



This in terms of equality; Labor gives the  
product equal to; the only possession still  
remains as the natural possession --  
nature's free gift. These are most "equal"  
(most human?) who have nothing but that  
which is equally given to everybody.

The recurring notion of the relative --  
has a limit at the capacity of consumption,  
at the "necessaries for life", subordinate  
level of the fact that a producer is also a  
consumer -- i. e. that the worker is  
also the consumer of goods.

means etc. to change a society of possessors of commodities  
into -- labor power = commodity --  
into a society of producers.

→ Marx economic discovery: the distinction between labor &  
labor power = "living labor" (114)  
The transformation of labor power into a commodity  
with a regular market

a) constitutes the material equality of bourgeois  
society; everybody can vote because everybody  
has become a proprietor, an owner of something

b) constitutes the "alienation" because  
something human -- not labor but labor-  
power -- has become a thing, a commodity.

of the "sin" of capitalism is not that the labor  
is a commodity (i.e. crystallized labor  
power), but labor power.

The transformation of labor into labor-power  
in 2 ways:

# THEORIES OF SURPLUS VALUE

By  
KARL MARX

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A selection from the volumes published  
between 1905 and 1910 as *Theorien über  
den Mehrwert*, edited by Karl Kautsky,  
taken from Karl Marx's preliminary  
manuscript for the projected Fourth  
Volume of *Capital*

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## C. DAVID RICARDO

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“Though the earth, and all inferior creatures, be common to all men, yet every man has a property in his own person: this no body has any right to but himself. The labour of his body, and the work of his hands, we may say, are properly his. Whatsoever then he removes out of the state that nature hath provided, and left it in, he hath mixed his labour with, and joined to it something that is his own, and thereby makes it his property” (*Of Civil Government*, Book II, ch. V, *Works*, ed. 1768, II, p. 229). “His labour hath taken it out of the hands of nature, where it was common and belonged equally to all her children, and hath thereby appropriated it to himself” (p. 230). “The same law of nature, that does by this means give us property, does also bound that property too. . . . As much as any one can make use of to any advantage of life before it spoils, so much he may by his labour fix a property in: whatever is beyond this, is more than his share, and belongs to others” (p. 230). “But the chief matter of property being now not the fruits of the earth, and the beasts that subsist on it, but the earth itself . . . I think it is plain, that property in that too is acquired as the former. As much land as a man tills, plants, improves, cultivates, and can use the product of, so much is his property. He by his labour does, as it were inclose it from the common” (p. 230). “And hence subduing or cultivating the earth, and having dominion, we see are joined together” (p. 231). “The measure of property nature has well set by the extent of men’s labour and the conveniencies of life: no man’s labour could subdue, or appropriate all; nor could his enjoyment consume more than a small part; so that it was impossible for any man, this way, to intrench upon the right of another, or acquire to himself a property, to the prejudice of his neighbour. . . . This measure did confine every man’s possession to a very moderate proportion, and such as he might appropriate to himself, without injury to any body, in the first ages of the world. . . . And the same measure may be allowed still without prejudice to any body, as full as the world seems” (pp. 231-2).

Labour bestows on objects almost their whole value (“value” is here equivalent to use value, and labour is taken as concrete labour, not as a quantum; but the measuring of exchange value by labour is in reality based on the fact that labour



creates use value). The remainder of the use value which cannot be resolved into labour is the gift of nature and hence in its essence common property. What Locke therefore seeks to prove is not the contrary, namely, that property can be acquired in other ways than by labour, but how, in spite of the common property provided by nature, individual property has been created by individual labour.

“For it is labour that puts the difference of value on every thing . . . of the products of the earth useful to the life of man, nine tenths are the effect of labour” (p. 234). “It is labour then which puts the greatest part of the value upon land” (p. 235). “Though the things of nature are given in common, yet man, by being master of himself, and proprietor of his own person, and the actions of labour of it, had still in himself the great foundation of property” (p. 235).

One limit to property is therefore the limit of personal labour; the other limit is that a man does not accumulate more things than he can use. The latter limit however is extended, apart from other exchanges, by the exchange of perishable products for [a less perishable product such as gold, silver, diamonds, etc., for] money.

“He might heap up as much of these durable things as he pleased; the exceeding of the bounds of his just property<sup>1</sup> not lying in the largeness of his possession, but the perishing of any thing uselessly in it. And thus came in the use of money, some lasting thing that men might keep without spoiling and that by mutual consent men would take in exchange for the truly useful, but perishable supports of life” (p. 236).

Thus arises the inequality of individual property, though the limit of personal labour remains.

“This partage of things in an inequality of private possessions, men have made practicable out of the bounds of society, and without compact; only by putting a value on gold and silver, and tacitly agreeing in the use of money” (p. 237).

<sup>1</sup> Apart from the limits set by his personal labour.

#### 4. DAVID HUME AND JOHN MASSIE

MASSIE's anonymous work, *An Essay on the governing causes of the natural rate of interest; wherein the sentiments of Sir William Petty and Mr. Locke, on that head, are considered*, appeared in 1750. The second part of Hume's *Essays*, in which the one "On Interest" occurs, appeared in 1752, two years later. Massie therefore has priority. Hume attacks Locke only, but Massie attacks both Petty and Locke, both of whom still held the view that the height of the rate of interest depends on the quantity of money, and that in fact what is really lent is money (not capital).

Massie, more decisively than Hume, laid down that interest is a mere part of profit.

Let us begin with the latter.

[In his *Essays*, with which we are dealing here, the following passage is noteworthy]: "Every thing in the world is purchased by labour" (*Essays*), 2nd edn., London, 1764, I, p. 289).

[Land rent also appears in Hume's work as the original form of surplus value, interest on capital as the second form. Land rent arises, in his view, through the exclusion of large sections of the population from the ownership of land.

"The political authorities and the population of a nation breed of necessity inequality in private property, because in every law-abiding and numerous community, a part of the inhabitants possess a large extent of the land, while others are owners of only very small portions, and others are deprived of any property at all. Those who possess more land than they can cultivate, share it with those who have none, on the condition that the cultivators give them a portion of the harvest. It is in this way that there is established what one can call interest on land, to contrast it with interest on money, and it exists in the case of even the least civilised of peoples."]

The height of the rate of interest depends on the demand on the part of the borrowers and the supply on the part of the

lenders, or in other words on demand (for) and supply (of) money-capital. But essentially it depends on the level of profit "arising from commerce" (*Essays*, London, 1764, p. 329).

"The greater or less stock of labour and commodities must have a great influence; since we really and in effect borrow these, when we take money upon interest" (p. 337).

"No man will accept of low profits, where he can have high interest; and no man will accept of low interest, where he can have high profits" (p. 335).

A higher interest rate and a higher profit are both the expression of the slow progress of trade and industry, and not of the rarity of gold and silver; and a lower interest rate indicates the opposite, [for "High interest arises from three circumstances: a great demand for borrowing; little riches to supply that demand: and great profits arising from commerce"] (p. 329).

"In a state, therefore, where there is nothing but a landed interest" (or, as he later says, landed gentry and peasants) "the borrowers must be very numerous, and the rate of interest must hold proportion to it" (p. 330); because wealth which is only for enjoyment is driven by boredom to seek pleasures, while on the other hand production, except for agriculture, is very restricted. The opposite takes place as soon as trade has developed. The lust for gain entirely dominates the merchant. He "knows no such pleasure as that of seeing the daily increase of his fortune.<sup>1</sup> And this is the reason why trade increases frugality, and why, among merchants, there is the same overplus of misers above prodigals, as, among the possessors of land, there is the contrary" (p. 333).

"An increase of commerce, by a necessary consequence, raises a great number of lenders, and by that means produces a lowness of interest" (p. 334).

"Low interest and low profits of merchandize are two events, that mutually forward each other, and are both originally derived from that extensive commerce, which produces opulent merchants, and renders the monied interest considerable. Where merchants possess great stocks, whether represented by few or many pieces of metal, it

<sup>1</sup> The lust for exchange-value, abstract wealth, is here far greater than that for use-values.

that only that labour is *productive* which creates *surplus value*; in whose product therefore a higher value is contained than the sum of the values consumed during the production of this product. Since the value of raw and other materials is given, while the value of the labour power is equal to the wage, this surplus value can evidently only consist in the excess of labour which the worker gives back to the capitalist over and above the quantity of labour that he receives in his wage. It is true that it does not appear in this form in the Physiocrats, because they have not yet reduced value in general to its simple substance—the quantity of labour or labour time.

Their method of exposition is, of course, necessarily governed by their general view of the nature of value, which to them is not a definite social form of existence of human activity (labour), but consists of material things—land, nature, and the various modifications of these material things.

The difference between the *value* of labour power and the *value created by its use*—that is, the surplus value which the purchase of labour power secures for the person who sets it to work—appears most tangibly, most incontrovertibly, of all branches of production, in agriculture, primary production. The sum total of the means of subsistence which the worker consumes from one year to another, or the mass of material substance which he consumes, is smaller than the sum total of means of subsistence which he produces. In industry generally the worker is not found directly reproducing his means of subsistence, or directly producing the surplus over his means of subsistence. The process is mediated through purchase and sale, through the various acts of circulation, and the analysis of value in general is required for it to be understood. In agriculture it shows itself directly in the surplus of use values produced over use values consumed by the worker, and can therefore be grasped without an analysis of value in general, or a clear understanding of the nature of value. This is true even when value is reduced to use value, and this latter to material substance in general. Agricultural labour is therefore for the Physiocrats the only productive labour, because it is the only labour which creates a surplus value, and *land rent is the only form of surplus value* which they recognise.

The worker in industry, they find, does not increase the material substance; he only changes its form. The raw material—the mass of material substance—is given to him by agriculture. Admittedly he adds value to the material, not through his labour, but through the production costs of his labour; through the sum of means of subsistence which he consumes in the course of his labour, equivalent to the wage, which he receives from agriculture. Because agricultural labour is conceived as the only productive labour, the form of surplus value which distinguishes agricultural from industrial labour, land rent, is conceived as the only form of surplus value. Profit on capital in the true sense, of which land rent itself is only an offshoot, therefore does not exist for the Physiocrats. Profit appears to them only as a kind of superior wage, paid by the landowners, which the capitalists consume as revenue (and which, therefore, enters into their cost of production in the same way as the wages of ordinary workers), and which increases the value of the raw material, because it enters into the consumption costs which the industrialist (capitalist) consumes, while he is producing the product, transforming the raw material into a new product. Surplus value in the form of interest on money—another offshoot of profit—is therefore declared by one group of Physiocrats, such as the elder Mirabeau, to be usury and contrary to nature. Turgot on the other hand justifies it on the ground that the money capitalist could buy land, that is, rents, and that therefore his money capital must bring him as much surplus value as he would receive if he transformed it into landed property. On this basis, therefore, interest too is not a newly created value, is not surplus value: all that is done is to explain why a part of the surplus value won by the landowners finds its way to the money capitalists in the form of interest; just as other grounds are given to explain why a part of that surplus value accrues to the industrial capitalists in the form of profit. Because agricultural labour is the only productive labour, the only labour which creates surplus value, the *form* of surplus value which distinguishes agricultural from all other branches of labour, *land rent*, is the *general form of surplus value*. Industrial profit and interest on money are only different categories into which land rent is divided and,

Since agricultural labour thus forms the natural basis not only for surplus labour in its own sphere but also for the independent existence of all other branches of labour, and therefore also for the surplus value created in them it is clear that it had to be conceived as the creator of surplus value, so long as definite, concrete labour, not abstract labour and its measure, labour time, was regarded as the substance of value.

Thirdly: All surplus value, not only relative but absolute, depends on a given productivity of labour. If the productivity of labour were only developed to such a degree that a man's labour time was only sufficient to keep him alive, to produce and reproduce his own means of subsistence, then there would be no surplus labour and no surplus value, and there would be absolutely no difference between the value of labour power and the value created by its use. The possibility of surplus labour and of surplus value is conditioned therefore by a certain degree of productivity, a productivity which enables labour power to reproduce more than its own value, to produce in excess of the necessities required by its life process. And indeed—as we saw in the second point above—this degree of productivity, which serves as a starting-point, must first be present in agricultural labour. It appears therefore as a *gift of nature, a productive power of nature*. Here, in agriculture, from the very beginning, co-operation with the powers of nature existed on a large scale, the increase of human labour power by the application and exploitation of natural forces which acted like an automatic machine. This extensive use of the forces of nature appears in industry only with the development of large-scale industry. A definite stage in the development of agriculture, whether in the country concerned or in other countries, is the basis for the development of capital. Up to this point absolute surplus value coincides with relative.

This is stressed by Buchanan—a great opponent of the Physiocrats—even against Adam Smith; he attempts to prove that such an agricultural development also preceded the rise of modern town industry.

Fourthly: Since it was the great and specific contribution of the Physiocrats to derive value and surplus value not from circulation but from production, in contrast to the monetary

and mercantilist system they necessarily began with that branch of production which can be thought of as completely separate from and independent of circulation and exchange, and which presupposes exchange not between man and man but only between man and nature.

It is in fact the first system which analyses capitalist production, and it presents the conditions within which capital is produced, and within which capital produces, as eternal natural laws of production. On the other hand, this system has more the character of a bourgeois reproduction of the feudal system, the domination of landed property; and the industrial spheres, within which capital first develops independently, are depicted rather as "unproductive" branches of labour, mere appendages of agriculture. The first condition for the development of capital is the separation of ownership of land from labour—so that land, that primary condition of labour, emerges as an independent force in the hands of a separate class, over against the free labourer. In the Physiocrats' account, therefore, the owner of land appears as the true capitalist, that is, as the appropriator of surplus value. Feudalism is thus reproduced and explained in the guise of bourgeois production; agriculture becomes that branch of production in which capitalist production—that is, the production of surplus value—exclusively appears. While feudalism is thus made bourgeois, bourgeois society is given a semblance of feudalism. This semblance deceived Dr. Quesnay's followers among the nobility, including the crotchety and patriarchal Mirabeau the elder. Among the later leaders of the Physiocrats, especially Turgot, this semblance disappears completely, and the Physiocratic system is presented as the new capitalist society forcing its way through within the framework of feudal society. It corresponds therefore with bourgeois society in the period when the latter breaks its way out from the feudal order. The starting point is therefore in France, a predominantly agricultural country, not in England, a predominantly industrial, commercial and seafaring country. In the latter country attention was naturally focussed on circulation, on the fact that the product first receives value, becomes a commodity, as the embodiment of general social labour, through its

transformation into money. In so far therefore as what is in question is not the form of value, but the amount of value and the increase of value, it is here that the "profit upon alienation"—that is, the relative profit described by Steuart—is to be found. But if the creation of surplus value in the sphere of production itself is to be established, it is necessary to go back in the first place to that branch of production in which it appears *independently* of circulation, that is, to agriculture. The initiative for this study therefore developed in a predominantly agricultural country. Ideas related to those of the Physiocrats are to be found here and there in the works of earlier writers, partly in France itself, Boisguillebert for example. But these ideas become an epoch-making system first with the Physiocrats.

The agricultural worker, assigned the minimum of wages, the *strict nécessaire*, reproduces more than this *strict nécessaire*, and this excess is land rent, the *surplus value* which is appropriated by the owner of the fundamental condition of labour—nature, the land. Thus the Physiocrats did not say: the worker works over and above the labour time necessary for the reproduction of his labour power; the value which he produces is therefore greater than the value of his labour power; or the labour which he gives is greater than the quantity of labour which he receives in the form of wages. What they say is: the sum of use values which he consumes during the period of production is smaller than the sum of use values which he creates, and so there remains a surplus of use values. If he worked only for the time required for the reproduction of his own labour power, no surplus would be left over. But [they did not carry their reasoning through to this conclusion]; they only got to the point of establishing that the productivity of the earth enables the worker in his day's work—which is taken as something fixed—to produce more than he needs to consume in order to continue to exist. This surplus value appears therefore as a *gift of Nature*, through whose joint action [on] a certain quantity of organic material—plant-seeds, and animals—labour is enabled to transform more inorganic material into organic. On the other hand, it is also taken for granted that the landowner confronts the worker as a capitalist.



and all forms of government interference in the activities of bourgeois society. It allowed the State to live on only in the pores of this society, as Epicurus placed his Gods in the pores of the world!

Then Turgot himself, the radical bourgeois minister who prepared the way for the French Revolution. With all their false semblance of Feudalism, the Physiocrats worked hand-in-hand with the Encyclopaedists.

We shall come back later to the great service rendered by the Physiocrats in connection with the analysis of capital. However, for the history of the theory of surplus value the result is: According to the Physiocrats, surplus value is due to the productivity of a special form of labour, agriculture. And this special productivity is in its entirety attributable to nature herself.

\* \* \*

In the Mercantile System surplus value is only relative; what one wins the other loses. "Profit upon alienation", "oscillation" or "vibration of the balance of wealth between different parties". In the interior of a country, therefore, considered in relation to the total capital, no creation of surplus value actually takes place. It can arise only in the relations of one nation to other nations. And the surplus, which one country realises over the other, manifests itself in money (balance of trade), simply because money is the direct and independent form of exchange value. As against this—since the Mercantile System denies in fact the creation of absolute surplus value—the Physiocrats attempt to explain this latter as net product—*produit net*. And since the surplus product is fixed in their minds as a use value, they see agriculture as the sole creator of it.

Jérôme A. Blanqui (*Histoire de l'Economie Politique*, Brussels, 1839, p. 139) says of the Physiocrats:

"Labour applied to the cultivation of the soil produced not only the wherewithal to maintain itself throughout the entire duration of the task, but also an excess of value which could be added to the mass of already existing wealth. They called this excess the *produit net*" (surplus product, thus

different kinds of labour which, when he worked alone, he was obliged to devote to his different kinds of wants. We have here neither a primacy of honour nor of dignity; it is one of physical necessity. . . . What his labour causes the land to produce beyond his personal wants is the only fund for the wages which all the other members of the society receive in exchange for their labour. The latter, in making use of the price of this exchange to buy in their turn the products of the Husbandman, only return to him exactly what they have received from him. We have here a very essential difference between these two kinds of labour" (*Réflexions sur la Formation et la Distribution des Richesses*, 1766, Turgot, ed. Daire, Paris, 1844, I, pp. 9, 10).

How then does surplus value arise? It does not arise in circulation, but is realised there. The product is sold for its value, not *above* its value. There is no excess of price over value. But because it is sold for its value, the seller realises a surplus value. This is only possible because he has not himself paid the full value for which he sells it, or because the product contains a portion of value which the seller has not paid for or replaced by an equivalent value. And this is the case with agricultural labour. The seller sells what he has not bought. This unbought element Turgot describes as the "pure gift of Nature." We shall however see that in Turgot's writings this "pure gift of Nature" is surreptitiously transformed into the surplus labour of the agricultural labourer which has not been paid for by the landowner, and which the latter sells in the form of agricultural products.

"As soon as the labour of the Husbandman produces more than his wants, he can, with this superfluity that nature accords him as a pure gift, over and above the wages of his toil, buy the labour of the other members of the society. The latter, in selling to him gain only their livelihood; but the Husbandman gathers, beyond his subsistence, a wealth which is independent and disposable, which he has not bought and which he sells. He is therefore, the sole source of the riches, which, by their circulation, animate all the labours of the society; because he is the only one whose labour produces over and above the wages of the labour" (p. 11).

This "pure gift of Nature" is now, however, already defined as a gift which she makes "to him who cultivates it", and therefore as a gift which she makes to *labour*; as the productive power of labour, applied to the land, a productive power which labour possesses through using the productive power of Nature, and thus which labour creates out of the land, but only creates out of the land *as labour*. In the hand of the landowner, therefore, the surplus no longer appears as a "gift of Nature", but as an appropriation—without an equivalent in exchange—of another's labour, which through the productivity of Nature is enabled to produce more than its own needs, more than its own means of subsistence, but which, because of its being wage-labour, is restricted to appropriating for itself, out of the product of the labour, only "what is necessary to procure him his subsistence".

"The labour of the Cultivator produces his own wages, and, in addition, the revenue which serves to pay the whole class of Artisans and other stipendiaries. . . . The Proprietor has nothing except through the labour of the Cultivator;<sup>1</sup> he receives from him his subsistence and that wherewith he pays the labours of the other stipendiaries . . . the Cultivator has need of the Proprietor only by virtue of the human conventions and the civil laws" (pp. 15, 16).

In this passage, therefore, surplus value is plainly described as that part of the agricultural worker's labour which the landowner appropriates to himself without giving any equivalent in return, and the product of which therefore he sells though he has not bought. Only what Turgot has in mind is not the exchange value as such, the labour time itself, but the surplus of products which the labour of the agricultural worker provides to the landowner in excess of his own wage. This surplus of products, however, is only the embodiment of the amount of time which he works gratis for the landowner, in addition to the time which he works for the reproduction of his own wage.

Thus we see how, *in the framework of agricultural labour*, the Physiocrats correctly grasp surplus value, how they conceive it as the product of the labour of the wage worker, although they

<sup>1</sup> Not, therefore, as a pure gift of Nature.

What do you say! Those through whose hands it is accomplished reap no benefit therefrom. Take warning then by this contrast."

In the Physiocratic system the *propriétaires*, the landowners, are the *salariants*, the wage-payers. The workers and the *manufacturiers* in all other branches of industry are *salariés* or *stipendiés*—paid people. Hence also *gouvernants* and *gouvernés*—the governors and the governed.

Turgot analyses the conditions necessary for labour as follows:

"In every craft, it is necessary that the Workman should have tools in advance, that he should have a sufficient quantity of the materials upon which he has to labour; it is necessary that he should subsist while waiting for the sale of his finished goods" (p. 34).

All these advances, these conditions upon which alone labour can be carried on, and which are, therefore, *preconditions* of the labour process, are originally provided *gratis* by the land: "It is the land which has provided the first fund of advances prior to all cultivation", in fruits, fish, game, etc., in tools such as branches of trees and stones, in domestic animals, which multiply themselves by the procreative process, and in addition give each year products such as "milk, fleeces, hides and other materials, which, with the wood obtained in the forests, have formed the first fund for the works of industry" (p. 34).

These conditions of labour, these advances made to labour, become *capital* when they have to be advanced to the worker by a third person, and this is the case from the moment when the worker owns nothing but his labour power itself.

"When a large part of the Society had only their arms to maintain them, it was necessary that those who thus lived on wages should begin by having something in advance, either to procure the materials upon which to labour, or to maintain them while waiting for the payment of their wages" (pp. 37-8).

Turgot explains capital as "movable accumulated values" (*Valeurs mobilières accumulées*). Originally (pp. 38-9) the landowner or farmer pays the wage directly each day and provides

Their profit, and even their consumption of necessary means of subsistence in the form of manufactured goods, are thus explained only by *the raising of the price of the commodities above their value*. At this point, therefore, the Physiocrats inevitably fall back upon the concept of the mercantilist system, "profit upon alienation". It is this that makes free competition among the industrialists so very essential, so that they may not cheat the productive cultivators too much. This free competition is also necessary in order that agricultural products may be sold at a "good price", and through sale abroad may rise above their domestic price—for a country which exports wheat, etc., is assumed.

[Nevertheless, the *Tableau* was an extremely brilliant conception.] It was an attempt to present the whole productive process of capital as a *process of reproduction*, with circulation merely as the form through which this reproduction took place; and the circulation of money only as a phase in the circulation of capital. The *Tableau* at the same time attempted to show the origin of revenue in this process of reproduction, the exchange between capital and revenue, the relation between productive and final consumption, and to include in the circulation of capital the circulation between producers and consumers (in reality, between capital and revenue), and finally, to show the circulation between the two great divisions of productive labour—raw materials production and industry—as a phase in this process of reproduction. All this was done in a *Tableau* actually consisting of only five lines linking together six points of departure and return; and this was in the first third of the eighteenth century, when political economy was in its infancy. It was incontestably the most brilliant idea for which political economy had up to then been responsible.

The hyperbolic declaration made by the Marquis de Mirabeau, and quoted by Adam Smith with a certain irony, is therefore understandable—"Since the beginning of the world there have been three great discoveries. The first was the birth of writing . . . the second the invention (!) of money . . . the third is the *Tableau economique*, the outcome and the completion of the two others".

As regards the circulation of capital—its reproduction

to him is not labour realised in a commodity, but his labour power itself as a commodity. If he had confronted him in the first form—as owner of commodities—the capitalist would not have been able to make any profit, to realise any surplus value, since according to the law of value equivalents are exchanged, an equal quantity of labour for an equal quantity of labour. The surplus value of the capitalist originates precisely from the fact that he buys from the worker not commodities but his labour power itself, and this has less value than its product, or—what is the same thing—realises itself in more embodied labour than is realised in itself. But now, in order to justify profit, its very source is covered up and the whole transaction from which it springs is renounced. Because in fact—once the process is continuous—the capitalist pays the worker only out of his own product, the worker is paid only from a part of his own product, and the advance is therefore a mere illusion—now it is said that the worker has sold his share of the product to the capitalist *before it was transformed into money*. (Perhaps before it was capable of being transformed into money, for although the labour of the worker has materialised itself in a product, it may be that only an instalment of the saleable commodity is as yet realised, as for example parts of a house.) Thus the capitalist ceases to be the owner of the product, and thereby the whole process through which he has appropriated another's labour *gratis* is renounced. Now commodity owner confronts commodity owner. The capitalist has the money, and the worker sells to him not his labour power but commodities, namely the part of the product in which his own labour is realised.

The worker will then say to the capitalist: "Of this 5 lb. of yarn say three-fifths represent constant capital. They belong to you. Two-fifths, that is 2 lb., represent my newly added labour. You have therefore to pay me for two lb. So pay me the value of 2 lb." And therewith he would pocket not only the wages but also the profit, in short, a sum of money equal to the amount of the newly added, materialised labour in the form of the 2 lb.

"But," the capitalist says, "have I not advanced the constant capital?"

"That's right," says the worker, "so you deduct 3 lb., and pay me only 2."

"But," the capitalist goes on, "you couldn't materialise your labour, you couldn't spin, without my cotton and my machine! You must pay extra for them."

"Oh," says the worker, "the cotton would have rotted and the spindles rusted if I hadn't used them for spinning. The 3 lb. of yarn which you are deducting do represent, it is true, only the value of your cotton and the spindles used up in the 5 lb. of yarn and so contained in them. But it is only my labour that has maintained the value of the cotton and spindles by using these means of production as means of production. For this value-maintaining power of my labour I don't ask anything of you, because it hasn't cost me any extra labour time over and above the spinning, for which I get the 2 lb. This is a natural faculty of my labour, which costs me nothing, though it maintains the value of the constant capital. I don't ask anything of you for that, and just as little can you ask anything of me for not being able to spin *without* spindles and cotton. For without spinning the spindles and cotton would not be worth a straw."

Driven into a corner, the capitalist now says: "The 2 lb. of yarn are in fact worth 4s. They represent that much labour time of yours. But am I to pay you for them before I have sold them! Perhaps I may not sell them at all. That is risk No. 1. Secondly, perhaps I may sell them at less than their price. That is risk No. 2. And thirdly, in any case it takes time to sell them. Am I to incur both risks for you *for nothing* and lose my time into the bargain? You can't expect something for nothing!"

"Wait a moment," answers the worker. "What is our relationship? We face each other as owners of commodities, you as *buyer*, I as *seller*, for you want to buy from me the 2 lb., my share of the product, and in fact they contain nothing but my own labour time materialised. Now you assert that I must sell you my commodity *below* its value, so that as a result you may receive more value in commodity form than you now possess in money. The value of my commodity is 4s. You want to give for it only 2s., so that—since 2s. contains as much labour

time as 1 lb. of yarn—you get from the exchange twice as much value as you give. I on the other hand get instead of an equal value only half as much—instead of an equivalent for 2 lb. of yarn, an equivalent for only 1 lb. And on what do you base this demand, which is contrary to the law of value and of exchange of commodities in proportion to their value? On what? On the fact that you are buyer and I am seller, that my value is in the form of yarn, a commodity, and yours in the form of money, that the same value in the form of yarn confronts the same value in the form of money. Or do you hold the childish view that every commodity must be sold under its price—that is, for less than the sum of money which represents its value—because it takes on a greater value in the form of money? But no, my friend, it gets no greater value from the exchange; the amount of value in it does not change, it merely shows up as exchange value in pure form. Besides, my friend, think of the troubles you are laying up for yourself if you adopt this standpoint. Your assertion amounts to saying that the seller must always sell his commodity to the buyer below its value. Certainly this was so when we workers sold you, not at that time our goods, but our labour power itself. True, you bought it at its value, but you bought our labour itself for less than the value in which it makes itself manifest. But let us say no more of that unpleasant memory. We've got beyond that, thank goodness, since—by your own decision—we are no longer to sell you our labour power as a commodity, but the commodity itself which is the product of our labour. Now we come back to the troubles you laid up for yourself. The law you now set up, that the seller pays for the transformation of his commodity into money not only with his commodity, through the exchange of his commodity for money, but that in addition he pays by selling the commodity under its price—this law, according to which the buyer always cheats and gets the better of the seller, must hold good in like measure for every buyer and seller. That granted, we'll agree to your proposition, but on condition that you submit yourself to the law you have just created, namely the law that the seller must present the buyer with a part of his commodity *for nothing* in return for the buyer transforming it for him into money. So



reckon it weekly. But take from it 14 days' interest at the rate of 3 per cent. per annum."

"But," says the capitalist, "this bill of exchange is too small. No banker would discount it."

"Very well," the workers reply. "There are a hundred of us, so you have to pay us 2,400s. Give us a bill of exchange for this amount. £120—that's not too small a sum to be discounted. In fact you can discount it yourself, and then the amount can't be too small for you, as it's the same as the amount from which, you allege, you draw your profit from us. The amount deducted wouldn't be worth mentioning. And since in this way we would get the major part of our product in its entirety, we would soon reach the point at which we no longer needed you to discount for us. Naturally we shall not give you longer credit than the fourteen days the stockjobber gives you."

If—completely reversing the actual relationship—wages are to be derived from the discount on the part of the value of the total product which belongs to the worker, from the fact that the capitalist pays the worker this part in advance in *cash*, the capitalist would have to give the worker very short term bills of exchange, such as for example he himself pays to the cotton jobber and others. The worker would receive most of his product, and the capitalist would soon give up being a capitalist. Instead of being the owner of the product he would have become only the workers' banker. Incidentally, just as the capitalist runs the risk of selling the commodities below their value, he equally has the chance of selling them above their value. If the product cannot be sold, then the worker is thrown on to the street. If for a long period it falls below the market price, his wages will be reduced below the average and short time will be worked. He therefore runs the greatest risk.

Finally, it never enters anyone's mind that the farmer, who has to pay his rent in money, or the industrial capitalist, who has to pay interest in money, is entitled to deduct a part of his rent or of his interest, simply on the ground that before he could pay he must first have transformed his product into money.

## 1. HIS DETERMINATION OF VALUE BY LABOUR

ADAM SMITH, like all economists worth mentioning, takes over from the Physiocrats the conception of the average wage, which he calls the natural price of wages.

“A man must always live by his work, and his wages must at least be sufficient to maintain him. They must even upon most occasions be somewhat more; otherwise it would be impossible for him to bring up a family, and the race of such workmen could not last beyond the first generation” (*Wealth of Nations*, Book I, Chapter VIII, p. 60).

Adam Smith expressly states that the development of the productive power of labour does not benefit the worker himself. He says:

“The produce of labour constitutes the natural recompense or wages of labour. In that original state of things, which precedes both the appropriation of land and the accumulation of stock, the whole produce of labour belongs to the labourer. He has neither landlord nor master to share with him. Had this state continued, the wages of labour would have augmented with all those improvements in its productive powers, to which the division of labour gives occasion. All things would gradually have become cheaper.<sup>1</sup> They would have been produced by a smaller quantity of labour; and as the commodities produced by equal quantities of labour would naturally in this state of things be exchanged for one another, they would have been purchased likewise with the produce of a smaller quantity. . . . But this original state of things, in which the labourer enjoyed the whole produce of his own labour, could not last beyond the first introduction of the appropriation of land and the accumulation of stock. It was at an end, therefore, long before the most considerable improvements were made in the productive powers of labour, and it would be to no purpose to trace further what might have been its effects upon the recompense or wages of labour” (pp. 57-8).

<sup>1</sup> At any rate, all those things which required a smaller quantity of labour for their reproduction. But they not only “would have” become cheaper; they did in fact become cheaper.

quantity of labour. In fact, therefore, a definite quantity of living labour is exchanged for an equally large quantity of materialised labour. Thus, it is not only commodity which exchanges for commodity in the proportion in which they represent an equal quantity of materialised labour time, but a quantity of living labour exchanges for a commodity which represents the same quantity of materialised labour. On this assumption the "value of labour" (the quantity of a commodity which can be bought with a given quantity of labour, or the quantity of labour which can be bought with a given quantity of a commodity) could serve as the measure of its value just as well as the quantity of labour contained in the commodity; for the "value of labour" always represents the same quantity of materialised labour as the living labour requires for the production of this commodity, or a definite quantity of living labour time always commands a quantity of commodities representing the same quantity of materialised labour time. But in all modes of production—and particularly also in the capitalist mode of production—in which the material conditions of labour belong to one or several classes, while on the other hand nothing but labour power belongs to another class, the working class, the contrary takes place. The product, or the value of the product of labour, does not belong to the worker. A definite quantity of living labour does not command the same quantity of materialised labour, or a definite quantity of labour materialised in a commodity commands a greater quantity of living labour than is contained in the commodity itself.

As Adam Smith quite correctly starts out from the commodity and the exchange of commodities, and therefore the producers originally confront each other only as possessors of commodities, sellers of commodities and buyers of commodities, he thus discovers (so it seems to him) that in the exchange between capital and wage labour—materialised labour and living labour—the general law is immediately set aside, and commodities (for labour also is a commodity, so far as it is bought and sold) do not exchange in proportion to the quantities of labour they represent. Hence he concludes that labour time is no longer the immanent measure which regulates the exchange value of commodities, from the moment when the conditions

of labour confront the worker in the form of landed property and capital. He should on the contrary, as Ricardo rightly pointed out, have concluded that the expression "quantity of labour" and "value of labour" are then no longer identical, and therefore the relative value of commodities, although determined by the labour time contained in them, is not determined by the "value of labour", as the latter expression was only correct so long as it remained identical with the first. Later on, when we come to deal with Malthus, we shall show how wrong and absurd it would be, even when the worker himself appropriates his own product, that is the value of his own product, to make this value or the value of labour the measure of value, in the same sense in which labour time or labour itself is the measure of value and the value-creating element. For even in the case we have assumed, the labour which can be bought with a commodity cannot serve as a measure in the same sense as the labour which is contained in it. One would be merely an index to the other.

In any case, Adam Smith feels the difficulty of deducing the exchange between capital and labour from the law which determines the exchange of commodities, since the former apparently rests upon opposite and quite contradictory principles. And the contradiction was incapable of solution so long as capital was set directly against labour instead of against labour power. Adam Smith was well aware that the labour time which the labour power costs for its production and maintenance is very different from the labour which it itself can perform. Thus he himself quotes from Cantillon: *Essai sur la nature du commerce*:

"The labour of an able-bodied slave, the same author adds, is computed to be worth double his maintenance; and that of the meanest labourer, he thinks, cannot be worth less than that of an able-bodied slave" (*Wealth of Nations*, Book I, Chapter VIII, p. 60).

On the other hand it is strange that Adam Smith did not grasp how little connection the objection he raises has with the law which regulates the exchange of commodities among themselves. That commodities A and B exchange in proportion to the labour time contained in them is in no way upset by

investigation. As we shall soon see, however, it remains without influence on his exposition of *surplus value in general*, inasmuch as here he consistently keeps to the correct determination of value by the labour time expended in different commodities.

Before we proceed to his presentation of surplus value one other fact must be mentioned. Adam Smith mixes up different things. First, he states in Book I, Chapter V:

“Every man is rich or poor according to the degree in which he can afford to enjoy the necessaries, conveniences, and amusements of human life. But after the division of labour has once thoroughly taken place, it is but a very small part of these with which a man’s own labour can supply him. The far greater part of them he must derive from the labour of other people, and he must be rich or poor according to the quantity of that labour which he can command, or which he can afford to purchase. The value of any commodity, therefore, to the person who possesses it, and who means not to use or consume it himself, but to exchange it for other commodities, is equal to the quantity of labour which it enables him to purchase or command. Labour, therefore, is the real measure of the exchangeable value of all commodities” (p. 26).

Further:

“They [the goods] contain the value of a certain quantity of labour which we exchange for what is supposed at the time to contain the value of an equal quantity. . . . It was not by gold or by silver, but by labour, that all the wealth of the world was originally purchased; and its value, to those who possess it, and who want to exchange it for some new productions, is precisely equal to the quantity of labour which it can enable them to purchase or command” (p. 26).

Finally:

“Wealth, as Mr. Hobbes says, is power. But the person who either acquires, or succeeds to a great fortune, does not necessarily acquire or succeed to any political power, either civil or military. . . . The power which that possession immediately and directly conveys to him, is the power of purchasing; and a certain command over all the labour, or over all the produce of labour, which is then in the market” (pp. 26-7).

We see that in all these passages Adam Smith mixes up "the labour of others" and "the product of this labour". The exchange value of the commodity which anyone possesses consists, after the introduction of the division of labour, in the commodities of other persons which he can purchase, that is to say, in the quantity of other persons' labour contained in them, the quantity of materialised labour of others. And this quantity of the labour of others is equal to the quantity of labour contained in his own commodity. As he expressly says: "They [the goods] contain the value of a certain quantity of labour, which we exchange for what is supposed at the time to contain the value of an equal quantity . . .", in which last sentence the word "value" is superfluous and meaningless.

The emphasis here is on the change brought about by *the division of labour*: that is to say, wealth consists no longer in the product of *one's own* labour but in the quantity of the labour of others which this product commands, the quantity of social labour it can purchase, which quantity is determined by the quantity of labour contained in one's own product. In fact, only the concept of exchange value is here involved—that my labour counts only as social labour, and consequently its product determines my wealth by its command over an equal quantity of social labour. My commodity, which contains a definite quantity of necessary labour time, gives me command of all other commodities of equal value, that is, of an equal quantity of the labour of others realised in other use values. The emphasis here lies on the equalisation, brought about by the division of labour and exchange value, of *my* labour with the labour of others, in other words, on social labour (the fact that *my* labour too or the labour contained in my commodity is already *socially* determined, and has essentially changed its character, escapes Adam) and not at all on the difference between *materialised* labour and *living* labour and the specific laws of their exchange. In fact, Adam Smith says nothing more than that the value of commodities is determined by the labour time contained in them, and the wealth of the owner of commodities consists in the quantity of social labour at his disposal. The incidental equating of *labour* with *the product of labour* provides here, however, the first occasion for the

confusion between the determination of the value of commodities by the quantity of labour contained in them, and the determination of their value by the quantity of living labour which they can buy, that is to say, their determination by the "value of labour."

When Adam Smith says further on: "his fortune is greater or less precisely in proportion to the extent of this power [the right to dispose of labour or to buy the products of labour]; or to the quantity of other men's labour, or, what is the same thing [here is the false identification], of the produce of other men's labour which it enables him to purchase or command" (p. 38), he might just as well have said: His fortune is large or small in proportion to the quantity of social labour contained in it.

The false conclusion already emerges in this same fifth chapter, when, for example, it is stated that:

"Labour alone, therefore, never varying in its own value, is alone the ultimate and real standard by which the value of all commodities can at all times and places be estimated and compared" (Book I, Chapter V, p. 29). // -

What is true of labour itself and consequently of its measure, labour time, that the value of commodities is always proportionate to the labour time realised in them, no matter how the "*value of labour*" may change, is here claimed for this changing value of labour itself.

Here Adam Smith for the first time explained the exchange of commodities as such: the nature of exchange value, of the division of labour and of money. The parties to the exchange still confront each other only as owners of commodities. They purchase the labour of others in the form of commodities, just as their own labour appears in the form of commodities. The amount of social labour which they command is, therefore, equal to the quantity of labour contained in the commodity which they themselves buy. But when in the following chapters he comes to the exchange between materialised labour and living labour, between capitalist and worker, and then stresses that the value of the commodity is now no longer determined by the quantity of labour it itself contains, but by the quantity

—which differs from this—of the living labour of others which this commodity can command (that is, can buy), he thereby in fact does not say that the commodities themselves no longer exchange in proportion to the labour time contained in them. What he does say is that the *increase of wealth*, the profitable use of the value contained in the commodity, and the extent of this profitable utilisation, depends upon the greater or less quantity of living labour which the materialised labour sets in motion. Put this way it is correct. But Adam Smith remains unclear.

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How often in the course of his work, when he is explaining actual facts, Adam Smith conceives the amount of labour contained in the product as value and as determining value, can be shown by many examples. Some of these examples are dealt with by Ricardo. His whole doctrine of the influence of the division of labour and improved machinery on the prices of commodities is based on this. Here it is enough to quote one passage. In Book I, Chapter XI, Adam Smith speaks of the cheapening of many manufactured goods in his time as compared with former centuries, and then remarks: "It cost a greater quantity of labour to bring the goods to the market. When they were brought thither, therefore, they must have purchased or exchanged for the price of a greater quantity" (p. 211).

In addition to the points here discussed it must be said that among his inconsistencies in defining value—apart from the apparent contradiction in regard to wages—there is a further confusion: the measure of value as an immanent measure, which at the same time forms the substance of value, is confused with the measure of value in the sense that money is spoken of as the measure of value. With this then comes the attempt to square the circle—to find a commodity of unchanging value which would serve as a constant measure for others. As to the relation between the measurement of value by money and the determination of value by labour time, see the first part of my work.<sup>1</sup> This confusion can also be found in certain passages of Ricardo.

<sup>1</sup> *Critique of Political Economy*, Kerr edition, p. 75.

*The commodity  
form of labour  
general X-*



whom they will supply with materials and subsistence, in order to make a profit by the sale of their work, or by what their labour adds to the value of the materials" (p. 42).

Stop a moment, before we follow the passage further. In the first place, whence come the "industrious people" who possess neither means of subsistence nor materials of labour, who are hanging in the empty air? If we strip Smith's statement of its naïve phrasing, it means nothing more than that capitalist production begins at the moment when the conditions of labour belong to one class, and another class has at its disposal nothing but labour power. This separation of labour from the conditions of labour is the precondition of capitalist production.

Secondly, however, what does Adam Smith mean when he says that the owners of capital employ "industrious people in order to make a profit by the sale of their work, or by what their labour adds to the value of the materials"? Does he mean by this that the profit comes from the *sale*, that the commodities are sold *above* their value—that is, what Steuart calls profit upon alienation—which is nothing but a changed distribution of already existing wealth? Let him answer for himself:

"In exchanging the complete manufacture either for money, for labour,<sup>1</sup> or for other goods, over and above what may be sufficient to pay the price of the materials, and the wages of the workmen, something must be given for the profits of the undertaker of the work who hazards his stock in this adventure" (Book I, Chapter VI, p. 42).

This "something" which must be given "for the profits of the undertaker" in the exchange of the completed commodity, does it come from the sale of the goods above their value, is it Steuart's profit upon alienation?

"The value", says Adam Smith immediately afterwards, "which the workmen add to the material, therefore, resolves itself in this case<sup>2</sup> into two parts, of which the one pays their wages, the other the profits of their employer upon the whole stock of materials and wages which he advanced."

Here therefore Adam Smith explicitly states: the profit which is made on the sale of the completed commodity origin-

<sup>1</sup> Here again is a source of new error.

<sup>2</sup> When capitalist production has appeared.

ates not from the *sale* itself, not from the sale of the commodity *above* its value, is not profit upon alienation. The value, that is to say, the quantity of labour which the workers add to the material, falls rather into two parts. One pays their wages and is paid through their wages. The workers therewith give back only as much labour as they have received in the form of wages. The other part forms the profit of the capitalist, that is, it is a quantity of labour which he sells without having paid for it. Thus if he sells the commodity at its value, that is, according to the amount of labour time contained in it, in other words, if he exchanges it for other commodities according to the law of value, then his profit originates from the fact that he has not *paid for* one part of the labour contained in the goods, but has nevertheless *sold* it. Adam Smith has thereby himself refuted the idea that the circumstance which results in the whole product of his labour no longer belonging to the worker, but it or its value having to be shared with the owner of capital—that this circumstance invalidates the law according to which the relation in which commodities exchange one with another, or their exchange value, is determined by the quantity of labour time materialised in them. Indeed, on the contrary, he traces the profit of the capitalist to the fact that this capitalist has not paid for a part of the labour added to the commodity, and thence comes his profit on the sale of the commodity. We shall see how Adam Smith further on even more explicitly derives profit from the labour which the worker performs beyond the quantity of labour with which he pays for the wages, that is, with which he replaces the wages by an equivalent. Adam Smith has thereby recognised the true origin of surplus value. He has at the same time expressly stated that it does not arise from funds advanced whose value—no matter how useful they may be in the actual labour process—merely reappears in the product, but that it arises exclusively from the new labour which the “workers add to the raw material” in the new process of production, in which those funds figure as means of labour or instruments of labour.

On the other hand the phrase “in exchanging the complete manufacture either for money, for *labour*, or for other goods” is wrong (and arises from the confusion mentioned earlier).

the capitalist buys an additional sum of labour for which he does not pay, an excess over the quantity of labour contained in the money paid out by him. And this additional quantity of labour constitutes in fact the surplus value created by capital. But as the money with which the capitalist buys the labour power, and therewith, in the actual result, a definite quantity of labour—as this money is nothing but the altered form of *all other commodities*, their independent existence as exchange value, it can equally well be said that all commodities, in exchange with living labour, buy more labour than they contain. This excess constitutes precisely surplus value. It is greatly to Adam Smith's credit that in Book I (Chapters VI, VII and VIII)—just where he passes from simple commodity exchange and its law of value to exchange between materialised and living labour, to an examination of profit and land rent in general, in short, to the origin of surplus value—that here he feels that at this point some flaw has emerged. He senses that, however it may have come about—and this he does not grasp—the law is in fact suspended in the result: more labour is exchanged for less labour (from the standpoint of the worker); less labour is exchanged for more labour (from the standpoint of the capitalist). He emphasises (and this he evidently finds disconcerting) that with the accumulation of capital and with property in land—that is, when the conditions necessary for labour assume an independent existence over against labour itself—a new development occurs, which is apparently (and actually, in the result) a reversal of the law of value into its opposite. It is his theoretical strength that he feels and stresses this contradiction, just as it is his theoretical weakness that this contradiction shakes his confidence in the general law even for simple commodity exchange. He does not see how this contradiction arises through labour power itself becoming a commodity, and that in the case of this specific commodity its use value, which is quite a different thing from its exchange value, is precisely the energy which creates exchange value. Ricardo is ahead of Adam Smith in that these apparent contradictions, which in their result are real contradictions, cause him no trouble. But he is inferior to Adam Smith in that he does not even suspect that this presents a problem;

arises; for it is the only part of the capital that not only reproduces itself but produces a surplus in product and value.

In profit, on the other hand, the surplus value is calculated on the total sum of capital advanced, and besides this modification other new ones appear as a result of the equalisation of profits in the various spheres of production of capital. Although Adam Smith explains the essence of surplus value, he does not explicitly present it in the form of a definite category distinct from its specific forms, and because of this in his later treatment he directly confuses it with the further developed forms of profit. This error persists with Ricardo and all his disciples. Hence arise (and with Ricardo all the more strikingly because he works out the fundamental law of value with greater systematic unity and consistency, so that the inconsistencies and contradictions are more strikingly apparent) a series of inconsistencies, unresolved contradictions and fatuities, which the Ricardians (as we shall see later in the section dealing with Profit) try to solve with scholastic phraseology. Crass empiricism is transformed into false metaphysics, scholasticism, which toils painfully to deduce undeniably empirical phenomena by simple formal analysis from the general law, or to reason out a justification for them on the basis of that law. We will give an example at this point from Adam Smith, because the confusion creeps in not where he is dealing as an expert with profit or land rent, those particular forms of surplus value, but where he is thinking of them only as forms of surplus value in general, as "deductions from the labour which the workmen have expended on the material".

We have already quoted the passage:

"The value which the workmen add to the materials, therefore, resolves itself in this case into two parts, of which the one pays their wages, the other the profits of their employer upon the whole stock of materials and wages which he advanced" (Book I, Chapter VI, p. 42).

Adam Smith continues:

"He [the employer] could have no interest to employ them [the workers], unless he expected from the sale of their work something more than what was sufficient to replace his stock to him; and he could have no interest to

employ a great stock rather than a small one, unless his profits were to bear some proportion to the extent of his stock."

We note in the first place that Adam Smith at the start reduces the surplus value—the excess which the employer makes over and above the quantity of value necessary to replace his capital—to the portion of the labour which the workers add to the raw material in excess of the quantity that replaces their wages. After he has thus made this surplus arise purely from that portion of the capital which is laid out in wages, he then immediately conceives this same surplus in the form of profit—that is to say, not in relation to that part of the capital from which it arises, but as a surplus over the *total value* of the capital advanced, "upon the whole stock of the materials and wages which he advanced".<sup>1</sup> He therefore conceives surplus value directly in the form of profit. Hence the difficulties that soon appear. The capitalist, Adam Smith says, "could have no interest to employ them [the workers], unless he expected from the sale of their work something more than was sufficient to replace his stock to him".

Once capitalist relations are taken for granted, this is quite correct. The capitalist does not produce in order to satisfy his needs with the product; he produces as a rule with no immediate regard to consumption. He produces in order to produce surplus value. Adam Smith, however, does not *explain surplus value*—as some of his stupid disciples later did—by this assumption, which means nothing more than that, assuming capitalist production, the capitalist produces for the sake of surplus value; that is to say, he does not explain the existence of surplus value by the interests of the capitalist, by his *desire* for surplus value. On the contrary, he has already derived this surplus value from the value which the workers add to the raw materials in excess of the value added in exchange for the wages they receive.

But he then immediately goes on to say: the capitalist could have no interest in employing a larger instead of a smaller capital, unless his profits bore a definite relation to the magnitude of the capital advanced. Here profit is no longer explained by the nature of surplus value, but by the "interest" of the

<sup>1</sup> It is an oversight that he here leaves out of account the instruments of labour.

3.7? // capitalist. Which is just silly. Adam Smith is not aware that, by lumping together in this direct way surplus value with profit and profit with surplus value, he is upsetting the law as to the origin of surplus value which he has just established. If surplus value is only the part of value (or of the quantity of labour) added by the worker to the raw material, in excess of that part of the value added to replace the wage, why should that second part grow as the direct result of the value of the advanced capital being greater in one case than in another? The contradiction is even more evident in the example which Adam Smith himself gives immediately following this passage, in order to refute the view according to which profit is a wage paid for the so-called "labour of inspection and direction". He says:

"They [the profits of stock] are, however, altogether different [from wages], are regulated by quite different principles, and bear no proportion to the quantity, the hardship, or the ingenuity of this supposed labour of inspection and direction. They are regulated altogether by the value of the stock employed, and are greater or smaller in proportion to the extent of this stock. Let us suppose, for example, that in some particular place, where the common annual profits of manufacturing stock are ten per cent., there are two different manufactures, in each of which twenty workmen are employed at the rate of £15 a year each, or at the expense of 300 a year in each manufactory. Let us suppose, too, that the coarse materials annually wrought up in the one cost only £700, while the finer materials in the other cost £7,000. The capital annually employed in the one will in this case amount only to £1,000; whereas that employed in the other will amount to £7,300. At the rate of 10 per cent., therefore, the undertaker of the one will expect a yearly profit of about £100 only, while that of the other will expect about £730. But though their profits are so very different, their labour of inspection and direction may be either altogether or very nearly the same" (Book I, Chapter VI, p. 43).

From surplus value in its general form we come straight to a common rate of profit, which has nothing directly to do with it. But let that be! In both of the factories twenty workers

### 3. CAPITAL AND LANDED PROPERTY AS SOURCES OF VALUE

IN *An Inquiry into the Nature and Origin of public Wealth* (Edinburgh, 1804) Lauderdale raises the objection to Adam Smith's explanation of surplus value—which he says is in accord with the views already advanced by Locke—that capital is not an original source of wealth as Smith makes out, but only a derivative source. The relevant passage runs:

“More than 100 years ago Locke expressed almost the same opinion as Adam Smith. ‘Money’, he said, ‘is a barren thing and does not produce anything, but as a result of agreement carries in its pocket something which was the reward for the labour of somebody else.’<sup>1</sup> If that point of view regarding the profits of capital would be quite true, it would result that profits would serve not the primary but the producing source of wealth, and capital would therefore not be considered as the source of wealth, as profit from it merely transfers the money from the pocket of the worker to that of the capitalist” (pp. 157–8).

In so far as the value of the capital reappears in the product, it cannot be called “the source of wealth”. In this case it is only as accumulated labour, as a definite quantity of materialised labour, that it passes its own value over into the product.

Capital is productive of value only as *a relation*, in so far as it is a coercive force on wage labour compelling it to perform surplus labour, spurring on the productive power of labour to create relative surplus value. In both cases it only produces value as the power, alienated from labour, of labour's own material conditions over labour, only as one of the forms of wage labour itself; as a condition of wage labour. But in the sense commonly used by the economists, as stored-up labour existing in the form of money or commodities, capital functions productively in the labour process like all other conditions of

<sup>1</sup> Locke, *Some Considerations of the Consequences of the Lowering of Interest and Raising the Value of Money*, 1692, p. 53.

labour, including the unpaid natural forces, in the production of use values; but it is never the source of value. It creates no new value, and only adds exchange value to the product at all in so far as it has exchange value—that is to say, in so far as it itself consists in materialised labour time, so that labour is the source of its value.

Lauderdale is right in this respect—that Adam Smith, after explaining the nature of surplus value and of value, is wrong in presenting capital and landed property as independent sources of exchange value. They are sources of revenue for their owner, in so far as they are the title to a certain quantity of surplus labour, which the worker has to perform over and above the labour time required to replace his wages. Thus Adam Smith says for example:

“Wages, profit and rent, are the three original sources of all revenue as well as of all exchangeable value” (Book I, Chapter VI, p. 46).

Just as it is true to say that they are the “three original sources of all revenue”, it is equally false to say that they are also “the three original sources of all exchangeable value”, since the value of a commodity is determined exclusively by the labour time contained in it. How can Adam Smith, immediately after presenting rent and profit as mere *deductions*, deductions from the value or the labour added by the worker to the raw material, call them “original sources of exchangeable value”? (They can be so described only in the sense that they set the “original sources” in motion, that is, compel the workers to perform surplus labour.) In so far as they are titles (conditions) for the appropriation of a part of the value, that is, of the labour materialised in the commodity, they are sources of income for their owner. But the distribution or appropriation of value is certainly not the source of the value that is appropriated. If this appropriation did not take place, and the worker received as wages the whole product of his labour, the value of the commodities produced would be just the same as before, although it was not shared with the landowner and the capitalist. Landed property and capital, which constitute sources of revenue for their owners—that is to



## 5. PRODUCTIVE AND UNPRODUCTIVE LABOUR

### (a) *Definition of Productive Labour as Labour which produces Capital*

[WE come now to the last point which we have to examine in Adam Smith's theories, the distinction between productive and unproductive labour.]

In Adam Smith's definition of what he calls *productive labour* in contradistinction to *unproductive labour*, we find the same two-sided approach as we have found on every question up to now. We find jumbled together in his presentation two conceptions of what he calls productive labour, and to begin with we will examine the first, the correct conception.

Productive labour, in its significance for capitalist production, is wage labour which, exchanged against the variable part of capital, not only reproduces this part of the capital (or the value of its own labour power), but in addition produces surplus value for the capitalist. It is only through it that commodity or money is transformed into capital, produces as capital. Only that wage labour is productive which produces capital. This means that it reproduces in expanded form the sum of value laid out on it, or that it gives back more labour than it receives in the form of wages. Thus it is only that labour power whose utilisation produces a value greater than its own. The existence of a capitalist class, and therefore of capital, is founded on the productivity of labour; not however on its absolute, but on its relative productivity. For example, if a working day only sufficed to maintain the worker in existence, that is, to reproduce his labour power, then, speaking in an absolute sense, the labour would be productive, because it was reproductive—that is to say, it constantly replaced the values (equal to the value of its own labour power) which it consumed. But it would not be productive in the capitalist sense, because it produced no surplus value. It produced in fact no new value, but only replaced the old; it would have consumed the value in one form in order to reproduce it in another. And in this sense it has been said that a worker is

productive whose production is equal to his own consumption, and that a worker is unproductive who consumes more than he reproduces.

The productivity of labour in the capitalist sense is based on relative productivity—that the worker not only replaces an old value but creates a new one; that he materialises more labour time in his product than is materialised in the product that maintains his existence as a worker. The existence of capital is founded on this type of productive wage labour.

This conception of productive labour follows naturally from Adam Smith's conception of the source of surplus value, that is, of the nature of capital. In so far as he holds to this conception he is following a course opened up by the Physiocrats and even by the Mercantilists; he only rids it of false notions, thus bringing out its inner kernel. The Physiocrats, though wrong in thinking that only agricultural labour is productive, maintained the correct view, from the capitalist standpoint, that only that labour is productive which creates a surplus value; and in fact a surplus value not for itself, but for the owner of the means of production; labour which creates a *produit net*, not for itself but for the landowner. For the surplus value or the surplus labour time is materialised in a surplus product or *produit net*.

But here again they have a false notion of it; they see it for example where there is a surplus of wheat beyond what the workers and farmers consume; but there is also a surplus of cloth beyond what the clothmakers (workers and employers) need for their own clothing.

Surplus value itself is wrongly conceived, because they have false ideas of value, reducing it to the use value of the labour, not to the labour time, to social, homogeneous labour. Nevertheless, there remains the correct proposition that only that wage labour is productive which creates more value than it costs. Adam Smith frees this from the false notion with which it was linked among the Physiocrats.

Let us go back beyond the Physiocrats to the Mercantilists. In their case also there is one aspect of their theory which, though they were not conscious of it, contains the same view of productive labour. Their theory was based on the idea that

drawn from the former to the latter: thus all capital comes to yield higher profits than formerly, and a rise of profits is always equivalent to a fall of wages" (John Barton, *Observations on the Circumstances which influence the Condition of the Labouring Classes of Society*, London, 1817, pp. 29 ff.).

So, firstly, according to Barton there was a repetition in the second half of the eighteenth century of the same phenomenon as that which gave the impulse to the Mercantile System in the last third of the sixteenth and in the seventeenth century. Secondly, as only exported goods were measured against gold and silver on the basis of its fallen value, while goods destined for consumption internally continued to be measured in gold and silver according to its old value (until competition among the capitalists put an end to this measurement by two different standards), labour in the former branches of production appeared to be directly productive—that is, creating surplus value—because of the fact that wages were depressed below their former level.

The second, wrong conception of productive labour which Adam Smith develops is so interwoven with the correct one that the two conceptions follow each other step by step in the same passage. To illustrate the first conception it is therefore necessary to tear the quotations apart and deal with them piecemeal.

Chapter III of Book II of *The Wealth of Nations* opens with the words:

"There is one sort of labour which adds to the value of the subject upon which it is bestowed: there is another which has no such effect. The former, as it produces a value, may be called productive; the latter, unproductive labour. Thus the labour of a manufacturer adds, generally, to the value of the materials which he works upon, that of his own maintenance, and of his master's profit. The labour of a menial servant, on the contrary, adds to the value of nothing. Though the manufacturer has his wages advanced to him by his master, he, in reality, costs him no expense, the value of those wages being generally restored, together with a profit, in the improved value of the subject upon which his labour is bestowed. But the maintenance of a menial servant never is restored. A man grows rich by

employing a multitude of manufacturers: he grows poor by maintaining a multitude of menial servants" (pp. 294-5).

In this passage—and the contradictory statements jostle each other even more closely in the passages that follow, which we shall quote later—what is in the main treated as productive labour is labour which produces a surplus value—"his master's profit"—in addition to reproducing the value "of his (the worker's) own maintenance". Also, the industrialist could not "grow rich by employing a multitude of manufacturers" unless the latter, in addition to the value which their own maintenance costs, added also a surplus value.

Secondly, however, in this passage Adam Smith treats as productive labour that which "creates a value" in general. But leaving this latter statement out of account for the moment, we will first cite other passages in which the first view is partly repeated, partly formulated more sharply, but particularly also further developed.

"But if the quantity of food and clothing, which were thus consumed by unproductive, had been distributed among productive hands, they would have reproduced, together with a profit, the full value of their consumption".

Here a productive worker is stated quite explicitly to be one who not only reproduces for the capitalist the full value of the means of subsistence contained in the wages, but reproduces it for him with a profit.

Only labour which produces capital is productive labour. Commodities or money, however, become capital through being directly exchanged for labour power, and exchanged only in order to be replaced by more labour than they themselves contain. For the use value of the labour power to the capitalist as a capitalist does not consist in its *actual* use value, in the usefulness of this particular concrete labour—that it is spinning labour, weaving labour, and so on. He is no more concerned with this than he is concerned with the use value of the product of this labour in itself; inasmuch as for the capitalist the product is a commodity, and in fact before its first metamorphosis is not an article of consumption. What interests him in the commodity is that it possesses more exchange

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value than he paid for it; and so the use value of the labour consists for him in the fact that he gets back a greater quantity of labour time than he paid out in the form of the wages. Included among productive workers are of course all those who contribute to the production of the commodity in one way or another, from the actual operative to the manager or engineer (as distinct from the capitalist). And so even the latest English official Report on the Factories *explicitly* includes in the category of employed wage workers all persons employed in the factories and in the offices attached to them, with the exception of the manufacturers themselves. The productive worker is here defined from the standpoint of capitalist production, and Adam Smith got to the very essence of the concept, hit the nail on the head. This is one of his greatest scientific merits (as Malthus rightly observed, this critical differentiation between productive and unproductive labour remains the foundation of all bourgeois political economy)—that he defined productive labour as labour *which is exchanged directly with capital*; that is, an exchange through which the means of production required for labour, and value in general—money or commodities—are first transformed into capital and labour into wage labour in its scientific meaning. Thereby also what is *unproductive labour* is absolutely defined. It is labour which is not exchanged against capital, but *directly* against revenue, that is, against wages or profit, including of course the various categories of those who share in the profit of the capitalist, as interest and rent. Where all labour in part still pays itself, as for example the agricultural labour of the serfs, and in part is directly exchanged against revenue, as in the case of manufacturing labour in the cities of Asia, there exists no capital and no wage labour in the sense of bourgeois political economy. These definitions are therefore not derived from the material processes of labour—neither from the nature of its product nor from the work performed as concrete labour—but from the definite social forms, the social relations of production, within which these processes are realised.

An actor, for example, or even a clown, according to this definition is a productive worker, if he works in the employ of a capitalist (an *entrepreneur*) to whom he returns more labour

2) that he exchanges the use value of labor itself

non-commodities, use values for personal consumption, disappears, it is clear that the unproductive workers—those whose services are exchanged directly against revenue—perform for the most part only *personal* services, and only an infinitesimal part of them (like cooks, seamstresses, jobbing tailors and so on) will produce material use values. That they produce no *commodities* follows from the nature of the case. For the commodity as such is never a direct object of consumption, but a bearer of exchange value. Consequently only a quite insignificant part of these unproductive workers can play a direct part in material production once the capitalist mode of production has developed. It is only by the exchange of [their] services against revenue that they participate in the latter. This does not prevent, as Adam Smith notes, the value of the services of these unproductive workers being determined and determinable in the same (or an analogous) way as that of the productive workers: namely, by the production costs involved in their maintenance or production of their maintenance. Other factors also have importance in this connection, but they are not relevant here.

The labour power of the productive worker is a commodity for the worker himself. So is that of the unproductive worker. But the productive worker produces commodities for the buyer of his labour power. The unproductive worker produces for him a mere use value, not a commodity; an imaginary or a real use value. It is characteristic for the unproductive worker that he produces no commodities for his buyer, but indeed receives commodities from him.

“The labour of some of the most respectable orders in the society is, like that of menial servants, unproductive of any value. . . . The sovereign, for example, with all the officers both of justice and war who serve under him, the whole army and navy, are unproductive labourers. They are the servants of the public, and are maintained by a part of the annual produce of the industry of other people. . . . In the same class must be ranked . . . : churchmen, lawyers, physicians, men of letters of all kinds; players, buffoons, musicians, opera-singers, opera-dancers, etc.” (p. 295).

In itself, as has been said, this distinction between productive and unproductive labour has nothing to do either with the particular speciality of the labour or with the particular use value in which this special labour incorporates itself. In the one case the labour is exchanged against capital, in the other against revenue. In the one case the labour is transformed into capital and produces a profit for the capitalist; in the other case it is an expenditure, one of the articles in which revenue is consumed. For example, the worker employed by a piano maker is a productive worker. His labour replaces not only the wage which he consumes; but in the product, the piano, the commodity which the piano maker sells, is contained a surplus value over and above the value of the wage. If on the other hand I buy all the materials required for a piano (or for all it matters the worker himself may possess them) and, instead of buying the piano in a shop, have it made in my home—then the worker who makes the piano is an unproductive worker, because his labour is exchanged directly against my revenue.

Hence it is clear that in the same proportion as capital subjugates to itself the whole of production—that is, all commodities are produced for the market and not for direct consumption—and the productivity of labour rises to the same degree, a material difference between productive and unproductive labour will more and more develop, inasmuch as the former, with minor exceptions, will exclusively produce commodities, while the latter, with minor exceptions, will perform only personal services. The former class will consequently produce the immediate, material wealth consisting in *commodities*, all commodities except that which consists of labour power itself. This is one of the considerations which prompt Adam Smith to add other points of difference, in addition to this first *differentia specifica* by which they are defined in principle.

Thus, following through various associations of ideas, he says:

“The labour of a menial servant,<sup>1</sup> on the contrary, adds to the value of nothing . . . the maintenance of a menial servant never is restored. A man grows rich by employing a

<sup>1</sup> As distinct from that of the “manufacturer”.

multitude of manufacturers: he grows poor by maintaining a multitude of menial servants. The labour of the latter, however, has its value, and deserves its reward as well as that of the former. But the labour of the manufacturer fixes and realises itself in some particular subject or vendible commodity, which lasts for some time at least after that labour is past. It is, as it were, a certain quantity of labour stocked and stored up to be employed, if necessary, upon some other occasion. That subject, or what is the same thing, the price of that subject, can afterwards, if necessary, put into motion a quantity of labour equal to that which had originally produced it. The labour of the menial servant, on the contrary, does not fix or realise itself in any particular subject or vendible commodity. His services generally perish in the very instant of their performance, and seldom leave any trace or value behind them for which an equal quantity of service could afterwards be procured.

"The labour of some of the most respectable orders in the society is, like that of menial servants, unproductive of any value, and does not fix or realise itself in any permanent subject, or vendible commodity . . ." (Book II, Chapter III, pp. 294-5).

For the definition of the unproductive worker we here have the following determinants, which at the same time form the links in Adam Smith's train of thought:

The labour of the unproductive worker "produces no value", "adds to the value of nothing", "the maintenance (of the unproductive worker) never is restored", "his labour does not fix or realise itself in any particular subject or vendible commodity". On the contrary, "his services generally perish in the very instant of their performance, and seldom leave any trace or value behind them for which an equal quantity of service could afterwards be procured". Finally, "his labour does not fix or realise itself in any permanent subject or vendible commodity".

In this presentation productive or unproductive is used in a sense different from its original use. It no longer refers to production of a surplus value, which by its nature includes reproduction of an equivalent for the value consumed. But according to this presentation, the labour of a worker is

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material product and could just as well (in its result) be a vendible commodity as it in fact is for the proprietor of the hotel.

The great difference remains however: the cook does not replace for me (the private person) the fund out of which I pay her. For I buy her labour not as a value-creating element, but merely for the sake of its use value. Her labour as little replaces for me the fund with which I pay for it, that is, her wage, as the dinner that I eat in the hotel in itself enables me to buy and eat the same dinner a second time. This distinction however is also to be found between commodities. The commodity which the capitalist buys in order to replace his constant capital (for example, cotton material, if he is a cotton-printer) replaces its value in the printed cotton. But if on the other hand he buys the cotton in order to consume it himself, this commodity does not replace his outlay. The largest proportion of society, that is to say the working class, must, for that matter, perform this kind of labour for itself; but it can only perform it when it has worked "productively". It can only cook meat for itself when it has produced a wage with which it can pay for the meat; and it can only keep its furniture and dwellings clean, or clean its boots, when it has produced the value of furniture, house rent and boots. For this class of productive workers itself, therefore, what appears as unproductive labour is labour which they perform for themselves. This unproductive labour never enables them to repeat the same unproductive labour a second time unless they have previously worked productively.

*Thirdly.* On the other hand: an *entrepreneur* of theatres, concerts, brothels, etc., buys the temporary disposal over the labour power of the actors, musicians, prostitutes, etc.—in reality in a roundabout way that is only of formal economic interest: in its result the movement is the same. He buys this so-called "unproductive labour", whose "services perish in the very instant of their performance" and do not fix or realise themselves in "any permanent (particular is also used) subject or vendible commodity" (other than themselves). The sale of these to the public provides him with wages and profit. And these services, which he has bought in this way, enable

namely, labour power itself, into whose costs of production and reproduction these services enter. However, Adam Smith knew how little "education" enters into the costs of production of the mass of the workers. And in any case the doctor's services belong to the *faux frais* of production. They can be counted as the costs of repair for labour power. Let us assume that wages and profit simultaneously decline in total value, whatever the cause—for example, because the nation has become lazier—and at the same time fall as measured in use value, because labour has become less productive owing to a bad harvest, etc.; in short, that the part of the product whose value is equivalent to revenue declines, because less new labour has been applied in the past year and because the labour that was applied has been less productive. If then capitalists and workers want to consume the same sum of value in material things as they did before, they would be able to buy less of the services of the doctor, schoolmaster, etc. And if they were compelled to continue the same outlay on both, then they would have to restrict their consumption of other things. It is therefore clear that the labours of the doctor and schoolmaster do not directly create the fund out of which they are paid, although their labours enter into the costs of production of the fund which creates all values whatsoever—the costs of production of labour power.

Adam Smith continues:

"Thirdly, it seems upon every supposition improper to say that the labour of artificers, manufacturers and merchants does not increase the real revenue of the society. Though we should suppose, for example, as it seems to be supposed in this system, that the value of the daily, monthly, and yearly consumption of this class was exactly equal to that of its daily, monthly, and yearly production, yet it would not from thence follow that its labour added nothing to the real revenue, to the real value of the annual produce of the land and labour of the society. An artificer, for example, who, in the first six months after harvest, executes ten pounds' worth of work, though he should in the same time consume ten pounds' worth of corn and other necessaries, yet really adds the value of ten pounds to the annual produce of the

itself, productive labour is that which produces commodities, material products, whose production has cost a definite quantity of labour or labour time. Among these material products are included all products of art and science, books, paintings, statues, etc., in so far as they take the form of things. In addition, however, the product of labour must be a *commodity* in the sense that it is a "vendible commodity", that is, a commodity in its first form, which has still to pass through its metamorphosis.

A manufacturer may himself construct a machine, when he cannot get it built anywhere else, not to sell it but to make use of it as a use value. But he then makes use of it as part of his constant capital, and thus sells it in instalments in the form of the product which it has helped to make.

Certain labours of "menial servants" may equally well take the form of (potential) commodities, and even of the same use values, considered as material objects. But they are not productive workers, because in fact they produce not commodities but immediate "use values". As for labours which are productive for their buyers or users themselves—as for example the labour of the actor for a theatrical *entrepreneur*—they are shown to be unproductive labours by the fact that their buyer cannot sell them to the public in the form of commodities, but only in the form of the action itself.

Apart from such cases, *productive* labour is that which produces commodities, and *unproductive* labour is that which produces personal services. The former labour is represented by a vendible thing; the latter must be consumed while it is being performed. The former (except for that labour which creates labour power itself) comprises all material and intellectual wealth—meat as well as books—that exists in the form of things; the latter covers all labours which satisfy any imaginary or real need of the individual—or even those which are forced upon the individual against his will.

The *commodity* is the most elementary form of bourgeois wealth. The explanation of "productive labour" as labour which produces "commodities" corresponds therefore to a far more elementary point of view than that which explains productive labour as labour which produces capital.

The opponents of Adam Smith have left out of account his first and pertinent definition, and have concentrated on the second, pointing out the unavoidable contradictions and inconsistencies to which it gives rise. Their attacks were made all the easier for them by their insistence on the material content of the labour, and particularly on the condition that the labour must be fixed in a more or less *durable* product. We shall see soon what it was that particularly gave rise to the polemics.

But first another point. Adam Smith says of the Physiocratic system that its great merit is its recognition of the fact that the wealth of nations consists "not in the unconsumable riches of money, but in the consumable goods annually produced by the labour of the society" (Book IV, Chapter IX).

Here we have the application of his second definition of productive labour.

The determination of surplus value naturally depended on the form in which value itself was conceived. In the Monetary and Mercantile system it is therefore presented as *money*; by the Physiocrats as the product of the land, as *agricultural product*; finally by Adam Smith simply as *commodity*. In so far as the Physiocrats touch on the substance of value, they resolve it into pure use value (matter, corporeal object), just as the Mercantilists resolve it into the pure form of value, the form in which the product *makes itself manifest* as general social labour: money. With Adam Smith, both properties of the commodity are grasped—use value and exchange value—and so all labour is productive which manifests itself in any use value, any useful product. The fact that it is labour that manifests itself in the product implies that the product is also equal to a definite quantity of general social labour. Adam Smith, in contrast to the Physiocrats, restores to its place the value of the product as the essential thing for bourgeois wealth; but on the other hand he strips off from value the purely fantastic form—that of gold and silver—in which it appeared to the Mercantilists. Every commodity is *in itself* money. It must be recognised that Adam Smith at the same time also falls back into the Mercantilist conception of "durability", in fact of "imperishability". We can recall the passage

in Petty<sup>1</sup> where wealth is valued according to the degree to which it is more or less durable without perishing, and finally gold and silver are placed at the top as wealth that is "not perishable".

A. Blanqui says of Adam Smith: "In restricting the sphere of wealth exclusively to those values which are embodied in material substances, he erased from the book of production the whole boundless mass of immaterial values, daughters of the moral capital of civilised nations, etc." (*Histoire de l'Economie Politique*, Brussels, 1842, p. 152).

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In Chapter I of Book IV Adam Smith himself says:

"Mr. Locke remarks a distinction between money and other movable goods. All other movable goods, he says, are of so consumable a nature that the wealth which consists in them cannot be much depended on. . . . Money, on the contrary, is a steady friend" (p. 376).

And further on in the same chapter:

"Consumable commodities, it is said, are soon destroyed; whereas gold and silver are of a more durable nature, and, were it not for this continual exportation, might be accumulated for ages together, to the incredible augmentation of the real wealth of the country" (p. 385).

The man of the Monetary System hankers after gold and silver because they are money, the independently existing, tangible substantiation of exchange value, its indestructible, eternally enduring substantiation—so long as it is not allowed to become means of circulation, the merely transient form of the exchange value of commodities. The accumulation of it, the amassing of it, the formation of a hoard is consequently his way of enriching himself. And, as I showed in the quotation from Petty, other commodities are themselves valued in the degree to which they are more or less durable, that is, remain exchange value.

Now in the first place Adam Smith repeats this same view—

<sup>1</sup> See *The Critique of Political Economy*, pp. 172-3 (Kerr edition), quoting Petty, *Political Arithmetick*, p. 196.

that Adam Smith, by thus mixing together the two distinctions he draws, very much weakens and blunts the principal distinction.

(c) *The Polemic against Adam Smith's Definition*

The polemic against Adam Smith's differentiation between productive and unproductive labour was for the most part confined to the *dii minorum gentium*,<sup>1</sup> among whom moreover Storch was the most important; it is not to be found in the work of any outstanding economist—of any economist of whom it can be said that he made some discovery in political economy. On the contrary, it is the hobby-horse of the second-rate, and especially of the school-masterish compilers and writers of compendia, as well as of dilettanti with facile pens and vulgarisers in this field. What particularly gave rise to this polemic against Adam Smith was the following:

First: the great mass of the so-called "higher-grade" workers—such as State officials, military people, professional workers, doctors, priests, judges, lawyers, etc., some of whom are not only not productive but essentially destructive, but know how to appropriate to themselves a very great part of the "material" wealth partly through the sale of their "immaterial" commodities and partly by force and compulsion—found it not at all pleasant to be relegated *from the economic standpoint* to the same class as clowns and servants, to appear merely as consumers along with these, parasites on the actual producers (or rather agents of production). This classification was a particular profanation of precisely those functions which had formerly been surrounded with a halo, had enjoyed superstitious veneration. Political economy in its classical period, like the bourgeoisie itself in its *parvenu* period, adopted a severely critical attitude to the machinery of the State, etc. At a later stage it saw—practice also made it manifest—and learnt from experience, that the necessity for all these classes, in part completely unproductive, arose from its own organisation. In so far as those "unproductive workers" did not produce entertainment, so that their purchase entirely depended on the way in which the agent of production cared to spend his

<sup>1</sup> Gods of the lesser tribes.

wages or profit—in so far as on the contrary they were necessary or made themselves necessary because of bodily infirmities (like doctors) or spiritual weaknesses (like parsons), or because of the conflict between private interests and national interests (like State employees, all legal people, police, soldiers), they were regarded by Adam Smith, as by the industrial capitalists themselves and the working class, as *faux frais* of production, which are therefore to be cut down to the most indispensable minimum and to be provided as cheaply as possible. Bourgeois society reproduces in its own form everything against which it had fought in feudal or absolutist form. Hence it becomes a principal task for the sycophants of this society, especially of the upper classes, to restore theoretically the prestige of even the purely parasitic sections of these “unproductive workers”, or to justify even the exaggerated claims of the section which is indispensable. The *dependence* of the ideological etc. class on the *capitalists* was in fact proclaimed.

Secondly, however, a part of the agents of production (of material production itself) were declared by one group or another of economists to be “unproductive”. For example, the landowner, by the section of economists who represented industrial capital (Ricardo). Others (for example Carey) declared that the merchant was an “unproductive” worker. Then even a third group came along, who declared that the “capitalists” themselves were unproductive, or at least tried to reduce their claims to material wealth to “wages”, that is, to the wages of a “productive worker”. Many intellectual workers seemed also open to this doubt. It was therefore advisable to make a compromise and recognise the productivity of all classes not directly included among the agents of material production. One good turn deserves another; and, as in the fable of the bees, it had to be established that even from the “productive”, economic standpoint the bourgeois world with all the “unproductive workers” is the best of all worlds. This was all the more timely because the “unproductive workers” on their part were making critical observations in regard to the productivity of the classes which when all is said and done were “*fruges consumere nati*”<sup>1</sup>—or even in regard to those agents

<sup>1</sup> Born to consume the fruits.

product in which it is materialised; but its character as the creative element of exchange value, that it is abstract labour; and not indeed that it represents simply a definite quantity of this general labour, but a greater quantity than is contained in its price, that is, in the value of the labour power.

The capitalist production process is therefore also not merely the production of commodities. It is a process which absorbs unpaid labour, which makes of the means of production means for the absorption of unpaid labour.

It follows from what has been said that the designation of labour as productive has absolutely nothing to do with the definite content of the labour, with its special usefulness, or with the particular use value in which it manifests itself.

The same kind of labour may be productive or unproductive.

Hier werden alle  
Vergleiche  
ungebracht!!

For example, Milton, who wrote *Paradise Lost*, was an unproductive worker. On the other hand, the writer who turns out factory-made stuff for his publisher is a productive worker. Milton produced *Paradise Lost* for the same reason that a silk worm produces silk. It was an activity of his nature. Later he sold the product for £5. But the literary proletarian of Leipzig who fabricates books (for example, *Compendia of Economics*) under the direction of his publisher is a productive worker, for his production is subordinated to capital in advance and takes place only because it increases that capital. A singer who sells her song on her own is an unproductive worker. But the same singer, commissioned by an *entrepreneur* to sing in order to make money for him, is a productive worker. For she produces capital.

Here there are various questions to be settled. Whether I buy a pair of trousers or whether I buy the cloth and get a journeyman tailor to come to my house to make up this cloth into trousers for me, and pay him for his *service* (that is, his tailoring labour), is a matter of absolute indifference to me, in so far as what I am interested in is the pair of trousers. If I buy the trousers from the capitalist tailor ("merchant tailor") instead of taking the latter course, I do that because the latter course is more expensive; and the trousers cost less labour, and are cheaper in consequence, if the capitalist tailor produces them than if I have them produced in the



of this relation whether the doctor cures me or the teacher makes a success of teaching me or the lawyer wins my lawsuit. What is paid for is the performance of the service as such, and by its very nature the result cannot be guaranteed by those who render the service. A great part of services belongs to the costs of consumption of commodities, such as those of a cook, maid, etc.

It is characteristic of all unproductive labours that they are at my disposal—as is the case in the purchase of all other commodities for consumption—in the same proportion as that in which I exploit productive workers. Of all persons, therefore, the productive worker has least command over the services of unproductive workers, although he has most to pay for the *involuntary* services (the State and taxes). *Vice versa*, however, my power to employ productive workers does not at all increase in proportion to the extent that I employ unproductive workers, but on the contrary falls in the same proportion.

Productive workers may, in relation to me, be unproductive workers. For example, if I have my house re-papered, and the paper-hangers are wage workers of an employer who sells me the job, it is just the same for me as if I had bought a house already papered: I would have expended money for a commodity for my consumption; but for the employer who gets these workers to hang the paper they are productive workers, for they produce surplus value for him.

What then is the position of independent handicraftsmen or peasants who employ no workers and therefore do not produce as capitalists? Either, as always in the case of the peasant (but not for example of a gardener whom I get to come to my house), they are commodity producers and I buy the commodity from them—in which case it makes no difference for example that the handicraftsman supplies it to order or the peasant brings to market what he can. In this relationship they meet me as sellers of commodities, not as sellers of labour, and this relation has therefore nothing at all to do with the exchange of capital, and therefore also nothing to do with the distinction between productive and unproductive labour, which is based purely on whether the labour is exchanged with money as money or with money as capital. They therefore

0 —  
 Allan Ba.  
 Fiction affe.  
 Lond.

society is so inseparable from, the material existence of these means of production as means of production, that the same definition (definite category) is applied even where the relation is the very opposite. The means of production become capital only in so far as they have become an independent power confronting labour. In the case mentioned the producer—the worker—is the possessor, owner, of his means of production. They are therefore not capital, any more than in relation to them he is a wage worker. Nevertheless they are thought of as capital, and he himself is split in two, so that as capitalist he employs himself as wage worker. In fact this way of presenting it, however irrational it may seem at first sight, is nevertheless correct in so far as the producer in such a case actually creates his own surplus value (assuming that he sells his commodity at its value), or the whole product materialises only his own labour. That he is able to appropriate to himself the whole product of his own labour, and that the excess of the value of his product over the average price of his day's labour is not appropriated by someone else, he owes however not to his labour—which does not distinguish him from other workers—but to his ownership of the means of production. It is therefore only through his ownership of these that he takes possession of his own surplus labour, and thus arises his relation, as his own capitalist, to himself as wage worker. The separation between the two is the normal relation in this society. Where therefore it does not in fact exist, it is presumed, and, as shown above, up to a point with justice; for (as distinct for example from conditions in Ancient Rome or Norway or in the North-West of the United States) in this society the unity appears as accidental, the separation as normal, and consequently the separation is maintained as the relation, even when one person unites the different functions. Here emerges in a very striking way the fact that the capitalist as such is only a function of capital, the worker a function of labour power. For it is also a law that economic development divides out functions among different persons, and the artisan or peasant who produces with his own means of production will either gradually be transformed into a small capitalist who also exploits the labour of others, or he will suffer the

the publisher; a relation that has nothing to do with the capitalist mode of production proper, and even in form has not yet been brought under its sway. The fact that in these transitional forms the exploitation of labour is at its highest does not alter the case.

(2) The production cannot be separated from the act of its producer, as is the case with all performing artists, actors, teachers, doctors, parsons, etc. Here too the capitalist mode of production is met with only to a small extent, and from the nature of the case can only occur in a few spheres. For example the teachers in educational establishments may be mere wage workers for the *entrepreneur* of the establishment; many such educational factories exist in England. Although in relation to the pupils such teachers are not productive workers, they are productive workers in relation to their employer. He exchanges his capital for their labour power, and through this process enriches himself. It is the same with enterprises such as theatres and other places of entertainment. In such enterprises the relation of the actor to the public is that of an artist, but in relation to his employer he is a productive worker. All these manifestations of capitalist production in this sphere are so insignificant compared with total production that they can be left completely out of account.

With the development of the specific capitalist mode of production, in which many workers work together in the production of the same commodity, the direct relation which their labour bears to the object produced naturally varies greatly. For example the unskilled labourers in a factory have nothing directly to do with the working up of the raw material. The workers who function as overseers of those workers directly engaged in working up the raw material are one step further away; the works engineer is in yet another relation and in the main works only with his brain, and so on. But the totality of these workers, who possess labour powers of different value, produce the result, which, considered as the result of the labour process pure and simple, is expressed in commodities or in a material product; and all of them together, as workers, are the living production machines of these products, just as, taking the production process as a whole, they exchange their

## I. SURPLUS VALUE AND PROFIT

### 1. THE STRUCTURE OF RICARDO'S WORK

RICARDO starts from the determination of the relative value or exchange value of commodities by the quantity of labour<sup>1</sup> [necessary for their production]. The nature of this "labour" is not further examined. If two commodities are of equal value—or their values are in a definite ratio to each other, or what is the same thing, are of unequal magnitude according to the quantity of "labour" each contains—then however it is also clear that, in so far as they are exchange values, they are of the same substance. Their substance is labour. That is why they are "value". Their magnitude is different, according as each contains more or less of this substance. But Ricardo does not examine the type, the *character* of this labour—its special character as labour which creates exchange value or expresses itself in exchange values. He therefore does not grasp the connection of this labour with money, or the fact that it must assume the form of money. He therefore absolutely fails to grasp the connection between the determination of the exchange value of the commodity by labour time, and the necessity for commodities in their development to generate money. Hence his erroneous theory of money. From the outset he deals only with the *magnitude of value*—that is, with the fact that the quantities of value in commodities are to each other in proportion to the quantities of labour required for their production. He begins with this, and he expressly names Adam Smith as his source (*The Principles of Political Economy and Taxation*, Chapter I, Section I).

Ricardo's method is then as follows: starting with the determination of the magnitudes of value of commodities by labour time, he next examines whether the other economic relations or categories conflict with this definition of value, or how far they modify it. Both the historical justification for

<sup>1</sup> We can examine later the different senses in which Ricardo uses the word value. This ambiguity is the basis of Bailey's criticism, as also of Ricardo's shortcomings.

also to find a nomenclature and the corresponding abstract ideas for these phenomena, and therefore partly also for the first time to reproduce them in language and in the process of thought. The one task interests him as much as the other, and as both proceed independently of the other, the result is a completely contradictory way of looking at things—one that more or less correctly expresses their intrinsic relations, the other with equal justice and without any internal relationship—with no connection at all with the other way of examining the subject—expressing the relations in their outward appearance. In these circumstances his successors—in so far as they do not express the resistance to his ideas of older ways of thought which he had overcome—are able tranquilly to proceed with their special enquiries and observations and always regard Adam Smith as their source, whether they link on to the esoteric or the exoteric part of his work—or whether, as is almost always the case, they jumble both together. At last, however, Ricardo comes on the stage, and calls to science: Halt!—The foundation, the starting point for the physiology of the bourgeois system—for the understanding of its internal organic coherence and life process—is the determination of value by labour time. Ricardo starts with this, and compels science to leave its old beaten track and render an account of how far the rest of the categories it has developed and described—the relations of production and commerce—correspond to or conflict with this foundation, with the starting point; how far in general the science that merely reflects and reproduces the phenomenal forms of the process—how far therefore also these phenomena themselves—correspond to the foundation on which the inner connections, the real physiology of bourgeois society, rests, or which forms its starting point; and what in general is the position with regard to this contradiction between the apparent and the actual movement of the system. This is therefore the great historical significance of Ricardo for the science; and it is why the inane Say, having had the ground taken from under his feet by Ricardo, vented his spleen in the remark that “under the pretext of extending it (the science), it had been pushed into a vacuum”. With this service to economic science is closely linked the fact that

principles already laid down. Chapters XXVI, "On Gross and Net Revenue", and XXI, "Effects of Accumulation on Profits and Interest", are an appendix to the chapters on Rent, Profits, and Wages. Finally, Chapter XXVII, "On Currency and Banks", stands quite by itself in the book, and is merely a further exposition, and in part a modification, of the views on money put forward in his earlier writings.

Ricardo's theory is thus contained exclusively in the first six chapters of his work. When I speak of its faulty architectonics, the reference is to this part of it. The rest of it consists of applications, elucidations and addenda (apart from the section on money) which in the nature of things are jumbled together and lay no claim to a structure. The faulty structure in the theoretical section, the first six chapters, is however not accidental, but flows from Ricardo's very method of investigation and the definite task which he set for his enquiry. It expresses the scientific shortcomings of this method of investigation itself.

Chapter I deals with value. It is subdivided into seven sections. In the first section the actual question examined is: do wages contradict the determination of the values of commodities by the labour time contained in them? In the third section it is shown that the entry of what I call constant capital into the value of the commodity does not contradict the determination of value, and that the value of commodities is just as little affected by the rise and fall of wages. The fourth section investigates to what extent the use of machinery and other fixed and durable capital, in so far as it enters into the total capital in varying proportions in the different spheres of production, alters the determination of exchange value by labour time. The fifth section investigates how far a rise or fall in wages modifies the determination of value by labour time, if capitals of unequal durability and with varying periods of turnover are employed in different spheres of production.

Thus it can be seen that in this first chapter not only commodities are postulated—and nothing else has to be postulated in considering value as such—but also wages, capital, profit, and even the general rate of profit itself (as

we shall see); that is, the various forms of capital as they arise from the process of circulation; as also the distinction between "natural" and "market price", which latter moreover plays a decisive role in the following two chapters "On Rent" and "On the Rent of Mines".

This second chapter, "On Rent"—Chapter III, "On the Rent of Mines", is a mere supplement to it—fully in accordance with the flow of Ricardo's method of investigation, opens once more with the question: Does landed property, and rent, contradict the determination of the value of commodities by labour time?—

"It remains however to be considered whether the appropriation of land, and the consequent creation of rent, will occasion any variation in the relative value of commodities, independently of the quantity of labour necessary to production" (p. 33).

Now in order to carry through this investigation, he not only introduces *en passant* the relation between "market price" and "real price" (which is the monetary expression of value), but also postulates the whole of capitalist production and his whole conception of the relation between wages and profit. Chapter IV, "On Natural and Market Price", Chapter V, "On Wages", and Chapter VI, "On Profits", are therefore not only taken for granted but fully developed in the two first chapters, "On Value" and "On Rent", and in the third chapter as an addendum to the second.

The second three chapters, in so far as they add new theoretical points, here and there fill in gaps or provide more precise definitions which for the most part should by rights have found their place in the first and second.

The whole of Ricardo's work is thus contained in its first two chapters. In these chapters the developed processes of bourgeois production, and therefore also the developed categories of political economy, are confronted with their basic principle—the determination of value—and called upon to answer how far they directly correspond to this principle, or what is the true state of affairs regarding the apparent discrepancies which they produce in the value relations of commodities. They contain his whole critique of previous

## 2. RICARDO'S THEORY OF PROFIT

### (a) *Ricardo's Conception of Value*

FIRST a few further observations on how Ricardo jumbles together different determinations of value. This is the ground for Bailey's polemic against him. It is therefore also important for us.

First he calls value exchange value ("value in exchange"), and defines it, following Adam Smith, as "the power of purchasing other goods" (p. 5). This is exchange value as in the first instance it *appears*. Then however he goes on to the real determination of value:

"It is the comparative quantity of commodities which labour will produce that determines their present or past relative value" (p. 9).

"Relative value" here means nothing other than exchange value determined by labour time. But *relative* value can also have another meaning; if for example I express the exchange value of one commodity in the use value of another—say the exchange value of sugar in the use value of coffee.

"Two commodities vary in relative value, and we wish to know in which the variation has really taken place" (p. 9).

What variation? Later on Ricardo calls this "relative value" also "comparative value" (Chapter XXVIII). We wish to know in which commodity "the variation" has taken place, that is, the variation of value, called "relative value" above. For example, if one pound of sugar is equal to two pounds of coffee, and is later equal to four pounds of coffee. The "variation" which we wish to know about is whether the "necessary labour time" for the sugar has changed, or that for the coffee; whether the sugar costs twice as much labour time as before, or the coffee half as much labour time as before; and which of these "variations" in the labour time necessary for the production of the commodities named has brought about the variation in their exchange relations. This "relative" or "comparative value" of sugar and coffee—the ratio in which



"absolute" is the value embodied in the thing itself;  
 i.e. labor time in a given quantity of sugar

they exchange—is therefore different from the relative value in the first sense. In its first meaning, the relative value of the sugar is determined by the quantity of sugar which can be produced in a definite labour time. In the second case, the relative value of sugar and coffee only expresses the ratio in which they are exchanged for each other, and the change in this ratio may be brought about by a change in the "relative value" in the first sense either in the coffee or in the sugar. The proportion in which they exchange for each other may remain the same, even though their "relative values" in the first sense have changed. One pound of sugar may still, as before, equal two pounds of coffee, even though the labour time necessary for the production of the sugar and of the coffee has risen to double or has fallen to half. *Variations* in their "comparative value"—that is, when the exchange value of sugar is expressed in coffee and *vice versa*—will only appear when their relative values in the first sense, that is, their values determined by the quantity of labour, have altered disproportionately and a change in their relation to each other has thus taken place. Absolute variations—if they do not alter the original proportion, that is, if they are of equal magnitude and in the same direction—will not cause any change in the comparative values; nor will they change the relation between the *money prices* of these commodities, since if the value of money should alter it changes simultaneously for both. Consequently, whether I express the value of two commodities in their own mutual use values, or in their money price—presenting both values in the use value of a third commodity—these *relative* or *comparative* values or prices are the same, and their variations must be distinguished from variations in their *relative value* in the first sense; that is, in so far as the variations express only a change in the labour time necessary for their *own* production and therefore embodied in them themselves. The latter *relative value* therefore appears as "absolute value" compared with relative values in the second sense, that is, in the sense of presenting the exchange value of one commodity in terms of the use value of the other or in money. Hence it comes that the expression "absolute value" is also to be found in Ricardo, in place of "relative value" in the first sense.

= the relative  
 "absolute"  
 value

Ricardo: —  
 3 values: 1. absolute = labor time embodied in it  
 2. use value  
 3. relative = exchange value  
 2 stand parts: 1. labor time to determine "absol." value  
 2. Society to determine rel. or exch. value

“The inquiry to which I wish to draw the reader’s attention relates to the effect of the variations in the relative value of commodities, and not in their absolute value” (p. 12).

In other passages Ricardo calls this “absolute” value also “real value”, or simply value (for example, p. 13).

See Bailey’s polemic against Ricardo in *A Critical Dissertation on the Nature, Measures and Causes of Value; chiefly in reference to the writings of Mr. Ricardo and his followers*. By the Author of *Essays on the Formation and Publication of opinions*. London, 1825. (See also his *A Letter to a Polit. Economist; occasioned by an article in the Westminster Review, etc.* London, 1826.)

Bailey’s whole polemic in part revolves around these different concepts in the definition of value, which are not developed by Ricardo but only presented in a factual way and confused with each other (Bailey only finds “contradictions” between them); and in part is directed against “absolute value” or “real value” as distinct from comparative value or relative value in the second sense. “Instead” says Bailey in the first work mentioned “of regarding value as a relation between two objects, they (Ricardo and his followers) seem to consider it as a positive result produced by a definite quantity of labour” (p. 30). They regard “value as something intrinsic and absolute” (p. 8). The latter reproach is the result of Ricardo’s inadequate exposition, inasmuch as he does not examine value from the standpoint of the definite form assumed by labour as the substance of value, but is only concerned with magnitudes of value—the quantities of this abstract, general, and in this form social, labour, which result in differences in the *magnitudes of value* of commodities. But for this, Bailey would have seen that the relative nature of the concept of value is by no means negated by the fact that all commodities, in so far as they are exchange values, are only “relative” expressions of social labour time; and their relativity by no means consists only in the ratio in which they exchange for each other, but in the ratio of all of them to this social labour which is their substance.

As we shall see later, Ricardo is far more open to the opposite reproach: that he very often loses sight of this “real” or “absolute value” and keeps in mind only “relative” or comparative value.

demand and supply, as Say notes with malicious pleasure. (See Constanzo's translation.)

He should have spoken of labour power instead of speaking of labour. Had he done so, however, capital would also have been revealed as the material conditions of labour confronting the labourer as a power that had become independent of him. And capital would at once have been revealed as *a definite social relationship*. As it is, for Ricardo it is only distinguished as "accumulated labour" from "immediate labour". And it is something purely material, a mere element in the *labour process*—from which the relation between labour and capital, wages and profit, can never be developed.

"Capital is that part of the wealth of a country which is employed in production, and consists of food, clothing, tools, raw materials, machinery, etc., necessary to give effect to labour" (p. 53).

"Less capital, which is the same thing as less labour" (p. 44).

"Labour and capital (that is, accumulated labour)" (p. 280).

The jump which Ricardo makes here is correctly sensed by Bailey.

"Hence Mr. Ricardo, ingeniously enough, avoids a difficulty, which, on a first view, threatens to encumber his doctrine, that value depends on the quantity of labour employed in production. If this principle is rigidly adhered to, it follows, that the value of labour depends on the quantity of labour employed in producing it—which is evidently absurd. By a dexterous turn, therefore, Mr. Ricardo makes the value of labour depend on the quantity of labour required to produce wages, or, to give him the benefit of his own language, he maintains, that the value of labour is *to be estimated* by the quantity of labour required to produce wages, by which he means, the quantity of labour required to produce the money or commodities given to the labourer. This is similar to saying, that the value of cloth is to be estimated, not by the quantity of labour bestowed on its production, but by the quantity of labour bestowed on the production of the silver, for which the cloth is exchanged" (*A Critical Dissertation on the Nature, Measures, and Causes of Value, etc.*, pp. 50-1).

produce his own means of subsistence—that is to say, to produce commodities equal to his own means of subsistence—no surplus value would be possible, and therefore no capitalist production and no wage labour. In order for the latter to exist, the productivity of social labour must be sufficiently developed for there to be some excess of the total working day over the labour time necessary for the reproduction of the wages, surplus labour of some amount. But it is equally evident that with a given labour time, a given length of the working day, the productivity of labour may be very different; and on the other hand that with a given productivity of labour the labour time, the length of the working day, may be very different. It is moreover clear that if a certain development of the productivity of labour must be assumed in order for surplus labour to exist, the mere possibility of this surplus labour, that is, the existence of that necessary minimum productivity of labour, does not in itself make it actual. In addition, the labourer must first be compelled to work in excess of that time; and this compulsion is exerted by capital. This is missing in Ricardo, and hence also the whole struggle over the regulation of the normal working day.

At a lower stage in the development of the social productive power of labour, when therefore the surplus labour is relatively small, the class of those who live on the labour of others is in general small in relation to the number of labourers. Proportionately to this number, it can grow to a very significant degree, in the measure that productivity, and therefore relative surplus value, develops.

It is moreover incontestable that the value of labour varies at different times in the same country, and very materially differs in different countries. Nevertheless, it is the temperate zones that are the home of capitalist production. The social productive power of labour may be very undeveloped, and yet this may be counterbalanced in the production of the means of subsistence, on the one hand by the fertility of the natural factors such as the land, and on the other by the limited needs of the inhabitants owing to the climate, etc.—both of which apply in India for example. Where conditions are unfavourable, the minimum of wages may be very small

price of necessaries, and the price of necessaries chiefly on the price of food, because all other requisites may be increased almost without limit" (Chapter VI, p. 71).

"Although a greater value is produced,<sup>1</sup> a greater proportion of what remains of that value, after paying rent, is consumed by the producers,<sup>2</sup> and it is this, and this alone, which regulates profits" (Chapter VI, p. 75).

"It is the essential quality of an improvement to diminish the quantity of labour before required to produce a commodity; and this diminution cannot take place without a fall of its price or relative value" (Chapter II, p. 42).

"Diminish the cost of production of hats, and their price will ultimately fall to their new natural price, although the demand should be doubled, trebled or quadrupled. Diminish the cost of subsistence of men, by diminishing the natural price of the food and clothing by which life is sustained, and wages will ultimately fall, notwithstanding that the demand for labourers may very greatly increase" (Chapter XXX, p. 260).

"In proportion as less is appropriated for wages, more will be appropriated for profits, and *vice versa*" (Chapter XXXII, p. 281).

"It has been one of the objects of this work to show that, with every fall in the real value of necessaries, the wages of labour would fall, and that the profits of stock would rise; in other words, that of any given annual value a less portion would be paid to the labouring class, and a larger portion to those whose funds employed this class.<sup>3</sup> Suppose the value of the commodities produced in a particular manufacture to be £1,000, and to be divided between the master and his labourers, in the proportion of £800 to labourers and £200 to the master; if the value of these commodities should fall to £900, and £100 be saved from the wages of labour, in consequence of the fall of necessaries, the net income of the master would be in no degree impaired" (Chapter XXXII, p. 287).

<sup>1</sup> When poorer lands are taken into cultivation.

<sup>2</sup> Here he identifies workers with producers.

<sup>3</sup> It is only in this statement, which has now become quite a commonplace, that Ricardo proclaims the nature of capital, even though he does not suspect it himself. It is not accumulated capital employed by the working-class, by the workers themselves, but a fund by which this class is employed, accumulated labour which employs living, immediate labour.

might be produced for which there could not be any immediate consumption. Of commodities so limited in number there might undoubtedly be a universal glut, and consequently there might neither be demand for an additional quantity of such commodities nor profits on the employment of more capital. If men ceased to consume, // — they would cease to produce" (Chapter XXI, pp. 194-5).

Such are Ricardo's views on accumulation and the law of the falling rate of profit.