

Simply pin, he is not
truly knowledgeable
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Simply put labour power is one's capacity to do work. This piece seeks to explore two key trains of thought. First the idea championed by Adam Smith that although the workforce creates labour power, when discussing value labour isn't all we consider. We must include compensation for the facilitator of production. Second idea championed by Karl Marx is that those who actually carry out the labour produce labour power thus they create value.

According to Smith labour power is created by anyone who works. Optimum labour power is produced via the division of labour. He explained his concept with the example of a pin manufacturer, if one worker is tasked to make a pin, he is not truly knowledgeable in any one aspect of this process, rather he knows each sub-section well enough so he can produce the pin, with maximum effort he can maybe make one pin a day. Whereas if we take 10 workers and tasked them with the same job but instead broke the job down into distinct sections and have the men specialise in 2-3 sections the men could together make 48,000 pins (Smith, 2005: 10-11). This growth in labour power stems out of three key reasons. Firstly increase in skill per worker. Each worker focuses and specialises in a few aspects of the job, because they do this part of the job exclusively, through repetition they are able to enhance their skill at this particular task until they have perfected the skill (Smith, 2005: 13). He uses the example of a trained Smith who has become accustomed to using a hammer but has never made a nail and common boys whose sole existence is to simply make nails.

He says the Smith may make up to 300 nails in a day but very poorly, and rarely the most skilled Smith might make 800. On the other hand the boys who specialise in nail production and know nothing else easily make

2300 each. (Smith, 2005: 14) Secondly time saved because you don't have to move between jobs. Having to clear workspace or even having to go to a completely different factory to complete another aspect of the job because they differ vastly in equipment required to carry out the job takes up a lot of time.

Finally Smith argues that a lot of machinery is created because of the division of labour, workers become so specialised and efficient at their job they begin to seek new ways to speed up their job (Smith, 2005: 15). This is very logical because, when your work is simplified extensively (this simplicity is relative to the job as a whole) and you repeat the same simple actions day in day out, you in turn will have free time to then garner up ideas of how to simplify your job further. The ideas of Smith pertaining to value are as follows. He identifies two types of value, value in use and value in exchange. The first being very pragmatic in definition as the amount of utility or use provided by a good or service. The second is the amount of power the good has in purchasing other goods and services.

Typically items which have high value in use have little or no value in exchange and vice versa (Smith, 2005: 30). Now the question in hand is who creates this value? The answer being the entrepreneur, with the guidance of the invisible hand- which is an imaginary force that assists demand and supply within a free market to reach equilibrium (The Economic Times, 2017). The invisible hand ensures that the self-interest of businesses to make money with a lack of interest regarding consumer concerns is balanced by competition of other businesses offering similar products. Entrepreneurs create value using innovation and by being efficient. Entrepreneurs cannot

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over charge for products as there are other companies providing similar products. This means that goods must keep improving as it is in the self-interest of entrepreneurs to be innovative with their inventions. The impact this decision will have within a free market is that this gives the entrepreneur the ability to increase the value of a good. Take the iPhone as an example.

It was not the first phone, but it was able to be promoted as an innovative product in comparison to its competition, it had to have features that made it stand out, this innovation in turn allows the company to charge more for the product. Hence the entrepreneur creates value, however value to the entrepreneur is profit (compensation for the facilitation of production). It is not useful if the product or good you provide does not give you an increase in value in use or value in exchange. Unlike mercantilism (the dominant economic idea before Smith) value can be created without being detrimental to others, the state does not need to control every aspect of the market and trade between countries can be beneficial (Staff, 2017). The capitalistic ideas of Smith work because the market is allowed to regulate itself and trade between countries are not excessively taxed allowing for the innovation of entrepreneurs to be exchanged for more than the labour power it cost to produce them. In the case of value in efficiency, the entrepreneur and the invisible hand will cause resources and or factors of production to shift where they are needed. When a business closes for example, the factors of production will be shifted somewhere else within the economy where they are needed, i. e.

another company may purchase the machinery, the workers will find new jobs, the shop front will be utilised by another company. The entrepreneur

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will then have to come back with a better idea. This means the economy is working efficiently, the market will dictate what it needs, and the entrepreneurs will adjust towards what the market demands. Nothing falls out of the economy, rather it is recycled and re-used to create something valuable. Marx saw labour power as any effort mental or physical to produce value of any description (Marx, 1887). Marx believed labour power was created by a class which he calls the proletariat, who live out on the sale of their labour.

The proletariat have not always existed however, they came about because of the industrial revolution. Machinery powered by steam and engines came about which could only be afforded by big capitalists which he referred to as bourgeoisie, this led to them eventually controlling the means of production. Next they implemented work specialisation by dividing the work, so workers once accustomed to doing complete jobs now did fractions of the job in turn alienating them from the finished product. This meant that goods could be made quickly and cheaply. So in turn labour power is produced by the bourgeoisie exploiting the labour capacity of the proletariat (Engels and Marx, 1914). According to Marx the value of a commodity is equal to the average amount of labour required to produce it, including the cost of raw materials and machinery used in the process (worldsocialism.

org, 2017). So essentially he believes that the labourer is the true source of value as most of the time and labour power spent on creating a product is applied by the labourer. This however is not how things are valued in society. Take a shoe with no label on it and a shoe with the Adidas stripes on the side, they both have the same value in use but the Adidas shoe will have a greater

value in exchange. In order for the purchase of labour from the proletariat to be worthwhile for the bourgeoisie they must make surplus value.

(Engels and Marx, 1914). The proletariat sell their labour for a fixed quantity for example hourly wage, they in turn cut ties with their share of the product. The product will belong solely to the capitalist who supplied materials and the wage, so for the valued item produced, the capitalist becomes the owner of the labour and the means of production so when the product is sold for a higher price than the labour power prescribed unto it, the surplus profit is for the capitalist alone. The capitalist in the eyes of Marx has successfully exploited the labour of the proletariat by value gained by their labour. In conclusion, according to Smith labour power is produced by anyone with the capacity to work, this labour power is enhanced by the division of labour, hence value is created by the entrepreneur by providing the needs of production, by implementing innovation and by being efficient.

Marx essentially criticises the ideas of Smith. Marx believes like Smith that labour power is produced by those with the capacity to work, however unlike Smith he believes that the industrial revolution has forced this social group of workers (the proletariat) to work to earn the means of survival. The division of labour causes workers to feel alienated from work, and allows for quick production for cheap this means that the true producers of value (the proletariat) are cheated out of what they are owed by the same system in which Smith believes drives the economy.

In other words your political ideology will determine whom you perceive to create value. If you subscribe to that of capitalism it is clear that by looking at

capitalistic countries with less restraints on the market, economically they are doing the best so they must create value. However the social ideology of Marx works on the basis that value stems from the amount of labour a product has received, so it follows that we must then assign the creator of value to the labourers. Bibliography Smith, A. (2005). AN INQUIRY INTO THE NATURE AND CAUSES OF THE WEALTH OF NATIONS. ebook Pennsylvania: The Pennsylvania State University, pp. 10-30.

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