

## **The State, Surplus Value, and Exploitation in Contemporary Capitalism**

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**Abstract:** *As a system of economic management, capitalism promotes and encourages the ownership of the means of production by private individuals. One major feature of this system is the existence of two dominant classes: the owners of means of production (that is, the “haves” or “bourgeoisie”) and the non-owners (that is, the “have – nots” or “proletariat”). This essay examines the phenomena of the state, surplus value and exploitation in a capitalist system and it is argued that there is a close relationship between them. It is stated that in a capitalist system, the state is regarded as an instrument used by the dominant class (the “haves”) for the exploitation and oppression of the weaker class (the “have – nots”). Furthermore, in this system, the exploitation of the workers takes place once the surplus value they produce is appropriated not by them but by the capital-owners.*

**Keyword:** *Capitalism, surplus values, mode of production, exploitation, class struggle, the state.*

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### **I Introduction**

As a mode of production, capitalism emerged following the demise of feudalism. The feudal system had collapsed principally as a result of the huge contradictions which characterized it. As a mode of socio-economic organization and management, capitalism promotes and encourages private ownership of means of production and frowns at governments (or state's) control or domination of the economic substructure.

In the Marxist tradition, it is believed that capitalism is inherently exploitative; but it is also generally agreed that the capitalist system can be attractive for a number of reasons. First, it brought remarkable economic progress by revolutionizing the means of production and developing technology as never before. It built and encouraged the growth of commerce and factories on a scale unknown before. Second, by the very range and extent of its activity, capitalism undermined national barriers. In its search for markets and raw materials, capitalism and the bourgeoisie crossed national boundaries and penetrated every corner of the world, drawing the most backward nations into their fold. Third, it eliminated the distinctions between towns and country, and enabled the peasants to come out of what Marx called "the idiocy of rural life". That is, capitalism revolutionized the techniques of economic production, reduced international barriers and created an urban civilization (Mukherjee and Ramaswamy, 2005:361-362).

The state is seen as an organized body of institutions and structures within the boundaries of a given territory, charged with the responsibility of maintaining law and order in that territory, and which also monopolizes the use of all the coercive apparatuses in that territory. To some, the state is a neutral umpire established for the protection of the interests of all. In other words, it is a non-partisan force put in place for public good. To others, the state is simply a tool in the hands of the dominant class in the society for the exploitation of the weaker class. That is, for this group, the state is mainly an instrument for the subjugation of one class of people by another. These points to the fact that the State apparatuses are multi-functional. Depending on the use to which it is deployed by its wielder, the state could be a protector of the lives and property of citizens or a destroyer of them. In its generic essence, therefore, the state derives its dialectic from this inherent capacity for combining the powers of regeneration and destruction (Nwankwo, 1989: v).

In simple terms, surplus value is regarded as the difference between the wages paid to the worker and the value (cost) of what the worker produces. This brings to the fore the fact that what the worker is paid is always less than the value of the product of the worker's labour. This implies that the worker is always cheated.

This essay examines the concepts of the state, surplus value, and exploitation within the context of capitalism. It seeks to establish how the state and surplus value are deployed to generate the exploitation of people (especially workers) in a capitalist socio-formation. This essay is organized into five sections. The first section contains the introduction; in section two, the concepts of “state”, “surplus value”, “exploitation”, and “capitalism” are clarified. In section three, an analysis of the state as an instrument of exploitation is presented.

In section four, we examine the correlation between surplus value and exploitation in a capitalist system. Section five contains the conclusion.

## **II Clarification of Terms**

In order to avoid any form of confusion, it is imperative to clarify the key terms employed in this essay. Definitions serve the purpose of indicating to the reader how the mind of the author is working. A definition is often said to be the impression of the person defining a concept, and the person is usually a product of a particular socialization process based on a unique intellectual tradition. His explanation of any concept is largely influenced by such tradition (Eze, 2010:158; Ujo, 2001:1). Since there can hardly be any definition of any concept in the social sciences that is roundly accepted as “the best”, we shall reproduce a few theoretical commentaries on each of the major concepts used in this essay.

### **i. The State**

According to Nettl

The concept of state is not much in vogue in the social sciences right now. Yet it retains a skeletal, ghostly existence largely because, for all the changes in emphasis and interest of research, the thing exists and no amount of conceptual restructuring can dissolve it... (1968:559)

Indeed, perhaps one of the most important concepts in political science is the state. This is so because a significant proportion of a country's politics occurs at the level of state. Besides, it is only by being the citizens of a given state that we can meaningfully discuss and make claims to our rights and obligations, and a stateless person can hardly have the security and confidence necessary to practice a useful and stable occupation (Nwosu and Ofoegbu, 1986:57). According to *The Concise Oxford Dictionary of Politics*, the state is arguably the most central concept in the study of politics and its definition is therefore the object of intense scholarly contestation. It points out that Marxists, political sociologists, and political anthropologists usually favour a broad definition which draws attention to the role of coercion-wielding organizations that exercise clear priority in decision making and claim paramountcy in the application of naked force to social problems within territorial boundaries. It also regards the state as a distinct set of political institutions whose specific concern is with the organization of domination, in the name of the common interest, within a delimited territory (McClean and McMillan, 2003:512).

The state has also been presented as a territorial community divided into government and governed, in which the government is endowed with both a coercive authority over the governed and a coercive apparatus for its exercise. The state's authority has a territorial rather than ethnic reference because the needs and contradictions that bring it into being transcend ethnic or tribal mores and control mechanisms (Toyo, 1993:9). It has equally been reasoned that the state in a given society is the traditional repository of sovereignty and social organization, and it can be conceptualized

As the public power which emerged from the society, appropriates and administers individual rights and privileges supposedly [for] collective welfare. It is largely a product of irreconcilability of class differences arising out of the quest by these classes to appropriate public wealth and to privatize the means of production of material values... (Okolie, 2005:1 and 4).

### **ii Surplus Value**

As we have pointed out elsewhere (Obo, 2002:55), one fundamental instrument which guided Marxists to the conclusion that capitalism as an economic system is unjust and exploitative is what has become known as the concept (or theory) of surplus value. Surplus value, otherwise called “economic surplus” or “social surplus” or simply “surplus” can be regarded as what producers produce in excess of their own society's subsistence consumption. That is, it is the excess of the product over reproduction needs. There are two categories of reproduction needs: what is needed to replace equipment and inputs and what is needed to maintain, i.e. reproduce, the worker himself. From the output is subtracted a portion needed to satisfy these two reproduction requirements. Any excess is a surplus (Toyo, 2001a:149; Toyo, 1993:9).

The above view can be stated in another simple and illustrative form. As a result of the inventions in science and technology, the instruments of production (like machinery, factories, etc) have enormously increased both in number and efficiency, and are owned mainly by a relatively small class of the capitalists. The capitalist buys the labour power of the worker, applies it to the machinery and raw materials which he owns and as a result produces a commodity having exchange value. The commodity is sold at a price which is greater than the amount expended on the workmen's wages and the upkeep of the factory. This difference between the exchange value of the manufactured commodity and the price paid to the workmen who produced it, is called the surplus value (Johari, 2005:726). The “exchange value” here refers to the price at which the commodity is sold.

### **iii Exploitation**

According to Yuri Popov (1977:28), research has established that the exploitation of man by man is not something that has always existed. It began five thousand to seven thousand years ago. In his view,

throughout the long earliest period of history, society's productive forces were primitive, and the products that men produced were just enough to sustain life. These products, called "necessary products", were the only products men were able to produce in the period of the primitive – communal system. No surplus remained once necessary requirements had been satisfied.

With the development of the productive forces of society, the productivity of social labour grew. Men began to produce more than was needed for their consumption. The product left after the fulfilment of the necessary requirements is the "surplus product". The appearance of the surplus product made it objectively possible for a class of people to exist without taking a direct part in material production; they subsisted on the surplus product created by others. In other words, private property arose, and it was now possible for some men to exploit others. Exploitation of man by man means that some men or groups of men appropriate the surplus product created by others (Popov, 1977:28-29).

Exploitation can also be regarded as taking undue advantage of the other party's weak or unstable position. This involves deception or force (as in the case of slavery). Unequal bargaining power is an essential ingredient of exploitation – unjust payment of the price either of goods or of labour (Chaturvedi, 2006:110). On its part, the 1972 edition of Chambers Twentieth Century Dictionary defines "exploit" as (a) to make gain out of, (b) to make gain at the expense of, or (c) to use for selfish purposes. Two points are discernible here. First, all basically exploitative societies are first of all master-servant societies of one form or other. Second, the relationship between the exploiter and the exploited is social; it is a relationship in which one or other of the dictionary meanings occurs. The exploiter in such a relationship does not have to be a particularly wicked character. Many slave owners, for instance, were kind to at least some of the slaves that they exploited all the same. Exploitation arises from the greed for advantage (Toyo, 2001a:150-151).

#### **iv Capitalism**

Nnoli posits that

Capitalism cannot survive without exploitation. The expanded reproduction of private capital so vital to its survival necessitates the appropriation of the surplus from production by the owners of capital, the capitalists, from the producers of the surplus product, the workers. Similarly, in capitalist market transactions, the owners of capital make large profits over their customers. This inherent exploitative tendency of capitalist relations is at the heart of inequality in capitalist societies" (2011:50-51).

It was Edwin Mansfield (cited in Toyo, 2001b:29) who observed that capitalism is one of the terms that are frequently used but seldom defined, and even less frequently understood. Capitalism is not merely commodity producing or market economy; it is not the mere ownership of private property or the mere pursuit of profits. Its defining or essential features include:

- (a) It is a master – and – servant system, actually a modern slave or wage – slave system;
- (b) Production and distribution (i.e. trading) property is effectively owned by a relatively very few persons as profit – seeking business invested in a profit – making firm;
- (c) The effective owners of capital use the full-time labour of many properties – less or underprivileged persons to produce profits for them by producing or selling commodities;
- (d) What are produced by these persons are commodities, so that the economy is essentially a market one;
- (e) The workers are wage and salaried labourers and are employed if and only they can make at least competitive profits for the enterprise owners;
- (f) The means of production or trade, the goods produced or traded and the profits made belong to the master or group of masters who effectively own the enterprise;
- (g) a large part of the profits is normally accumulated to enlarge the capital as much as possible, this capital being the source of power and status in business competition and in society; and
- (h) The accumulation is relentless and without limit (Toyo, 1997:56, Toyo, 2001a:107; Toyo, 2001b:30).

On his part, Marx defined capitalism by two factors; first, by the use of wage labour. He pointed out that capitalism arises only when the owners of the means of production and subsistence meet in the market with the free labourer selling his labour power. The second factor was private ownership of the means of production, which was distinct from personal property like household effects and home. The ownership of the means of production was the crucial feature of capitalism, for it was restricted to a few. Those who did not own anything were forced to sell their labour power and became wage earners. As Marx observed,

The man who possesses no other property than his labour power must, in all conditions of society and culture, be the slave of other men, who have made themselves the owners of the material conditions of labour.

He can work only with their permission, hence live only with their permission (cited in Mukherjee and Ramaswamy (2005:361).

It is important to note that it was during the industrial revolution that both capitalists and wage workers came into existence or became prominent in a few countries. Capitalists were the initiators of industrialism; they owned the industrial enterprises, and these were labour employing ones. Capitalism started when owners of money capital instead of simply trading for profits used their capital to make or buy machines and employed the labour of less fortunate persons to make profits for them. In other words, industrialization entirely transformed society through the advent of machine-based factory production and the gradual shift of populations from the land to the expanding towns and cities. Indeed, so closely were capitalism and industrialization linked that industrial capitalism is generally taken to be capitalism's classical form (Heywood, 2007:186; Toyo, 2003:3-4).

### **III The State As An Instrument Of Exploitation: A Brief Note**

The view that the state is fundamentally an agency for the exploitation of one class of people by another belongs to the Marxist tradition. This perspective emerged in opposition to the liberal – orthodox school of thought which denies the class essence of the state by positing that as an institution of the society, the state was established to perform utilitarian functions like maintenance of law and order, protection of lives and property of all citizens, and the promotion of the welfare of all classes of people in the society.

The instrumental conception of the state is central to the Marxist understanding of its origin and nature. Marxists generally argue that the emergence of private property brought about the birth of social classes in the society. With the institution of private property in the society, two major classes of people emerged: the owners of the means of material production and the non-owners, who could only survive by making their labour power available to the former in exchange for wages. The ensuing social relations generated enormous antagonisms between these two classes; it was thus necessary to put in place a body that would ensure that these class hostilities did not consume the entire society. This marked the birth of the state. Marxists also contend that although the state was supposed to be an impartial, non-partisan moderator in the class conflicts, it was, however, quickly captured by the class of property owners and turned into a tool for the exploitation of the powerless class of non-owners of property. As Nwosu and Ofoegbu put it,

...the state became a social reality following the changes in the modes of production which created owners of the means of production and non-owners, who were invariably workers and labourers: the slaves and serfs. The owners appropriated more than their fair share of the products of production, thereby becoming oppressors. They sought and secured political and other coercive powers with which they sustained their privileges and interests. They, thus, created the state as their special instrument of class rule and class oppression...(1986:69).

To reinforce the foregoing analysis, the point is made that the state is largely a specific modality of class domination/relations whose relevance is manifest basically at the level of social organizations of production and distribution, and it is at this arena that the intensity and pattern of class domination become visible. It is also stated that every society is divided among contending classes, all of which struggle to control disproportionate share of public wealth, and the state ought to maintain a neutral position in the midst of such struggles and at best enforce compliance of the laws governing production and social interrelationships. This, it is said, has not been the case. Because of the tensions generated by the domination of the “have – nots” by the “haves”, the former had to be controlled, and for this, the state was needed. The state keeps the workers under control partly by repression (using the police) and partly by integrating workers into the prevailing economic system by convincing them, in school, by indoctrination, legislation and by other means that their current plight was the best that could be attained in the circumstances (Okolie, 2005:1, Eminue, 2001:125).

As can be gleaned from the preceding passages, Marx was hugely critical of the liberal view of the state. For instance, to him, the state was not, as Hegel described, a “march of God on earth”, but an instrument of the dominant economic class exploiting and oppressing the other sections of society. Marx regarded the state, regardless of the forms of government, as an evil, because it was a product of a society saddled with irreconcilable class struggles. For him and Engels, the state expressed human alienation; and it was an instrument of class exploitation and oppression, for the economically dominant class exploited and oppressed the economically weak class. The state apparatus served the ruling class, but acquired independence and became autonomous when the adversary classes were in a state of temporary equilibrium (Mukherjee and Ramaswamy, 2005:366).

It can also be stated that the understanding of the state as an instrument of exploitation and oppression becomes clearer within the context of a capitalist system. Capitalism has a major feature: the proletarian class (i.e., the class of the non-owners of means of production) produces the wealth (surplus value), but this wealth is appropriated by the bourgeois class (i.e. the class of owners of means of production). In other words, in

capitalism, the workers (i.e. proletariat) produce the wealth, but this wealth is owned not by them but by the capital – owners (that is; the bourgeoisie).

#### **IV The Nexus Between Surplus Value And Exploitation In A Capitalist System**

In a capitalist system, there exists a close correlation between the production of surplus value (by the working class) and the phenomenon of exploitation. In one of their studies, Abalkin, Dzarasov and Kulikov (1983:71) posed a fundamental question:

..why is it then that some people have to spend their entire lives in back-breaking toil only to die in misery, while others can afford not only to live in luxury but also to become richer and richer, without ever doing a stroke of work?

The answer to this question – which expresses the relationship between the surplus value and the exploitation of the workers – is that: those who spend their entire lives working remain poor because they are alienated from the product of their sweat (i.e. what they produce is **not** owned by them), while those who do little or no work at all remain rich because they continually appropriate the fruits of the labour of other people. This is the root of the exploitation of one class of people by another in capitalist social relations.

The point has to be made that while Marxists regard surplus value as a symbol of the exploitation of the workers by the capital – owners, liberal analysts – and indeed the bourgeoisie – call surplus value “profit”, which to them, is the recompense for investment and for risk-taking. At the risk of repetition, for Marxists, the secret of surplus value lies in the difference between the value of labour power and the value the worker creates when he uses his labour power. In other words, the worker works for himself only part of the working day, during which time he reproduces the value of his labour power. The remainder of the working day is devoted to producing surplus value for the benefit of the capitalist. Thus, surplus value is the value created by wage workers over and above the value of their labour power and appropriated by the capitalist who owns the means of production (Popov, 1977:37).

According to Bade Onimode (1985:97), the exploitation of the labourer by the capitalist is the source of profit – whether profit is in value or money form. He points out that the basic motivation of the capitalist is the ever – expanding accumulation of profit through exploitation or the appropriation of surplus value created by the worker. Onimode is also of the view that the basic reason for the necessity of exploitation in order to generate profit is simply that profit is derived from surplus value. And since exploitation is necessary for the appropriation of surplus value, exploitation is also necessary for the generation of capitalist profit. Indeed, The critical exploitative basis of profit is anchored to the unequal social character of the capital – labour relation. Having monopolized the means of production by expropriation and other means, the capitalist confronts the dispossessed worker, who is forced by this inequality to sell his labour power to the capitalist.

The capitalist then proceeds to make the labourer produce more value than the wage he is paid. The resulting surplus value is appropriated by the capitalist and falsely justified as the productivity of his capital (Onimode, 1985:97).

As already alluded to, capitalism is characterized by unequal and exploitative relations of production. Marxists argue that the more capitalism advances, the more impoverished the workers become. The enormous wealth which the capitalist mode of production makes possible is appropriated by the capital – owners. This separation between the worker and the product of his labour is not, however, simply a matter of the expropriation of goods which rightfully belong to the worker. The main point of Marxists is that in capitalism, the material objects which are produced become treated on a par with the worker himself. The worker becomes an even cheaper commodity the more goods he creates. The **devaluation** of the human world increases in direct relation with the **increase in** value of the world of things. Through his labour, the worker acts to modify the world of nature; his production is the result of this interaction with the external world, in so far as he fashions it. But under capitalism, the worker (the subject, the creator) has become assimilated to his product (the object) (Giddens, 1996:11). In sum, the point being made in the foregoing analysis is this: in a capitalist system, some people (the workers) produce the surplus value for which they are paid nothing; they are separated from this wealth which they created, as it is appropriated (taken away) by the capital owners. Exploitation takes place at this point, as the poor workers are denied the full benefits of their labour.

#### **V Conclusion**

In the preceding analysis, the point has been made that as an economic system, capitalism emerged after feudalism had succumbed to its internal contradictions. It has also been shown that the state is regarded by some people as an instrument for committing evil, while for others; it is seen as a tool for the promotion of public good. We have also attempted to demonstrate that the phenomenon of exploitation emerges when, in a relationship, one party cheats and takes undue advantage of the other party because the latter is weak and powerless. Our analysis has been situated within the context of capitalism.

In one of his many critical comments on capitalism, Eskor Toyo (2003:4) points out that if one studies the capitalist system and its origin one will see that it is actually a modern form of slavery. In his view, the owners of capital and of capitalist enterprises are the masters, the wage workers are the slaves used by them to produce their wealth. This view underscores the production of the surplus value by the workers and the fact that the appropriation of this wealth by the parasitic capital – owners signals the exploitation of the producers (i.e. workers). Thus, for the capitalists to become richer, the exploitation of the workers must necessarily be heightened. In the words of Popov

The amount of surplus value appropriated by capitalists grows with the development of productive forces. It becomes possible for the capitalist to expand production, exploit greater numbers of workers and appropriate a large amount of surplus value. Immense wealth is accumulated at one pole of the society, and the luxury and parasitism of the exploiter classes grow immeasurably, while at the opposite pole the exploitation of the workers is mounting and the situation of the creators of this wealth steadily worsens. This is law of capitalist accumulation (1977:39)

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