

THE LABOR THEORY OF VALUE (KARL MARX)

Karl Marx's labor theory of value asserts that the value of an object is solely a result of the labor expended to produce it. According to this theory, the more labor or labor time that goes into an object, the more it is worth. Marx defined value as "consumed labor time", and stated that "all goods, considered economically, are only the product of labor and cost nothing except labor".

The labor theory of value is the fundamental premise of Marx's economics and the basis of his analysis of the free market. If it is correct, then much of Marx's critique of capitalism is also correct. But if it is false, virtually all of Marx's economic theory is wrong.

Here is an example of how the labor theory of value works: A worker in a factory is given \$30 worth of material, and after working 3 hours producing a good, and using \$10 worth of fuel to run a machine, he creates a product which is sold for \$100. According to Marx, the labor and only the labor of the worker increased the value of the natural materials to \$100. The worker is thus justly entitled to a \$60 payment, or \$20

per hour. If the worker is employed by a factory owner who pays him only \$15 per hour, according to Marx the \$5 per hour the factory owner receives is simply a ripoff. The factory owner has done nothing to earn the money and the \$5 per hour he receives is "surplus value", representing exploitation of the worker. Even the tools which the factory owner provided were, according to Marx, necessarily produced by other workers.

According to the labor theory of value, all profits are the rightful earnings of the workers, and when they are kept from the workers by capitalists, workers are simply being robbed. On the basis of this theory, Marx called for the elimination of profits, for workers to seize factories and for the overthrow of the "tyranny" of capitalism. His call to action has been heeded in many countries throughout the world.