Karl Marx: Capital, Vol. I, Chapter 22

<sup>133</sup> See: John Smith: Imperialism and the Globalisation of Production; John Smith: Imperialism and the Law of Value (2011), in: Global Discourse [Online], 2: I, available from: <http://global-discourse.com/contents>

<sup>134</sup> Karl Marx: Das Kapital, Band III, MEW 25, pp. 247-248; in English: Karl Marx: Capital, Vol. III, Chapter 14, Counteracting Influences (our emphasis)

relative impoverishment and the absolute impoverishment of the proletariat. In this context it is important to understand that by 'proletariat' Marxists mean the *whole* class (i.e. not only the actively employed workers, but also the unemployed, proletarian youth, pensioners, etc). By *relative impoverishment* Marx understood the growing gulf between the wealth of capital and that of the worker. This does not exclude an increase in workers' income, but only means the increase will be slower than the growth in profits. He described relative impoverishment in his preparatory work for *Capital*, the *Grundrisse*:

*"It here becomes evident that labour itself progressively extends and gives an ever wider and fuller existence to the objective world of wealth as a power alien to labour, so that, relative to the values created or to the real conditions of value-creation, the penurious subjectivity of living labour capacity forms an ever more glaring contrast. The greater the extent to which labour objectifies itself, the greater becomes the objective world of values, which stands opposite it as alien — alien property."*<sup>135</sup>

By *absolute impoverishment* Marx understood a drop in the material living conditions of the proletariat as a whole:

*"The law by which a constantly increasing quantity of means of production, thanks to the advance in the productiveness of social labour, may be set in movement by a progressively diminishing expenditure of human power, this law, in a capitalist society — where the labourer does not employ the means of production, but the means of production employ the labourer — undergoes a complete inversion and is expressed thus: the higher the productiveness of labour, the greater is the pressure of the labourers on the means of employment, the more precarious, therefore, becomes their condition of existence, viz., the sale of their own labour-power for the increasing of another's wealth, or for the self-expansion of capital. The fact that the means of production, and the productiveness of labour, increase more rapidly than the productive population, expresses itself, therefore, capitalistically in the inverse form that the labouring population always increases more rapidly than the conditions under which capital can employ this increase for its own self-expansion. (...)*

*The law, finally, that always equilibrates the relative surplus-population, or industrial reserve army, to the extent and energy of accumulation, this law rivets the labourer to capital more firmly than the wedges of Vulcan did Prometheus to the rock. It establishes an accumulation of misery, corresponding with accumulation of capital. Accumulation of wealth at one pole is, therefore, at the same time accumulation of misery, agony of toil, slavery, ignorance, brutality, mental degradation, at the opposite pole, i.e., on the side of the class that produces its own product in the form of capital."*<sup>136</sup>

An increase in relative impoverishment is most of the time a typical feature of the capitalist production and reproduction process. However, in periods of capitalist crisis, like the one we have witnessed since the 1970s, a process of absolute impoverishment also occurs. It is pretty obvious that that for the mass

<sup>135</sup> Karl Marx, *Grundrisse der Kritik der politischen Ökonomie*, in: MEW 42, p. 368; in English: Karl Marx: *Grundrisse. A Contribution to the Critique of Political*; Chapter 9.

<sup>136</sup> Karl Marx: *Das Kapital*, Band I, MEW 23, pp. 674-675; in English: *Capital*, Vol. I; Chapter 25

of workers and oppressed strata worldwide a process of *absolute impoverishment* is taking place. Of course, this is not the case in every single country, every single year and for every single layer of the class. But as a general, worldwide, process it is an indisputable fact.

## **Impoverishment and Précarisation of the World Working Class in the past Decades**

As a result of all this, wages are stagnating or declining, unemployment is rising, precarious work conditions are massively spreading (casualization) etc. While this is true for the world working class, it is even truer for the Southern proletariat. In the RCIT programme "*The Revolutionary Communist Manifesto*" we have emphasized the worsening conditions of the working class in the South.<sup>137</sup>

Official unemployment figures published by the ILO indicate a recent massive increase of unemployment. Before the crisis 170 million people were out of work worldwide (2007), this number grew in a short time to more than 197 million unemployed people (2011). However these figures are certainly a massive underestimation. According to these ILO statistics the unemployment rate in 2010 was 8.8% in the "Developed Countries", 9.5% in Eastern Europe and the ex-USSR, but only 4.3% in East Asia, 5.2% in South-East Asia, 3.9% in South Asia, 7.7% in Latin America, 10.1% in the Middle East, 9.6% in North Africa and 8.2% in Sub-Saharan Africa.<sup>138</sup>

But in reality many unemployed are not officially counted in the semi-colonial countries. In reality there is a huge industrial reserve army in the South with hundreds of millions of unemployed and under-employed which depresses wages not only in the South itself but also adds to the pressure of the capitalists on the workers in the North. The US university professor Juliet Schor correctly observed recently in an article on the consequences of this huge industrial reserve army in the South:

*"Labour economist Richard Freeman estimates that over the last decade, the effective global labour supply has about doubled, from 1.46 to 2.93 billion. If people offer more hours to the market, wages fall and unemployment rises. Excess supply of labour also undermines investment and innovation, which accelerate when labour is scarce relative to capital."*<sup>139</sup>

The German trade union researcher Herbert Jauch comes much closer to the truth when he puts the real number of workers affected by unemployment to one third of the global working class:

*"Unemployment now affects nearly a third of the global workforce and the abundant*

<sup>137</sup> RCIT: *The Revolutionary Communist Manifesto*, p. 38; [www.thecommunists.net/rcit-manifesto](http://www.thecommunists.net/rcit-manifesto).

<sup>138</sup> ILO: *Global Employment Trends 2012. Preventing a deeper jobs crisis*, p. 92

<sup>139</sup> Juliet Schor: *Economic fallacies: is it time to work more, or less?* In: *Guardian*, 10.1.2012 <http://www.guardian.co.uk/sustainable-business/economy-employee-working-hours>



*supply of cheap labour in the “Third World” and Eastern Europe contributes to depressing wages even in industrialised countries. Real wages in the low-wage countries are as much as 70 times lower than those paid in the US, Western Europe and Japan.”*<sup>140</sup>

However even ILO statistics make clear that unemployment is particularly high amongst the proletarian youth. In 2010 the official unemployment figures for youth were 18.1% in the “Developed Countries”, 19.5% in Eastern Europe and the ex-USSR, 8.8% in East Asia, 13.6% in South-East Asia, 10.2% in South Asia, 14.6% in Latin America, 25.4% in the Middle East, 23% in North Africa and 12.8% in Sub-Saharan Africa.<sup>141</sup>

Those who still have jobs often have to work in highly insecure employment conditions and receive a small wage. In 2010 nearly half of all laborers worldwide are employed – according to official statistics (the actual rate is probably much higher) – in insecure employment conditions. However the much worse conditions of the Southern working class and poor becomes obvious when one sees the gap between the spread of insecure employment in the North and in the South. In the rich imperialist countries this affects 10% of all employed (if we use other definitions of insecure, this number would be higher). But in the rest of the world a much higher number of laborers are affected by insecure employment: in Eastern Europe and the former Soviet Union 20.9%, in the Middle East 29.8%, in Latin America 31.9%, in North Africa 37.7%, in East Asia 49.6%, in South-East Asia 62.3%, in South Asia 78.4% and in Sub-Saharan Africa 76.9%!<sup>142</sup>

Figure 21 also shows that the share of employment in the informal sector increases, the poorer the countries are.

## **The Rise in the Rate of Exploitation**

As a result of these trends we see a substantial decline of the wages, in parallel a rise in the profits and hence a massive rise in the rate of exploitation. Again, this is true for all continents, but in the South even more than in the North. This is reflected in the development of the labor, or wage shares, of national income. This category indicates the wages (which is a rough indicator for the working class income) as proportion of the total annual income of the workers, peasants, self-employed, middle class and capitalists. Before reproducing these figures we remind our readers to our remarks on the need to relativize the category of wage laborers since this includes, particularly in the North, the salaried middle class (and the top layer of the proletariat – the labor aristocracy). We will see later (in Chapter 9) that the wages of the salaried middle class and the labor aristocracy developed much better than the wages of the lower and middle

<sup>140</sup> Herbert Jauch: *Globalisation and Labour*, p. 3

<sup>141</sup> ILO: *Global Employment Trends 2012*, p. 92

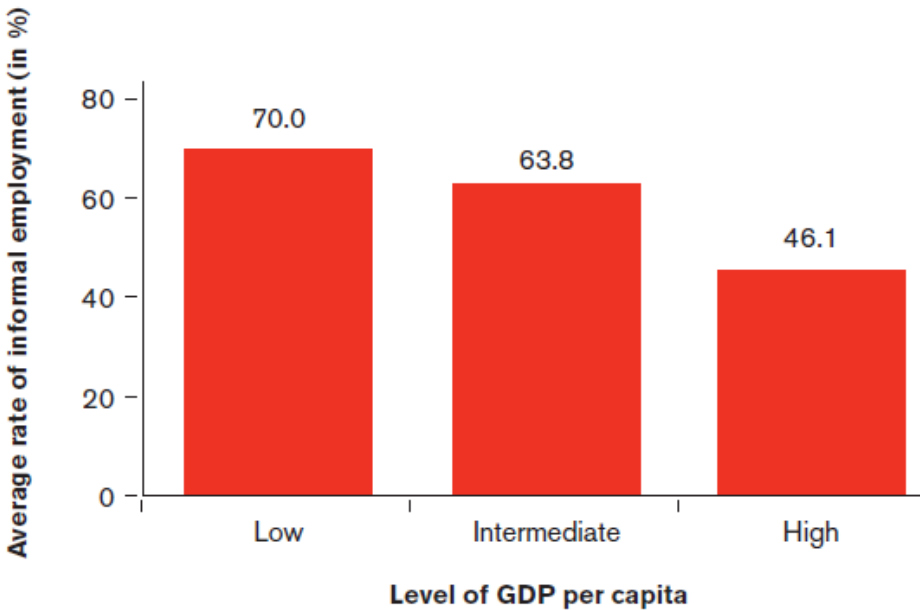
<sup>142</sup> ILO: *Global Employment Trends 2012*, p. 100

strata of the proletariat. But the wages share, of course, reflects the added sum of all salaries and therefore does not reflect fully the income decline for the mass of the proletariat. In addition – as we will explain below – these figures do not give a full picture of the true rising rate of exploitation of the Southern workers but underestimates it.

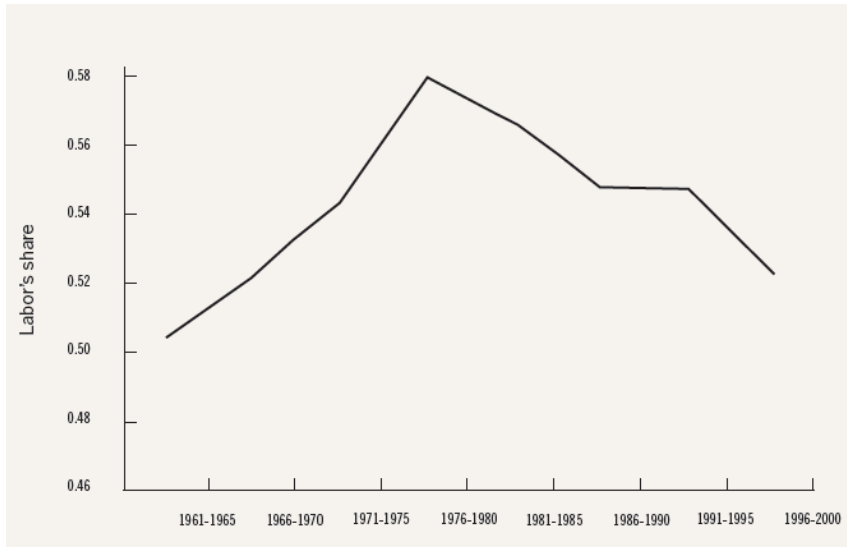
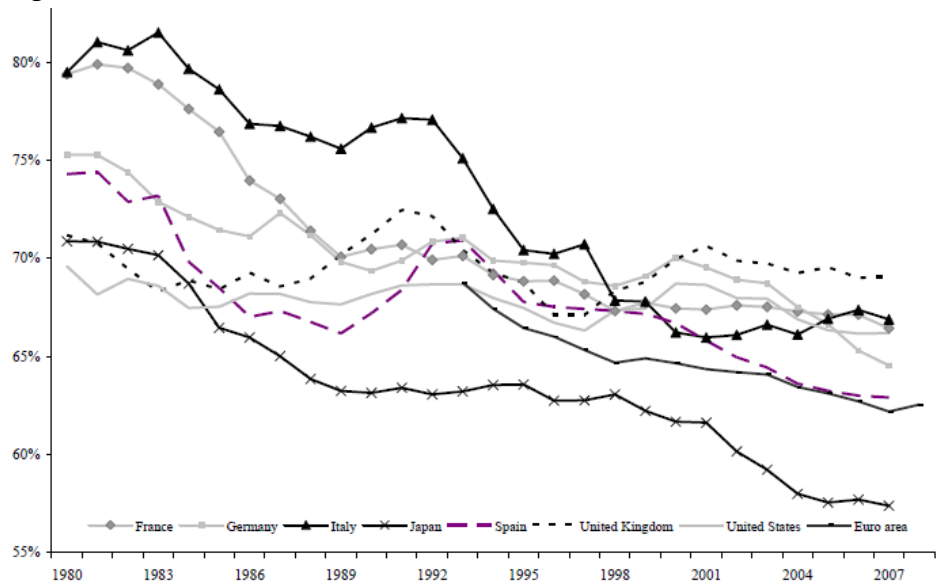
But let us first look to the development of the wage or labor share in various parts of the world. In the Figures 22 and 23 we show that since the early 1970s the labor share in the old imperialist countries has been in decline.

The lower strata of the working class in the imperialist countries have been particularly hard hit by the capitalist's offensive. These non-aristocratic layers, many of them unskilled workers, migrants and women, suffered a substantial depression of the value of their labor power, as the Marxist economist

**Figure 21: Informal Employment (as Share of Total Employment) and the Degree of Economic Development** <sup>143</sup>



<sup>143</sup> Marc Bacchetta, Ekkehard Ernst and Juana P. Bustamante: Globalization and Informal Jobs in Developing Countries. A joint study of the International Labour Office and the Secretariat of the World Trade Organization (2009), p. 34

**Figure 22: Labor Share in OECD Countries, 1960-2000** <sup>144</sup>**Figure 23: Labor Income Shares in selected OECD Countries, 1980-2007** <sup>145</sup>

<sup>144</sup> Malte Lübker: Labour Shares (2007), ILO Policy Brief, p. 2

<sup>145</sup> Jean-Paul Fitoussi and Francesco Saraceno: Inequality And Macroeconomic Performance, (2010), OFCE/Sciences Po, p. 7

Guglielmo Carchedi shows in his latest book *Behind the Crisis*:

*“If the minimum-wage can be seen as a proxy for the value of de-skilled labour-power, Table 2 indicates a rise in that value only in the 1989–2000 period and a fall before and after that period. For the whole 1967–2005 period, the value of labour-power falls by 25.7%.”*<sup>146</sup>

Various studies have shown clearly that the decline in labor share has been even worse in the South. Ann Harrison, who has published several studies and is an often quoted researcher on this issue, summarized her findings that the labor share has been fallen in the South since the 1960s. She calculates that the labor share fall by 0.1% a year (before 1993) and by 0.3% a year (from 1993 till the early 2000s). In the rich countries the wage share has risen from 1960 to 1993 by 0.2% and declined by 0.4% in the second period:

*“These means show that in poor countries, labor’s share fell on average by .1 percentage points per year prior to 1993. The decline in labor’s share was more rapid after 1993: labor’s share fell on average by .3 percentage points per year. In the rich countries, labor’s share grew by .2 percentage points prior to 1993 and fell by .4 percentage points per year after 1993. These means indicate a reversal in the trend for rich countries post-1993, while they indicate a persistent decline in labor’s share for poor countries during the entire period. (...) The results are unchanged if we compute average changes in labor shares weighted by population: while labor shares in poor countries fell, the share of labor’s income in GDP in the high income countries rose by almost 4 percentage points. If we redo the analysis with 1960 as the starting point, the trend is the same: labor shares for the high income countries rose on average during the thirty year period, while labor shares for the poorer countries fell.”*<sup>147</sup>

Based on the figure of Harrison, John Smith has produced two interesting sets of data in which he details the development. (See Table 19) The second table differentiates between the various categories of the poorer and richer countries. Smith comments on the findings:

*“The most striking information is contained in the last line of Table 4.4b. It shows the difference in the average labour share of GDP between 1960–1993, on one hand, and 1993–1996 on the other: reporting that, for the poorest quintile, labour’s share of GDP between 1993 and 1996 was on average 4.5% lower than its average over the 1960–1993 period, in the second-poorest quintile it was 8.9% lower, and 2% higher in the richest quintile of nations. Harrison summed up the trends over the years between 1960 to 1996 to be ‘enormous declines in labor’s share in the poorest 20 percent of countries, and significant increases in labor’s share in the top 20 percent of all countries.’”*<sup>148</sup>

<sup>146</sup> Guglielmo Carchedi: *Behind the Crisis*. Marx’s Dialectics of Value and Knowledge, Leiden 2011, p. 134

<sup>147</sup> Ann Harrison: *Has Globalization Eroded Labor’s Share? Some Cross-Country Evidence* (2005), University of California Berkeley, MPRA Paper No. 39649, pp. 18-19; Online at <http://mpra.ub.uni-muenchen.de/39649/>

<sup>148</sup> See John Smith: *Imperialism and the Globalisation of Production*, p. 171

**Table 19: Changes of Labor's Share of GDP in Rich and Poor countries, 1960-1993 (in %) <sup>149</sup>**

	Per capita GDP < global median	Per capita GDP > global median
Annual % change in labour's share 1960 – 1993	-0.1	0.2
Annual % change in labour's share 1993 – 1996	-0.3	-0.4
Change in average labour share, 1993 - 1996 vs. 1960 - 1993	-1.8	0.7

	Poorest 20%	Lower Middle 20%	Middle 20%	Upper Middle 20%	Richest 20%
Annual % change in labour's share, 1960-1993	-0.2	-0.1	-0.1	-0.04	0.4
Annual % change in labour's share, 1993-1996	-0.02	-2.2	-0.9	0.2	-0.6
Change in average labour share, 1993-1996 vs. 1960 - 1993	-4.5	-8.9	-3.2	-0.7	2.0

**Table 20: Wages Growth and GDP Growth, 2001-2007 (in %) <sup>150</sup>**

	Real per capita GDP growth	Real wage growth	Implicit annual decline in labour's share
'Advanced economies'	2.13%	0.9%	0.8%
'Developing Asia'	6.75%	1.8%	2.3%
Latin America and Caribbean	3.46%	0.3%	1.5%

<sup>149</sup> See John Smith: Imperialism and the Globalisation of Production, p. 171<sup>150</sup> See John Smith: Imperialism and the Globalisation of Production, p. 170

Smith also shows that the gap between the growth of the output and the growth of real wages was much bigger in Latin America and “Developing Asia” than in the old imperialist metropolises. (See Table 20) He summarizes his conclusion like this:

*“Yet, between 2001 and 2007, real wages in ‘developed countries’ grew by 0.9% per annum, by 0.3% in Latin America and the Caribbean and by 1.8% in Asia, while real GDP per capita during these years grew by 2.13% in ‘developed countries’, 3.46% in Latin America and the Caribbean, and 6.75% in ‘developing Asia’. As its last column shows, the discrepancy between real wage increases and increases in real GDP per capita implies that labour share in ‘advanced economies’ is declining by around a 0.8% per year, with a much larger annual decline of 2.3% in Asia and 1.5% in Latin America and the Caribbean.”*<sup>151</sup>

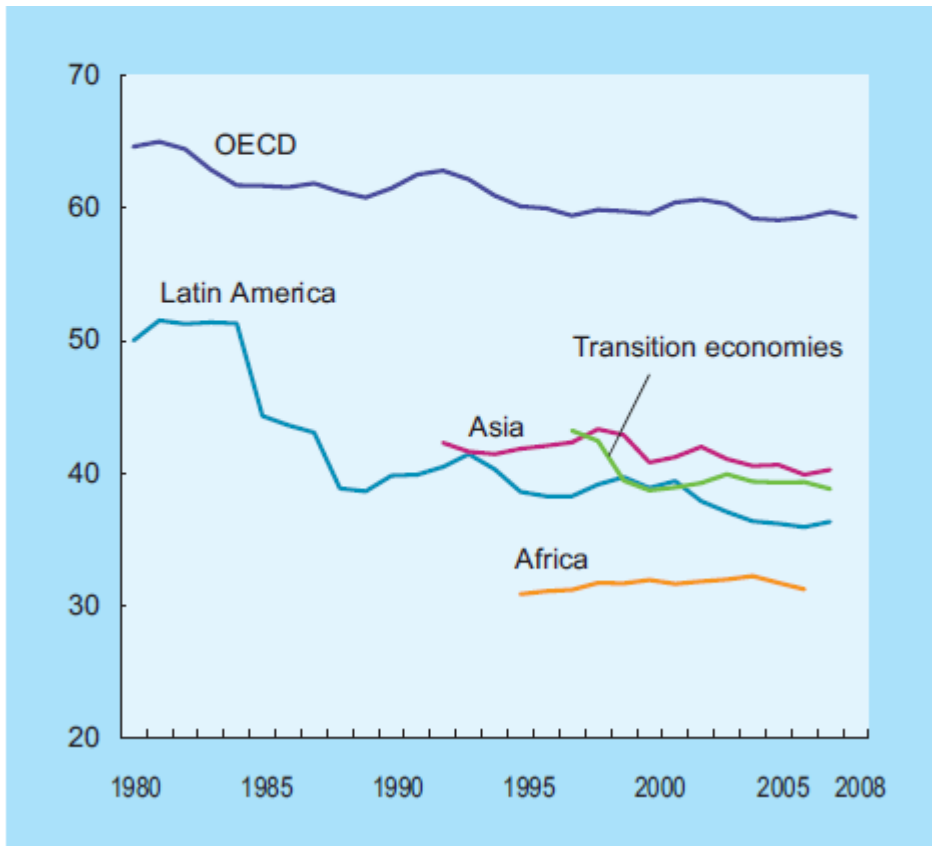
We see the same picture of decline in the following Figure 24 which gives an overview over the development of the wage share in different continents. We can see a decline in the wage share in the OECD countries from 65% of the national income to about 59% (1980-2008, in 1991 the share was about 63% and in 1995 it was about 60%), in Latin America it declined much sharper from 50% to 37% (1980-2008), in Asia from 43% in 1991 to about 41% in 2008, in the Ex-Stalinist states (“Transition countries”) from 43% to 41% (1996-2008) and in Africa it stagnated around 31% (1995-2008).

In the Figures 25 and 26 we see the development of the wage shares in manufacturing in important countries of the South – Turkey, Mexico and South Korea. As a side note we remark that the in South Korea the development of the wage share was different to Mexico and Turkey which can be mainly attributed to two factors: first the enormous class struggle militancy of the Korean proletariat (we refer to the armed uprising against the military dictatorship in Kwangju 1980, the mass battles which started to bring down the regime in 1987 and continued after this, the formation of the new militant trade union movement KCTU etc.). Secondly, one must not forget that the South Korean monopoly capital managed – because of the exceptional circumstances of systematic support by US imperialism, a nearly uninterrupted period of military dictatorships to super-exploit its working class from the late 1940s till 1987 – to develop into becoming an imperialist capital. Therefore it had the material space for certain compromises. We have dealt with this question in detail in another place.<sup>152</sup>

<sup>151</sup> See John Smith: Imperialism and the Globalisation of Production, pp. 169-170

<sup>152</sup> See Michael Pröbsting: Der kapitalistische Aufholprozeß in Südkorea und Taiwan; in: Revolutionärer Marxismus Nr. 20 (1996). A shortened version of this article appeared as “*Capitalist Development on South Korea and Taiwan*” in: Trotskyist International No. 21 (1997), <http://www.fifthinternational.org/content/capitalist-development-south-korea-and-taiwan>. We have also dealt with the East Asian economy and class struggle in Michael Pröbsting: East Asia: Crisis spurs Revolution; in: Trotskyist International No. 25 (1999).

**Figure 24: Share of Compensation of Employees in National Income, Selected Country Groups, 1980-2008** <sup>153</sup>



<sup>153</sup> UNCTAD: Trade and Development Report, 2010, p. 142. UNCTAD details the countries included in this statistics with the following footnote: "Unweighted averages. Data refer to net national income for OECD countries and to gross national income for other country groups. Latin America comprises: Argentina, Brazil, Chile, Colombia, Mexico and Peru; Asia comprises: Bahrain, China, Hong Kong (China), the Philippines and the Republic of Korea; Africa comprises: Egypt, Kenya, Mozambique, Namibia, Niger, Senegal, South Africa and Tunisia; Transition economies comprises: Armenia, Azerbaijan, Belarus, Kazakhstan, Kyrgyzstan, the former Yugoslav Republic of Macedonia, the Republic of Moldova, the Russian Federation, Serbia and Ukraine; OECD comprises: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Iceland, Ireland, Italy, Japan, Luxembourg, the Netherlands, New Zealand, Norway, Portugal, Spain, Sweden, Switzerland, the United Kingdom and the United States."

According to another study the wage share declined substantially in Africa from 37.1% of GDP in 1975, to about 30% in 1990.<sup>154</sup>

In Table 21 we see the development of the wage share in a number of semi-colonial countries. Unfortunately it only covers the years 1975-1992 but as we have seen above the trend has worsened after 1992.

**Table 21: Share of Wages as a Percentage of Value Added in Manufacturing, 1975-1992 (in %)**<sup>155</sup>

SHARE OF WAGES IN VALUE ADDED*			
	1975-80	1980-85	1985-92
Argentina	21.4	19.2	19.1
Brazil	20.6	22.1	20.6
Chile	16.4	17.9	15.4
Colombia	20.1	19.4	15.4
Mexico	36.7	27.8	19.6
Panama	29.8	31.7	35.7
Peru	15.2	17.7	16.0
Venezuela	27.2	28.5	22.2
India	48.2	49.0	45.2
Pakistan	23.5	19.6	19.9
Sri Lanka	29.5	23.8	17.2
Hong Kong	52.4	54.3	56.9
Republic of Korea	27.0	27.2	27.6
Singapore	32.5	34.1	31.4
Indonesia	19.7	18.7	21.1
Malaysia	26.5	29.4	27.5
Thailand	23.5	22.8	25.5
Philippines	22.3	23.4	23.3
Ghana	19.2	16.0	13.8
Kenya	41.1	44.2	42.6
Zambia	26.2	26.4	25.8
Zimbabwe	43.7	42.6	33.3
Egypt	53.5	59.4	41.5
Morocco	53.6	51.0	39.2
Tunisia	48.5	45.7	41.4
Turkey	34.6	24.8	19.2

<sup>154</sup> Ishac Diwan: Debt as Sweat: Labor, financial crises, and the globalization of capital, The World Bank 2001, p. 8

<sup>155</sup> Robert van der Hoeven: Labour market institutions and income inequality: What are the new insights after the Washington Consensus? (2000) United Nations University - World Institute for Development Economics Research (UNU-WIDER), p. 13



**Figure 25: Wage Share of Value Added in Manufacturing Industry in South Korea, Mexico and Turkey, 1970-2003** <sup>156</sup>



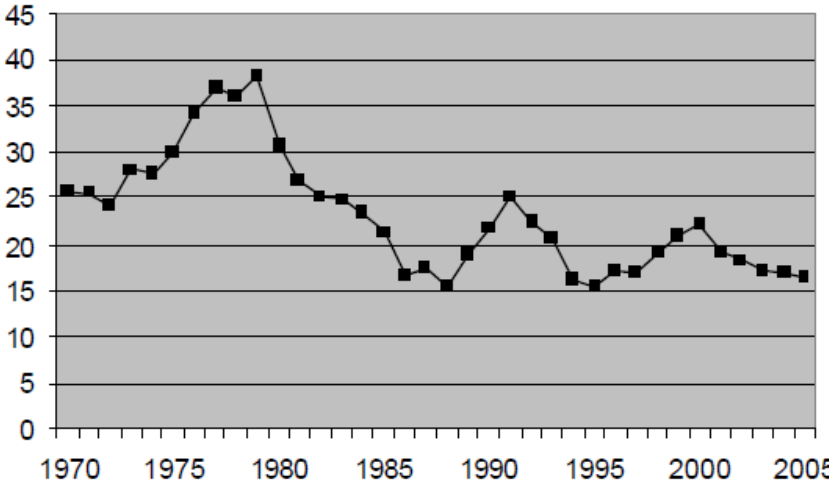
An even worse decline of the wage share can be seen in China. (See Figure 27) A group of economists from the Centre for Research in Socio-Cultural Change (CRESC) reported in a recently published study about the dramatic decline of the Chinese industrial workers wages in the country's manufacturing value added from 52.3% in 2002 to 26.2% in 2008:

*"The Chinese manufacturing LSVA ratios are currently at an extraordinarily low level of 27.2% in 2007 and an estimated 26.2% in 2008 and are considerably lower than the 40-45% ratio of the Japanese or Koreans in the 1970s and 1980s. And this low share is the result of an unprecedented recent rapid expansion. The series shows China's LSVA has fallen from a ratio of 52.3% in 2002 to 26.2% in 2008, despite rising real labour costs per employee. As table 1 shows, China's average hourly wage in manufacturing more than doubles from \$0.72 per hour in 2002 to \$1.81 per hour in 2008. But the same exhibit demonstrates that, with numbers employed running steadily around 100 million + or - 10 million, the lump of VA produced by Chinese manufacturing more than trebles. Numbers employed actually fall as value added doubles in three years from 2005. VA per employee in Chinese manufacturing rises from a nominal 32,772m Yuán in 2002 to 143,506m Yuán by 2008."* <sup>157</sup>

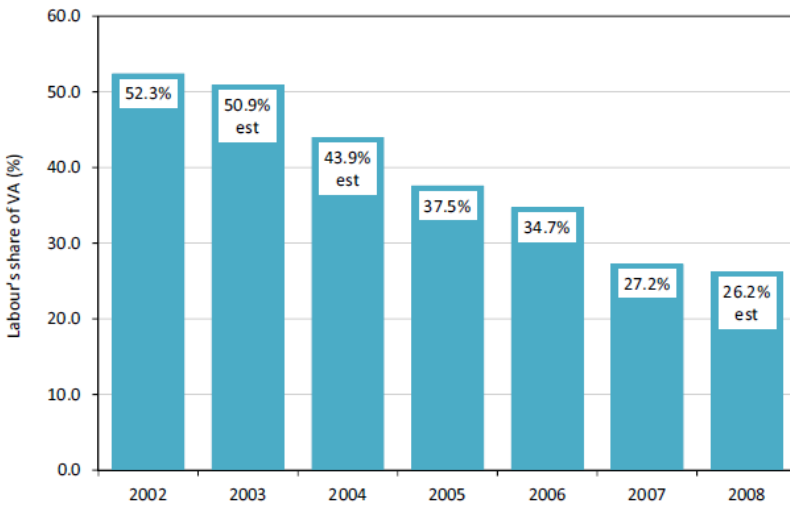
<sup>156</sup> Özlem Onaran: Labor's Share in Developing Countries in the Era of Globalization (2008), Wirtschaftsuniversität Wien & Istanbul Technical University, p. 5

<sup>157</sup> Julie Froud, Sukhdev Johal, Adam Leaver, Karel Williams: Apple Business Model.

**Figure 26: Wage Share of Value Added in Manufacturing Industry in Turkey, 1970-2005** <sup>158</sup>



**Figure 27: Chinese Manufacturing Labour's Share of Value Added, 2002-2008** <sup>159</sup>

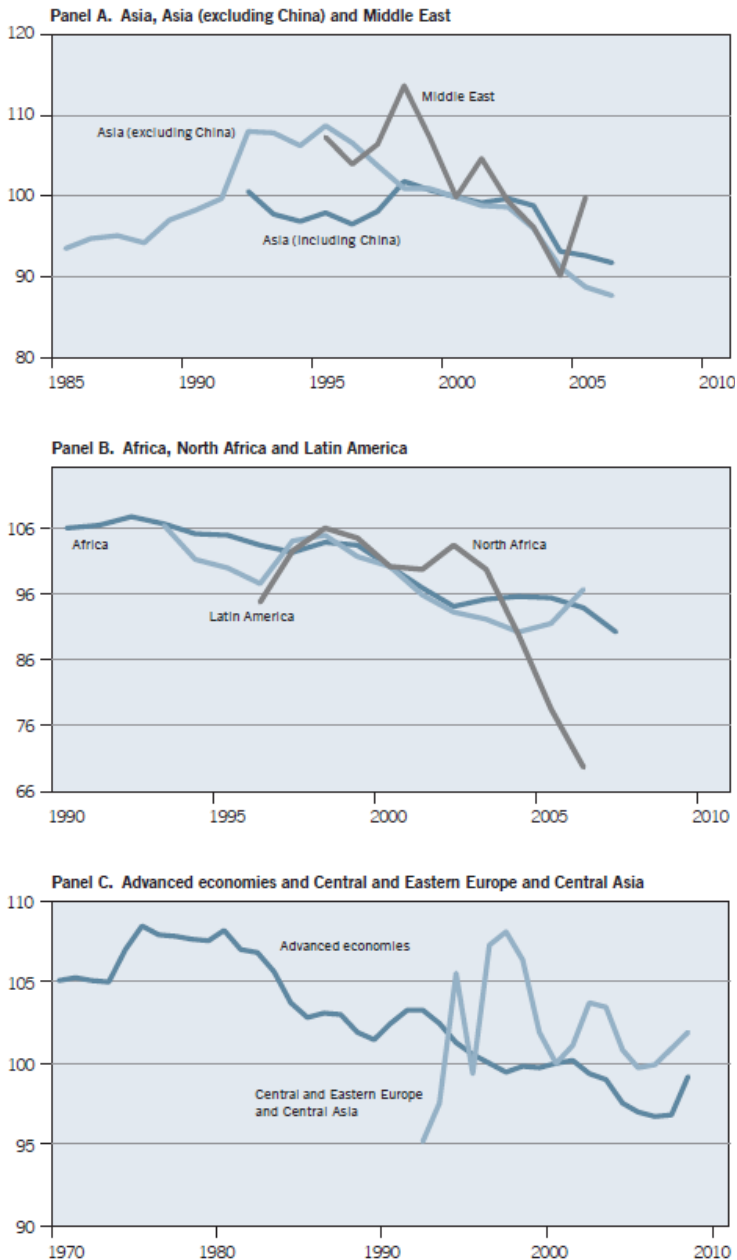


Financialization across the Pacific; CRESC Working Paper Series, Working Paper No.111, April 2012, pp. 13-14

<sup>158</sup> Özlem Onaran: Capital Flows, Turbulences, and Distribution: The Case of Turkey (2007), Istanbul Technical University, p. 26

<sup>159</sup> Julie Froud, Sukhdev Johal, Adam Leaver, Karel Williams: Apple Business Model, p. 14

**Figure 28: Trends in Wage Shares in Regions, 1983-2009**  
 (Index=100 in 2000) <sup>160</sup>



<sup>160</sup> ILO: World of Work Report 2011, p. 57

The same report shows that *“China has kept wages low: wages and salaries as a percentage of GDP fell from 57% in 1983 to just 37% by 2005 through to 2010 – one of the lowest in the capitalist world.”*<sup>161</sup> According to John Smith even these figures seem to underestimate the real depression of wages in China:

*“There is good reason to believe that official Chinese data on real wages considerably exaggerate real wages and real wage growth in China, thus making the discrepancy between Chinese and US wages appear to be smaller than they actually are. The ILO’s Global Wage Report 2010-11 notes that official Chinese data largely reflects the situation in state-owned enterprises, and that wage growth (and, by implication, wage levels) is substantially lower in the private sector. Furthermore, in China as elsewhere, data on average wages and average wage growth obscures very sharp increases in wage inequality, in which rapid rises in the wages of the highest-paid workers (including the salaries paid to managers, etc) occurs simultaneously with stagnant or even falling wages for low-paid workers, appearing in the data as steady growth in average real wages.”*<sup>162</sup>

Finally we want to present the findings of an ILO report published in 2011 which comes to similar conclusions as we do. The ILO analyzed the development of the wage share in 69 countries – both in the imperialist as well as the semi-colonial world. It comes to the following conclusion:

*“Since the early 1990s, the wage share declined in nearly three-quarters of the 69 countries with available information. The decline is generally more pronounced in emerging and developing countries than in advanced ones.”*<sup>163</sup>

The ILO report shows that *“since 1994 the wage share in Asia has declined by roughly 20 percentage points. The pace of the decline accelerated in the past decade recent years, with the wage share falling more than 11 percentage points between 2002 and 2006. In China, the wage share declined by close to 10 percentage points since 2000. In African countries, the wage share has declined by 15 percentage points since 1990, with most of this decline – 10 percentage points – taking place since 2000. The decline is even more spectacular in North Africa, where the wage share fell by more than 30 percentage points since 2000.”* (See also Figure 28)

However, all these reports about the falling wage share only give a very incomplete picture about the rising of the capitalist exploitation of the working class. They do so because they are not presented in combination with the actual development of the size of the proletariat in a given country or region. In other words, they are not adjusted for the growth of the working class itself. Therefore we had a decline of the wage share in the OECD countries while we saw at the same time a moderate growth of the proportion of the wage laborers amongst all those employed. But in the South we saw either a stronger or moderate decline of the wage share while at the same time there was a *massive growth of the share of the wage laborers*. Therefore if we adjust the degree of wage share decline (as

<sup>161</sup> Julie Froud, Sukhdev Johal, Adam Leaver, Karel Williams: *Apple Business Model*, p. 20

<sup>162</sup> John Smith: *Imperialism and the Law of Value* (2011), p. 15

<sup>163</sup> ILO: *World of Work Report 2011*, p. 56

sharp or sharper in the South compared with the North) with the degree of the growth of the working class (much stronger in the South compared with the North), we come to the clear conclusion that the rate of exploitation increased substantially more in the South than in the North.

If we look again at the figures and tables presented above, we come to the following results. In the OECD countries we see a certain decline of the wage share from 1980 to 2008 while the figures available suggest a moderate increase of the share of wage laborers in this period. In Asia – where 60% of the global industrial working class lives <sup>164</sup> - the figures available suggest a certain decline of the wage share in the 1990s and 2000s while at the same time there was a dramatic increase of the share of wage laborers in this period. In Latin America there was a dramatic decline of the wage share and a moderate decline of the share of wage laborers in this period. In the ex-Stalinist states (“Transition countries”) we saw a certain decline of both the wage share and the share of wage laborers. The figures for North Africa and the Middle East indicate a clear decline in the wage share and a clear rise in the share of wage laborers. And in Sub-Saharan Africa we saw first a decline and then stagnation of in the wage share and a rise of the share of wage laborers.

Therefore, all in all, we see indications which clearly show a rise in the rate of exploitation of the working class in the North and an even bigger rise in the rate of exploitation of the working class in the South. Indeed, these are also the finding of two progressive economists, Alexei Izyumov and John Vahaly. In a working paper published in 2011, they analyze the rate of surplus value – i.e. the relationship between the profits of the capitalists and the wages of the workers. They compare the development of this rate – which Marxists also call the rate of exploitation – for the years 1992-2008 between the imperialist countries, the old semi-colonies and the ex-Stalinist states in Eastern Europe and the former USSR (the so-called “Transition Economies”, where capitalism was restored in the early 1990s). They come to the conclusion that the rate of surplus value in the capitalist “Transition Economies” in the East is 1.5-2 higher than in the old imperialist countries. In the old semi-colonial countries the rate of exploitation is even higher compared with the so-called “Transition Economies”:

*“It is based on estimates of the Marxian rate of surplus value (rate of exploitation), share of labor in national income and other indicators of labor income performance during the period of 1992-2008. We find the rate of surplus value in transition economies to be 1.5-2 higher than comparable estimates for “mature market economies” of Western Europe but lower than similar indicators for non-transition developing economies of the world.”* <sup>165</sup>

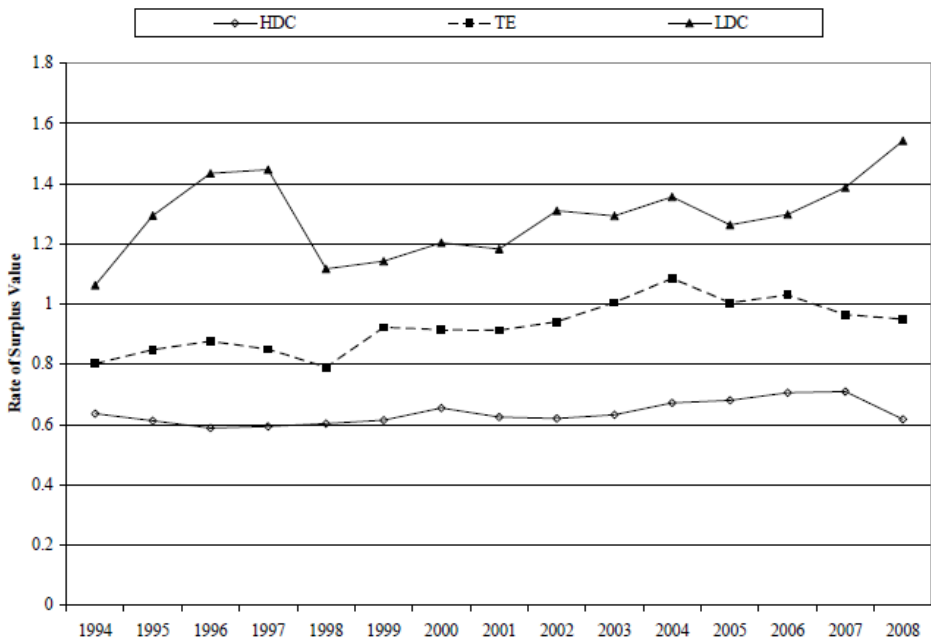
<sup>164</sup> ILO: Global Employment Trends 2011. The challenge of a jobs recovery, Geneva, p. 68

<sup>165</sup> Alexei Izyumov and John Vahaly: Labor vs. Capital Incomes in Transition Economies. What Would Karl Marx Say? 2011, p. 1, [http://www.global-labour-university.org/fileadmin/GLU\\_conference\\_2011/papers/Alexei\\_Izyumov.pdf](http://www.global-labour-university.org/fileadmin/GLU_conference_2011/papers/Alexei_Izyumov.pdf)

The authors also show that the rate of exploitation increased fastest in the classic semi-colonial countries in the years 1994-2008. But it also grew considerable more in the ex-Stalinist countries than in the old imperialist states. (See Figure 29)

All this shows that capital could raise the rate of exploitation of the working class in most countries world-wide in the past two decades. It was particularly successful in this in those countries which do not belong to the old imperialist metropolises in Western Europe, North America and Japan.

**Figure 29: Rates of Surplus Value in Developed, Developing and Transition Economies, 1994-2008** <sup>166</sup>



**Legend:** *Highly-Developed Economies (HDC), Transition Economies (TE), Less-Developed Countries (LDC)*

<sup>166</sup> Alexei Izyumov and John Vahaly: Labor vs. Capital Incomes in Transition Economies, p. 5