

A Study on Service Industry Capital  
——An Extension of Karl Marx's *Capital* \*

by

Jingbei Hu \*\*

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\*\* Jingbei Hu, professor of economics (emeritus), worked before retirement at the Chinesisch-Deutsches Hochschulkolleg at Tongji University in Shanghai, China. Hu got his Ph. D. from the Fakultät für Wirtschafts- und Sozialwissenschaften der Universität Köln in Cologne, Germany. Email: [jingbeihu@yahoo.com](mailto:jingbeihu@yahoo.com); website: [www.hujingbei.net](http://www.hujingbei.net).

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**Abstract:** The present paper tries to integrate service industry capital into the system of Marx's *Capital*. It continues from Marx's analysis of commercial capital in *Capital*, vol. 3, Part IV and investigates what will happen after laborers leave the production process and enter, with the commodities they purchased with their value of labor-power in money wages, into consumption for reproducing their labor-power. The reproduction of labor-power will be done in both the individual and social consumption process. The latter will be named service industry and capital working in this industry is called service industry capital. Since surplus-value is the value produced in the immediate production process over the value of labor-power, capitalists aiming at surplus-value will make value of labor-power as low as possible. Therefore, they will reduce both the amount of value of every unit of means of subsistence laborers need to reproduce themselves, which will be done by industry capital in the production process, and the amount of goods required for reproducing an ordinary labor-power, which will be done by service industry capital in the social consumption process. Concentrate and collective uses of means of consumption, division and collaboration of consumptive labor, application of machinery as large-scale means of consumption as well as social organization of consumption will bring economy in consumption. This economy is, through the motion of service industry capital in the process of consumption, will be added to total surplus-value of the total social capital consisted of industry, commercial and service industry capital now. This paper then analyzes how parts of the surplus-value produced in the immediate process of production are transformed into profits of service capital.

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Author's note: The present paper tries to make its ideas consistent with the logical system of Karl Marx's *Capital* and, hence, attaches importance to neither possible conclusions it may get nor possible inconsistency with some assertions expressed by Marx himself.

It is supposed that readers of this paper have already read Volume I and II, and the first four parts of Volume III of Karl Marx's *Capital*.

## I

In the course of Marx's researches in his *Capital*, it is now that laborers obtain, after selling out their labor-power to capitalists, a certain amount of money named wage which represents the value of their labor-power, while the capitalists gain, through the consumption of the labor-power, not only capital they have paid for the production and circulation in advance but also an amount of surplus ---- the surplus-value. On the other hand, commodities which contain surplus-value have been produced. Parts of them are exchanged, either through the mediate function of the commercial capital or not, among industrial capitalists and then reused as material factors in the immediate process of production. Other commodities are consumption goods sold by industrial capitalists to commercial ones at the price of industrial costs plus industrial profits, before they are transferred from wholesalers to retailers in several phases. Finally, those consumption goods, including necessities and luxuries and containing additional commercial costs and profits, will be purchased by capitalists who have gained surplus-value as well as by laborers who have got their wages. So those commodities find their ways into the process of consumption.

When investigating the process of consumption, we do not take the consumption by capitalists into consideration. It is because their consumption fund is a part of the surplus-value which they take up as their own without paying anything during the process of production and circulation. While the secrets of sources of surplus-value are clearly disclosed in the chapters of Marx's *Capital* we have read, the consumption by capitalists will get understood clearly after we figure out the consumption by laborers. In addition, we will also ignore the consumption by commercial laborers who function differently from industrial laborers in the whole process of production of surplus-value. In this way, we could discuss the consumption by the industrial laborers in pure form.

Proletarians who have nothing to depend on for their living but their labor-power, sell their labor-power to capitalists as commodities. In the immediate production process, capitalists combined labor power, representing variable capital, with means of production, representing constant one, and consume them productively. Then, new material products are produced on the one hand, and both the equivalence of labor-power value and surplus-value are brought about on the other, while the value of constant capital is transformed into the new products. Therefore, labor itself can be seen as productive one. Now, the production process ends, and capitalists stop the consumption of labor-power. Laborers get out of the workplace with their wages which are equivalent to their labor-power value. If it is to say that they are jittery in following capitalists into the process of production, they are now worn out leaving it. Though they get the paycheck for their labor-power, they lose the use-value of their labor-power. They have to rebuild it if they want another round of selling their labor-power, the only commodity they possess, on the market. The augmentation of capital requires continuous supplies of means of production from the markets as well as that of labor-power. The capitalist mode of production itself has laid a base for production and reproduction of labor-power that capital augmentation requires. When wage-laborers leave the production process with wages that represent their labor-power value, there are in the market of commodities supplies of means of subsistence which they need for reproducing their labor-power. These laborers come into the process of circulation again, now divide their money wage into different parts and purchase various kinds of necessities for living. Thus, they enter the immediate consumption process, also called as the process of labor-power reproduction.

The consumptive commodities what laborers need to produce their labor-power could be divided into two categories, that is, individual and public means of consumption. In general, the former is that used only adequately by individuals or families individually, while the latter is consumed by groups of people collectively. Those which belong to both categories are divided according to their concrete usage in practice. Accordingly, there are two types of consumption by laborers, individual and public consumption. As for the process of individual consumption, kaleidoscope-like appearance of the capitalist economic motions has vanished. Though in this process, laborers may have to process commodities they have bought for immediate consumption, expending also some labor-power, this labor could be overlooked in our study as long as it has no social characters and contingently still belongs to the process of individual consumption. What should be kept in mind is only that, as results of individual consumption, the value of these commodities is gone while its use-value is transformed into human being. In contrary, the process of public consumption is under the control of service industry capital or capital in service industries. Service industries are departments of social labor where labor-power is immediately produced and reproduced, also defined as the public consumption department. In the phase of capitalism which we study, use-value of the whole labor-power of industrial laborers is reproduced by both of individual consumption process and the service industry together. What's more, service industry nowadays is playing an increasingly important role in labor-power reproduction.

Labor in service industry or service labor which is now socializedly implemented constitutes a part

of total social labor and is a specific type of labor in the capitalist mode of production. What dominates the service labor and functions in the process of public consumption is service industry capital. It belongs to the total social capital that produces surplus-value. Thus, the total social capital readers have known about could now be grouped into industrial, commercial and service industry capital. The present paper aims to explain the role service industry capital plays in the production of surplus-value.

Similar to commercial capital, service industry capital is regarded in the eye of bourgeoisie economists as part of industrial capital and the service sector as part of social production process. However, it is wholly not the case if studied more deeply. The service industry, observed from receivers or objects of service labor, could be seen a process of production of labor-power, a process in which both labor-power and products of labor are transformed into human being, hence it is the immediate process of consumption. When observed from providers or subjects of service labor, the service industry may be a process of consumption of labor-power, also the process of production in which labor power is expended. In all, service is just a unity of production and consumption of labor-power, and of production and consumption themselves, which is a dialectical unity, just like the dialectical unity of consumption and production of labor-power in the immediate process of production of physical products in the narrow sense (in this paper, the vital influence the immediate process of production lays on growth of use-value of labor-power is not taken into account). On the other side, during service industry, products of labor, like goods which are used in the individual consumption process, are kept away from the reproduction of physical products forever. As products of labor, they are died out. And just through this kind of dying out, it is possible to reproduce and improve labor-power. Thus, products of labor used in service industry belong to means of consumption. Labor contributing to transform these products of labor into human being will belong to consumptive labor. Labor in service industry is, in fact, a socially organized consumptive labor. The immediate aim or result of service labor is to reproduce labor power or human being, while that of productive labor is to reproduce physical products. Apparently, production of labor-power itself, namely, social consumption, could be seen as the main side in service industry which is a dialectical unity of both reproduction and expenditure of labor-power. Therefore, service industry is a section of social consumption and the service industry capital, which is different from both industrial and commercial capital, a particular part of social capital.

The essence and content of the immediate consumption process are the personification of labor products and production process of labor-power, while that of the immediate production process are the materialization of human labor and the production process of physical products. These differences do be the base on which economic activities are categorized into production and consumption in economic researches. Even bourgeoisie economists who regard service industry as social production process accept these two categories.

What we are to examine in this paper is the pure consumption process in which products of labor are consumed directly and immediately. Of course, products can never be transformed into “a

person's flesh and blood" and become, embodied or disembodied, part of human being or labor-power automatically. If there were no labor input, means of consumption would fail to fulfill their function and there would be no actual consumption. It is known that natural wastage and human destruction happen to means of consumption every now and then. These events deprive the latter of their feature as products of labor. But this kind of using-up is not consumption because the goods are not transformed into labor-power. It is obvious that the combination of living labor and physical products is needed not only in the production of new labor products but also in consumption of labor products, which is the production of labor-power at the same time. The only difference is that the result out of the former is material while that out of the latter is human. To be specific, in the immediate process of production the living labor is the productive activity and materials used are means of production, while in the immediate process of consumption, the living labor is the consumptive activity and materials used are means of consumption. In a society where the capitalist mode of production dominates, living labor becomes the object of possession by capital. However, only the labor, which is materialized into a good, that is, labor which can exist away from laborers, is possible to be possessed. The capitalist mode of production excludes the general possibility of possessing laborers as slaves. The consumptive labor that is personified into a human being could not, therefore, be possessed by capital, and neither could it be crystallized into value and surplus-value which is a part of value. Similarly, when parts of consumptive labor occur, through the evolution of social division of labor, to become service industry labor which is controlled by service industry capital, this service labor could not produce value and surplus-value for capital either.

That explains why service industry capital, whose activities are not involved in the immediate production process of material goods, is different from industrial capital, but just like commercial capital as neither of them can produce surplus-value by themselves. Of course, in reality service industry capital carries out a lot of other activities, which are not its genuine tasks. These secondary or incidental activities must be abstracted when analyzing the service industry capital in its pure form. As for labor dominated by capital, service labor is expended immediately on laborers in which production and consumption of labor-power cannot be separated but united. Its difference from productive labor, which also often occurs in the process of consumption in reality, lies in that the productive labor can always be divided into several labor processes in which labor is transformed into material goods whose production is always able to be separated from whose consumption. What's more, the further both production and consumption evolve, the more likely they are separated from each other in the practice. Besides, in the process of consumption there might be some commercial or trading activities which, in their pure form, belong to social circulation process, in which labor is dominated by commercial capital. This kind of labor differs from consumptive labor because it realizes the value of commodities, but not has immediate effects on human reproduction. As we already know, consumptive labor is none other but an activity which consumes the value of commodities. Like the consumption in practice, the service industry we see in reality also involves lots of productive and commercial labor, which should be overlooked in order to study service industry capital in pure form. However, abstracting the specific function of

service industry capital from the historic appearance of the capitalistic economy is a tough scientific work which could never be achieved by economists of the capitalist class.

## II

It is already known that service industry capital does not produce value and surplus-value. Contrarily, value of means of consumption made in the process of production is gone in the motion of service industry capital. So, what role does service industry capital play in the movement of capitalistic economy, the highest target of which is to produce surplus-value? To answer this question, we should first study the relationship between surplus-value and value of labor-power. Value consumed in service process belongs to value of labor-power on the condition that the consumption by capitalists is put aside. Value of labor-power in its material form loses their original features wholly in this process. As a result, on the one hand, new labor-power is reproduced and is endowed a form as commodity again by the capitalist mode of production. On the other hand, this new commodity is owned by laborers. In order to get it, capitalists have to conduct exchange at the equal value. Thus, consumption process in which value dies away stands in an acutely contrary position to the production process in which value is created. It is clear that surplus-value and value of labor-power are two parts of the total value newly produced in the process of production. When the total amount is given, the amount of surplus-value depends on that of the labor-power value. Here, changes in value of labor-power are of first importance. What capital can possess is those left behind the compensation to laborers as value of labor-power. Therefore, the higher the value of labor-power required for its reproduction is, the less surplus-value is left to capitalists. And vice versa. That is why capitalists try every possible opportunity to reduce the value of labor-power while endeavoring to increase the total value.

There are many ways to reduce the value of labor-power by capitalists. Here we do not study those tricks capitalists employ to cheat laborers in both markets for commodities and for labor-power, though it is not uncommon to see that in reality. Like what Karl Marx did in his *Capital*, we always suppose that wages laborers earned by selling their labor-power are equal to their value of labor-power.

The value of labor-power is determined by values of means of subsistence needed to produce and reproduce a normal labor-power. Accordingly, there are two ordinary ways to reduce value of labor-power, that is, either bringing down the materialized labor in every unit of means of subsistence, that is, bringing down the values of those means of subsistence, or bringing down the necessary amount of means of subsistence needed to produce a normal labor-power. Karl Marx analyzes the first way detailedly in his *Capital*, volume I, which readers are assumed to have read. Now we only focus on the second way. When it comes to the second way, means of subsistence has been already produced and the materialized labor-power, namely, its value has been already determined. What capitalists can do is only to reduce the amount of means of subsistence laborers need to consume. Where capitalists can make efforts for it is only the process of public

consumption on the condition of equal exchange in the labor-power and the commodity markets. And the capital which makes these efforts actually and actively is the service industry capital functioning in the process of public consumption.

Though many services for those who possess surplus-products can be found in the earlier history, the true history of service industry capital should, however, be understood from the view of the motion for augmentation of industrial capital. Industrial capital is the basic form of social capital and the only form of capital that not only possesses but also produces surplus value. Therefore, all other forms of capital, no matter their histories are longer or shorter than that of industrial capital, are derivations of industrial capital in the historic period we are studying. Service industry capital is no exception. Industrial capital is not involved in the process of social consumption. However, on the one hand, part of value that it produced vanishes out in this process, and on the other, labor-power it needs necessarily can only be produced in this process. In order to reduce the value used up in consumption while producing labor-power which is adequate to surplus-value production, industrial capital has no other way but to extend its dominance to the area of consumption, so that part of it should be separated from original form of capital and become service industry capital which dominates the process of consumption directly.

For example, the concentrative use of fuel is much more effective in many consumption cases than individual use. Capitalists of coalmines might be the first one who applied this simple knowledge to save variable capital (its counterpart in the hand of laborers is the labor-power value). Having a bath is a necessary part of the reproduction of coal laborers' labor-power, and the value of consumptive goods used for the bathing is part of labor-power value of coal laborers. Nevertheless, if a coal capitalist does not pay that part of value to laborers, instead, he builds a public bathroom in his mine fields, the cost of fuel and other relevant means of consumption should be far less than of having bath in every laborer's house individually. The difference in value between the two will be a surplus for the capitalist and obviously be possessed by him as surplus-value. The concentrative use of means of consumption for certain ends helps to cut down both the amount of consumption means needed and the value of labor-power, which are the results of efforts performed by capitalists, and the reduction in value of labor power will be fruits of capital. In this way, value saved from the more effective consumption is an addition to the surplus-value already produced. At the same time, capitalists can also divide that residual amount of variable capital further into constant and variable capital according to new organic composition and input them into production. This again increases the surplus-value not only because the value of labor-power decreases on the case that the total produced value is given, but also because growth in the total value based on the reinvestment of saved variable capital. It is really a quadratic increase of surplus-value.

In this example, the expenses coalmine capitalists spend on public bathrooms, including fixed and working capital, all belong to variable capital in his total capital which is originally used to buy labor-power. This part of capital, in form of either physical goods or money, is not directly paid to



laborers in the market but used in the form of bathrooms, staff and materials relative to bathing service only because those forms reduce the quantity of labor-power value while not changing the quality of labor-power produced.

It should be kept in mind clearly that the capital used in such service business as bathing is in a particular form of value of labor-power or variable capital of coalmine capitalists. Therefore, the value of the capital is in the process of absolute consumption like the value paid directly to owners of labor-power. That is to say, this capital goes out of the motion of the industrial capital. Neither can the value of this form of capital be transformed into physical goods, nor can it remain as its physical carriers are consumed: such value is used up by laborers. As a result, the capital in the service business as public bathrooms, through its separation from usual variable part of an industrial capital, helps to enhance the capacity of total capital including itself to produce surplus-value. However, the surplus-value, namely, profits and the value which compensates itself are not produced by itself.

However, the service capital cannot be affiliated to individual industrial capitals if it comes to play its role independently. Similar to commercial capital, it must become a special kind of capital, which is independent from individual industrial capitals and paid in advance by a special group of capitalists, service industry capitalists. In another word, like commercial capital which has been separated from industrial capital, service industry capital should be an independent part of total social capital. It is a mediate or infant form of service industry capital when it attached to individual industrial capitals or used by the latter to produce additional value. With the development of the capitalist mode of production, the organic composition of capital goes still higher, the technical composition of capital is upgraded even faster, the amount of means of production each individual laborer deals with in the immediate production process rises up hugely. Therefore, the production process puts forward still higher standards to a “normal” labor power. As a result, labor-power of higher quality is playing a more and more important role in production and even becomes the object individual capitalists compete for. Accordingly, reproduction of labor-power becomes increasingly important to the motion of capital augmentation. On the other side, as all the economic activities in a society are transforming into the capitalist way, the capitalist relation of production are penetrating into every branch of the society and the supply of labor-power from outside the capitalist mode of production becomes less and less, so that the reproduction of labor-power becomes increasingly a necessary part of the motion of mode of capitalist production. Moreover, as the majority of the population is forced to become wage-laborers, their increasing strength as a social class and their united struggles may push capitalists to an agreement which could guarantees their sale of labor-power at value of labor-power. In this way, the law of labor-power-value and the reproduction of laborers itself are coming to take their normal positions in the whole process of surplus-value production and in the motion of capitalist mode of production. In facing to all of these, the reduction in value of labor-power in the process of consumption is becoming still more important to capital augmentation. But in the consumption sphere, the absolute and comparative decrease in value of labor-power, either in theory or practice, could only be accomplished by

independent and developed service industry capital. Some of the already-existing service businesses are changed into operation in the capitalist way, some service businesses used to serve the group of persons who possessed surplus-products develop themselves by enlarging their clients, and individual owners of money capital join in the small-scale service businesses etc, all of which, together with the service industry capital which is separated from industrial capital, constitute this independent part of total social capital.

What we have discussed about individual capitalists who make use of part of their variable capital individually to start service businesses can also be applied in the socialized use of that capital. True, every industrial capitalist tends to propagate his so-called cares for laborers with services and other welfare or educational programs he provides to the laborers. What's more, they take them as an advantage to foster a good company image and to defeat their competitors. Now bourgeois economists also take socialized service industries as the concern for laborers and declare that the value of labor-power or labor costs capitalists have to pay would have an obvious drop if without such services. Thus, the service industry would increase the value of labor-power and improve laborers' welfare. However, this kind of theory completely reverses facts. Surplus-value is certain to go up if a portion of capital is not taken from total social capital to operate service industry and, at the same time, is not paid to industrial laborers directly. In such scenario, the life of laborers must be much worse, and we even have to imagine logically that there would be no laborers' consumption process. Capitalists and their economists might be always dreaming that labor-power which produces surplus-value could be obtained without the process of laborers' consumption. Of course, dreams are only dreams. In the practical operations of the capitalist economy, what capital can snatch is only the value which is surplus of the newly produced value subtracted with value of labor-power. If labor-power needed for capital augmentation is not brought out in the process of both individual consumption and service industry together but in individual one alone, not only the value of labor-power would be much more, but also labor-power cannot be produced in quality and quantity sufficiently. Therefore, if it is importuned to say that capital used in service industries would bring an increment to value of labor-power, then, this increment must be negative. Contrarily, the increment brought to surplus-value is positive.

The material form of the service industry capital in the process of consumption is means of consumption, whereas its value form is part of total social variable capital. A portion of the variable capital, retreating from the motion of industrial and commercial capital, now in the form of service industry capital and through it, transformed into consumption funds of the working class, together with its physical carriers, that is means of consumption, will be all absolutely consumed in servicing process.

Hence, the movement of service industry capital can be described with the formula:

$$M - C \rightarrow 0$$

First, service industry capitalists have to pay money in advance. It is supposed that commercial capitalists take charge of all the sales of means of consumption to the end users. Service industry capitalists purchase, with their money capital, socially viewed consumption means from commercial capitalists. As far as commercial capitalists are concerned, it is a process of  $C-M$ , through which they complete their functions and yield both capital paid in advance and surplus-value due to them. In addition to the purchase of means of consumption from commercial capitalists, service industry capitalists also have to spend another part of their money in labor-power market. When those two purchases are finished, service industry capital fills its functions in the first phase, that is  $M-C$ . It is ready for service industry capital to enter the process which is the productive one for the service industry capitalists. But it is, at the same time, the process of social consumption where their capital value will be gone. The dot line above the dash in the formula illustrates consumption process and the “0” represents that the original value of service industry capital disappears, disappearing from the total value of total social capital forever. This special motion of service industry capital strongly recommends a remarkable contrast between augmentation of total social capital and laborers’ consumption, which is materialized here in the contradiction between service industry capital and laborer’s consumption, meaning that lowering of value of labor-power is crucial to service industry capital though it is not that important to individual industrial capitals. The independence of service industry capital not only enables industrial capitalists to focus more on the production of surplus-value, but also makes lowering value of labor-power and then enlarging surplus-value in the consumption sphere become a special function for service industry capital.

Apparently, only when service industry capital takes up a certain percentage in total social capital, it can turn, through decreasing the amount of value of labor-power, a large part of total value produced by industrial capital into surplus-value. That a part of the functional capital no longer produces surplus-value immediately but becomes involved in service industry will enhance the ability of functional capital to produce surplus-value, namely profits, so that the profit rate of total social capital including service industry capital climbs up. The concentrative and collective uses of means of consumption, division and collaboration of consumptive labor, application of machinery as large-scale means of consumption as well as social organization of consumption, all together bring tremendous economy of social wealth in consumption. This economy is, in turn, demonstrated, through the motion of service industry capital in the process of consumption, as an outcome of capital activities and as an economy of capital itself. That is to say that, when the total value produced is given, part of it which is supposed to be consumed in the process of consumption is lessened through the functions of service industry capital. As the result, part of it which is left as surplus is augmented. This reserved value increment becomes part of surplus-value to total social capital and is owned by capitalists so that service industry capital indirectly yields surplus-value through its own performance.

The form of consumption the capitalist mode of production inherits from the history is based on the individual and autarkic consumption in the unit of family. This consumption form is caused by

parochialism and lag-behind of production. In turn, it makes parochialism and lag-behind of production even worse. It tremendously limits both growth of productive force and increase of social wealth. Moreover, it supplies little surplus products after laborers' compensation. For the capitalist mode of production, which has developed from this condition, it is absolutely not sufficient to increase surplus-value only through production innovations, even with deprivation of part of laborers' means of subsistence. Furthermore, developments of the capitalist mode of production puts higher and higher requirements on subjective productive factor, that is, laborers, which leads that production of labor power needs more and more labor products as input so that the deprivation of means of subsistence from laborers not only becomes far difficult but also does more harm to surplus-value production itself: This deprivation has become of almost no importance. No matter how capital tries to promote the productivity of material products and value in the immediate process of production, it is still not easy for capitalist mode of production to grow, which aims at surplus-value, if the old consumption form is not replaced, because with this form the difference between values produced and value consumed necessarily, that is surplus-value, fails to enlarge quickly. Hence, the development of capitalist mode of production will inevitably cause the collapse of the old consumption form in which laborers reproduced their labor power only in the individual families. The replacement is the socialization of consumption, also of the so-called labor-power reproduction, which is in correspondence to the socialization of production. In this way, the capitalist relations of production will dominate not only the realms of both production and circulation but also of consumption. While socializing consumption, capital puts ends to the primitive family mode of consumption which has lasted for more than several thousand years. Families as a basic unit of consumption, and family or private ownership of the means of consumption, though subordinated to patterns of ownership of means of production, are themselves a most firm fundament of private ownership in general. As productive force has made great progress, it is more and more likely that means of production is used socially and production becomes a social activity. The more extensive domain the human beings reach, the more vital the production of their own is. The over-all development of mankind is becoming a prerequisite for the further development of production. Therefore, private ownership of means of consumption and family-based consumption form become increasingly obstacles to the extension of production and of improvement of society, and to all-round development of human beings as well. The further the capitalist mode of production develops, the larger areas the social activity involves, and the higher degree of socialization of material goods and labor-power production and reproduction, the more impossible it is for the general private ownership of labor products to exist. Consequently, productive force grown under the capitalist mode of production will create the material and human base on which the capitalist relations of production can no longer exist; neither can the general private ownership. The end of the capitalist private ownership should be also the end of the general private ownership in the human society.

### III

Service industry capital which is separated from industrial capital and participating in social

consumption process is a necessary part of total social capital as well as industrial and commercial capital. Marx's analysis on industrial and commercial capital and my analysis on service industry capital above have all proved that if industrial capital were the only form of total social capital and commercial or service industry capital would not be separated from the industrial capital, or total social capital would not be divided, with certain proportions, into these three capitals, industrial and then total social capital would have a much poorer capacity of surplus-value production, that is to say that total social capital would not be able to grow quickly and surplus-value production be certain to be hindered drastically. Observed from the view that social capital aims to pursue surplus-value, it is to conclude that all three kinds of the social capital, that is, industrial, commercial and service industry capital, are indispensable. The total amount of surplus-value, that is, the sum of parts of surplus-value received by three portions of total social capital, is produced initially by industrial capital alone. However, this value can only be produced by it on condition that it is involved in the motion of social capital and works as part of social capital. As a result, the total amount of surplus-value also represents in the reality of capitalist economy the common outcome of all three parts of total social capital which are coordinately for surplus-value production. From the total surplus-value there come profit and profit rate to total social capital. Industrial, commercial and service industry capitals obtain, in accordance with this profit rate and their percentage in the total respectively, their own surplus-value, that is, the average profit.

When reviewing the profit of service industry capital, we have to, first, put aside the functions of commercial capital because it is considered to be unable to produce surplus-value as service industry capital. All the new value as the objectified or materialized human labor and, accordingly, surplus-value, are produced by industrial capital. Service industry capital yields neither value nor surplus-value, which has been illustrated clearly. Then, as a logic conclusion, the surplus-value possessed by service industry capital can only be from industrial capital. The shift of surplus-value from industrial capital to service industry capital is decided internally by equal rights between capitals, and externally by special functions of every kind of capital. Nevertheless, in the superficialities it is not the case, which causes that capitalists with different capital and their respective economists take for granted that they themselves produce their surplus-value, and even industrial capitalists who like to blow one's own horn also believe so. In Chapter IX "Formation of a General Rate of Profit (Average Rate of Profit) and Transformation of the Value of Commodities into Prices of Production" (Part II, Volume III of *Capital*), Marx has already analyzed how the average profits of industrial capital cover the true source of surplus-value. However, when every industrial capitalist equals his profits to surplus-value his own capital produced, it does, somehow, make sense, as his capital is indeed the one that produces surplus-value. Presently, when the average profit of total social capital comes out, the essence of profit, the surplus-value, is totally covered, unknown to the public. Every part of capital, whether its motions include immediate production process, stands in the form of industrial capital which is divided into two kinds of constant capital, for purchasing means of production, and variable capital for buying labor-power. Each of them proves its productiveness through the consumption of use-value of labor-power, that is, the exploitation of laborers, and through the profits gained through competitions with other individual

capitals. It is a wholly irrelevant question whether labor-power under control of individual capitalists produces profits or not. When a capitalist enters the market for labor-power, what he only knows is that he can never get any profits without labor-power. But this knowledge is no more than that he cannot obtain profits if he has no capital. Labor that can bring profits to him is productive labor in his eye. As for whether the value, a part of what forms profits, has been produced already or not is an extremely ridiculous question to him. It was completely not a question before science found the concept of surplus-value and then revealed the true essence of profits. The other way around, if we cannot set up a mechanism through which service industry capital obtains profits, our discussions on value of profits initially produced by industrial capital and, accordingly, and our theory of surplus-value are not complete at least.

As service industry capitalists are concerned, they spend their money as capital in service industry, and consequently must gain profits according to the equal rights of capital. When a capital-owner has little advanced capital, he may only run the business individually in which he is the only laborer and all the fruits are his own. At that time, he is still not a capitalist, but his business is certain to develop if the objective of his labor increases and more means of consumption is used in a concentrative way in his business. This person may go to the market for labor-power and prosper by getting unpaid labor from labor-power bought from the market. Then, his money turns to be capital and he becomes a capitalist. Thus, capital augmentation is what he concerns most and motivates him to apply every mean of producing surplus-value as, as Marx already showed in his *Capital*, does industrial capital, prolonging work hours in a day in particular. However, no matter how hard he manages to do, his profits can only be gained indirectly from total value produced by industrial capital and directly, through his control on service labor, from the value of labor-power which is now in the hand of industry laborers.

Independent service industry capitalist divides his advanced capital into constant and variable capital which are used respectively to make purchase in commodity market and labor market. Here, all sellers in labor market are considered to be owners of simple labor-power of social standards, while the rights of capital to consume labor-powers are equal to every kind of capital just like the way it possesses profits.

When service industry capital changes from money into the form of material goods and labor-powers, it enters into what the service industry capitalist views as the production process. It is supposed that all the constant part of his capital is paid and compensated one time. Industry laborers, as objectives of labor in service industry, consume the value of constant capital of service industry capital, which will cost part of value of industry laborers' labor power in the form of money wages. If industry laborers consume commodities in their families individually, they still have to pay for them. What's more, as this part of consumption is essential to their labor-power reproduction, the value of the corresponding means of consumption is a component of his total value of labor-power and is gained by selling his labor-power to industrial capitalists. Now, the service industry capitalist transfers this part of value to himself to compensate the consumption of

the value of his constant capital. Consequently, constant capital of service industry capital regains its form of money capital, ready for a new round of advancing capital.

But the consumption of constant capital of service industry can be realized only through the consumption by service industry capital of another commodity ---- use-value of labor-power. Labor-power, which represents the variable part of the advanced capital of the service industry capitalist, transfers in its living labor socially used means of consumption, which represents the constant part of his advanced capital, to industry labor-powers so that the reproduction of industry labor-power is achieved. Some part of labor in service industry, especially which related to body reproduction, can be performed by industrial laborers themselves in their individual consumption. But the service labor with certain proficiency and intensity may improve the efficiency in producing labor-power, and helps industrial laborers, on the one hand, to have more working time to sell to industrial capital, and on the other, to have more labor-power (both in mind and body). As for the production of surplus-value by industrial capital, the both are necessary. Still there is a part of labor performing in service industry which can not be done by industrial laborers in individual consumption process, such as labor to improve quality of labor-power of industrial laborers. Therefore, labor of service industry, also dominated by service industry capital, is generally a necessity for producing the human factor, that is, labor-power, and therefore for surplus-value production itself. Accordingly, existence of service industrial labor-power is a necessary condition for production of industrial labor-power and surplus-value. Hence in the value of labor-powers paid by industrial capital to industrial laborers, there is a part which should be the value of means of subsistence for service industrial laborers.

As far as industrial capitalists are concerned, they never give the industrial laborers more amount of value which surpasses the value of labor-powers. In the labor market, just like in the immediate process of production where he takes control directly, he is always watching out for the possible “cheating behaviors” performed by laborers who have their own self-consciousness. Likewise, it is impossible for industrial capitalists to give part of their own profits freely to service industry capitalists who are their competitors in the more direct way than laborers. The relationship between industrial capitalists and service industry capitalists can only be seen as a trade relationship with exchange of equal value by different owners in the market. Industrial capitalists include in the value of industrial labor-power the value of the means of subsistence necessary for service industrial laborers to produce their own labor-power because, if there is no service labor expended on industrial laborers by service industry laborers, labor-power of industrial laborers with complete use-value is impossible to be produced. Thereby, the production and reproduction of service industry labor-power, just like those of industry labor-power, are necessary conditions for regular operations and developments of capital augmentation. It is similar to the case of relationships between capitalists at one side and laborers with their families at the other. The value of labor-power, whether in a capitalist’s eye or in the trade practice of labor-power, is regarded as the value of means of subsistence needed to produce and reproduce a laborer’s family. That is why the pay for labor-power to individual laborers can be lessened if more family members participate in social

labor. As it is known to all, part of labor in service industry was performed by those family members who were not involved in social labor before, which we can find still today. Now, when part of labor-power reproduction originally made by the rest of family members of laborers is performed socially, service industry becomes the best form of the socialization of reproduction of labor-power of the kind. From the view of industrial capitalists, this socialized form of labor-power reproduction, on the one hand, leads those who were earlier devoted to consumptive labor in the family to participate in social labor, and even to industrial laborers directly, so that supply of labor-power increases and value of labor-power decreases. On the other hand, the socialization of service labor also lessens the value of consumption goods required to produce labor-power of certain quality and offers more time for laborers and their families to develop themselves, which can in turn improve labor efficiency in the immediate process of production of surplus-value as well. Thus, as for industrial capitalists, it is reasonable that value of labor-power of industrial laborers contains the value of means of subsistence for service industry laborers, just like containing that for industrial laborers' family members who are away from social labor.

Now, the variable part of service industry capital is again in the form of money and service industry capitalists get back all their advanced capital. What they concern most is, however, the profits which are the increment of his advanced capital. Through laboring, laborers in service industry gain their own part of labor-power value from that of industrial laborers. But those service industrial laborers cannot leave, yet. As service industrial laborers, their labor power is also commodity bought by service industry capitalists who, as all owners of commodities, have the complete right to consume out their commodities. The use-value of labor-power of service industrial laborers is not used up and laborers can still work and do further service labor on more industrial laborers in one working day. In accordance with the equal right of all capitalists to use labor-power, service industrial capitalists regulate the length of a working day which is by no means shorter than that regulated by the industrial capitalists and even longer in reality. Then, just like industrial laborers who must provide a certain amount of unpaid labor to industrial capitalists, service industrial laborers have to offer service industry capitalists a certain amount of unpaid labor as well. This unpaid labor transfers more value of labor-power of industrial laborers than that needed for the means of subsistence by service industrial laborers. The more value will become the profit service industrial capitalists obtain.

Consequently, work of laborers in service industry must also transfer more labor-power value from industrial laborers, besides to compensate both variable and constant parts of service industry capital, to offer profit to service industry capital, by means of increasing more labor objectives. They have to do so because the material means for their labor, ---- socially used means of consumption, which is means of production in the service industry capitalists' eye ----, is in the hand of service industry capitalists, as in the case of the industrial laborers. Therefore, only when a laborer can bring profit to the service industry capital, he can sell his labor-power to one of the service industry capitalists. Both labor proficiency resulted from division of labor and labor intensity caused by service industry capitalists make service labor in service industry much more



efficient, at least for a lot of kinds of special consumptive labor, than in individual families. In this way, labor of laborers in service industry can be divided into two categories, that is, necessary and surplus labor, which may also be called paid and unpaid labor. In addition, with the improvement of labor productivity in service industry, unpaid labor tends to take an increasingly high proportion in one working day. The higher the labor productivity in service industry is, the more industrial laborers a service industrial laborer can serve in a working day, the more the labor-power value is transferring, the bigger the gap between the transferred value and the value to compensate the advanced capital becomes, the higher both profits retained to and the profit rate of service industry capital are. Higher profit rate is the base and aim at which competitions among individual service industry capitalists as well as between service industry and industrial capitalists come up. Undoubtedly, those competitions further hide the truth of where profits in service industry come from.

Part of the labor-power value is transformed to the profit of service industry capital and, accordingly, becomes that of total social capital as a result from competitions between service industry and industrial capitals and shifts of capital between both the sectors. The reason for transformation of labor-power value into capital profits here is that service industry capitalists use labor-power they hire without paying. Observed from the aspect, it seems that this part of profits, that is, surplus-value, is produced by service industry capital because otherwise this value cannot remain and then be taken by total social capital as surplus-value. It is only possible to be consumed up. Nevertheless, from the materialization of labor, the carrier of surplus-value, and from that surplus-value is only a part of value of material commodity, surplus-value can only be produced by industrial capital. Thus, that surplus-value yielded by service industry capital is really a part of the already-produced value by industrial capital, from which we should say that profit of service industry, namely surplus-value, is transferred from industry capital.

In the capitalist society, commodities are taken as capital products for exchange and money as capital for use. The law of capital property right determines inherently that every individual money, used as capital, no matter in which business it is used, should be augmented by its own motion. And competitions make the augmentation an external condition for individual capitals to survive. However, without labor, any capital, whether it directly yields value and surplus-value or not, can never augment. Therefore, capital property right should be seen everywhere as the right of possession of unpaid labor of wage laborers. Any part of total social capital gains its own profit by the exploitation of laborers it hires. The higher the degree of exploitation, the more the profit it can get. The average profit rate of the total social capital is not the starting point of the profit-averaging process, but the result. Apparently, this average profit rate is not determined by the direct exploitation of industrial laborers by industry capital in the immediate process of production, though value of all the profits, that is, surplus-value, are produced in this process originally, but by exploitation of respective laborers by all parts of social capital. That is why industry, commercial and service industry capitalists are all no exception when it comes to exploitation of laborers. They form the capitalist class which is in totally opposite position to laborers. In this case, laborers have

no choice but form a whole to confront with them. All the laborers, involving in either productive, commercial or consumptive part of social labor, function only as variable capital in the social labor process because their labor-power is bought as commodities and thrown into the social labor by capitalists; all the laborers get only value of labor-power as a part of their labor while other part is possessed by capitalists for nothing: Hence, they are in the equal economic and social status, belonging to the category of the hired working class. Their strength depends on their alliance. In the confrontation between the two classes, apparently, what hired laborers demand is not only means of production but also means of consumption. Their slogan should be “social possession of all products of labor”.

Last but not least, it should be pointed out that the reason why the market form of reproducing labor-power of industrial laborers superficially turns labor in service industry to be commodity is that labor in service industry has become dominated by capital. It is just a reflection of capital relation here.

(end)

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