KARL MARX FREDERICK ENGELS

Collected Works

Volume 31

Marx: 1861-1863

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KARL MARX

ECONOMIC WORKS

1861-1863

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Preface

Volume 31 of the *Collected Works* of Marx and Engels contains the continuation of Marx's economic manuscript of 1861-1863, its central part—"Theories of Surplus Value" (Notebooks VII-XII, pp. 299-636 of the manuscript), the beginning of the manuscript being published in Vol. 30 of the present edition.

Marx proceeded here with his historico-critical analysis of the views held by bourgeois political economists—Smith, Ricardo, Rodbertus and others.

The whole manuscript is printed here in accordance with its new publication in the languages of the original in *Marx-Engels Gesamtausgabe* (*MEGA*), Zweite Abteilung, Bd. 3, (Teile 1-6), Berlin, 1976-82.

Obvious slips of the pen in Marx's text have been corrected by the editors without comment. The proper and geographical names and other words abbreviated by the author are given in full. Defects in the manuscript are indicated in footnotes, places where the text is damaged or illegible are marked by dots. Where possible, editorial reconstructions are given in square brackets.

Foreign words and phrases are given as used by Marx, with the translation supplied in footnotes where necessary. English phrases, expressions and individual words occurring in the original are set in small caps. Longer passages and quotations in English are given in asterisks. Some of the words are now somewhat archaic or have undergone changes in usage. For example, the term "nigger", which has acquired generally—and especially in the USA—a more profane and unacceptable status than it had in Europe during the 19th century. The passages from English economists quoted by Marx in French are given according to the English editions used by the author. In all cases the form of quoting used by Marx is respected. The language in which Marx quotes is indicated unless it is German.

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The translations included in Volume 31 are based on the three-volume edition of Marx's *Theories of Surplus Value*, published by Progress Publishers, Moscow. They were made by Emile Burns, Renate Simpson and Jack Cohen and edited by Salo Ryazanskaya. These translations have been editorially checked with new MEGA edition by Margarita Lopukhina and Natalia Karmanova. The volume was prepared for the press by Svetlana Gerasimenko, Yelena Krishtof, Margarita Lopukhina, Alla Varavitskaya and Anna Vladimirova (Progress Publishers).

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KARL MARX

ECONOMIC WORKS

1861-1863

ECONOMIC MANUSCRIPT OF 1861-63

(Continuation)

A CONTRIBUTION TO THE CRITIQUE OF POLITICAL ECONOMY

[I) THE PRODUCTION PROCESS OF CAPITAL]

[5) THEORIES OF SURPLUS VALUE][1]

[c) ADAM SMITH]

[THE DISTINCTION BETWEEN PRODUCTIVE AND UNPRODUCTIVE LABOUR][4]

[VII-299] We come now to the last controversial point in Adam Smith's writings which we have to consider: the [VII-300] *distinction between productive and unproductive labour.*

//In addition to the foregoing.[5] The following quotation shows how little the insipid Say even understood what the question was:

> "In order fully to understand this subject of revenues, it is necessary to take into account that the entire value of a product is divided into revenues for various persons; for the *total* value of each product is composed of the profits of the landowners, of the capitalists and of the craftsmen who have contributed to bring it into existence. This is why the revenue of society is equal to the *gross value* which has been produced, and not, as the sect of Economists[6] imagines, to the *net product* of the land.... If the only revenues in a nation were the excess of the values produced over the values consumed, this would lead to a truly absurd result: that a nation which had consumed in the year values as great as it had produced would have no revenue" (l.c., Vol. II, pp. 63, 64).[a]

In fact, in the year that was past it would have had a revenue, but it would have none the next year. It is not true that the *annual product of labour,* of which the *product of the annual labour* forms only one part, consists of revenue. On the other hand, it is correct that this is the case with the part of the product which each year enters into individual consumption. The revenue, which consists only of added labour, is able to pay for this product, which consists partly of added and partly of pre-existing labour; that is to say, the labour added in these products can pay not only for itself but also for the pre-existing labour, because another part of the product—which also consists of labour added and pre-existing labour—replaces only pre-existing labour, only constant capital.//

//To the points in Adam Smith's theory just discussed must be added that in his vacillations on the determination of value—

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[a] J. B. Say, *Traité d'économie politique...*, 3rd ed., Paris, 1817. Marx quotes in French.—*Ed.*

besides the apparent contradiction in regard to wages[7]—there is another confusion: in so far as he confuses the measure of value as the immanent measure which at the same time forms the substance of value, with the measure of value in the sense that money is called a measure of value. With regard to the latter the attempt is then made to square the circle—to find a commodity whose value does not change to serve as a constant measure for others. On the question of the relation of the measure of value as money to the determination of value by labour time, see the first part of my work.[a] This confusion is also to be found in Ricardo in certain passages.//[8]

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

Productive labour, in the meaning of capitalist production, is wage labour which, exchanged against the variable part of capital (the part of the capital that is spent on wages), reproduces not only this part of the capital (or the value of its own labour capacity), but in addition produces surplus value for the capitalist. It is only thereby that commodity or money is transformed into capital, is produced as capital. Only that wage labour is productive which produces capital. (This is the same as saying that it reproduces on an enlarged scale the sum of value expended on it, or that it gives in return more labour than it receives in the form of wages. Consequently, only that labour capacity is productive which produces a value greater than its own.)

The MERE EXISTENCE of a class of capitalists, and therefore of capital, depends on the productivity of labour: not however on its absolute, but on its relative productivity. For example: if a day's labour only sufficed to keep the worker alive, that is, to reproduce his labour capacity, [VII-301] then, speaking in an absolute sense, his labour would be productive because it would be reproductive, that is to say, because it constantly replaced the values (equal to the value of its own labour capacity) which it consumed. But in the capitalist sense it would not be productive because it produced no surplus value. (It produced in fact no new value, but only replaced

[a] K. Marx, *A Contribution to the Critique of Political Economy*. Part One (see present edition, Vol. 29, pp. 303-14).—*Ed.*

the old; it would have consumed it—the value—in one form, in order to reproduce it in the other. And in this sense it has been said that a worker is productive whose production=his own consumption, and that a worker is unproductive who consumes more than he reproduces.) This productivity is based on relative productivity—that the worker not only replaces an old value, but creates a new one; that he objectifies more labour time in his product than is objectified in the product that keeps him in existence as a worker. It is this kind of productive wage labour that is the basis for the existence of capital. //Assuming, however, that no capital exists, but that the worker appropriates his surplus labour himself—the excess of values that he has created over the values that he consumes. Then one could say only of this labour that it is truly productive, that is, that it creates new values.//

This conception of productive labour follows naturally from Adam Smith's view of the origin of surplus value, that is, of the nature of capital. In so far as he holds to this conception he is following a course that was taken by the Physiocrats and even by the Mercantilists; he only frees it from misconceptions, and in this way brings out its inner kernel. Though wrong in thinking that only agricultural labour is productive, the Physiocrats put forward the correct view that from the capitalist standpoint 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 conditions of production; labour which produces a net product not for itself, but for the landowner. For the SURPLUS VALUE or surplus labour time is objectified in a SURPLUS PRODUCE or net product. (But here again they have a wrong conception of this; inasmuch as there is, for example, more wheat than workers and farmers eat; but also in the case of cloth there is more than what the cloth manufacturers—workman and MASTER—need for their own clothing.) SURPLUS VALUE itself is wrongly conceived, because they have a wrong idea of VALUE and reduce it to the use value of labour, not to labour time, social, homogeneous labour. Nevertheless, there remains the correct definition that only the wage labour which creates more value than it costs is productive.[9] Adam Smith frees this definition from the wrong conception with which the Physiocrats linked it.

If we go back from the Physiocrats to the Mercantilists, there too we find one aspect of their theory which contains the same view of productive labour, even though they were not conscious of it. The basis of their theory was the idea that labour is only productive in those branches of production whose products, when sent abroad, bring back more money than they have cost (or than had to be exported in exchange for them); which therefore enabled a country to participate to a greater degree in the products of newly opened gold and silver mines.[10] They saw that in these countries there was a rapid growth of wealth and of the middle class. What in fact was the source of this influence exerted by gold? Wages did not rise in proportion to the prices of commodities; that is, wages fell, and because of this relative surplus labour increased and the rate of profit rose—not because the worker had become more productive, but because the absolute wage (that is to say, the quantity of means of subsistence which the worker received) was forced down—in a word, because the position of the workers grew worse. In these countries, therefore, labour was in fact more productive for those who employed it. This FACT was linked with the INFLUX of the precious metals; and it was this, though they were only dimly aware of it, which led the Mercantilists to declare that labour employed in such branches of production was alone productive.

[VII-302] "THE REMARKABLE INCREASE [OF POPULATION] which has taken place in almost every European State, during the last fifty or sixty years, has perhaps proceeded chiefly from the INCREASED PRODUCTIVENESS of the AMERICAN MINES. An increased abundance of the PRECIOUS METALS" //OF COURSE as a result of the fall in their real value// "raises the price of commodities in a greater proportion than the price of labour; IT DEPRESSES THE CONDITION OF THE LABOURER, and at the same time INCREASES THE GAINS OF HIS EMPLOYER, who is thus induced to enlarge his CIRCULATING CAPITAL to hire HANDS and this favours the increase of population.... Malthus observes, that the DISCOVERY of the MINES of AMERICA, during the time that it raised the PRICE OF CORN between three and four times, did not nearly so much as double the price of labour.... The price of commodities intended for HOME CONSUMPTION (of corn for instance) does not immediately rise in consequence of an INFLUX of MONEY; but as the RATE OF PROFIT in agricultural employments is thus depressed below the rate of profit in manufactures, CAPITAL will gradually be withdrawn 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 sqq.).

So, firstly, according to Barton, in the second half of the eighteenth century there was a repetition of the same phenomenon as that which, from the last third of the sixteenth century and in the seventeenth, has given the impulse to the Mercantile system. Secondly, as only exported goods were measured in gold and silver on the basis of its reduced value, while those for HOME CONSUMPTION continued to be measured in gold and silver according to its former value (until competition among the capitalists put an end to this measuring by two different standards), labour in the former branches of production appeared to be directly productive, that is, creating surplus value, through the depression of wages below their former level.

The second, wrong conception of productive labour which Smith develops is so interwoven with the correct one that the two follow each other in rapid succession in the same passage. To illustrate the first conception it is therefore necessary to tear the quotations into separate parts.

(B. II, Ch. III) (Vol. II, ed. McCulloch) (p. 93 sq.)[a]:

*"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."*

In this passage—and in its continuation to be quoted later, the contradictory definitions jostle each other even more closely—what is in the main and *éminemment*[b] understood by PRODUCTIVE LABOUR is labour which produces a surplus value—ITS "MASTER'S PROFIT"—in addition to the reproduction OF THE VALUE "OF HIS" (THE LABOURER'S) "OWN MAINTENANCE". Also, the MANUFACTURER could not GROW *RICH* "BY EMPLOYING A MULTITUDE OF MANUFACTURERS" (WORKING MEN), 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, labour which in general "PRODUCES A VALUE". Leaving this [VII-303] latter statement out of account for the moment we will first cite other passages in which the first conception is partly repeated, partly formulated more sharply, but particularly also further developed.

*"If the quantity of food and clothing which were ... consumed by unproductive, had been distributed among productive hands, they would have reproduced, *together with a profit*, the full value of their consumption"* (l.c., B. II, Ch. III, p. 109).

Here the PRODUCTIVE LABOURER is quite explicitly one who not only reproduces for the capitalist the FULL VALUE of the means of

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[a] A. Smith, *An Inquiry into the Nature and Causes of the Wealth of Nations*. By J. R. McCulloch. In four volumes, Vol. II, Edinburgh, London, 1828.—*Ed.*

[b] Pre-eminently.—*Ed.*

subsistence contained in his wages, but reproduces it for him "WITH A PROFIT".

Only labour which produces capital is productive labour. Commodities or money become capital, however, through being exchanged directly for labour capacity, and exchanged only in order to be replaced by more labour than they themselves contain. For the use value of labour capacity 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 as little concerned with this as with the use value of the product of this labour as such, since for the capitalist the product is a commodity (even before its first metamorphosis), not an article of consumption. What interests him in the commodity is that it has more exchange value than he paid for it; and therefore the use value of the labour is, for him, that he gets back a greater quantity of labour time than he has paid out in the form of wages. Included among these productive workers, of course, are all those who contribute *d'une manière ou d'une autre*[a] to the production of the commodity, 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[11] "*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 (see the wording of the REPORT before the concluding part of this rubbish). Productive labour is here defined from the standpoint of capitalist production, and Adam Smith here got to the very heart of the matter, 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 basis of all bourgeois political economy[12]) that he defines productive labour as labour *which is directly exchanged with capital*; that is, he defines it by the exchange through which the conditions of production of labour, and value in general, whether money or commodity, are first transformed into capital (and labour into wage labour in its scientific meaning). This also establishes absolutely what *unproductive labour* is. It is labour which is not exchanged with capital, but *directly* with revenue, that is, with wages or profit (including of course the various categories of those who share as CO-PARTNERS in the capitalist's profit, such as interest and rent). Where all labour in part still pays itself (like e.g.

[a] In one way or another.—*Ed.*

the agricultural labour of the peasants on *corvée*) and in part is directly exchanged for revenue (like the manufacturing labour in the cities of Asia), no capital and no wage labour exists in the sense of bourgeois political economy. These definitions are therefore not derived from the material characteristics of labour (neither from the nature of its product nor from the particular character of the labour as concrete labour), but from the definite social form, the social relations of production, within which the labour is realised. An actor, for example, or even a CLOWN, according to this definition, is a productive labourer if he works in the service of a capitalist (an ENTREPRENEUR) to whom he returns more labour than he receives from him in the form of wages; while a jobbing tailor who comes to the capitalist's house and patches his trousers for him, producing a mere use value for him, is an unproductive labourer. The former's labour is exchanged with capital, the latter's with revenue. The former's labour produces a surplus value; in the latter's revenue is consumed.

Productive and unproductive labour is here throughout conceived from the *standpoint* of the possessor of money, of the *capitalist*, not from that of the *workman*; hence the nonsense written by Ganilh, etc., who have so little understanding of the matter that they raise the question whether the labour or service or function of the prostitute, flunkey, etc., brings in money.

[VII-304] //*To p. 300*.[13] For example: in the manufacture of locomotives, every day the waste amounts to whole wagon-loads of iron filings. These are collected and resold (or charged in account) to the same iron manufacturer who supplied the locomotive manufacturer with his principal raw material. The iron manufacturer again gives them solid form, adding new labour to them. However in the form in which he sends them back to the locomotive manufacturer, these filings represent the part of the value of the product which replaces raw material. In this way not the same filings but constantly a certain quantity of filings, move hither and thither between the two factories. This part forms in turn the raw material for each of the two branches of industry and, considered as value, only wanders from one SHOP to the other. Consequently it does not enter into the final product, but is a replacement *in natura* of the constant capital. In fact, every machine supplied by the machinery manufacturer, from the standpoint of value, is divided into raw material, labour added, and the wear and tear of machinery. But the whole total that enters into the production of other spheres can only be = in value to the total value of the machinery minus the part of the constant capital which is continually passing backwards and forwards between the machinery manufacturer and the iron manufacturer. One quarter of wheat sold by a peasant is as dear as another, and a quarter of wheat that is sold is no cheaper than one that is returned to the land in the form of seed. STILL, if the product=6 qrs, and the qr=£3—each qr containing component parts of value for labour added, raw material and machinery—and if he has to use 1 qr as seeds, he would only sell to consumers 5 qrs=£15. They would therefore not pay for the part of the value contained in the 1 qr of seed. And this is the point: how can the value of the product sold be=to all the elements of value contained in it—labour added and constant capital—and how in spite of this does the consumer buy the product and yet not pay for the constant capital?//

A writer is a productive labourer not in so far as he produces ideas, but in so far as he enriches the publisher who publishes his works, or if he is a wage labourer for a capitalist.

The use value of the commodity in which the labour of a productive worker is embodied may be of the most futile kind. Its material determination has no connection at all with this quality it possesses of being so embodied; the latter is on the contrary only the expression of a definite social relation of production. It is a determination of labour which is derived not from its content or its result, but from its particular social form.

On the other hand, on the assumption that capital has conquered the whole of production—and that therefore a *commodity* (as distinct from a mere use value) is no longer produced by any labourer who is himself the owner of the conditions of production for producing this commodity—that therefore only the capitalist is the producer of *commodities* (the sole commodity excepted being labour capacity)—then revenue must be exchanged *aut* against commodities which capital alone produces and sells, *aut*[a] against labour, which just like those commodities is bought in order to be consumed; that is, only for the sake of its particular material determination, its use value—for the sake of the *services* which, through its particular material determination, it renders to its buyer and consumer. For the producer of these services the services rendered are commodities. They have a definite use value (imaginary or real) and a definite exchange value. For the buyer, however, these services are mere use values, objects in which [VII-305] he consumes his revenue.

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[a] Either ... or.—*Ed.*

These unproductive labourers do not receive their share of revenue (of wages and profits), their CO-PARTNERSHIP in the commodities produced by productive labour, gratis: they must buy their SHARE in them; but they have nothing to do with their production.

It is, however, in any case clear: the greater the part of the revenue (wages and profit) that is spent on commodities produced by capital, the less the part that can be spent on the services of unproductive labourers, and vice versa.

The material determination of labour, and therefore of its product, in itself has nothing to do with this distinction between productive and unproductive labour. For example, the cooks and WAITERS in a public hotel are productive labourers, in so far as their labour is transformed into capital for the proprietor of the hotel. These same persons are unproductive labourers as MENIAL SERVANTS, inasmuch as I do not make capital out of their services, but spend revenue on them. In fact, however, these same persons are also for me, the consumer, unproductive labourers in the hotel.

*"That part of the annual produce of the land and labour of *any country which replaces a capital*, never is *immediately* employed to maintain any but productive hands. It *pays the wages of productive labour* only. That which is *immediately* destined for constituting a revenue, either as profit or as rent, may maintain indifferently either productive or unproductive hands"* (l.c., p. 98). *"Whatever part of his stock a man employs as a capital, he always expects it to be replaced to him with a profit. He employs it, therefore, in maintaining *productive hands* only; and after having served in the function of [a] capital to him, it constitutes a revenue to them. Whenever he employs any part of it *in maintaining unproductive hands* of any kind, that part is from that moment withdrawn from his capital, and placed in his stock reserved for immediate consumption"* (l.c.).

To the extent that capital conquers the whole of production, and therefore the home and petty form of industry—in short, industry intended for self-consumption, not producing commodities—disappears, it is clear that the unproductive labourers, those whose services are directly exchanged against revenue, will for the most part be performing only *personal* services, and only an inconsiderable 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 an immediate object of consumption, but a bearer of exchange value. Consequently only a quite insignificant part of these unproductive labourers can play a direct part in material production once the capitalist mode of production has developed. They participate in it only through the exchange of their services against revenue. This does not prevent, as Adam Smith remarks, the value of the services of these unproductive labourers being determined and determinable in the same (or an analogous) way as that of the productive labourers: that is, by the production costs involved in maintaining or producing them. Other factors also come into play in this connection, but they are not relevant here.

[VII-306] The labour capacity of the productive labourer is a commodity for the labourer himself. So is that of the unproductive labourer. But the productive labourer produces commodities for the buyer of his labour capacity. The unproductive labourer produces for him a mere use value, not a commodity; an imaginary or a real use value. It is characteristic of the unproductive labourer 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." (l.c., pp. 94-95).

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 is incorporated. In the one case the labour is exchanged with capital, in the other with revenue. In the one case the labour is transformed into capital, and creates 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 workman employed by a piano maker is a productive labourer. His labour not only replaces the wages that he consumes, but in the product, the piano, the commodity which the piano maker sells, there is a surplus value over and above the value of the wages. But assume on the contrary that I buy all the materials required for a piano (or for all it matters the labourer himself may possess them), and that instead of buying the piano in a shop I have it made for me in my house. The workman who makes the piano is now an unproductive labourer, because his labour is exchanged directly against my revenue.

It is however clear that in the same measure as capital subjugates to itself the whole of production—that is to say, that all commodities are produced for the market and not for immediate consumption, and the productivity of labour rises in this same measure—there will also develop more and more a material difference between productive and unproductive labourers, inasmuch as the former, apart from minor exceptions, will exclusively produce *commodities*, while the latter, with minor exceptions, will perform only personal services. Hence the former class will produce immediate, material wealth consisting of *commodities*, all commodities except those which consist of labour capacity itself. This is one of the aspects which lead Adam Smith to put forward other points of difference, in addition to the first and in principle determining *differentia specifica*.

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

> *"The labour of a menial servant"* (as distinct from that of a MANUFACTURER) *"*adds to the value of nothing* ... 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. 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 [VII-307] 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 value*, and *does not fix or realise itself in any permanent subject*, or *vendible commodity*"* (l.c., pp. 93-94 *passim*).

To define the unproductive labourer we here have the following determinants, which at the same time reveal the links in Adam Smith's train of thought:

> *"It"* (the LABOUR of the UNPRODUCTIVE LABOURER) *"is unproductive of value", "adds to the value of nothing", "the maintenance" (of the unproductive labourer) "never is restored", "[it] 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, *"it does not fix or realise itself in *any permanent subject*, or *vendible commodity*".*

Here "PRODUCTIVE OF VALUE" or "UNPRODUCTIVE OF VALUE" is used in a different sense from that in which these terms were used originally. The reference is no longer to the production of a surplus value, which in itself implies the reproduction of an equivalent for the value consumed. But according to this presentation the labour of a labourer is called productive in so far as he replaces the consumed value by an equivalent, by adding to any material, through his labour, a quantity of value equal to that which was contained in his wages. Here the definition of form, the determination of productive and unproductive labourers by their relation to capitalist production, is abandoned. From Chapter IX of Book IV (where Adam Smith criticises the doctrine of the Physiocrats), it can be seen that he came to make this aberration as a result partly of his opposition to the Physiocrats and partly under their influence. If a labourer merely replaces each year the equivalent of his wages, then for the capitalist he is not a productive labourer. He does indeed replace his wages, the purchase price of his labour. But the transaction is absolutely the same as if this capitalist had bought the commodity which this labour produces. He pays for the labour contained in his constant capital and in the wages. He possesses the same quantity of labour in the form of the commodity as he had before in the form of money. His money is not thereby transformed into capital. In this case it is the same as if the labourer himself owned his conditions of production. He must each year deduct the value of the conditions of production from the value of his annual product, in order to replace them. What he consumed or could consume annually would be the portion of the value of his product equal to the new labour added to his constant capital during the year. In this case, therefore, it would not be capitalist production.

The first reason why Adam Smith calls this kind of labour "productive" is that the Physiocrats call it "sterile" and "non-productive".

Thus Adam Smith tells us in the chapter referred to:

> "First, this class" (namely the industrial classes, who do not carry on agriculture), "it is acknowledged" [by the Physiocrats], "*reproduces annually* the *value* of its own annual consumption, and continues, at least, the existence of the stock or capital which *maintains and* employs it... Farmers and country labourers, indeed, over and above the stock which maintains and employs them, reproduce annually a *neat produce*, a free rent to the landlord ... the labour of farmers and country labourers is certainly more productive than that of merchants, artificers, and manufacturers. The superior produce of the one class, however, does not render the other *barren* or *unproductive*" ([Garnier,] l.c., t. III, p. 530) [Vol. III, p. 140].[14]

Here, therefore, Adam Smith falls back into the Physiocratic [VII-308] standpoint. The real "productive labour", which produces a surplus value and therefore a "neat produce", is agricultural labour. He abandons his own view of surplus value and accepts that of the Physiocrats. At the same time he asserts, as against the Physiocrats, that manufacturing (and according to him, also commercial) labour is nevertheless also productive, even if not in this highest sense of the word. He therefore drops the definition of form, the definition of what a "productive labourer" is from the standpoint of capitalist production; and asserts, in opposition to the Physiocrats, that the NON-AGRICULTURAL, INDUSTRIAL CLASS reproduces its own wages, that is, it does after all produce a value equal to the value it consumes, and thereby "continues, at least, the existence of the stock or capital which employs it". Hence arises, under the influence of and in contradiction to the Physiocrats, his second definition of what is "productive labour".

"Secondly," says Adam Smith, "it seems, on this account, altogether improper to consider artificers, manufacturers, and merchants, in the same light as menial servants. *The labour of menial servants does not continue the existence of the fund which maintains and employs them. Their maintenance and employment is altogether at the expense of their masters, and the work which they perform is not of a nature to repay expense.* That work consists in *services* which *generally perish in the very instant of their performance,* and *does not fix or realise itself in any vendible commodity, which can replace the value of their wages and maintenance.* The labour, on the contrary, of artificers, manufacturers, and merchants, *naturally does fix and realise itself in some such vendible and exchangeable commodity.* It is up on this account that, in the chapter in which I treat of *productive* and *unproductive labour,* I have classed artificers, manufacturers, and merchants among the *productive* labourers, and menial servants among the *barren* or *unproductive*" ([Garnier,] l.c., p. 531) [Vol. III, pp. 140-41].

As soon as capital has mastered the whole of production, revenue, in so far as it is at all exchanged against labour, will not be exchanged directly against labour which produces *commodities,* but against *mere services.* It is exchanged partly against *commodities* which are to serve as use values, and partly against *SERVICES,*[a] which as such are consumed as use values.

A *commodity*—as distinguished from labour capacity itself—is a material thing confronting man, a thing of a certain utility for him, in which a definite quantity of labour is fixed or materialised.

So we come to the definition already in essence contained in point I: a productive labourer is one whose labour *produces commodities;* and indeed such a labourer does not consume more commodities than he produces, than his labour costs. His labour fixes and realises itself "*in some such vendible and exchangeable commodity*", "*in any vendible commodity, which can replace the value of their wages and maintenance*"—(that is, of the workers who produced these commodities). By producing commodities the productive worker constantly reproduces the variable capital which he constantly consumes in the form of wages. He constantly produces the fund which pays him, "which maintains and employs him".

In the first place, Adam Smith naturally includes in the labour

[a] Marx repeats this word in German after the English word.—*Ed.*

which fixes or realises itself IN A VENDIBLE AND EXCHANGEABLE COMMODITY all intellectual labours which are directly consumed in material production. Not only the labourer working directly with his hands or a machine, but OVERLOOKER, *ingenieur*, MANAGER, *commis*,[a] etc.—in a word, the labour of the whole personnel required in a particular sphere of material production to produce a particular commodity, whose joint labour (co-operation) is required for commodity production. In fact they add their aggregate labour to the constant capital, and increase the value of the product by this amount. (How far is this true of bankers,[15] etc.?)

[VII-309] *Secondly*, Adam Smith says that on the whole, "*GENERALLY*", this is not the case with the labour of unproductive labourers. Even though capital has conquered material production, and so by and large home industry has disappeared, or the industry of the small craftsman who makes use values directly for the consumer at his home—even then, Adam Smith knows quite well, a seamstress whom I get to come to my house to sew shirts, or workmen who repair furniture, or the servant who scrubs and cleans the house, etc., or the cook who gives meat and other things their palatable form, fix their labour in a thing and in fact increase the value of these things in exactly the same way as the seamstress who sews in a factory, the engineer who repairs the machine, the workers who clean the machine, or the cook who cooks in a hotel as the wage labourer of a capitalist. These use values are also, potentially, commodities; the shirts may be sent to the pawnshop, the house resold, the furniture put up to auction, and so on. Thus these persons have potentially also produced commodities and added value to the objects of their labour. But this is a very small category among unproductive workers, and does not apply either to the mass of MENIAL SERVANTS or to parsons, government officials, soldiers, musicians and so on. But however large or small the number of these "unproductive labourers" may be, this much at any rate is evident—and is ADMITTED by the limitation expressed in the phrase "HIS SERVICES *GENERALLY* PERISH IN THE VERY INSTANT OF THEIR PERFORMANCE", etc.[b]—that neither the special kind of labour nor the form of appearance of its product necessarily make it "productive" or "unproductive". The same labour can be productive when I buy it as a capitalist, as a producer, in order to valorise it, and unproductive when I buy it as a consumer, a spender of revenue, in order to consume its use value, no matter

[a] Clerk.—*Ed.*

[b] See this volume, p. 17.—*Ed.*

whether this use value perishes with the activity of the labour capacity itself or materialises and fixes itself in an object.

The cook in the hotel produces a commodity for the person who as a capitalist has bought her labour—the hotel proprietor; the consumer of the MUTTON CHOPS has to pay for her labour, and this labour replaces for the hotel proprietor (apart from profit) the fund out of which he continues to pay the cook. On the other hand if I buy the labour of a cook for her to cook meat, etc., for me, not to make use of it as labour in general but to enjoy it, to use it as that particular concrete kind of labour, then her labour is unproductive, in spite of the fact that this labour fixes itself in a material product and could just as well (in its result) be a vendible commodity, as it in fact is for the hotel proprietor. The great difference (the conceptual difference) however remains: the cook does not replace for me (the private person) the fund from which I pay her, because I buy her labour not as a value-creating element but purely 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 wages, as, for example, the dinner I eat in the hotel in itself enables me to buy and eat the same dinner again a second time. This distinction however is also to be found between commodities. The commodity which the capitalist buys 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 it in order to consume the cotton itself, then the commodity does not replace his outlay. The largest part of society, that is to say the working class, must incidentally perform this kind of labour for itself; but it is only able to perform it when it has laboured "productively". It can only cook meat for itself when it has produced a wage with which to pay for the meat; and it can only keep its furniture and dwellings clean, it can only polish its boots, when it has produced the value of furniture, house rent and boots. To this class of productive labourers itself, therefore, the labour which they perform for themselves appears as "unproductive labour". This unproductive labour never enables them [VII-310] to repeat the same unproductive labour a second time unless they have previously laboured productively.

Thirdly. On the other hand: an ENTREPRENEUR of theatres, concerts, brothels, etc., buys the temporary disposal over the labour capacity of the actors, musicians, prostitutes, etc.—IN FACT in a roundabout way that is only of formal economic interest; in its result the process 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" (apart from themselves).[a] The sale of these to the public provides him with wages and profit. And these SERVICES which he has thus bought enable him to buy them again; that is to say, they themselves renew the fund from which they are paid for. The same is true for example of the labour of clerks employed by a lawyer in his office—except for the fact that these SERVICES as a rule also embody themselves in very BULKY "PARTICULAR SUBJECTS" in the form of immense bundles of documents.

It is true that these SERVICES are paid for to the ENTREPRENEUR out of the revenue of the public. But it is no less true that this holds good of all products in so far as they enter into individual consumption. It is true that the country cannot export these services as such; but it can export those who perform the services. Thus France exports dancing masters, cooks, etc., and Germany schoolmasters. With the export of the dancing master, or the schoolmaster, however, his revenue is also exported, while the export of dancing shoes and books brings a return to the country.

If therefore on the one hand a part of the so-called unproductive labour embodies itself in material use values which might just as well be commodities (VENDIBLE COMMODITIES),[a] so on the other hand a part of the services in the strict sense which assume no objective form—which do not receive an existence as things separate from those performing the services, and do not enter into a commodity as a component part of its value—may be bought with capital (by the *immediate* purchaser of the labour), may replace their own wages and yield a profit. In short, the production of these services can be in part subsumed under capital, just as a part of the labour which embodies itself in useful things is bought directly by revenue and is not subsumed under capitalist production.

Fourthly. The whole world of "commodities" can be divided into 2 great parts. First, labour capacity; second, commodities as distinct from labour capacity itself. As to the purchase of such services as those which train labour capacity, maintain or modify it, etc., in a word, give it a specialised form or even only maintain it—thus for example the schoolmaster's service, in so far as it is "industrially necessary" or useful; the doctor's service, in so far as it maintains health and so conserves the source of all values, labour capacity itself, etc.—these are services which yield in return

[a] See this volume, p. 17.—*Ed.*

"a vendible commodity, etc.",[a] namely labour capacity itself, into whose costs of production or reproduction these services enter. Adam Smith knew however how little "EDUCATION" enters into the production costs of the mass of WORKING MEN. And in any case the doctor's services belong to the *faux frais de production*.[b] They can be counted as the cost of repairs for labour capacity. Let us assume that wages and profit fell simultaneously in total value, from whatever cause (for example, because the nation had grown lazier), and at the same time in use value (because labour had become less productive owing to bad harvests, etc.), in a word, that the part of the product whose value is equal to the revenue declines, because less new labour has been added in the past year and because the labour added has been less productive. If in such conditions capitalist and workman wanted to consume the same amount of value in material things as they did before, they would have to buy less of the services of the doctor, schoolmaster, etc. And if they were compelled to continue the same outlay for both these services, then they would have to restrict their consumption of other things. It is therefore clear that the labour of the doctor and the schoolmaster does not directly create the fund out of which they are paid, although their labours enter into the production costs of the fund which creates all values whatsoever—namely, the production costs of labour capacity.

[VII-311] 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 10 pounds worth of work, though he should, in the same time, consume 10 pounds worth of corn, and other necessaries, yet really adds the value of 10 pounds to the annual produce of the land and labour of the society. While he has been consuming a half-yearly revenue of 10 pounds worth of corn and other necessaries, he has produced an equal value of work, capable of purchasing, either to himself, or to some other person, an equal half-yearly revenue. The value, therefore, of what has been consumed and produced during these six months, is equal, not to 10, but to 20 pounds. It is possible, indeed, that no more than 10 pounds worth of this value may ever have existed at any one moment of time. But if the 10 pounds worth of corn and other necessaries which were consumed by the artificer, had been consumed by a soldier, or by a menial servant, the value of that part of the annual

[a] Ibid., p. 19.—*Ed.*

[b] Overhead costs of production.—*Ed.*

produce which existed at the end of the six months, would have been 10 pounds less than it actually is in consequence of the labour of the artificer. Though the value of what the artificer produces, therefore, should not, at any one moment of time, be supposed greater than the value he consumes, yet, at every moment of time, the actually existing value of goods in the market is, in consequence of what he produces, greater than it otherwise would be" ([Garnier,] l.c., pp. 531-33) [Vol. III, pp. 141-42].

Is not the value of the commodities at any time in the market greater as a result of the "unproductive labour" than it would be without this labour? Are there not at every moment of time in the market, alongside wheat and meat, etc., also prostitutes, lawyers, sermons, concerts, theatres, soldiers, politicians, etc.? These lads or wenches do not get the corn and other necessaries or pleasures for nothing. In return they give or pester us with their services, which as such services have a use value and because of their production costs also an exchange value. Reckoned as consumable ARTICLES, there is at every moment of time, alongside the consumable articles existing in the form of goods, a quantity of consumable articles in the form of SERVICES. The total quantity of consumable articles is therefore at every moment of time greater than it would be without the consumable SERVICES. Secondly, however, the value too is greater; for it is equal to the value of the commodities which are given for these SERVICES, and is equal to the value of the SERVICES themselves. Since here, as in every exchange of commodity for commodity, equal value is given for equal value, the same value is therefore present twice over, once on the buyer's side and once on the seller's.

//Adam Smith goes on to say in reference to the Physiocrats:

"When the patrons of this system assert, that the *consumption* of artificers, manufacturers, and merchants, is *equal to the value of what they produce*, they probably mean no more than that their *revenue*, or *the fund destined for their consumption, is equal to it*" (that is, to the value of what they produce) ([Garnier,] l.c., p. 533) [Vol. III, pp. 142-43].

In this the Physiocrats were right in relation to *ouvriers* and *maîtres*[a] taken together, rent forming only a special category of the latter's profit.//

[VII-312] //*Adam Smith* notes on the same occasion—i.e., in his criticism of the Physiocrats—l. IV, ch. IX (edit. Garnier, t. III):

"The annual produce of the land and labour of any society can be augmented only in two ways; either, *first*, by some *improvement in the productive powers of the useful labour* actually maintained within it; or, *secondly, by some increase in the quantity of that labour.* The improvement in the productive powers of useful labour depends *upon the improvement in the ability of the workman*; and *upon that of the machinery with*

[a] Workers and employers.—*Ed.*

which he works.... The increase in the quantity of useful labour actually employed within any society must depend altogether upon *the increase of the capital which employs it;* and *the increase of that capital,* again, *must be exactly equal to the amount of the savings* from the revenue, either of the particular persons who manage and direct the employment of that capital, or of some other persons, who lend it to them" ([Garnier,] pp. 534-35) [Vol. III, pp. 143, 144].

Here we have a double *cercle vicieux.*[a] *First*: the annual product is augmented by greater productivity of labour. All means to augment this productivity (in so far as this is not due to accidents of nature such as a specially favourable SEASON, etc.) require an increase of capital. But in order to increase the capital, the annual product of labour must be increased. First circle. *Secondly:* the annual product can be augmented by an increase in the quantity of labour employed. The quantity of labour employed, however, can only be increased if the capital which "employs it" is first increased. Second circle. Adam Smith helps himself out of both vicious circles with "*savings*", by which he means in fact the transformation of revenue into capital.

To think of the whole PROFIT as "revenue" for the capitalist is already in itself wrong. The law of capitalist production requires on the contrary that a part of the surplus labour, of the unpaid labour, performed by the workman should be transformed into CAPITAL. When the individual capitalist functions as a capitalist—that is, as a functionary of capital—he himself may think of this as saving; but it also appears to him as a necessary reserve fund. The increase of the quantity of labour does not however depend only on the number of workmen, but also on the length of the working day. The quantity of labour can therefore be increased without increasing the part of the capital that is converted into wages. Similarly, on this assumption there would be no need to increase the machinery, etc. (although it would wear out more quickly; but this makes no difference). The only thing that would have to be increased is the part of the raw material that resolves itself into seed, etc. And it remains true that, taking a single country (excluding foreign trade), surplus labour must first be applied to agriculture before it becomes possible in the industries which get their *matière brute*[b] from agriculture. A part of this *matière brute,* such as coal, iron, wood, fish, etc. (the last-named for example as manure), in a word, all fertilisers other than animal manures, can be got by merely increasing the labour (the number of labourers remaining the same). There can therefore be no lack of these. On

[a] Vicious circle.—*Ed.*
[b] Raw material.—*Ed.*

the other hand it has been shown above that the increase of productivity in its origin always presupposes merely the concentration of capital, not the accumulation of capital.[16] Later however each process supplements the other.//

//The reason why the Physiocrats preached *laissez-faire, laissez-passer*,[17] in short, free competition, is correctly stated in the following passages from Adam Smith:

> "The trade which is carried on between these two different sets of people" (country and town) "consists ultimately in a certain quantity of rude produce exchanged for a certain quantity of manufactured produce. The dearer the latter, therefore, the cheaper the former; and whatever tends in any country to raise the price of manufactured produce, tends to lower that of the rude produce of the land, and thereby to discourage agriculture." But all fetters and restrictions placed on manufactures and foreign trade make manufactured commodities, etc., dearer. Therefore, etc. (Smith, [Garnier,] l.c., pp. *554-55*) [Vol. III, pp. 158, 159].//

[VII-313] Smith's second view of "productive" and "unproductive labour"—or rather the view that is interwoven with his other view—therefore amounts to this: that the former is labour which produces *commodities*, and the latter is labour which does not produce "any commodity". He does not deny that the one kind of labour, equally with the other, is a commodity. See above.[a] *"The labour of the latter ... has its value, and deserves its reward as well as that of the former"* (that is, from the economic standpoint; there is no question of moral or other standpoints in the case of either the one or the other kind of labour). The concept commodity however implies that labour embodies, materialises, realises itself in its product. Labour itself, in its immediate being, in its living existence, cannot be directly conceived as a commodity, but only labour capacity, of which labour itself is the temporary manifestation. Just as it is only in this way that wage labour proper can be explained, so it is with "unproductive labour", which Adam Smith determines throughout by the production costs required to produce the "unproductive labourer". A *commodity* must therefore be conceived as something different from labour itself. Then, however, the world of commodities is divided into two great categories:

On one side, labour capacity.

On the other side, commodities themselves.

The materialisation, etc., of labour is however not to be taken in such a Scottish sense as Adam Smith conceives it. When we speak of the commodity as a materialisation of labour—in the sense of its exchange value—this itself is only an imaginary, that is to say, a

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[a] See this volume, p. 17.—*Ed.*

purely social mode of existence of the commodity which has nothing to do with its corporeal reality; it is conceived as a definite quantity of social labour or of money. It may be that the concrete labour whose result it is leaves no trace in it. In manufactured commodities this trace remains in the outward form given to the raw material. In agriculture, etc., although the form given to the commodity, for example wheat or oxen and so on, is also the product of human labour, and indeed of labour transmitted and added to from generation to generation, yet this is not evident in the product. In other forms of industrial labour the purpose of the labour is not at all to alter the form of the thing, but only its position. For example, when a commodity is brought from China to England, etc., no trace of the labour involved can be seen in the thing itself (except for those who call to mind that it is not an English product). Therefore the materialisation of labour in the commodity must not be understood in that way. (The mystification here arises from the fact that a social relation appears in the form of a thing.) It remains true, however, that the commodity appears as past, objectified labour, and that therefore, if it does not appear in the form of a thing, it can only appear in the form of labour capacity itself; but never directly as living labour itself (except only in a roundabout way which in practice seems the same, but this is not so in the determination of different wages). Productive labour would therefore be such labour as produces commodities or directly produces, trains, develops, maintains or reproduces labour capacity itself. Adam Smith excludes the latter from his category of productive labour; arbitrarily, but with a certain correct instinct—that if he included it, this would open the flood-gates for FALSE PRETENSIONS to the title of productive labour.

In so far therefore as we leave labour capacity itself out of account, productive labour is labour which produces commodities, material products, whose production has cost a definite quantity of labour or labour time. These material products include 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 of being "A VENDIBLE COMMODITY",[a] that is to say, a commodity in its first form, which has still to pass through its metamorphosis. (A manufacturer may himself construct a machine if he cannot get one built anywhere else, not to sell it but to make use of it as a use value. However, he then wears it out as a part of his constant capital and so sells it

[a] Ibid.—*Ed.*

piecemeal in the form of the product which it has helped to make.)

[VII-314] Certain labours of MENIAL SERVANTS may therefore equally well take the form of *commodities* (*potentia*) and even of the same use values considered as material objects. But they are not productive labour, because in fact they produce not "commodities" but immediate "*use values*". As for labours which are productive for their purchaser or EMPLOYER himself—as for example the actor's labour for the theatrical entrepreneur—the fact that their purchaser cannot sell them to the public in the form of commodities but only in the form of the action itself would show that they are unproductive labours.

Apart from such cases, productive labour is such as produces *commodities*, and *unproductive labour* is such as produces personal services. The former labour is represented in a vendible thing; the latter must be consumed while it is being performed. The former includes (except for that labour which creates labour capacity itself) 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" also corresponds, therefore, to a much more elementary point of view than that which defines productive labour as labour which produces capital.

Adam Smith's opponents have disregarded his first, pertinent definition, and instead have concentrated on the second, pointing out the contradictions and inconsistencies unavoidable here. And their attacks were made all the easier for them by their insistence on the material content of the labour, and particularly the specific requirement that the labour must fix itself in a more or less *permanent* product. We shall see in a moment what it was that particularly gave rise to the polemics.

But first this further point. Adam Smith says of the Physiocratic system that its great merit is that it REPRESENTED

> "the wealth of nations as consisting not in the unconsumable gold and silver, but in the consumable goods annually reproduced by the labour of the society" ([Garnier,] t. III, l. IV, ch. IX, p. 538) [Vol. III, p. 146].

Here we have a deduction of his second DEFINITION OF PRODUCTIVE LABOUR. The definition of surplus value naturally depended on the form in which value itself was conceived. In the Monetary and

Mercantile systems it is therefore presented as *money*; by the Physiocrats, as the produce of the land, as agricultural product; finally in Adam Smith's writings as mere *commodity*. In so far as the Physiocrats touch on the substance of value, they resolve it entirely 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 conditions of the commodity—use value and exchange value—are combined; and so all labour is productive which manifests itself in any use value, any useful product. That the labour that manifests itself in the product is productive already implies that the product at the same time=a definite quantity of general social labour. As against the Physiocrats, Adam Smith re-establishes the value of the product as the essential basis of bourgeois wealth; but on the other hand he divests value of 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 at the same time Adam Smith also falls back *plus ou moins*[a] into the Mercantilist conception of "permanency"—IN FACT, inconsumability. We can recall the passage in Petty (see my Part I, p. 109,[b] where I quote from Petty's *Political Arithmetick*) where wealth is valued according to the degrees in which it is imperishable, more or less permanent, and finally gold and silver are set above all other things as wealth that is "not perishable".

"In restricting the sphere of *wealth*" (says Adolphe Blanqui, *Histoire de l'économie politique*, Brussels, 1843, p. 152[18]) "exclusively to those values which are embodied in material substances, he [Smith] erased from the book of production the whole boundless mass of immaterial values, daughters of the *moral capital* of civilised nations," etc.[c]

The polemics against Adam Smith's distinction between productive and unproductive labour were for the most part confined to the *dii minorum gentium*[d] (among whom moreover Storch was the most important); they are not to be found in the work of any economist of significance [VII-315]—of anyone of whom it can be said that he made some discovery in political economy. They are, however, the hobby-horse of the SECOND-RATE FELLOWS and especially of the schoolmasterish compilers and writers of compendia, as well

[a] More or less.—*Ed.*

[b] K. Marx, *Zur Kritik der politischen Oeconomie*, Erstes Heft, Berlin, 1859 (see present edition, Vol. 29, p. 363).—*Ed.*

[c] Marx quotes Blanqui in French.—*Ed.*

[d] Gods of the lesser tribes.—*Ed.*

as of *dilettanti* with facile pens and vulgarisers in this field. What particularly aroused these polemics against Adam Smith was the following circumstance.

The great mass of so-called "higher grade" workers—such as state officials, military people, artists, doctors, priests, judges, lawyers, etc.—some of whom are not only not productive but in essence destructive, but who 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 forcibly imposing the latter on other people—found it not at all pleasant to be relegated *economically* to the same class as BUFFOONS and MENIAL SERVANTS and to appear merely as people partaking in the consumption, parasites on the actual producers (or rather agents of production). This was a peculiar profanation precisely of those functions which had hitherto been surrounded with a halo and 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 realised and—as was shown too in practice—learnt from experience that the necessity for the inherited social combination of all these classes, which in part were totally unproductive, arose from its own organisation. In so far as those "unproductive labourers" do not provide pleasure, and therefore whether they are purchased or not depends entirely on the way in which the agent of production chooses to expend his wages or his profit—in so far on the contrary as they are necessary or make themselves necessary partly because of physical infirmities (like doctors), or spiritual weakness (like parsons), or because of the conflict between private interests and national interests (like statesmen, all LAWYERS, police and soldiers)—they are regarded by Adam Smith, as by the industrial capitalists themselves and the working class, as *faux frais de production*, which are therefore to be cut down to the most indispensable minimum and provided as cheaply as possible. Bourgeois society reproduces in its own form everything against which it had fought in feudal or absolutist form. In the first place therefore it becomes a principal task for the sycophants of this society, and especially of the upper classes, to restore in theoretical terms even the purely parasitic section of these "unproductive labourers", or to justify the exaggerated claims of the section which is indispensable. The *dependence* of the ideological, etc., classes on the *capitalists* was in fact proclaimed.

Secondly, however, a section of the agents of production (of material production itself) were declared by one group of economists or another to be "unproductive". For example, the landowner, by those among the economists who represented industrial capital (Ricardo). Others (for example Carey) declared that the *commerçant* proper was an "unproductive" labourer. Then even a third group came along who declared that the "capitalists" themselves were unproductive, or who at least sought to reduce their claims to material wealth to "wages", that is, to the wages of a "productive labourer". Many intellectual workers seemed inclined to share this scepticism. It was therefore time to make a compromise and to 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*,[a] it had to be established that even from the "productive", economic standpoint, the bourgeois world with all its "unproductive labourers" is the best of all worlds. This was all the more necessary because the "unproductive labourers" on their part were advancing critical observations in regard to the productivity of the classes who in general were "*fruges consumere nati*",[b] or in regard to those agents of production, like landowners, who do nothing at all, etc. Both the *do-nothings* and their *parasites* had to find a place in this best possible order of things.

Thirdly: As the dominion of capital extended, and in fact those spheres of production not directly related to the production of material wealth became also more and more dependent on it—especially when the positive sciences (natural sciences) were subordinated to it as serving material production—[VII-316] the sycophantic UNDERLINGS of political economy felt it their duty to glorify and justify every sphere of activity by demonstrating that it was "linked" with the production of material wealth, that it was a means towards it; and they honoured everyone by making him a "productive labourer" in the "primary" sense, namely, a LABOURER who labours in the service of capital, is useful in one way or another to the enrichment of the capitalist, etc.

In this matter even such people as Malthus are to be preferred, who directly defend the necessity and usefulness of "*unproductive* labourers" and pure parasites.

It is not worth the trouble to examine the inanities of Germain Garnier (Smith's translator), the Earl of Lauderdale, Brougham, Say, Storch, and later Senior, Rossi, and so on, in regard to this question. We shall cite only a few characteristic passages.

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[a] See B. Mandeville, *The Fable of the Bees*.—*Ed.*

[b] "Born to consume the fruits" (Horace, *Epistolae*, Liber primus, Epistola II, 27).—*Ed.*

But first a passage from *Ricardo*, in which he shows that it is much more advantageous for the "productive labourers" when the owners of surplus value (profit, rent) consume it in "unproductive labourers" (AS MENIAL SERVANTS, for instance) than in luxury products produced by the "productive labourers".

//Sismondi: *Nouveaux principes*, Vol. I, p. 148, accepts the correct statement of Smith's distinction (as also of course does Ricardo): the real distinction between productive and unproductive classes is:

"The one always exchanges its labour against the capital of a nation; the other always exchanges it against a part of the national revenue."

Sismondi—likewise following Adam Smith—on surplus value:

"Although the labourer, by his daily labour, may have produced much more than his daily outlay, after sharing with the landowner and the capitalist what remains for him is seldom much beyond what is strictly necessary for his existence" (Sismondi, *Nouveaux principes etc.*, Vol. I, p. 87).[a]//

Ricardo says:

*"If a landlord, or a capitalist, expends his revenue in the manner of an ancient baron, in the support of a great number of retainers, or menial servants, he will give employment to much more labour, than if he expended it on fine clothes, or costly furniture; on carriages, on horses, or in the purchase of any other luxuries. In both cases the net revenue would be the same, and so would be the gross revenue, but the former would be realised in different commodities. If my revenue were 10,000 *l.*, the same quantity nearly of productive labour would be employed, whether I realised it in fine clothes and costly furniture, etc., or in a quantity of food and clothing of the same value. If, however, I realised my revenue in the first set of commodities, no more labour would be *consequently* employed:—I should enjoy my furniture and my clothes, and there would be an end of them; but if I realised my revenue in food and clothing, and my desire was to employ menial servants, all those whom I could so employ with my revenue of 10,000 *l.*, or with the food and clothing which it would purchase, *would be to be added to the former demand for labourers*, and this addition would take place only because I chose this mode of expending my revenue. As the labourers, then, are interested in *the demand for labour*, they must naturally desire that as much of the revenue as possible should be diverted from expenditure on luxuries, to be expended in the support of menial servants"* (Ricardo, *Principles*, 3rd ed., 1821, pp. 475-76).

D'Avenant quotes from an old statistician, Gregory King, a list ENTITLED *Scheme of the Income and Expence of the Several Families of England, Calculated for the Year, 1688.*[b] In this, the erudite King divides the whole nation into two main classes: "*INCREASING* THE WEALTH OF THE KINGDOM—2,675,520 HEADS", and "*DECREASING* THE

[a] Marx quotes Sismondi in German using French words.—*Ed.*

[b] G. King, *Natural and Political Observations and Conclusions upon the State and the Condition of England*, London, 1696.—*Ed.*

WEALTH OF THE KINGDOM—2,825,000 HEADS"; thus the former is the "productive" class, the latter the "unproductive". The "*productive*" class consists of LORDS, BARONETS, KNIGHTS, ESQUIRES, GENTLEMEN, PERSONS IN OFFICES and PLACES, merchants in oversea trade, PERSONS IN THE LAW, CLERGYMEN, FREEHOLDERS, FARMERS, PERSONS IN LIBERAL ARTS AND SCIENCES, SHOPKEEPERS and TRADESMEN, ARTISANS AND HANDICRAFTS, NAVAL OFFICERS, MILITARY OFFICERS. As against these, the "unproductive" class consists of: sailors (COMMON SEAMEN), LABOURING PEOPLE AND OUT SERVANTS (these are agricultural labourers and day wage labourers in manufacture), COTTAGERS (who in D'Avenant's time were still $^1/_5$ of the total English population), [VII-317] COMMON SOLDIERS, PAUPERS, GIPSIES, THIEVES, BEGGARS and VAGRANTS GENERALLY. D'Avenant explains this list of ranks prepared by the learned King as follows:

"By which he means, that the first class of the people, FROM LAND, ARTS AND INDUSTRY, maintain themselves, and add every year something to the nation's general STOCK; and besides this, out of their superfluity, contribute every year SO MUCH TO THE MAINTENANCE OF OTHERS. That of the second class, some partly maintain themselves BY LABOUR but that the rest, as most of the wives and children of these, are nourish'd at the cost of others; and are a yearly burthen to the publick, CONSUMING ANNUALLY SO much AS WOULD BE OTHERWISE ADDED to the NATION'S GENERAL STOCK" (D'Avenant, *An Essay upon the Probable Methods of Making a People Gainers in the Ballance of Trade*, London, 1699, pp. 23 and 50).

In addition to this, the following passage from D'Avenant is rather characteristic of the views of the Mercantilists on surplus value:

It is "the exportation of our own product that must make England rich: to be gainers in the balance of trade, we must carry out of our own product, *what will purchase the things of foreign growth that are needful for our own consumption, with some *overplus* either in bullion or goods to be sold in other countries; *which overplus* is the *profit a nation makes by trade*, and it is more or less according to the natural frugality of the people that export,"* (a frugality which the Dutch have, but not the English—l.c., pp. 46, 47) *"or as from the low price of labour and manufacture they can afford the commodity cheap, and at *a rate not to be undersold in foreign markets*"* (D'Avenant, l.c., pp. [45-]46).

//"BY WHAT IS CONSUM'D AT HOME, ONE LOSETH ONLY WHAT ANOTHER GETS, and the nation in general is not at all the richer; but ALL FOREIGN CONSUMPTION IS A CLEAR AND CERTAIN PROFIT" (*An Essay on the East-India Trade etc.*, London, 1697) [p. 31].//

//This work, *printed in the form of an appendix* to another work of D'Avenant's,[19] which he tries to defend is not the same as the *Considerations on the East-India Trade*, 1701, quoted by McCulloch.//

Incidentally, it must not be thought that these Mercantilists were as stupid as they were made out to be by the later Vulgar-FREETRADERS. In Part II of his *Discourses on the Publick Revenues, and on the Trade of England etc.*, London, 1698, D'Avenant says among other things:

"Gold and silver are indeed the measure of trade, but the spring and ORIGINAL OF IT, IN ALL NATIONS, is the natural, or artificial product of the country, that is to say, what their land, or what their labour and industry produces. And this is so true, that a nation may be suppos'd, by some accident, quite without the species of money, and yet, if the people are numerous, industrious, vers'd in traffick, skill'd in SEA-AFFAIRS, and if they have good ports, and a soil fertile IN VARIETY OF COMMODITIES, such a people will have trade, and, A PLENTY OF SILVER AND GOLD: So that the real and effective riches of a country, is its native product" (l.c., p. 15). "Gold and silver are so far from being the only things that deserve the name of treasure, or the riches of a nation that in truth, money is AT BOTTOM no more than the COUNTERS with which men in their DEALINGS have been accustom'd to reckon" (l.c., p. 16). "We understand that to be wealth which maintains THE PRINCE, AND THE GENERAL BODY of his people, IN PLENTY, EASE and SAFETY. We esteem that to be TREASURE which FOR THE USE OF MAN has been CONVERTED[a] from gold and silver, into buildings and IMPROVEMENTS OF THE COUNTRY. AS ALSO OTHER THINGS *CONVERTIBLE* INTO THOSE METALS, AS THE FRUITS OF THE EARTH, MANUFACTURES, OR FOREIGN COMMODITIES, AND STOCK OF SHIPPING ... even PERISHABLE GOODS, MAY BE HELD THE RICHES OF A NATION, if they are *CONVERTIBLE*, tho' not *CONVERTED* into gold and silver; and this we believe does not only hold between MAN AND MAN, but between one country and another" (l.c., p. 60, etc.). "The COMMON PEOPLE[b] being the stomach of the BODY POLITICK. That stomach in Spain did not take the money as it should have done, [VII-318] and failed to digest it—TRADE AND MANUFACTURES are the only mediums by which such a digestion and distribution of gold and silver can be made, AS WILL BE NUTRITIVE TO THE BODY POLITICK" (l.c., pp. 62-63).[c 20]

Moreover, Petty too had the conception of *productive labourers* (though he also includes soldiers):

"Husbandmen, seamen, soldiers, ARTIZANS and merchants, are the very PILLARS OF ANY COMMON-WEALTH; all the other great professions *DO RISE OUT OF THE INFIRMITIES AND MISCARRIAGES OF THESE*; NOW THE SEAMAN IS THREE OF THESE FOUR" (NAVIGATOR, MERCHANT, SOLDIER) (*Political Arithmetick etc.*, London, 1699, p. 177). "The labour of seamen, and freight of ships, is always of the nature OF AN EXPORTED COMMODITY, THE OVERPLUS WHEREOF, ABOVE WHAT IS IMPORTED, BRINGS HOME MONEY, etc." (l.c., p. 179).[d]

In this connection Petty also explains the advantages of the division of labour:

"Those who have the command of the sea-trade, may WORK at easier freight with more profit, than others at greater:" (higher freight charges) "for a cloth must be cheaper made, when one etc., another etc., so those who command the trade of shipping, can build different sorts of vessels for different purposes, one sort of vessels for the turbulent sea, another for inland waters and rivers one sort for war, etc. And this is the chief of several reasons, why the Hollanders can go at less freight than their neighbours, viz., because they CAN AFFORD A PARTICULAR SORT

[a] In the manuscript the German word is followed by this English equivalent in the parenthesis.— *Ed.*

[b] The expression "common people" means the same as *tres état* (the third estate) prior to the French Revolution, the entire population as distinct from the clergy and nobility.— *Ed.*

[c] Cf. this volume, p. 9-10.— *Ed.*

[d] Marx quotes Petty with some additions and changes.— *Ed.*

OF VESSELS FOR EACH PARTICULAR TRADE" (l.c., pp. 179-80).[a]

Here too Petty strikes quite a Smithian note when he continues:

If taxes are taken from industrialists, etc., in order to give [money] to those who "in general are occupied in ways WHICH PRODUCE *NO MATERIAL THING*, OR THINGS OF REAL USE AND VALUE IN THE *COMMONWEALTH*: In this case, the wealth of the publick will be diminished: OTHERWISE THAN AS SUCH EXERCISES, ARE RECREATIONS AND REFRESHMENTS OF THE MIND; AND WHICH BEING MODERATELY USED, DO QUALIFY AND DISPOSE MEN TO WHAT IN ITSELF IS MORE CONSIDERABLE" (l.c., p. 198).[a] "After computing how many people are needed for industrial work THE REMAINDER may safely and without possible prejudice to the Commonwealth, be employed IN THE ARTS AND EXERCISES OF PLEASURE AND ORNAMENT; THE *GREATEST WHEREOF IS THE IMPROVEMENT OF NATURAL* KNOWLEDGE" (l.c., p. 199).[a] "There is much more to be gained by manufacture than husbandry; and by MERCHANDIZE than MANUFACTURE" (l.c., p. 172). "A seaman is in effect three husbandmen" (p. 178).

Mr. John Stuart Mill, in *Essays on Some Unsettled Questions of Political Economy*, London, 1844, also struggled with the problem of productive and unproductive labour; but in so doing he in fact added nothing to Smith's (second) definition except that labours which produce labour capacity itself are also productive.

"*SOURCES OF ENJOYMENT* may be accumulated and stored up; enjoyment itself cannot. The wealth of a country consists of the sum total of the PERMANENT SOURCES OF ENJOYMENT, whether material or immaterial, CONTAINED IN IT; and labour or expenditure which tends to augment OR *KEEP UP* THESE PERMANENT SOURCES, should, we conceive, be termed *productive*" (l.c., p. 82). "The mechanic or the SPINNER, when he was learning his trade, CONSUMED PRODUCTIVELY, that is to say, his consumption did not tend to diminish, but to increase THE PERMANENT SOURCES OF ENJOYMENT IN THE COUNTRY, BY EFFECTING A NEW CREATION OF THOSE SOURCES, MORE THAN EQUAL TO THE AMOUNT OF THE CONSUMPTION" (l.c., p. 83).[b]

We will now briefly run over the twaddle written against Adam Smith in connection with productive and unproductive labour.

[VII-319] The fifth volume [contains G. Garnier's] Notes to his translation of Smith's *Wealth of Nations* (Paris, 1802).

On "*travail productif*" in the highest sense Garnier shares the view of the Physiocrats; he only makes it somewhat weaker. He opposes Smith's view that

"productive labour ... is that which realises itself in some particular subject or vendible commodity, which lasts for some time at least after that labour is past" ([Garnier,] l.c., t. V, p. 169).

//Before dealing with Garnier, something (by way of a digression) on the above mentioned *Mill junior.* What is to be said here really belongs later in this section, where Ricardian theory of surplus value is to be discussed; therefore not here, where we are still concerned with Adam Smith.//[21]

[a] Marx quotes Petty with some additions and changes.—*Ed.*

[b] Marx quotes Mill with some changes.—*Ed.*

In the booklet mentioned above,[22] which, in fact, contains all that is original in Mr. John Stuart Mill's writings about POLITICAL ECONOMY (in contrast to his bulky compendium[a]), he says in *Essay IV*—"On Profits, and Interest":

"Tools and materials, like other things, have originally cost nothing but labour.... The labour employed in making the tools and materials being added to the labour afterwards employed in working up the materials by aid of the tools, the sum total gives the whole of the labour employed in the production of the completed commodity.... *To replace capital, is to replace nothing but the WAGES OF THE LABOUR EMPLOYED*" (l.c., p. 94).[22]

This in itself is quite wrong, because the EMPLOYED LABOUR and the wages paid are by no means identical. On the contrary, the EMPLOYED LABOUR=the sum of wages and profit. To replace capital means to replace the labour for which the capitalist pays (WAGES) and the labour for which he does not pay but which he nevertheless sells (PROFIT). Mr. Mill is here confusing "EMPLOYED LABOUR" AND THAT PORTION OF THE EMPLOYED LABOUR WHICH IS PAID FOR BY THE CAPITALIST WHO EMPLOYS IT. This confusion is itself no recommendation for his understanding of the Ricardian theory, which he claims to teach.

Incidentally, it should be noted in relation to constant capital that though each part of it can be reduced to PREVIOUS LABOUR and therefore one can imagine that at some time it represented PROFIT or wages or both, but once it exists as constant capital, one part of it—for example, seeds, etc.—can no longer be transformed into profit or wages.

Mill does not distinguish surplus value from profit. He therefore declares that the *rate of profit* (and this is correct for the surplus value which has already been transformed into profit) is equal to the ratio of the price of the product to the price of its means of production (labour included). (See pp. 92-93.) At the same time he seeks to deduce the laws governing the *rate of profit* directly from the Ricardian law, in which Ricardo confuses surplus value and profit, [and to prove] that "PROFITS DEPEND UPON WAGES; RISING AS WAGES FALL, AND FALLING AS WAGES RISE" [p. 94].

Mr. Mill himself is not quite clear about the *question* which he seeks to answer. We will therefore formulate *his* question briefly before we hear his answer. The rate of profit is the ratio of surplus value to the *total amount* of the capital advanced (constant and variable capital taken together) while surplus value itself is the excess of the quantity of labour performed by the labourer over

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[a] J. St. Mill, *Principles of Political Economy*.... In two volumes, London, 1848.—*Ed.*

the quantity of labour which is advanced him as wages; that is, surplus value is considered only in relation to the variable capital, or to the capital which is laid out in wages, not in relation to the whole capital. Thus the rate of surplus value and the rate of profit are two different rates, although profit is only surplus value considered *sub certa specie*.[a] It is correct to say with regard to the rate of surplus value that it exclusively "DEPENDS UPON WAGES; RISING AS WAGES FALL, AND FALLING AS WAGES RISE". (But it would be wrong with regard to the total amount of surplus value, for this depends not only on the rate at which the surplus labour of the individual worker is appropriated but likewise on the mass (number) of workers exploited at the same time.) Since the rate of profit is the ratio of surplus value to the total value of the capital advanced, it is naturally affected and determined by the fall or rise of surplus value, and hence, by the RISE OR FALL OF WAGES, but in addition to this, the rate of profit includes factors [VII-320] which are independent of it and not directly reducible to it. Mr. John Stuart Mill, who, on the one hand, *directly* identifies profit and surplus value, like Ricardo, and, on the other hand (moved by considerations concerning the polemic against the anti-Ricardians), does not conceive the *rate of profit* in the Ricardian sense, but in its real sense, as the *ratio* of surplus value to the total value of the capital advanced (variable capital+constant capital), goes to great lengths to prove that the rate of profit is determined *directly* by the law which determines surplus value and can be simply reduced to the fact that the smaller the portion of the working day the worker appropriates to himself, the greater the portion which goes to the capitalist, and vice versa. We will now observe his torment, the worst part of which is that he is not sure which problem he really wants to solve. If he had formulated the problem correctly, it would have been impossible for him to solve it wrongly in *this* way.

He says, then:

"Though TOOLS, MATERIALS, and BUILDINGS are themselves the produce of labour, yet the *whole* of their value is not resolvable into the WAGES of the labourers by whom they were produced." //He said above that the replacement of capital is the replacement of WAGES.// "The profits which the capitalists make on these WAGES, need to be added. The last capitalist producer has to replace from his product not only the *WAGES* paid both by himself and by the TOOL-MAKER, but also the PROFIT OF THE TOOL-MAKER, ADVANCED by him himself out of his own capital" (l.c., p. 98).[b] Hence "*PROFITS* do not compose merely the *SURPLUS* after replacing the

[a] From a particular point of view.— *Ed.*

[b] This sentence and the one preceding it are a summary by Marx of Mill's arguments on this page.— *Ed.*

outlay; they also enter into the outlay itself. Capital is expended partly in paying or reimbursing WAGES, and partly in paying the PROFITS of other capitalists, whose concurrence was necessary in order to bring together the means of production" (pp. 98-99). "An article, therefore, may be *the produce of the same quantity of labour as before*, and yet, if any *portion of the profits* which the last producer has to make good to previous producers can be saved (economised), *the cost of production of the article is diminished*.... It is, therefore, strictly true, that the RATE OF PROFITS VARIES INVERSELY AS THE COST OF PRODUCTION OF WAGES" (pp. 102-03).

We are naturally always working on the assumption here that the price of a commodity is equal to its value. It is on this basis that Mr. Mill himself carries on the investigation.

Profit, in the passages quoted, appears *d'abord*[a] to bear a very strong resemblance to PROFIT UPON ALIENATION[10]; but *passons outre*.[b] Nothing is more wrong than to say that (if it is sold at its *value*) an article is "the produce of the same quantity of labour as before" and at the same time that by some circumstance or other "the cost of production of the article" can be "diminished". //Unless it is in the sense I first advanced, i.e., when I distinguished between the production cost of the article and the production cost to the capitalist, since he does not pay a part of the production costs.[23] In this case, it is indeed true that the capitalist makes his profit out of the unpaid surplus labour of his own workers just as he may also make it by *underpaying* the capitalist who supplies him with his constant capital, that is, by not paying this capitalist for a part of the surplus labour embodied in the commodity and not paid for by this capitalist (and which precisely for that reason constitutes his profit). This amounts to the fact that he always pays for the commodity *less* than its value. The rate of profit //that is, the ratio of surplus value to the total value of the capital advanced// can increase either because the same quantity of capital advanced becomes objectively cheaper (due to the increased productivity of labour in those spheres of production which produce constant capital) or because it becomes subjectively cheaper for the buyer, since he pays for it *below* its value. *For him*, it is then always the result of a smaller quantity of labour.//

[VII-321] What Mill says first of all, is that the *constant capital* of the capitalist who manufactures the last commodity resolves not into WAGES alone, but also into PROFITS. His line of reasoning is as follows:

If it were resolvable into WAGES alone, then profit would be the surplus accruing to the last capitalist after he has reimbursed

[a] First of all.—*Ed.*
[b] Let us proceed.—*Ed.*

himself for all WAGES paid (and the whole //paid// costs of the product could be reduced to WAGES), which would constitute the whole of the capital advanced. The total value of the capital advanced would be=to the total value of the WAGES embodied in the product. Profit would be the surplus over this. And since the rate of profit is=to the ratio of this surplus to the total value of the capital advanced, then the rate of profit would obviously rise and fall in proportion to the total value of the capital advanced, that is, in proportion to the *value of wages*, the aggregate of which constitutes the capital advanced. //This objection is, in fact, silly, if we consider the *general* relation of profits and wages. Mr. Mill needed only to put on one side that part of the whole product which is resolvable into profit (irrespective of whether it is paid to *the last* or to the previous capitalists, the co-functionaries in the production of the commodity) and then put that part which resolves into wages on the other, and the amount of profit would still be equal to the SURPLUS over the total amount of wages, and it could be asserted that the Ricardian "inverse ratio" applied directly to the rate of profit. It is not true, however, that the whole of the capital advanced can be resolved into profit and wages.// But the capital advanced does not resolve itself into wages alone, but also into profits advanced. Profit therefore is a surplus not only over and above the wages advanced, but also over the profits advanced. The *rate of profit* is therefore determined not only by the surplus over wages, but by the last capitalist's surplus over the total sum of wages+profits, the sum of which, according to this assumption, constitutes the whole of the capital advanced. Hence this rate can obviously be altered not only as a result of a rise or fall in wages, but also as a result of a rise or fall in profit. And if we disregarded the changes in the rate of profit arising from the rise or fall in wages, that is, if we assumed—as is done innumerable times in practice—that the value of the wages, in other words, their production costs, the labour time embodied in them, remained the same, remained unchanged, then, following the path outlined by Mr. Mill, we would arrive at the pretty law that the rise or fall in the rate of profit depends on the rise or fall of profit.

"If any portion of the profits which the last producer has to make good to previous producers can be economised, the cost of production of the article is diminished." [a]

This is in fact very true. If we assume that no portion of the previous producers' profit was a mere SURCHARGE—PROFIT UPON

[a] See this volume, p. 38.—*Ed.*

ALIENATION as James Stuart says, then every economy in one "portion of profit" //so long as it is not achieved by the latter producer swindling the previous one, that is, by not paying him for the whole of the value contained in his commodity// is an economy in the quantity of labour required for the production of the commodity. //Here we disregard the profit paid, for instance, for that time during the period of production, etc., when the capital lies idle.// For example, if 2 days were required to bring raw materials—coal, for instance—from the pit to the factory, and now only 1 day is required, then there is an "economy" of 1 day's work, but this applies as much to that part of it which resolves into wages as to that which resolves into profit.

After Mr. Mill has made it clear to himself that the rate of *surplus* of the last capitalist, or the rate of profit in general, depends not only on the direct ratio of WAGES to PROFITS, but on the ratio of the last profit, or the profit on every particular capital, to the total value of the capital advanced, which is=to the variable capital (that laid out in wages)+the constant capital—that, in other words, [VII-322] the rate of profit is determined not only by the ratio of profit to the part of capital laid out in wages, that is, not only by the cost of production or the value of wages, he continues:

"It is, therefore, strictly true, that the RATE OF PROFITS VARIES INVERSELY AS THE COST OF PRODUCTION OF WAGES."[a]

Although it is false, it is nevertheless true.

The illustration which he now gives can serve as a classical example of the way in which economists use illustrations, and it is all the more astonishing since its author has also written a book about the science of logic.[b]

"Suppose, for example, that 60 agricultural labourers, receiving 60 qrs OF CORN FOR THEIR WAGES, CONSUME FIXED CAPITAL AND SEED AMOUNTING to the value of 60 qrs more, and that the result of their operations is a produce of 180 qrs. Assuming profit to be 50%, the SEED and TOOLS must have been the produce of the labour of 40 men: for the WAGES of those 40, together with profit make up 60 qrs. *The produce, therefore, consisting of 180 qrs, is the result of the labour altogether of 100 MEN*" [pp. 99-100].[c]

"Now supposing that the amount of labour required remained the same, but *as a result of some discovery no FIXED CAPITAL and SEED were needed.* A RETURN of 180 qrs could not before be obtained but by an outlay of 120 qrs; it can now be obtained by an outlay of not more than 100" [p. 100].

"The produce (180 qrs) is still the result of the same quantity of labour as

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[a] See this volume, p. 38.—*Ed.*

[b] J. St. Mill, *A System of Logic, Ratiocinative and Inductive....* In two volumes, London, 1843.—*Ed.*

[c] Here and below Marx quotes Mill with slight changes.—*Ed.*

before, the labour of 100 MEN. A quarter of corn, therefore, is still the produce of $^{10}/_{18}$ of a man's labour" [p. 100].

"For *a quarter of corn*, which is the REMUNERATION of a single labourer, is indeed the *produce of the same labour as before*; but its cost of production is nevertheless diminished. It is now the produce of $^{10}/_{18}$ of a man's labour, and nothing else; whereas formerly it required for its production [the conjunction of] that quantity of labour plus AN EXPENDITURE, in the form of REIMBURSEMENT OF PROFIT, AMOUNTING to $^{1}/_{5}$ more. If the cost of production OF WAGES had remained the same as before, PROFITS could not have risen. Each labourer received 1 qr of corn; but 1 qr of corn at that time was the result of the same cost of production, as $1\,^{1}/_{5}$ qr NOW. IN ORDER, therefore, that each labourer should receive the same cost of production, each must now receive one qr of corn, $+\,^{1}/_{5}$" (p[p. 102,] 103).

"Assuming, therefore, that the labourer is paid in the very article he produces, it is EVIDENT that, when any SAVING OF EXPENSE takes place in the production of that article, if the labourer still receives the same COST OF PRODUCTION as before, he must receive an INCREASED QUANTITY, in the very same RATIO in which the productive power of capital has been increased. But, if so, the outlay of the capitalist will bear exactly the same proportion to the return as it did before; and profits will not rise.... The VARIATIONS, therefore, IN THE RATE OF PROFITS, and those IN THE COST OF PRODUCTION OF WAGES, go hand in hand, and are inseparable. Mr. Ricardo's principle is therefore strictly true, if by LOW WAGES be *meant not merely* WAGES *which are the produce of a smaller quantity of labour,* but WAGES which *are produced at less cost, reckoning LABOUR AND PREVIOUS PROFITS TOGETHER*" (l.c., p. 104).

With regard to this wonderful illustration, we note *d'abord* that, as a result of a discovery, corn is supposed to be produced without seeds (raw materials) and without fixed capital; that is, without raw materials and without instruments of labour, by means of mere manual labour, out of air, water and earth. [VII-323] This absurd presupposition contains nothing but the assumption that a product can be produced *without constant capital,* that is, simply by means of newly added labour. In this case, what he set out to prove has of course been proved, namely, that profit and surplus value are identical, and consequently that the rate of profit depends *solely* on the ratio of surplus labour to necessary labour. The difficulty arose precisely from the fact that the rate of surplus value and the rate of profit are two different things because there exists a ratio of surplus value to the constant part of capital—and this ratio we call the rate of profit. Thus if we assume constant capital to be zero, we solve the difficulty arising from the existence of constant capital by abstracting from the existence of this constant capital. Or we solve the difficulty by *assuming* that it *does not exist. Probatum est.*[a]

Let us now arrange the problem, or Mill's illustration of the problem, correctly.

[a] It is proved.—*Ed.*

According to the first assumption we have:

Constant capital (FIXED CAPITAL and SEED)	Variable capital (capital laid out in wages)	Total product	Profit
60 qrs	60 qrs (60 workmen)	180 qrs	60 qrs

It is assumed in this example that the labour which is added to the constant capital=120 qrs and that, since every qr represents the wages of a working day (or of a year's labour, which is merely a working day of 365 working days), the 180 qrs contain only 60 working days, 30 of which account for the wages of the workers and 30 constitute profit. We thus assume in fact that 1 working day is embodied in 2 qrs and that consequently the 60 working days of the 60 workmen are embodied in 120 qrs, 60 of which constitute their wages and 60 constitute the profit. In other words, the worker works one half of the working day for himself, to make up his wages, and one half for the capitalist, thus producing the capitalist's SURPLUS VALUE. The rate of surplus value is therefore 100% and not 50%. On the other hand, since the VARIABLE CAPITAL constitutes only half of the total capital advanced, the rate of profit is not 60 qrs to 60, that is, not 100%, but 60 qrs to 120 and therefore only 50%. If the constant part of the capital had equalled zero, then the whole of the capital advanced would have consisted of only 60 qrs, i.e., only of the capital advanced in wages=30 working days; profit and surplus value, and therefore also their rates, would be identical. Profit would then amount to 100% and not 50%; 2 qrs of corn would be the product of 1 working day, and 120 qrs the product of 60 working days, even though 1 qr of corn would only be the wages of 1 working day and 60 qrs of corn the wages of 60 working days. In other words, the worker would only receive half, 50%, of his product, while the capitalist would receive twice as much—100% calculated on his outlay.

What is the position with regard to the *constant capital* of 60 qrs? These were likewise the product of 30 working days, and if it is assumed with regard to this constant capital that the elements which went into its production are so made up that $^1/_3$ consists of constant capital and $^2/_3$ of newly added labour, and that the surplus value and the rate of profit are also the same as before, we get the following calculation:

Constant capital	Variable capital	Total product	Profit
20 qrs	20 qrs (wages for 20 workers)	60 qrs	20 qrs

Here again the rate of profit would be 50% and the rate of surplus value 100%. The total product would be [VII-324] the product of 30 working days, 10 of which however (=20 qrs) would represent the pre-existing labour (the constant capital) and 20 working days the newly added labour of 20 workers, each of whom would only receive half his product as wages. Two quarters would be the product of one man's labour as in the previous case, although, again as previously, one quarter would represent the wages of one man's labour and one quarter the capitalist's profit, the capitalist thus appropriating half of the man's labour.

The 60 qrs which the last capitalist producer makes as surplus value mean a rate of profit of 50%, because these 60 qrs of surplus value are calculated not only on the 60 advanced in wages but also on the 60 qrs expended in SEED and FIXED CAPITAL, which together amount to 120 qrs.

If Mill calculates that the capitalist who produces the SEED and the fixed capital—a total of 60 qrs—makes a profit of 50%, if he assumes further that the constant and variable capital enter into the product in the same proportion as in the case of the production of the 180 qrs, then it will be correct to say that the profit=20 qrs, wages=20 qrs and the constant capital=20 qrs. Since wages=1 qr, then 60 qrs contain 30 working days in the same way as 120 [quarters] contain 60 [working days].

But what does Mill say?

"Assuming profit to be 50%, the SEED and TOOLS must have been the produce of the labour of 40 men: for the WAGES of those 40, together with profit make up 60 qrs." [a]

In the case of the first capitalist, who employed 60 workers, each of whom he paid 1 qr per day as wages (so that he paid out 60 qrs in wages), and laid out 60 qrs in constant capital, the 60 working days resulted in 120 qrs, of which, however, the workers only received 60 in wages; in other words, wages=only half the product of the labour of 60 men. Thus the 60 qrs of constant capital were only=to the product of the labour of 30 men; if they consisted only of profit and wages, then wages would amount to 30 qrs and profit to 30 qrs, thus wages would=the labour of 15 men and profit as well. But the profit amounted to only 50%, since it is assumed that of the 30 days embodied in the 60 qrs, 10 represent pre-existing labour (constant capital) and only 10 are allocated to wages. Thus, 10 days are embodied in constant capital, 20 are newly added working days, of

[a] See this volume, p. 40.—*Ed.*

which, however, the workers only work 10 for themselves, the other 10 being for the capitalist. But Mr. Mill asserts that these 60 quarters are the product of 40 men, while just previously he said that 120 [quarters] were the product of 60 [men]. In the latter case, 1 qr contains $^1/_2$ working day (although it is the wages paid for a whole working day); in the former, $^3/_4$ qr would $= {}^1/_2$ working day, whereas $^1/_3$ of the product (i.e., the 60 qrs) which is laid out in constant capital has just as much value, that is, it contains just as much labour time, as any other $^1/_3$ of the product. If Mr. Mill desired to convert the constant capital of 60 qrs wholly into wages and profit, then this would not make the *slightest* difference as far as the quantity of labour time embodied in it is concerned. It would still be 30 working days as before, but now, since there would be no constant capital to replace, profit and surplus value would coincide. Thus, profit would amount to 100%, not to 50% as previously. Surplus value also amounted to 100% in the previous case, but the profit was only 50% precisely because constant capital entered into the calculation.

We have here, therefore, a doubly false manoeuvre on the part of Mr. Mill.

In the case of the first 180 qrs, the difficulty consisted in the fact that surplus value and profit did not coincide, because the 60 qrs surplus value had to be calculated not only on 60 qrs (that part of the total product which represented wages) but [VII-325] on 120 qrs, i.e., 60 qrs constant capital+60 qrs wages. Surplus value therefore amounted to 100%, and profit only to 50%. With regard to the 60 qrs which constituted constant capital, Mr. Mill disposes of this difficulty by assuming that, in this case, the whole product is divided between capitalist and worker, i.e., that no constant capital is required to produce the constant capital, that is, the 60 qrs consisting of SEED and tools. The circumstance which had to be explained in the case of capital I, *is assumed* to have disappeared in the case of capital II, and in this way the problem ceases to exist.

But secondly, after he has assumed that the value of the 60 qrs which constitute the constant capital of capital I contains only labour, but no *pre-existing labour*, no constant capital, that profit and surplus value therefore coincide, and consequently also the rate of profit and the rate of surplus value, that no difference exists between them, he then assumes, on the contrary, that just as in the case of capital I, *a difference between them does exist*, and that therefore the PROFIT is only 50% as in the case of capital I. If $^1/_3$ of the product of capital I had not consisted of constant capital, then profit would have been the same as surplus value; the whole product consisted of only 120 qrs=60 working days, 30 of which (=60 qrs) are appropriated by the workers and 30 (=60 qrs) by the capitalist. The rate of profit was the same as the rate of surplus value, 100%. It was 50% because the 60 qrs of surplus value were not calculated on 60 qrs (wages) but on 120 qrs (wages, SEED and fixed capital). In [the case of capital] II, he assumes that it contains no constant capital. He also assumes that wages remain the same in both cases—1 qr. But he nevertheless assumes that profit and surplus value are different, that profit amounts only to 50%, although surplus value amounts to 100%. In actual fact he assumes that the 60 qrs, $^1/_3$ of the total product, contain more labour time than another $^1/_3$ of the total product; he assumes that these 60 qrs are the product of 40 working days while the other 120 qrs were the product of only 60.

In actual fact, however, there PEEPS OUT THE OLD DELUSION OF PROFIT UPON ALIENATION, which has nothing whatever to do with the labour time contained in the product and likewise nothing to do with the Ricardian definition of value. For he [Mill] assumes that the wages a man receives for working for a day are equal to what he produces in a working day, i.e., that they contain as much labour time as he works. If 40 qrs are paid out in wages, and if the profit =20 qrs, then the 40 qrs embody 40 working days. The payment for the 40 working days=the product of the 40 working days. If 50% profit, or 20 qrs, is made on 60 qrs, it follows that 40 qrs=the product of the labour of 40 men, for, according to the assumption, 40 qrs constitute wages and 1 man receives 1 qr per day. But in that case where do the other 20 qrs come from? The 40 men work 40 working days because they receive 40 qrs. A quarter is therefore the product of 1 working day. The product of 40 working days is consequently 40 qrs, and not a BUSHEL more. Where, then, do the 20 qrs which make up the profit come from? The old DELUSION of profit UPON ALIENATION, of a merely nominal price increase on the product over and above its value, is behind all this. But here it is *quite absurd* and impossible, because the value is not represented in money but in a part of the product itself. Nothing is easier than to imagine that—if 40 qrs of grain are the product of 40 workers, each one of whom receives 1 qr per day or per year, they therefore receive *the whole of their product* as wages, and if 1 qr of grain in terms of money is £3, 40 qrs therefore=£120—the capitalist sells these 40 qrs for £180 and makes £60, i.e., 50% profit=20 qrs. But this notion is reduced *ad absurdum* if out of 40 qrs—which have been produced in 40 working days and for which he pays 40 qrs—the capitalist sells 60 qrs. He has in his possession only 40 qrs, but he *sells* 60, 20 more than he has to sell.

[VII-326] Thus first of all Mill proves the Ricardian law, that is, the false Ricardian law, which confuses surplus value and profit, by means of the following convenient assumptions:

1) he assumes that the capitalist who produces constant capital does not himself IN HIS TURN need constant capital, and thus he *assumes out of existence* the whole difficulty which is posed by constant capital;

2) he assumes that, although the capitalist does not [need] constant capital, the difference between surplus value and profit caused by constant capital nevertheless continues to exist although no constant capital exists:

3) he assumes that a capitalist who produces 40 qrs of wheat can sell 60, because his total product is sold as constant capital to another CAPITALIST, whose constant capital=60 qrs, and because capitalist No. II makes a profit of 50% on these 60 qrs.

This latter absurdity resolves itself into the notion of PROFIT UPON ALIENATION, which appears here so absurd only because the profit is supposed to stem not from the nominal value expressed in money, but from a part of the product which has been sold. Thus, Mr. Mill, in seeking to justify Ricardo, has abandoned his basic concept and fallen far behind Ricardo, Adam Smith and the Physiocrats.

His first justification of Ricardo's teachings therefore consists in his abandoning them *de prime abord*,[a] namely, abandoning the basic principle that profit is only a part of the value of the commodity, i.e., merely that part of the labour time embodied in the commodity which the capitalist sells in his product although he has *not paid* the worker for it. Mill makes the capitalist pay the worker for the whole of his working day and still derive a profit.

Let us see how he proceeds.

He does away with the need for seed and agricultural implements in the production of corn by means of an invention, that is, he does away with the need for constant capital in the case of the last capitalist in the same way as he abandoned SEED and fixed capital in the case of the producer of the first 60 qrs. Now he ought to have argued as follows:

Capitalist I does not now need to lay out 60 qrs in SEED and fixed capital, for we have stated that his constant capital=0. He therefore has to lay out only 60 qrs for the wages of 60 workers

[a] From the outset.—*Ed.*

who work 60 working days. The product of these 60 working days=120 qrs. The workers receive only 60 qrs. The capitalist therefore makes 60 qrs profit, i.e., 100%. His rate of profit is exactly equal to the rate of surplus value, that is, it is exactly equal to that of the labour time the workers worked not for themselves, but for the capitalist. They worked 60 days. They produced 120 qrs, they received 60 qrs in wages. They thus received the product of 30 working days as wages, although they worked 60 days. The quantity of labour time which 2 qrs cost still= 1 working day. The working day for which the capitalist *pays* still=1 qr, i.e., it is equal to half the working day worked. The product has fallen by $^1/_3$, from 180 qrs to 120, but the profit has nevertheless risen by 50%, namely, from 50 to 100. Why? Of the total of 180 qrs, $^1/_3$ merely replaced outlays for constant capital, it did not therefore constitute either profit or wages. On the other hand, the 60 qrs, or the 30 working days during which the workers produced or worked for the capitalist, were *calculated* not on the 60 qrs spent on wages, that is, the 30 days during which they worked for themselves, but on the 120 qrs, i.e., the 60 working days, which were expended on wages, seed and fixed capital. Thus, although out of the total of 60 days they worked 30 days for themselves and 30 for the capitalist, and although a capital outlay of 60 qrs on wages yielded 120 quarters to the capitalist, his rate of profit was not 100%, but only 50%, because it was calculated *differently*, in the one case on 2×60 and in the other on 60. The surplus value [VII-327] was the same, but the rate of profit was different.

But how does Mill tackle the problem?

He does not assume that the capitalist with an outlay of 60 qrs obtains 120 (30 out of 60 working days), but that he now employs 100 men who produce 180 qrs for him, always on the supposition that the wage for 1 working day=1 qr. The calculation is therefore as follows:

Capital expended (only variable, only on wages)	Total product	Profit
100 qrs (wages for 100 working days)	180 qrs	80 qrs

This means that the capitalist makes a profit of 80%. Profit is here equal to surplus value. Therefore the rate of surplus value is likewise only 80%. Previously it was 100%, i.e., 20% higher. Thus we have the phenomenon that the rate of profit has risen by 30% while the rate of surplus value has fallen by 20%.

If the capitalist had only expended 60 qrs on wages as he did previously, we would have the following calculation:

100 qrs	yield	80 qrs	surplus	value
10 "	"	8 "	"	"
60 "	"	48 "	"	"

But 60 qrs previously yielded 60 qrs (that means it has fallen by 20%). Or to put it another way, previously:

	Total product	Surplus value
60 qrs	120 qrs	60 qrs
10	20	10
100	200	100

Thus the surplus value has fallen by 20%, from 100 to 80 (we must take 100 qrs as the basis of the calculation in both [cases]).

(60:48=100:80; 60:48=10:8; 60:48=5:4; 4×60=240 and 48×5=240.)

Further, let us consider the labour time or the value of a qr. Previously, 2 qrs=1 working day, or 1 qr=$^1/_2$ working day, or $^9/_{18}$ of a man's labour. As against this, 180 qrs are now the product of 100 working days, 1 qr is therefore the product of $^{100}/_{180}$ or $^{10}/_{18}$ of a working day. That is, the product has become dearer by $^1/_{18}$ of a working day, or the labour has become less productive, since previously a man required $^9/_{18}$ of a working day to produce 1 qr, whereas now he requires $^{10}/_{18}$ of a working day. The rate of profit has risen although the surplus value has fallen and, CONSEQUENTLY, the productivity of labour has fallen or the real value, the COST OF PRODUCTION, OF WAGES has risen by $^1/_{18}$ or by 11 $^1/_9$%. 180 qrs were previously the product of 90 working days (1 qr, $^{90}/_{180}$,=$^1/_2$ working day=$^9/_{18}$ of a working day). Now they are the product of 100 working days (1 qr=$^{100}/_{180}$=$^{10}/_{18}$ of a working day). Let us assume that the working day lasts 12 hours, i.e., 60×12 or 720 minutes. [VII-328] One-eighteenth part of a working day=$^{720}/_{18}$, therefore=40 minutes. In the first case, the worker gives the capitalist $^9/_{18}$ or half of these 720 minutes=360 minutes. 60 workers will therefore give him 360×60 minutes. In the 2nd case, the worker gives the capitalist only $^8/_{18}$, that is, 320 minutes out of the 720. But the first capitalist employs 60 men and therefore obtains 360×60 minutes. The second employs 100 men and therefore obtains 100×320=32,000 minutes. The first gets 360×60, 21,600 minutes. Thus the second capitalist makes a larger profit than the first because 100 workers at 320 minutes a day amounts to more than 60 [workers] at 360 minutes. His profit is bigger only because he employs 40 more men, but he obtains relatively less from each worker. He has a higher profit, although the rate of surplus value has declined, that is, the productivity of labour has declined, the production costs of REAL WAGES have therefore risen, in other words, the quantity of labour embodied in them has risen. *But Mr. Mill wanted to prove the exact opposite.*[24] Assuming that capitalist No. I, who has not "discovered" how to produce corn without seed or fixed capital, likewise uses 100 working days (like capitalist No. II), whereas he only uses 90 days in the above calculation. He must therefore use 10 more working days, $3\,^1/_3$ of which are accounted for by his constant capital (seed and fixed capital) and $3\,^1/_3$ by wages. The product of these 10 working days on the basis of the old level of production=20 qrs, $6\,^2/_3$ qrs of which, however, would replace constant capital, while $12\,^4/_3$ would be the product of $6\,^2/_3$ working days. Of this, wages would take $6\,^2/_3$ and surplus value $6\,^2/_3$.

We would thus arrive at the following calculation:

Constant capital qrs	Wages qrs	Total product qrs	Surplus value
$66\,^2/_3$ (=$33\,^1/_3$ working days)	$66\,^2/_3$ (wages for *$66\,^2/_3$ working days*)	200 (100 working days)	$66\,^2/_3$ (=$33\,^1/_3$ working days) Surplus value=100%

He makes a profit of $33\,^1/_3$ working days on the total product of 100 working days. Or $66\,^2/_3$ qrs on 200. Or, if we calculate the capital he lays out in qrs, he makes a profit of $66\,^2/_3$ on $133\,^1/_3$ qrs (the product of $66\,^2/_3$ working days), whereas capitalist II makes a profit of 80 qrs on an outlay of 100. Thus the profit of II is greater than that of I. Since I produces 200 qrs in the same labour time that it takes the other to produce 180; 1 qr of I=$^1/_2$ working day and 1 qr of II=$^{10}/_{18}$ or $^5/_9$ of a working day, that is, it contains $^1/_2$ of the ninth part or $^1/_{18}$ more labour time and would consequently be dearer, and I would drive II out of business. The latter would have to give up his discovery and accommodate himself to using seed and fixed capital in corn production, as before.

The profit of I amounted to 60 qrs on 120, or to 50% (the same as $66\,^2/_3$ qrs on $133\,^1/_3$).

The profit of II amounted to 80 qrs on 100, or to 80%.

The profit of II compared to that of I=80:50=8:5=1:$^5/_8$.

As against this, the surplus value of II compared to that of I=80:100=8:10=1:$^{10}/_8$=1:1$\,^2/_8$=1:1$\,^1/_4$.

The rate of profit[a] of II is 30% higher than that of I.

The surplus value of II is 20% smaller than that of I.

II employs $66\,^2/_3$% more working days, while I appropriates only $^1/_{18}$, or $11\,^1/_9$%, more labour in a single day.

[VII-329] Mr. Mill has therefore proved that capitalist I—who uses a total of 90 working days, $^1/_3$ of which [is embodied] in constant capital (seed, machinery, etc.), and employs 60 workers whom, however, he pays only [the product of] 30 days—produces one quarter of corn in $^1/_2$ a day or in $^9/_{18}$ of a day; so that in 90 working days he produces 180 qrs, 60 qrs of which represent the 30 working days contained in the constant capital, 60 qrs the wages for 60 working days or the product of 30 working days, and 60 qrs the surplus value (or the product of 30 working days). The surplus value of this capitalist I=100%, his profit=50%, for the 60 qrs of surplus value are not calculated on the 60 qrs, the part of the capital laid out in wages, but on 120 qrs, i.e., capital twice as large (=variable capital+constant capital).

He has proved further that capitalist II, who uses 100 working days and lays out nothing in constant capital (by virtue of his discovery), produces 180 qrs, 1 qr therefore=$^{10}/_{18}$ of a day, or $^1/_{18}$ of a day (40 minutes) dearer than that of I. His labour is $^1/_{18}$ less productive. Since the worker receives a daily wage of 1 qr, as he did previously, his wages have risen by $^1/_{18}$ in REAL VALUE, that is, in the labour time required for their production. Although the production cost OF WAGES has now risen by $^1/_{18}$ and his total product is smaller in relation to labour time, and the surplus value produced by him amounts only to 80%, whereas that of I was 100%, his rate of profit is 80%, while that of the first was 50. Why? Because, although the COST OF WAGES has risen for II, he employs more workers, and because the rate of surplus value=the rate of profit in the case of II, since his surplus value is calculated only on the capital laid out in wages, the constant capital amounting to zero. But Mill wanted on the contrary to prove that the rise in the rate of profit was due to a *reduction in the production cost of wages* according to the Ricardian law. We have seen that this rise took place *despite the increase in the production cost of wages*, that, consequently, the Ricardian law is false if profit and surplus value are *directly* identified with one another, and the rate of profit is understood as the ratio of surplus value or gross profit (which=the surplus value) to the total value of the capital advanced.

[a] In the manuscript "profit" is changed in Marx's hand to "rate of profit".—*Ed.*

Mr. Mill continues:

"A RETURN of 180 qrs could not before be obtained but by an outlay of 120 qrs; it can now be obtained by an outlay of not more than 100."[a]

Mr. Mill forgets that in the first case, the outlay of 120 qrs=an outlay of 60 working days. And that in the 2nd case, the outlay of 100 qrs=an outlay of $55\,^5/_9$ working days (that is, 1 qr=$^9/_{18}$ of a working day in the first case and $^{10}/_{18}$ in the 2nd).

"The produce (180 qrs) is still the result of the [same] quantity of labour as before, the labour of 100 MEN."[a]

Pardon me! The 180 qrs were previously the result of 90 working days. Now they are the result of 100.

"A quarter of corn, therefore, is still the produce of $^{10}/_{18}$ of a man's labour."[a]

(Pardon me! It was previously the produce of $^9/_{18}$ of a man's labour.)

"For *a quarter of corn*, which is the *REMUNERATION* of a single labourer, *is indeed the produce of the same labour* as before."[a]

(Pardon me! Firstly, now 1 qr of corn is "indeed the produce" of $^{10}/_{18}$ of a working day, whereas previously it was the produce of $^9/_{18}$; it therefore costs $^1/_{18}$ of a day more labour; and secondly, whether the qr costs $^9/_{18}$ or $^{10}/_{18}$ of his working day, the *REMUNERATION* of an individual worker should never be confused with the *product of his labour*; since it is always only a part of that product.)

"It is now the produce of $^{10}/_{18}$ of a man's labour, and *nothing else*" (this is correct); "whereas formerly it required for its production the CONJUNCTION of that quantity of labour+AN EXPENDITURE, in the form of REIMBURSEMENT OF PROFIT, AMOUNTING TO $^1/_5$ more."[a]

Stop! First of all [VII-330] it is wrong, as has been emphasised repeatedly, to say that 1 qr previously cost $^{10}/_{18}$ of a working day. It only cost $^9/_{18}$. It would be even more wrong (if a gradation in absolute falsehood were possible) if there were added to these $^9/_{18}$ of a working day "the conjunction of REIMBURSEMENT OF PROFIT, AMOUNTING TO $^1/_5$ MORE". In 90 working days (taking constant and variable capital together) 180 qrs are produced. 180 qrs=90 working days. 1 qr=$^{90}/_{180}$=$^1/_2$ working day=$^9/_{18}$. Consequently, no "conjunction" whatsoever is added to these $^9/_{18}$ of a working day, or to $^1/_2$ working day which 1 qr cost in CASE No. I. We here discover the real DELUSION which is the centre around which the whole of this nonsense revolves. Mill first of all made A

[a] See this volume, pp. 40-41.—*Ed.*

FOOL OF HIMSELF BY SUPPOSING THAT, IF 120 qrs are THE PRODUCE OF 60 DAYS OF LABOUR, THE PRODUCE OF WHICH WAS DIVIDED TO EQUAL PARTS BETWEEN THE 60 LABOURERS AND THE CAPITALISTS, THE 60 qrs WHICH REPRESENT THE CONSTANT CAPITAL COULD BE THE PRODUCE OF 40 DAYS OF LABOUR. THEY COULD ONLY BE THE PRODUCE OF 30 DAYS, IN WHATEVER PROPORTION THE CAPITALIST AND THE LABOURERS PRODUCING THOSE 60 qrs MIGHT HAPPEN TO SHARE IN THEM.

Mais, passons outre.[a] In order to make the DELUSION quite clear, let us assume that not $^1/_3$, i.e., 20 qrs of the 60 qrs of constant capital, would be resolved into profit, but THE WHOLE AMOUNT OF THE 60 qrs. We can make this assumption all the more readily since it is not in our interest, but in Mill's, and simplifies the problem. Moreover it is easier to believe that the CAPITALIST who produces 60 qrs of constant capital, *discovers* that 30 workers, who produce 60 qrs or an equivalent value in 30 days, can be made to work for *nothing*, without being paid any wages at all (as happens in the case of *corvée*), than to believe in the ability of Mill's capitalist to produce 180 qrs of corn without seed or fixed capital, simply by means of a "discovery". Let us therefore assume that the 60 qrs contain only the profit of capitalist II, the producer of constant capital for capitalist I, since capitalist II has the product of 30 working days to sell without having paid a single FARTHING to the 30 workers, each of whom worked one day. Would it then be correct to say that these 60 qrs, which can be entirely resolved into profit, enter into the *production costs of wages* on the part of capitalist I, in "CONJUNCTION" with the labour time worked by these workers?

Of course, the capitalist and the workers in case I could not produce 120 qrs or even one single quarter without the 60 qrs which form their constant capital and can be resolved into profit alone. These are conditions of production necessary for them, and conditions of production, moreover, which have to be paid for. Thus the 60 qrs were necessary to produce 180. 60 of these 180 qrs replace the 60. Their 120 qrs—the product of their 60 working days—are not affected by this. If they had been able to produce the 120 qrs without the 60, then *their* product, the product of the 60 working days, would have been the same, but the total product would have been smaller, precisely because the 60 pre-existing working days would not have been reproduced. The capitalist's rate of profit would have been greater because his production costs would not have included the expenditure on, or the cost of, the conditions of production enabling him to make a

[a] But let us proceed.—*Ed.*

surplus value of 60 qrs. The absolute amount of profit would have been the same=60 qrs. These 60 qrs, however, would have required an outlay of only 60 qrs. Now they require an outlay of 120. This outlay on constant capital therefore enters into the production costs of the capitalist, but not into the production costs of wages.

Let us assume that capitalist III, also without paying his workers, can produce 60 qrs in 15 working days by means of some "discovery", partly because he uses better machines, and so on. This capitalist III would drive capitalist II out of the market and secure the custom of capitalist I. The capitalist's outlay would now have fallen [VII-331] from 60 to 45 working days. The workers would still require 60 working days to transform the 60 qrs into 180. And they would need 30 working days in order to produce their wages. For them 1 qr=$^1/_2$ working day. But the 180 qrs would only cost the capitalist an outlay of 45 working days instead of 60. Since however it would be absurd to suggest that corn under the name of seed costs less labour time than it does under the name of corn pure and simple, we would have to assume that in the case of the first 60 qrs, seed corn costs just as much as it did previously, but that less seed is necessary, or that the fixed capital which forms part of the value of the 60 qrs has become cheaper.

Let us write down first of all the results so far obtained from the analysis of Mill's "illustration".

First, it has emerged that:

Supposing that the 120 qrs were produced without any constant capital and were the product of 60 working days as they were previously, whereas formerly, the 180 qrs, 60 qrs of which were constant capital, were the product of 90 working days. In this case, the capital of 60 qrs laid out in wages=30 working days but commanding 60 working days, would produce the same product as formerly, namely, 120 qrs. The value of the product would likewise remain unchanged, that is, 1 qr would=$^1/_2$ working day. Previously the product was=to 180 qrs instead of 120 as at present; but the 60 additional qrs represented only the labour time embodied in the constant capital. The production cost of WAGES has thus remained unchanged, and the WAGES themselves—in terms of both use value and exchange value—have also remained unchanged—1 qr being equal to $^1/_2$ working day. Surplus value would similarly remain unchanged, namely, 60 qrs for 60 qrs, or $^1/_2$ working day for $^1/_2$ working day. The rate of surplus value in both cases=100%. Nevertheless the rate of profit was only 50% in the first case, while it is now 100%. Simply because 60:60=100%, while 60:120=50%. The increase in the rate of profit, in this case, is not [due] to any change in the production cost of WAGES, but merely to the fact that constant capital has been assumed to be zero. The position is approximately similar when the value of constant capital diminishes, and with it the total value of the capital advanced; that is, the proportion of surplus value to capital increases, and this proportion *is* the rate of profit.

As rate of profit surplus value is not only calculated on that part of capital which really increases and creates surplus value, namely, the part laid out in wages, but also on the value of the raw materials and machinery whose value only reappears in the product. It is calculated moreover on the value of the whole of the machinery, not only on the part which really enters into the valorisation process, i.e., the part whose wear and tear has to be replaced, but also on that part which enters only into the labour process.

Secondly, in the second example it was assumed that capital I yields 180 qrs,=90 working days, so that 60 qrs (30 working days)=constant capital; 60 qrs=variable capital (representing 60 working days, for 30 of which the workers are paid); thus wages=60 qrs (30 working days) and surplus value=60 qrs (30 working days); on the other hand, capital II also yields 180 qrs, but these equal 100 working days, so that 100 qrs of the 180= =wages, and 80 surplus value. In this case, the whole of the capital advanced is laid out in wages. Here constant capital=0; the real value of wages has risen although the use value the workers receive has remained the same—1 qr; but 1 qr is now=to $^{10}/_{18}$ of a working day whereas previously it was only=to $^{9}/_{18}$. The surplus value has declined from 100% to 80%, that is, by $^{1}/_{5}$=20%. The rate of profit has increased from 50% to 80%, that is, by $^{3}/_{5}$=60%. In this case, therefore, the real production cost of WAGES has not simply remained unchanged, but has risen. Labour has become less productive and consequently the surplus labour has diminished. And yet the rate of profit has risen. Why? *Firstly*, because in this case there is no constant capital and the rate of profit consequently=the rate of surplus value. In all cases where capital is not exclusively laid out on wages—an almost impossible contingency in capitalist production—the rate of profit must be smaller than the rate of surplus value and it must be smaller in the same proportion as the total value of the capital advanced is greater than the value of the part of the capital laid out in wages. *Secondly*, [the rate of profit has risen because] II employs a considerably greater number of workers than I, thus more than counterbalancing the difference in the productivity of the labour they respectively employ.

Thirdly, from one point of view, the cases outlined under the headings *Firstly* and *Secondly* are a conclusive proof that variations in the rate of profit can take place quite independently of the production cost of WAGES. For under the heading *Firstly* it was demonstrated that the rate of profit can rise although the production costs of labour remain the same. Under *Secondly* it was demonstrated that the rate of profit for capital II compared with that for capital I rises although the productivity of labour declines, in other words, although the production costs of WAGES rise. This case therefore proves [VIII-332] that if, on the other hand, we compare capital I with capital II, the rate of profit falls although the surplus value rises, the productivity of labour increases and consequently the production costs of WAGES fall. They amount to only $^{9}/_{18}$ of a working day for I, whereas for II they amount to $^{10}/_{18}$ of a working day; but despite this, the rate of profit is 60% higher in II than in I. *In all these cases, not only are variations in the rates of profit not determined by variations in the production costs of* WAGES, *but they take place in the same proportions.* Here it must be noted that it does not follow from this that the movement of one is the *cause* of movement of the other (for example, that the rate of profit does not fall because the production costs of WAGES fall, or that it does not rise because the production costs of WAGES rise), but only that different circumstances paralyse the opposite movements. Nevertheless, the Ricardian law that variations in the rate of profit take place in the opposite direction to variations in wages, that one rises because the other falls, and vice versa, is false. This law applies only to the *rate of surplus value.* At the same time, there exists however a necessary connection (although not always) in the fact that the rate of profit and the value of wages rise and fall not in the opposite but in the same direction. More manual labour is employed where the labour is less productive. More constant capital is applied where the labour is more productive. Thus in this context the same circumstances which bring about an increase or a decline in the surplus value, must as a consequence bring about a decline in the rate of profit, and so on, in the opposite direction.[25]

But we shall now outline the case as Mill himself conceived it, although he did not formulate it correctly. This will at the same time clarify the real meaning of his TALK about the profits advanced by the capitalist.

Despite any kind of "discovery" and any possible "CONJUNCTION",[a] the example cannot be left in the form in which Mill puts it forward, because it contains absolute contradictions and absurdities and the various presuppositions he makes cancel one another out.

Of the 180 qrs, 60 qrs (SEED and fixed capital) are supposed to consist of 20 qrs for profit and 40 qrs for 40 working days, so that if the 20 qrs profit are omitted, the 40 working days still remain. According to this presupposition, the workers therefore receive the whole product for their labour, and consequently it is absolutely impossible to see where the 20 qrs profit and their value come from. If it is assumed that they are merely nominal *surcharge de prix*,[b] if they do not constitute labour time appropriated by the capitalist, their omission would be just as profitable as if 20 qrs wages for workers who had not done any work were included in the 60 qrs. Furthermore, the 60 qrs here simply express the value of the constant capital. They are however supposed to be the product of 40 working days. On the other hand, it is assumed that the remaining 120 qrs are the product of 60 working days. But here working days must be understood as equal average labour. The assumption is therefore absurd.

Thus one must assume, firstly, that in the 180 qrs only 90 working days are embodied and in the 60 qrs=the value of the constant capital, only 30 working days. The assumption that the profit=20 qrs or 10 working days can be omitted, is once again absurd. For it must then be assumed that the 30 workers employed in the production of constant capital, although not working for a capitalist, are nevertheless so obliging that they are content to pay themselves wages, $^1/_2$ their labour time, and not to reckon the other half in their commodity. In a word, that they sell their working day 50% below its value. Hence this assumption too is absurd.

But let us assume that capitalist I, instead of buying his constant capital from capitalist II and then working it up, combines both the production and the working up of constant capital in his own undertaking. He thus supplies seed, agricultural implements, etc., to himself. Let us likewise ignore the discovery which makes seed and fixed capital unnecessary. Supposing that he expends 20 qrs (=10 working days) on constant capital (for the production of his constant capital) and 10 qrs on wages for 10 working days, of

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[a] See this volume, p. 41.—*Ed.*

[b] Additions to the price.—*Ed.*

which the workers work 5 days for nothing, the calculation would then be as follows:

[VIII-333]

Constant capital	Variable capital for 80 workers	Surplus value	Total product
20 qrs (10 working days)	60+20=80 qrs (wages for 80 working days) (=40 working days)	60+20=80 qrs (=40 working days)	180 qrs (=90 working days)

The actual production costs of wages have remained the same, and consequently the productivity of labour too. The total product has remained the same, = 180 qrs, and the value of the 180 qrs has also remained unchanged. The rate of surplus value has remained the same—80 qrs on 80 qrs. The total AMOUNT or quantity of surplus value has risen from 60 to 80 qrs, that is, by 20 qrs. The capital advanced has fallen from 120 to 100 qrs. Previously, 60 qrs were made on 120 qrs, or a rate of profit of 50%. Now 80 qrs are made on 100 qrs, or a rate of profit of 80%. The total value of the capital advanced has fallen from 120 qrs by 20 qrs and the rate of profit has risen from 50 to 80%. The profit itself, irrespective of its rate, now amounts to 80 qrs, whereas previously it was 60, that is, it has risen by 20 qrs, or as much as the amount (not the rate) of the surplus value.

Thus there has been no change here, no variation in the production costs of REAL WAGES. The rise in the rate of profit is due:

Firstly, to the fact that although the rate of surplus value has not risen, the total AMOUNT has increased from 60 qrs to 80, that is, by $^1/_3$; and it has risen by $^1/_3$, by 33 $^1/_3$%, because the capitalist now directly employs 80 workers and not 60 as previously, that is, he exploits $^1/_3$ or 33 $^1/_3$% more living labour; and obtains the same rate of surplus value from the 80 workers he now employs as previously when he employed only 60 workers.

Secondly. While the absolute magnitude of surplus value (that is, the GROSS PROFIT) has risen by 33 $^1/_3$%, from 60 qrs to 80 qrs, the rate of profit has risen from 50% to 80%, by 30, that is, by $^3/_5$ (since $^1/_5$ of 50=10, and $^3/_5$=30), i.e., by 60%. That is to say, the value of the capital laid out has fallen from 120 to 100, although the value of the part of capital laid out in wages has risen from 60 to 80 qrs (from 30 to 40 working days). This part of the capital has increased by 10 working days (=20 qrs). On the other hand, the constant portion of capital has decreased from 60 to 20 qrs (from 30 working days to 10), that is, by 20 working days. If we subtract the 10 working days by which the part of capital laid out in wages has increased, then the total capital expended decreases by 10 working days (=20 qrs). Previously, it amounted to 120 qrs (=60 working days). Now it amounts to only 100 qrs (=50 working days). It has therefore decreased by $^1/_6$, that is, by $16^2/_3\%$.

Incidentally, this whole VARIATION in the rate of profit is only an illusion, only a TRANSFER from one account book to another. Capitalist I has 80 qrs profit instead of 60 qrs, that is, an additional profit of 20 qrs. This, however, is the exact amount of profit that the producer of constant capital made previously and which he has now lost because capitalist I, instead of buying his constant capital, now produces it himself, that is, instead of [VIII-334] paying that producer the surplus value of 20 qrs (10 working days) which the latter obtained from the 20 workers employed by him, capitalist I now keeps it for himself.

80 qrs profit is made on 180 qrs as previously, the only difference being that previously it was divided between 2 people. The rate of profit appears to be bigger, because previously capitalist I regarded the 60 qrs as constant capital only, which in fact they were for him; he therefore disregarded the profit accruing to the producer of constant capital. The rate of profit has not altered, any more than the surplus value or any condition of production, including the productivity of labour. Previously, the CAPITAL laid out by the producer=40 qrs (20 working days); that laid out by *capital I*=60 qrs (30 working days), making a total of 100 qrs (50 working days), and the profit of the first came to 20 qrs, that of the other to 60, together 80 qrs (40 working days). The whole product=90 working days (180 qrs) yielded 80 profit on 100 laid out in wages and constant capital. For society, the revenue deriving from the profit has remained the same as before; ditto the ratio of surplus value to wages.

The difference arises from the fact that, when the capitalist enters the commodity market as a buyer, he is simply a commodity owner. He has to pay the full value of a commodity, the whole of the labour time embodied in it, irrespective of the proportions in which the fruits of the labour time were divided or are divided between the capitalist and the worker. If, on the other hand, he enters the labour market as a buyer, he buys in actual fact more labour than he pays for. If, therefore, he produces his raw materials and machinery himself instead of buying them, he himself appropriates the surplus labour he would otherwise have had to pay out to the seller of the raw materials and machinery.

It certainly makes a difference to the individual capitalist although not to the rate of profit, whether he himself derives a profit or pays it out to someone else. (In calculating the reduction in the rate of profit as a result of the growth of constant capital, the social average is always taken as the basis, that is, the aggregate amount of constant capital employed by society at a particular moment and the proportion of this amount to the amount of capital laid out directly in wages.) But this point of view is seldom decisive and can seldom be decisive even for the individual capitalist in the case of such combinations as occur, for example, when the capitalist is at the same time engaged in spinning and weaving, making his own bricks, etc. What is decisive here is the real saving in production costs, through saving of time on transport, savings on buildings, on heating, on motive power, etc., greater control over the quality of the raw materials, etc. If he himself decided to manufacture the machines he required, he would then produce them on a small scale like a small producer who works to supply his own needs or the individual needs of a few customers, and the machines would cost him more than they would if he bought them from a machine manufacturer who produced them for the market. Or if he wished at the same time to spin and to weave and to make machines not only for himself, but also for the market, he would require a greater amount of capital, which he could probably invest to greater advantage (division of labour) in his own enterprise. This point of view can only apply when he provides for himself a market sufficient to enable him to produce his constant capital himself on an advantageous scale. His own demand must be large enough to achieve this. In this case, even if his work is less productive than that of the proper producers of constant capital, he appropriates a share of the surplus labour for which he would otherwise have to pay another capitalist.

It can be seen that this has nothing to do with the rate of profit. If—as in the example cited by Mill—90 working days and 80 workers were involved previously, then nothing is saved from the production costs by the fact that the surplus labour of 40 days (=80 qrs) contained in the product is now pocketed by one capitalist instead of by 2, as was the case previously. The 20 qrs profit (10 working days) simply disappears from one account book in order to appear again in another.

This saving on previous profit, if it does not coincide with a saving in labour time and thus with a saving in wages, is therefore a pure DELUSION.[a] [26]

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[a] See this volume, pp. 114, 282-88.—*Ed.*

[VIII-335] *Thirdly*, there remains, however, the case in which the value of constant capital decreases as a result of the increased productivity of labour, and it remains for us to investigate whether or not, and to what extent, this case is related to the REAL production cost OF WAGES OR [to the] VALUE OF LABOUR. The question is, therefore, to what extent a real change in the value of constant capital causes at the same time a variation in the ratio of profit to wages. The value of constant capital, its production costs, can remain constant, yet more or less of it can be embodied in the product. Even if its value is assumed to be constant, the constant capital will increase in the measure that the productivity of labour and production on a large scale develop. Variations in the *relative amount of constant capital employed while the production costs of the constant capital remain stable*—variations which all affect the rate of profit—are excluded *de prime abord*[a] from this investigation.

Furthermore, all branches of production whose products do not enter directly or indirectly into the consumption of the worker are likewise excluded. But variations in the real rate of profit (that is, the ratio of the surplus value really produced in these branches of industry to the capital expended) in these branches of industry affect the general rate of profit, which arises as a result of the levelling of profits, just as much as variations in the rate of profit in branches of industry whose products enter directly or indirectly into the consumption of the workers.

The question moreover must be reduced to the following: How can a change in the value of constant capital retrospectively affect the surplus value? For once surplus value is assumed as given, the ratio of surplus to necessary labour is given, and therefore also the value of wages, i.e., their production costs. In these circumstances, no change in the value of constant capital can have any effect on the value of wages, any more than on the ratio of surplus labour to necessary labour, although it must always affect the rate of profit, the production costs of the surplus value for the capitalist, and in certain circumstances, namely, when the product enters into the consumption of the worker, it affects the quantity of use values into which wages are resolved, although it does not affect the exchange value of wages.

Let us assume that wages are given, and that, for example, in a cotton factory the wage=10 working hours and SURPLUS VALUE=2 working hours. The price of raw cotton falls by half as a result of a good harvest. The same amount of cotton which previously cost

[a] From the outset.—*Ed.*

the manufacturer £100, now costs him only £50. The same amount of cotton requires just the same amount of spinning and weaving as it did before. With an expenditure of £50 for cotton, the capitalist can now acquire as much surplus labour as he did previously with an expenditure of £100, or, should he continue to spend £100 on cotton, he will now receive, for the same price as before, a quantity of cotton with which he will be able to acquire twice the amount of surplus labour. In both cases, the rate of surplus value, that is, the ratio of surplus value to wages, will be the same, but in the second case the AMOUNT of surplus value will rise, since twice as much labour will be employed at the same rate of surplus labour. The rate of profit will rise in both cases, although there has been no change in the production costs of wages. It will rise because, to obtain the rate of profit, the surplus value is calculated on the *production costs* of the capitalist, that is, on the *total value* of the capital he expends, and these have fallen. He now needs a smaller outlay in order to produce the same amount of surplus value. In the second case, not only the rate but also the AMOUNT of profit will rise, because surplus value itself has risen as a consequence of the increased employment of labour, without this increase resulting in an additional cost for raw material. Here again, increases in the rate and the AMOUNT of profit will take place without any kind of change in the value of labour.

Suppose on the other hand that cotton doubles in value as a result of a bad harvest so that the same amount of cotton [VIII-336] which formerly cost £100 now costs £200. In this case, the rate of profit will fall at all events, but in certain circumstances, the amount or ABSOLUTE MAGNITUDE OF PROFIT may fall as well. If the capitalist employs the same number of workers, who do the same amount of work as they did before, under exactly the same conditions as before, the rate of profit will fall, although the ratio of surplus labour to necessary labour, and therefore the rate and the yield of surplus value, will remain *the same.* The rate of profit falls because the production costs of surplus value have risen, i.e., the capitalist has to spend £100 more on raw material in order to appropriate the same amount of other people's labour time as before. However, if the capitalist is now forced to allocate a part of the money which he formerly spent on wages to buying cotton, e.g., to spend £150 on cotton, of which sum £50 formerly went on wages, then the rate and the AMOUNT of profit fall, the amount decreases because less labour is being employed, even though the rate of surplus value remains the same. The result would be the same if, owing to a bad harvest, there were not enough cotton available to absorb the same amount of living labour as formerly. In both cases, the AMOUNT and the rate of profit would fall, although the VALUE OF LABOUR would remain the same; in other words, the rate of surplus value or the quantity of unpaid labour which the capitalist receives in relation to the labour for which he pays wages, remains unchanged.

Thus, when the *rate of surplus value*, that is, when the *VALUE OF LABOUR*, remains unchanged, a change in the value of constant capital must produce a change in the rate of profit and may be accompanied by a change in the GROSS AMOUNT of profit.

On the other hand, as far as the worker is concerned:

If the value of cotton, and therefore the value of the product into which it enters, falls, he still receives wages=10 hours of labour. But he can now buy the cotton goods which he himself uses more cheaply, and can therefore spend part of the money he previously spent on cotton goods on other things. It is only in this proportion that the means of subsistence available to him increase in quantity, that is, in the proportion in which he saves money on the price of cotton goods. For apart from this, he now receives no more for a greater quantity of cotton goods than he did previously for a smaller quantity. Other goods have risen in the same proportion as cotton goods have fallen. In short, a greater quantity of cotton goods now has no more value than the smaller quantity had previously. *In this case, therefore, the value of wages would remain the same, but it would represent a greater quantity of other commodities* (use values). *Nevertheless, the rate of profit would rise although, given the same circumstances, the rate of surplus value could not rise.*

The opposite is the case when cotton becomes dearer. If the worker is employed for the same amount of time and still receives a wage=10 hours as he did previously, the value of his labour would remain the same, but its use value would fall in so far as the worker himself is a consumer of cotton goods. In this case, the *use value of wages would fall*, its *value*, however, would remain *unchanged*, although the rate of profit would also fall. Thus, whereas surplus value and (real) wages[27] always fall and rise in inverse ratio (with the exception of the case where the worker participates in the [yield of the] absolute lengthening of his working day; but when this happens, the worker uses up his labour capacity all the more quickly), it is possible for the rate of profit to rise or fall in the first case although the VALUE of wages remains the same and their use value increases, in the 2nd case although the VALUE *of wages* remains the same, while their use value falls.

Consequently, a rise in the rate of profit resulting from a fall in the *value* of constant capital, has no direct connection whatever with any kind of variation in the real value of wages (that is, in the labour time contained in the wages).

If we assume, as in the above case, that cotton falls in value by 50%, then nothing could be more incorrect than to say either that the production costs of WAGES have fallen or that, if the worker is paid in cotton goods and receives the same value as he did previously, that is, if he receives a greater *amount* of cotton goods than he did previously (since although 10 hours, for example, still=10s., I can buy more cotton goods for 10s. than I could before, because the value of raw cotton has fallen), the rate of profit would remain the same. The rate of surplus value remains the same, but the [VIII-337] rate of profit rises. The *production costs of the product* fall, because an element of the product—its raw material—now costs less labour time than previously. The production costs of wages remain the same as before, since the worker works the same amount of labour time *for himself* and the same *for the capitalist* as he did before. (The production costs of wages do not depend however on the labour time which the means of production used by the worker cost, but on the time he works in order to reproduce his wages. According to Mr. Mill, the production costs of a worker's wages would be greater if, for example, he worked up copper instead of iron, or flax instead of cotton; and they would be greater if he sowed flax seed rather than cotton seed, or if he worked with an expensive machine rather than with no machine at all, but simply with tools.) The *production costs of profit* would fall because the aggregate amount, the sum total of the capital advanced in order to produce the surplus value would fall. The cost of surplus value is never greater than the cost of the part of capital spent on wages. On the other hand, the cost of profit=the total cost of the capital advanced in order to create this surplus value. It is therefore determined not only by the value of the portion of capital which is spent on wages and which creates the surplus value, but also by the value of the elements of capital necessary to bring into action the one part of capital which is exchanged against living labour. Mr. Mill confuses the production costs of profit with the production costs of surplus value, that is, he confuses profit and surplus value.

This analysis shows the importance of the cheapness or dearness of raw materials for the industry which works them up (not to speak of the relative cheapening of machinery. By *relative* cheapening of machinery, I mean that the absolute value of the amount of machinery employed increases, but that it does not increase in the same proportion as the mass and EFFICIENCY of the machinery), even assuming that the market price=the value of the commodity, i.e., that the market price of the commodity falls in exactly the same ratio as do the raw materials embodied in it.

COLONEL Torrens is therefore correct when he says with regard to England:

"To a country in the condition of England, the importance of a foreign market must be measured, not by the quantity of finished goods which it receives, but by the quantity of the elements of reproduction which it returns" (R. Torrens, *A Letter to Sir Robert Peel etc. on the Condition of England etc.*, 2nd ed., London, 1849, p. 275).

//The way Torrens seeks to prove this, however, is bad. The usual talk about SUPPLY AND DEMAND. According to him it would appear that if, for example, English capital which manufactures COTTON goods grows more rapidly than capital WHICH GROWS COTTON, IN THE UNITED STATES FOR INSTANCE, then the price of cotton rises and then, he says:

"The value of cotton fabrics will decline in relation to the elementary cost of their production" [p. 240].

That is to say, while the price of the raw material is rising due to the growing demand from England, the price of COTTON FABRICS, raised by the rising price of the raw material, will fall; we can indeed observe at the present time (spring 1862), for instance, that cotton twist is scarcely more expensive than raw cotton and woven cotton hardly any dearer than yarn. Torrens, however, assumes that there is an adequate supply of COTTON, though at a rather high price, available for consumption by English industry. The price of COTTON rises above its value. Consequently, if COTTON FABRICS are sold at their value, this is only possible provided the COTTON-GROWER secures more SURPLUS VALUE from the total product than is his due, by actually taking part of the SURPLUS VALUE due to the COTTON MANUFACTURER. The latter cannot replace this portion by raising the price, because DEMAND would fall if prices rose. On the contrary, [the price of] his product may decline even more as a consequence of falling demand than it does as a consequence of the COTTON-GROWER'S SURCHARGE.

The demand for raw materials—raw cotton, for example—is regulated annually not only by the effective demand existing at a given moment, but by the average demand throughout the year, that is, not only by the demand from the mills that are working at the time, but by this demand increased by the number of mills which, experience shows, will start operating during the course of the coming year, that is, by the *relative increase in the number of mills taking place during the year*, or by the SURPLUS demand [VIII-338] corresponding to this relative increase.

Conversely, if the price of cotton, etc., should fall, e.g., as a result of an especially good harvest, then in most cases the price falls below its value, again through the law of demand and supply. The rate of profit—and possibly, as we saw above, the GROSS AMOUNT OF PROFIT—increases, consequently, not only in the proportion in which it would have increased had the price of the cotton which has become cheaper been=to its value; but it increases because the finished article has not become cheaper in the *total* proportion in which the COTTON-GROWER sold his raw cotton below its value, that is, because the manufacturer has pocketed part of the SURPLUS VALUE due to the COTTON-GROWER. This does not diminish the demand for his product, since its price falls in any case due to the decrease in the value of cotton. However, its price does not fall as much as the price of raw cotton falls below its own value.

In addition, demand increases at such times because the workers are fully employed and receive full wages, so that they themselves act as consumers on a significant scale, consumers of their own product. In cases in which the price of the raw material declines, not as a result of a permanent or continuous fall in its average production costs but because of either an especially good or an especially bad year (weather conditions), the workers' wages do not fall, the demand for labour, however, grows. The EFFECT produced by *this* demand is not merely proportionate to its growth. On the contrary, when the product suddenly becomes dearer, on the one hand many workers are dismissed, and on the other hand the manufacturer seeks to recoup his loss by reducing wages below their normal level. Thus the normal demand on the part of the workers declines, intensifying the now general decline in demand, and worsening the effect this has on the market price.//

It was mainly his (Ricardian) conception of the division of the product between worker and capitalist which led Mill to the idea that changes in the value of constant capital alter the value of labour or the production costs of labour; for example, that a fall in the value of the constant capital advanced results in a decline in the value of labour, in its production costs, and therefore also in wages. The value of yarn falls as a result of a decrease in the value of the raw material—raw cotton, for example. *Its* production costs decline; the amount of labour time embodied in it is reduced. If, for example, a pound of cotton twist were the product of one man working a 12-hour day, and if the value of the cotton contained in this twist fell, then the value of a lb. of twist would fall in the precise degree that the value of the cotton used for spinning fell. For example, 1 lb. of No. 40 MULE YARN 2ND QUALITY was 12d. (1s.) on MAY 22nd, 1861. It was 11d. on May 22nd, 1858 ($11^6/_8$d. in actual fact, since its price did not fall to the same extent as that of raw cotton). But in the first case a lb. of FAIR raw cotton cost 8d. ($8^1/_8$d. in actual fact) and 7d. ($7^3/_8$d. in actual fact) in the 2nd. In these cases, the value of the yarn fell in exactly the same degree as the value of raw cotton, its raw material. Consequently, says Mill, the amount of labour remains the same as it was previously; if it was 12 hours, the product is the result of the same 12 hours of labour. But there was 1d. less worth of the pre-existing labour in the second case than in the first. The labour is the same, but the production costs of labour have been reduced (by 1d.).

Now although one lb. of cotton twist as twist, as a use value, remains the product of 12 hours' labour as it was previously, the *value* of the lb. of twist is neither now, nor was it previously, the product of 12 hours' work by the spinner. The value of the raw cotton, which in the first case amounted to $^2/_3$ of 12d.=8d., was not the product of the spinner; in the 2nd case, $^2/_3$ of 11d., that is, 7d., was not his product. In the first case the remaining 4d. is the product of 12 hours' labour and just the same amount—4d.—is the product in the second. In both cases, his labour adds only $^1/_3$ to the value of the twist. Thus, in the first case, only $^1/_3$ lb. of twist out of 1 lb. of twist was the product of the spinner (disregarding machinery) and it was the same in the 2nd case. The worker and the capitalist have only 4d.=$^1/_3$ lb. of twist to divide between them, the same as previously. If the worker buys cotton twist with the 4d., he will receive a greater quantity of it in the second case than in the first, now however a bigger quantity of twist is worth the same as a smaller quantity of twist was previously. But the division of the 4d. between worker and capitalist remains the same. If the time worked by the worker to reproduce or produce his wages=10 hours, his surplus labour=2 hours, as it did previously. He receives $^5/_6$ of 4d. or of $^1/_3$ lb. of cotton twist—as he did previously—and the capitalist receives $^1/_6$. Therefore no [VIII-339] CHANGE has taken place in respect of the division of the product, of the cotton twist. None the less, the rate of profit has risen, because the value of the raw material has fallen and, consequently, the ratio of surplus value to the total capital advanced, or to the production costs of the capitalist, [has increased].

If, for the sake of simplification, we abstract from the machines, etc., then the two CASES stand as follows:

	Price of 1 lb. of twist	Constant capital	Labour added	Wages	Total expenditure of the capitalist	Surplus gain	Rate of profit
1st CASE	12d.	8d.	4d.	$13^1/_3$ farthings	11d. $^4/_3$ farthings	$2^2/_3$ farthings	$5^{15}/_{17}$%
2nd CASE	11d.	7d.	4d.	$13^1/_3$ farthings	10d. $^4/_3$ farthings	$2^2/_3$ farthings	$6^{14}/_{31}$%

Thus the rate of profit here has risen although the *value* of labour has remained the same and the use value of the labour as expressed in cotton twist has risen. The rate of profit has risen without any kind of variation in the labour time which the worker appropriates for himself, *solely* because the value of the cotton, and consequently the total value of the production costs of the capitalist, has fallen. $2^2/_3$ farthings on 11d.$^4/_3$ farthings expenditure is naturally less than $2^2/_3$ farthings on 10d. $^4/_3$ farthings expenditure.

In the light of what has been said above, the fallaciousness of the following passages with which Mill concludes his illustration becomes clear.[a]

"If the cost of production OF WAGES had remained the same as before, profits could not have fallen (*risen?*). Each labourer received one qr of corn; but 1 qr of corn at that time was the result of the same cost of production, as $1^1/_5$ qr NOW. IN ORDER, therefore, that each labourer should receive the same cost of production, each must receive 1 qr of corn$+^1/_5$" (l.c., p. 103).

"Assuming, therefore, that the labourer is paid in the very article he produces, it is EVIDENT that, when any SAVING OF EXPENSE takes place in the production of that article, if the labourer still receives the same COST OF PRODUCTION as before, he must receive an INCREASED QUANTITY, in the very same RATIO in which the PRODUCTIVE POWER of capital has been increased. But, if so, the outlay of the capitalist will bear exactly the same proportion to the RETURN as it did before; and PROFITS will not rise..." (this is wrong). "...The VARIATIONS, therefore, in the RATE OF PROFITS, and those in the COST OF PRODUCTION OF WAGES, go hand in hand, and are inseparable. Mr. Ricardo's principle is strictly true, if by LOW WAGES be meant not merely WAGES which are the produce of a smaller quantity of labour, but WAGES which are produced at less cost, reckoning LABOUR and PREVIOUS PROFITS TOGETHER" (l.c., p. 104).

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[a] See this volume, pp. 40-41.—*Ed.*

Thus according to Mill's illustration, Ricardo's view is strictly true if LOW WAGES (or the production cost of WAGES in general) are taken to mean not only the opposite of what he said they mean, but if they are taken to mean absolute nonsense, namely, that the production costs of WAGES are taken to mean not that portion of the working day which the worker works to replace his wages, but also the production costs of the raw material he works up and the machinery he uses, that is, labour time which he has *not* expended at all—neither for himself nor for the capitalist.

Fourthly. Now comes the real question: How far can a change in the value of constant capital affect the surplus value?

If we say that the value of the average daily wage is equal to 10 hours or, what amounts to the same thing, that from the whole working day of, let us say, 12 hours which the worker labours, 10 hours are required in order to produce and replace his wages, and that only the time he works over and above this is unpaid labour time in which he produces values which the capitalist [VIII-340] receives without having paid for them; this means nothing more than that 10 hours of labour time are embodied in the total quantity of means of subsistence which the worker consumes. These 10 hours of labour are expressed in a certain sum of money with which he buys the means of subsistence.

The value of commodities however is determined by the labour time embodied in them, irrespective of whether this labour time is embodied in the raw material, the machinery used up, or the labour newly added by the worker to the raw material by means of the machinery. Thus, if there were to be a constant (not temporary) change in the value of the raw material or of the machinery which enter into this commodity—a change brought about by a change in the productivity of labour which produces this raw material and this machinery, in short, the constant capital embodied in this commodity—and if, as a result of this change, more or less labour time were required in order to produce this part of the commodity, the commodity itself would consequently be dearer or cheaper (provided both the productivity of the labour which transforms the raw material into the product and the length of the working day remained unchanged). This would lead either to a rise or to a fall in the production costs, i.e., the value, of labour capacity; in other words, if previously out of the 12 hours the worker worked 10 hours for himself, he must now work 11 hours, or, in the opposite case, only 9 hours for himself. In the first case, his labour for the capitalist, i.e., the surplus value, would have declined by half, from 2 hours to 1; in the second case it would have risen by half, from 2 hours to 3. In this latter case, the rate of profit and the GROSS profit of the capitalist would rise, the former because the value of constant capital would have fallen, and both because the rate of surplus value (and its AMOUNT in absolute figures) would have increased.

This is the only way in which a change in the value of constant capital can affect the VALUE OF LABOUR, the production cost of wages, or the division of the working day between capitalist and worker, hence also the surplus value.

However, this simply means that for the capitalist who, for example, spins cotton, the necessary labour time of his own workers is determined not only by the productivity of labour in the spinning industry, but ditto by that in the production of cotton, of machinery, etc., just as it is also determined by the productivity in all branches of industry whose products—although they do not enter as constant capital, that is, either as raw material or as machinery, etc., into his product (a product which, it is assumed, enters into the consumption of the worker), into the yarn—constitute a part of the circulating capital which is expended in wages, that is, by the productivity in the industries producing food, etc. What appears as the product in one industry appears as material of labour or means of labour in another; the constant capital of one industry thus consists of the products of another industry; in the latter it does not constitute constant capital, but is the result of the production process within this branch. To the individual capitalist it makes a great deal of difference whether the increased productivity of labour (and therefore also the fall in the value of labour capacity) takes place within his own branch of industry or amongst those which supply his industry with constant capital. For the capitalist class, for capital as a whole, it is all the same.

Thus this CASE //in which a fall (or a rise) in the value of constant capital is not due to the fact that the industry employing this constant capital produces on a large scale, but to the fact that the production costs of constant capital itself have changed// concurs with the laws elaborated for surplus value.[28]

When in general we speak about profit or rate of profit, then *surplus value* is supposed to be *given*. The influences therefore which determine surplus value *have* all operated. This is the presupposition.

Fifthly. In addition, one could have set forth how the ratio of constant capital to variable capital and *hence* the rate of profit is altered by a particular form of SURPLUS VALUE. Namely, by the lengthening of the working day beyond its normal limits. [VIII-341] This results in the diminution of the relative value of the constant capital or of the proportionate part of value which it constitutes in the total value of the product. But we will leave this till Chapter III[29] where the greater part of what has been dealt with here really belongs.

Mr. Mill, basing himself on his brilliant illustration, advances the general (Ricardian) proposition:

*"The *only* expression of the law of profits ... is, that they depend upon the cost of production of wages"* (l.c., pp. 104-05).

On the contrary, one should say: The rate of profit //and this is what Mr. Mill is talking about// depends *exclusively* on the COST OF PRODUCTION OF WAGES only in one *single* case. And this is when the rate of surplus value and the rate of profit are *identical*. But this can only occur if the whole of the capital advanced is laid out directly in wages, so that no constant capital, be it raw material, machinery, factory buildings, etc., enters into the product, or that the raw material, etc., in so far as it does enter, is not the product of labour and costs nothing—a case which is virtually impossible in capitalist production. *Only* in this case are the variations in the rate of profit identical with the variations in the rate of surplus value, or, what amounts to the same thing, with the variations in the production costs of WAGES.

In general however (and this also includes the exceptional case mentioned above) the rate of profit is equal to the ratio of surplus value to the total value of the capital advanced.

If we call the surplus value S, and the value of the capital advanced C, then profit$=S:C$ or $\frac{S}{C}$. This ratio is determined not only by the size of S //and all the factors which determine the production cost of WAGES enter into the determination of S// but also by the size of C. But C, the total value of the capital advanced, consists of the constant capital, c, and the variable capital, v (laid out in wages). The rate of profit therefore$=S:(v+c)=S:C$. But S itself, the surplus value, is determined not only by its own rate, i.e., by the ratio of surplus labour to necessary labour, in other words, by the division of the working day between capital and labour, that is, its division into paid and unpaid labour time. The quantity of surplus value, i.e., the total amount of surplus value, is likewise determined by the number of working days which capital exploits simultaneously. And, for a particular capital, the amount of labour time employed at a definite rate of unpaid labour depends on the time in which the product remains in the actual *production process* without labour being applied or without the same amount of labour as was required formerly (for example, wine before it has matured, corn once it has been sown, skins and other materials which are subjected to chemical treatment for a certain period, etc.), as well as on the length of time involved in the circulation of the commodity, the length of time required for the metamorphosis of the commodity, that is, the interval between its completion as a product and its reproduction as a commodity. How many days can be worked simultaneously //if the VALUE OF WAGES, and therefore the rate of surplus value, is given// depends in general on the *amount of capital* expended on wages. But on the whole, the factors mentioned above modify the total amount of living labour time which a capital of a given size can employ during a definite *period*—during a year, for example. These circumstances determine the absolute amount of labour time which a given capital can employ. This does not, however, alter the fact that surplus value is determined exclusively by its own rate multiplied by the number of days worked simultaneously. These circumstances only determine the operation of the last factor, the amount of labour time employed.

The rate of surplus value is equal to the ratio of surplus labour in *one* working day, that is, it is equal to the surplus value yielded by a single working day. For example, if the working day=12 hours and the surplus labour=2 hours, then these 2 hours=$^1/_6$ of 12 hours; but we must calculate them on the necessary labour (or on the wages paid for it; they represent *the same* quantity of labour time in objectified form)=$^1/_5$. $^1/_5$ of 10 hours=2 hours ($^1/_5$=20%). In this case the amount of surplus value (yielded in a single day) is determined entirely by the rate. If the capitalist operates on the scale of 100 such [VIII-342] days, then the surplus value (its total amount)=200 working hours. The rate has remained the same—200 hours for 1,000 hours of necessary labour,=$^1/_5$=20%. If the rate of surplus value is given, its amount depends entirely on the number of workers employed, that is, on the total amount of capital expended on wages, variable capital. If the number of workers employed is given, i.e., the *amount* of capital laid out in wages, the variable capital, then the amount of surplus value depends entirely on its rate, i.e., on the ratio of surplus labour to necessary labour, on the production costs of WAGES, on the division of the working day between capitalist and worker. If 100 workers (working 12 hours a day) provide me with 200 working hours, then the total amount of surplus value=200, the rate=$^1/_5$ of a working day, or 2 hours. And the surplus value=2 hours$\times$100. If 50 workers provide me with 200 working hours, then the total amount of the surplus value is 200 hours; the rate=$^2/_5$ of a (paid) working day,=4 hours. And the surplus value=4 hours$\times$50=200. Since the total amount of surplus value=the product of its rate and the number of working days, it can remain the same although the factors change in an inverse ratio.

The rate of surplus value is always expressed in the ratio of surplus value to variable capital. For variable capital is=to the total amount of the paid labour time; surplus value is equal to the total amount of unpaid labour time. Thus the ratio of surplus value to variable capital always expresses the ratio of the unpaid part of the working day to the paid part. For example, in the case mentioned previously, let the wage for 10 hours=1 thaler, where 1 thaler represents a quantity of silver which contains 10 hours of labour. 100 working days are consequently paid for with 100 thaler. Now if the surplus value=20 thaler, the rate is $^{20}/_{100}$=$^1/_5$=20%. Or what amounts to the same thing, the capitalist receives 2 hours for every 10 working hours (=1 thaler); for 100$\times$10 working hours, that is, 1,000 hours, he receives 200 hours=20 thaler.

Thus, although the rate of surplus value is determined exclusively by the ratio of surplus labour time to necessary time, in other words, by the corresponding part of the working day which the worker requires to produce his wages, by the production costs of wages, the amount of surplus value is moreover determined by the number of working days, by the total quantity of labour time which is employed at this definite rate of surplus value, that is, by the total amount of capital expended on wages (if the rate of surplus value is given). But since profit is the ratio, not of the rate of surplus value, but of the total amount of surplus value to the total value of the capital advanced, then clearly its rate is determined not only by the rate, but also by the total amount of surplus value, an amount which depends on the compound ratio of the rate and the number of working days, on the amount of capital expended on wages and the production costs of wages.

If the rate of surplus value is given, then its amount depends exclusively on the amount of capital advanced (laid out in wages). Now the average wage is the same, i.e. it is assumed that workers in all branches of industry receive a wage of 10 hours, for example. (In those branches of industry where wages are higher than the average, this, from our point of view and for the matter under consideration, would amount to the capitalist employing a *greater number* of unskilled workers.) Thus, if it is assumed that the surplus labour is equal, and this means that the entire normal working day is equal (the inequalities cancel one another out in part since 1 hour of skilled labour, for example, = 2 hours of unskilled labour), [VIII-343] then the amount of the surplus value depends entirely on the amount of capital expended. It can therefore be said that the amounts of surplus value are proportional to the amounts of capital laid out (in wages). This does not, however, apply to profit, since profit [expresses] the ratio of surplus value to the total value of the capital expended, and the portion which capitals of equal size lay out in wages, or the ratio of variable capital to the total capital, can be and is very different. The amount of profit—as regards the different capitals—here depends rather on the ratio between the variable capital and the total capital, that is, on $\frac{v}{c+v}$. Thus, if the rate of surplus value is given, and it is always expressed by $\frac{s}{v}$, by the ratio of surplus value to variable capital, then the rate of profit is determined entirely by the ratio of variable capital to the total capital. The rate of profit is thus *determined, firstly, by the rate of surplus value*, that is, by the ratio of unpaid labour to paid labour; and it changes, rises or falls (in so far as this action is not rendered ineffectual by movements of the other determining factors), with changes in the rate of surplus value. This, however, rises or falls in *direct* proportion to the productivity of labour and in *inverse* proportion to the production costs of WAGES or the quantity of necessary labour, i.e. to the VALUE OF LABOUR.

Secondly, however, the rate of profit is determined by the ratio of variable capital to the total capital, by $\frac{v}{c+v}$ The total amount of surplus value, where its rate is given, depends of course only on the size of the variable capital, which, on the assumption made, is determined by, or simply expresses, the number of working days worked simultaneously, that is, the total amount of labour time employed. But the rate of profit depends on the ratio of this absolute magnitude of surplus value, which is determined by the variable capital, to the total capital, that is, on the ratio between variable capital and total capital, on $\frac{v}{c+v}$. Since *S*, surplus value, has been assumed as given in calculating the rate of profit, and therefore v is likewise assumed as given, any VARIATIONS occurring in $\frac{v}{c+v}$ can be due only to VARIATIONS in c, i.e. in constant capital.

For if v is given, the sum $c+v=C$ can only change if c changes and the ratio $\frac{v}{c+v}$ or $\frac{v}{C}$ changes with changes in the sum.

If $v=100$, $c=400$, then $v+c=500$ and $\frac{v}{v+c}=\frac{100}{500}=\frac{1}{5}=20\%$.

Therefore, if the rate of surplus value$={}^5/_{10},={}^1/_2$, [surplus value]$=50$. But since the variable capital is only=to $^1/_5$ the total capital, the profit therefore$={}^1/_2$ of $^1/_5={}^1/_{10}$ and, in fact, $^1/_{10}$ of $500=50=10\%$. The ratio $\frac{v}{v+c}$ changes with every change in c, but naturally not by the same numerical quantity. If we assume that v and c amount originally to 10 each, i.e., that the total capital consists of half variable and half constant capital, then $\frac{v}{v+c}=\frac{10}{10+10}=\frac{10}{20}=\frac{1}{2}$. If the surplus rate$={}^1/_2$ of v, then it$={}^1/_4$ of C. In other words, if the surplus value=50%, then in this case, where the variable capital$=\frac{C}{2}$, the rate of profit=25%. If we now assume that the constant capital is doubled, i.e., it increases from 10 to 20, then $\frac{v}{c+v}=\frac{10}{20+10}=\frac{10}{30}=\frac{1}{3}$. (The surplus rate, $^1/_2$ of 10, would now be $^1/_2$ of $^1/_3$ of C, i.e.$={}^1/_6$ of $30=5$. Thus $^1/_2$ of $10=5$, 5 calculated on 10 is 50%, 5 calculated on 30 is $16^2/_3\%$. On the other hand, 5 calculated on $20={}^1/_4=25\%$.) The constant capital has doubled, i.e. it has increased from 10 to 20. But the sum $c+v$ has only increased by half, namely, from 20 to 30. The constant capital has increased by 100%, the sum $c+v$ only by 50%. The ratio $\frac{v}{c+v}$, originally $^{10}/_{20}$, has fallen only to $^{10}/_{30}$, i.e. from $^1/_2$ to $^1/_3$, i.e. from $^3/_6$ to $^2/_6$. Thus it has fallen by only $^1/_6$, whereas the constant capital has been doubled. How the growth or decline in the constant capital affects the ratio $\frac{v}{c+v}$ depends evidently on the proportion in which c and v originally constitute parts of the whole capital C (consisting of $c+v$).

[VIII-344] The *constant* capital (i.e. its value) can firstly rise (or fall) although the amounts of raw material, machinery, etc., employed, remain the same. In this case therefore, the variations in constant capital are not determined by the conditions of production prevailing in the industrial process into which it enters as constant capital, but are independent of them. Whatever the *causes* bringing about the change in value may be, they always influence the rate of profit. In this case, the same amount of raw material, machinery, etc., has more or less value than it did previously, because more or less labour time was required to produce them. The variations, then, are determined by the conditions of production of the processes from which the component parts of constant capital emerge as products. We have already[a] examined how this affects the rate of profit.

As far as the rate of profit is concerned, whether in a particular industry constant capital, raw material, for example, rises or falls in value because its own production has become dearer, etc., amounts to the same thing as if in some branch of industry (or even in the same branch) more expensive raw material were used for the production of one type of commodity than for that of another type, while the outlay on wages remained unchanged.

When there is equal expenditure on wage labour, but the raw material worked up by one kind of capital (corn, for example) is dearer than the raw material worked up by another (oats, for example) (or, for that matter, silver and copper, etc., or wool and cotton, etc.), the rate of profit for the two capitals must be in inverse proportion to the dearness of the raw material. Thus, if on the average the same profit is made in both branches of industry, then this is only possible through a communal division of the surplus value among the capitalists, not in accordance with the ratio of surplus value which each capitalist produces in his own particular sphere of production but in relation to the size of the capital they employ. This can happen in two ways. A, who works up the cheaper material, sells his commodity at its real value; he thereby also pockets the surplus value he himself has produced. The price of his commodity is equal to its value. B, who works up dearer material, sells his commodity above its value and charges as much in his price as if he had been working up a cheaper material. If A and B exchange their commodities, then it is the same for A as if he had included a smaller amount of surplus value in the price of his commodity than it actually contains. Or as if both A and B had from the very beginning charged a rate of profit commensurate with the size of the capital invested, i.e., had divided the total surplus value between them on the basis of the amount of the capital they had invested. And this is what the term general rate of profit denotes.[30]

Naturally this equalisation does not take place when the constant capital in a particular capital such as raw materials, for example,

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[a] See this volume, pp. 60-67.—*Ed.*

falls or rises temporarily under the influence of the seasons, etc. Although the extraordinary profits made by the COTTON-SPINNERS, for example, in years of especially good cotton crops, undoubtedly lead to an influx of a mass of new capital into this branch of industry and give rise to the building of a large number of new factories and of textile machinery. If a bad year for cotton ensues, then the loss will be all the greater.

Secondly, the production costs of machinery, raw materials, in short of constant capital, remain the same, but larger amounts of them may be required; their value therefore grows in proportion to the growing amount used as a result of the changed conditions of production in the processes into which those elements enter as means of production. In this case, as in the previous example, the increase in the value of constant capital results of course in a fall in the rate of profit. On the other hand, however, these variations in the conditions of production themselves indicate that labour has become more productive and thus that the rate of surplus value has risen. For more raw material is now being consumed by the same amount of living labour only because it can now work up the same amount in less time, and more machinery is now being used only because the cost of machinery is smaller than the cost of the labour it replaces. Thus here the fall in the rate of profit is more or less made up by increase in the rate of surplus value and therefore also the total amount of surplus value.

Finally, the two factors responsible for the change in value can operate together in very different combinations. For example, [VIII-345] the average value of raw cotton has fallen, but simultaneously the value of the amount of cotton which can be worked up in a certain time, has increased even more. The value of cotton has risen, and so has the value of the total amount of it which can be worked up in a given time. More massive machinery has become dearer in absolute terms, but has become cheaper in relation to its EFFICIENCY, etc.

It has been assumed hitherto that the variable capital remains unchanged. Variable capital, however, can also decline not only relatively but absolutely, as for example in agriculture; i.e. it can decline not only relative to the size of the constant capital. Alternatively, variable capital can increase absolutely. In this case, however, it is the same as if it remained unchanged, in so far as the constant capital grows in a greater or in the same ratio for the reasons mentioned above.

If the constant capital remains unchanged, then any rise or fall of it in relation to the variable capital is accounted for only by a relative rise or fall of the constant capital due to an absolute fall or rise of the amount of variable capital.

If the variable capital remains unchanged, then every rise or fall in the constant capital can be explained only by its own absolute rise or fall.

If variations take place in both [variable and constant capital] simultaneously, then after deducting the variations which are identical in both, the result is the same as if one had remained unchanged while the other had risen or fallen.

Once the *rate of profit* is given, the amount of profit depends on the size of the capital employed. A large capital with a low rate of profit yields a larger profit than a small capital with a high rate of profit.

So much for this digression.

Apart from this, only the 2 following passages from John Stuart Mill require comment:

> "*CAPITAL*, STRICTLY SPEAKING, HAS *NO PRODUCTIVE POWER*. The only productive power is that of labour; assisted, no doubt, by TOOLS, and ACTING UPON MATERIALS" (l.c., p. 90).

STRICTLY SPEAKING, he here confuses capital with the material elements of which it is constituted. However, the passage is valuable for those who do the same thing and who nevertheless assert that capital has productive power. Of course, here too the matter is only stated correctly in so far as THE PRODUCTION OF VALUE is considered. After all, nature also produces in so far as it is only a question of use value.

> "*PRODUCTIVE POWER OF CAPITAL* can only mean the quantity of real productive power which the capitalist, by means of his capital, can command" (l.c., p. 91).

Here capital is conceived correctly as a production relation.

// *Malthus* (in his *Essai sur la population*, 5TH ed., trad. de P. Prévost, Genève, 1836, 3me éd., t. IV, pp. 104-05) makes the following remark, laced with his usual "profound philosophy", against any plan to provide the cottagers[31] of England with cows:

> "It has been observed that those *cottagers*, who keep cows, are more industrious and more regular in their conduct, than those who do not.... Most of those who keep cows at present have purchased them with the fruits of their own industry. It is therefore more just to say that their industry has given them a cow, than that a cow has given them their industry."[a]

And it is therefore correct that diligence in labour (together with the exploitation of other people's labour) has given cows to the parvenus amongst the bourgeoisie, while the cows give their

[a] Marx quotes Malthus in French.—*Ed.*

sons the *goût de l'oisiveté*.[a] If one took away from their cows not the ability to give milk, but to command other people's unpaid labour, it would be a very good thing for their *goût du travail*.[b]

The selfsame "profound philosopher" remarks (l.c., p. 112):

"*But it is evident that all cannot be in the middle.* Superior and inferior parts are in the nature of things absolutely necessary; and" (naturally there can be no mean without extremes) "strikingly beneficial. If no man could hope to rise, or fear to fall in society; if industry did not bring with it its reward, and indolence its punishment; we could not expect to see that animated activity in bettering our condition, which now forms the masterspring [VIII-346] of public prosperity."[c]

Thus there must be lower classes in order that the upper ones may fear to fall and there must be upper classes in order that the lower ones may hope to rise. In order that INDOLENCE may carry its own punishment, the worker must be poor and the rentier and the landlord, so beloved of Malthus, must be rich. But what does Malthus mean by the reward of industry? As we shall see later,[32] he means that the worker must perform part of his labour without an equivalent return. A wonderful stimulus, provided the "reward" and not hunger were the stimulus. What it all boils down to is that a worker may hope to exploit other workers some day.

Rousseau says: "The more monopoly spreads, the heavier do the chains become for the exploited."[c 33]

Malthus, "the profound thinker", has different views. His supreme hope, which he himself describes as *plus ou moins*[d] utopian, is that the mass of the *classe moyenne*[e] should grow and that the proletariat (those who work) should constitute a constantly declining proportion (even though it increases absolutely) of the total population. This in fact is the *course* taken by bourgeois society.

"We might even venture," says Malthus, "to indulge a hope that at some future period the processes for abridging human labour, the progress of which has of late years been so rapid, might ultimately supply all the wants of the most wealthy society with less personal effort than at present; and *if they did not diminish the severity of individual exertion*" (he must go on risking just as much as before, and relatively more and more for others and less and less for himself), "might, at least, diminish the *number of those* employed in severe toil" (l.c., p. 113).//[c]

Petty. Surplus Value. In one passage of Petty's there can be seen an anticipation of the nature of *surplus value*, although he treats it

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[a] Taste for idleness.—*Ed.*

[b] Taste for labour.—*Ed.*

[c] Marx quotes in French.—*Ed.*

[d] More or less.—*Ed.*

[e] Middle class.—*Ed.*

only in the form of rent. Especially when it is put alongside the following passage, in which he determines the relative value of silver and corn by the relative quantities of each that can be produced in the same labour time.

*"If a man [can] bring to London an ounce of silver out of the earth in Peru, in the same time that he can produce a bushel of corn, then one is the natural price of the other; now, if, by reason of new and more easier mines, a man can get two ounces of silver as easily as formerly he did one, then corn will be as cheap at 10s, the bushel as it was before at 5s., *caeteris paribus*.[a]"

"Let a hundred men work 10 years upon corn, and the same number of men the same time upon silver; I say that the neat proceed of the silver is the price of the whole neat proceed of the corn, and like parts of the one the price of like parts of the other."

"Corn will be twice as dear when there are 200 husbandmen to do the same work which an hundred could perform" * (*On Taxes and Contributions*, 1667) (in the edit. of 1679, pp. 31, 24, 67).[34]

The passages to which I alluded above are the following:

*"As trades and curious arts increase; so the trade of husbandry will decrease, or else the wages of husbandmen must rise, and *consequently* the rents of land must fall"* (p. 193). *"If trade and manufacture have increased in England ... if a greater part of the people, apply themselves to those faculties, than there did heretofore, and if the price of corn be no greater now, than when husbandmen were more numerous, and the tradesmen fewer; it follows from that single reason ... that the rents of land must fall:* As for example, suppose the price of wheat be 5s. OR 60d. the BUSHEL; now if the rent of the land whereon it grows be the third SHEAF"; (i.e., PART, SHARE) "then of the 60d. 20d. is for the land, and 40d. for the HUSBANDMAN; but if the HUSBANDMAN'S wages should rise $^1/_8$, or from 8d. to 9d. per day, then the HUSBANDMAN'S SHARE IN THE BUSHEL OF WHEAT rises FROM 40d. TO 45 d. AND CONSEQUENTLY THE RENT OF THE LAND MUST FALL FROM 20d. TO 15d. ... FOR WE SUPPOSE *THE PRICE OF THE WHEAT STILL REMAINS THE SAME*: ESPECIALLY *SINCE WE CANNOT RAISE IT*, FOR IF WE DID ATTEMPT IT, CORN WOULD [VIII-347] BE BROUGHT IN TO US (AS INTO HOLLAND) FROM FOREIGN PARTS, WHERE THE STATE OF HUSBANDRY WAS NOT CHANGED" (*Political Arithmetick etc.*, edit. London, 1699, pp. 193, 194.)

We come back to productive and unproductive labour. *Garnier.* See Notebook VII, p. 319.[b]

Garnier. (G.) He brings forward various arguments against Adam Smith (which are in part repeated by later authors).[c]

First.

"This distinction is false, inasmuch as it is based on a difference which does not exist. *All labour is productive* in the sense in which the author uses this word *productive.* The labour of the one as of the other of these two classes is equally productive of some enjoyment, commodity or utility for the person who pays for it, otherwise this labour would not find wages." [d]

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[a] Other things being equal.—*Ed.*

[b] See this volume, p. 35.—*Ed.*

[c] Ibid., p. 35, 166-67.—*Ed.*

[d] Here and below Marx quotes Garnier in French.—*Ed.*

//It is therefore productive because it produces some use value and is sold, has an exchange value, and is thus itself a commodity.//

In developing this point, however, Garnier cites examples by way of illustration, in which the "unproductive labourers" do *the same thing*, produce the same use value or the same kind of use value as the "productive". For example:

"The servant who is in my service, who lights my fire, who dresses my hair, who cleans and keeps in order my clothes and my furniture, who prepares my food, etc., performs *services absolutely of the same kind* as the laundress or the seamstress who cleans and keeps in order her customers' linen; ... as the eating-house keeper, cook-shop proprietor or publican who carries on his trade of preparing food for persons whom it suits better to come and dine with him; as the barber, the hairdresser, etc."

(for Adam Smith, however, most of these fellows are as little reckoned among productive workers as the servants)

"who perform immediate services; finally as the mason, the tiler, the joiner, the glazier, the stove-setter, etc., etc., and the multitude of building labourers who come when they are called to carry out restorations and repairs, and whose annual income depends as much on simple repair and maintenance work as on new construction."

(Adam Smith nowhere says that the labour which fixes itself in a more or less permanent object cannot be equally well repairs as the making of new things.)[a]

"This kind of labour consists less in producing than in maintaining; its aim is less to add to the value of the subjects to which it is applied than to prevent their decay. All these labourers, including the servants, *save the person who pays them the labour of maintaining his own things*."[b]

(They can therefore be regarded as machines for maintaining value, or rather use values. *Destutt de Tracy* also asserts this view of the "saving" of labour. See further on. The unproductive labour of one does not become productive by saving the other *unproductive labour*. One of the two performs it. A part of Adam Smith's unproductive labour—but only the part which is absolutely necessary in order to consume things, which so to speak belongs to the *costs of consumption* (and then, too, only when it saves this time for a productive worker)—becomes necessary as a result of the division of labour. But Adam Smith does not deny this "division of labour". If everyone had to perform productive and unproductive labour, and through the dividing up of these kinds of labour between 2 persons both were better performed, according to Adam Smith this would in no way alter the circumstance that one of these labours is productive and the other unproductive.)

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[a] Cf. this volume, pp. 17, 19-21.—*Ed.*

[b] Ibid., pp. 164, 193.—*Ed.*

"It is for that and for that alone that they most often labour"

(for one person to save the labour of looking after himself, 10 have to look after him—a curious way of "saving" labour; besides "unproductive labour" of this kind is most often made use of by those who do nothing);

"thus, either they are all *productive*, or none of them is productive" (l.c., pp. 171-72).

[VIII-348] *Secondly.* A Frenchman cannot forget the *ponts et chaussées.*[a] Why, he says, call productive

"the labour of an inspector or director of a private enterprise in trade or manufacture, and *non-productive*, the labour of the government official who, watching over the upkeep of public highways, of navigable canals and ports, of monies and other important instruments destined to enliven commercial activity, watching over the security of transport and communications, the carrying out of conventions, etc., can with justice be regarded as the *inspector of the great social manufacture*? It is labour of absolutely the same nature, though on a vaster scale" (pp. 172-73).

In so far as such a lad takes part in the production (or conservation and reproduction) of material things which *could be sold* were they not in the hands of the State, Smith might call his labour "productive". "Inspectors of the great social manufacture" are purely French creations.

Thirdly. Here Garnier falls into "moralising".

Why should the "manufacturer of perfumery, who flatters my sense of smell", be productive and not the musician, who "enchants my ear"? (p. 173).

Smith would reply: because the former supplies a material product and the latter does not. Morals and the "merits" of the two lads have nothing to do with the distinction.

Fourthly. Is it not a contradiction that

the "violin maker, the organ builder, the music dealer, the mechanic, etc.", are productive, and the professions for which these labours are only "preparations" are unproductive?

"All of them have, as the final aim of *their labour, a consumption of the same kind.* If the result which some of them have in view does not deserve to be counted among *the products* of the labour of society, why should one treat more favourably what is nothing but a *means for attaining this result*?" (l.c., p. 173).

On this reasoning, a man who eats corn is just as productive as the man who produces it. For with what aim is corn produced? In order to eat it. So if the labour of eating is not productive, why should the labour of cultivating corn be productive, since it is only a means for attaining this result? Besides, the man who eats

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[a] Lit.: bridges and roads—in France this designated the administration of roads and communications.—*Ed.*

produces brain, muscles, etc., and are these not just as worthy products as barley or wheat?—an indignant friend of humanity might ask Adam Smith. In the first place, Adam Smith does not deny that the unproductive labourer produces a product of some sort. Otherwise he would not be a labourer at all. Secondly, it may seem strange that the doctor who prescribes pills is not a productive labourer, but the apothecary who makes them up is. Similarly the instrument maker who makes the fiddle, but not the musician who plays it. But that would only show that "productive labourers" produce products which have no purpose except to serve as means of production for unproductive labourers. Which however is no more surprising than that all productive labourers, when all is said and done, produce *firstly* the means for the payment of unproductive labourers, and secondly, products which are consumed by those who *do not perform any labour.*

Of all these comments, No. II is that of a Frenchman who can't forget his *ponts et chaussées*; No. III amounts only to morals; No. IV either contains the stupidity that consumption is just as productive as production (which is not true in bourgeois society, where one produces and another consumes) or that some productive labour merely produces the material for unproductive labour, which Adam Smith nowhere denies. Only [No.] I contains the correct point that Adam Smith, by his 2nd definition, calls *the same* kinds of labour [VIII-349] productive and unproductive—or rather that according to his own definition he would have to call a relatively small part of his "unproductive" labour *productive*; a point therefore that does not tell against the *distinction*, but against the *subsumption* of certain activities under the distinction or *the way* it is applied.

After making all these comments, the learned Garnier finally comes to the point.

"The only general difference that can, it seems, be observed between the two classes assumed by Smith, is that in the class which he calls *productive*, there is or *may always be some intermediary person between the maker of the object and the person who consumes it*; whereas in the class that he calls *non-productive, there cannot be any intermediary*, and the relation *between the labourer and the consumer is necessarily direct and immediate.* It is evident that there is *necessarily* a direct and immediate relation between the person who uses the experience of the physician, the skill of the surgeon, the knowledge of the lawyer, the talent of the musician or actor, or finally the services of the domestic servant, and each of these different hired workers at the moment of their labour; while in the professions constituting the other class, *the thing to be consumed being material and palpable, it can be the subject of many intermediary exchanges* after leaving the person who makes it before it reaches the one who consumes it" (p. 174).

In these last words Garnier shows, *malgré lui*,[a] the concealed association of ideas that exists between Smith's first distinction (labour which is exchanged against capital, and labour which is exchanged against revenue) and his second (labour which fixes itself in a material, VENDIBLE COMMODITY and labour which does not so fix itself).[b] The latter by its nature *cannot* for the most part be subordinated to the capitalist mode of production; the former can. To say nothing of the fact that *on the basis of capitalist production*, where the great majority of material commodities—material and palpable things—is produced by wage labourers under the domination of capital, [unproductive] labours (or services, whether those of a prostitute or of the Pope) can only be paid for *either out of the wages of the productive labourers, or out of the profits of their employers (and the partners in those profits), quite apart from the circumstances that those productive labourers produce the material basis of the subsistence, and, consequently, the existence, of the unproductive labourers.* It is however characteristic of this shallow French cur that he, who wants to be an expert in political economy and so an explorer of capitalist production, considers *inessential* the feature which makes this production capitalist—the exchange of capital for wage labour instead of the direct exchange of revenue for wage labour or the revenue which the labourer directly pays to himself. By so doing Garnier makes capitalist production itself an inessential form instead of a necessary—though only historically, that is, transiently necessary—form for the development of the social productive powers of labour and the transformation of labour into social labour.

"It would also always be necessary to deduct from his *productive* class all labourers whose labour consists purely of cleaning, conserving or repairing finished articles, and consequently does not put any new product into circulation" (p. 175).

(Smith nowhere says that the labour or its product must enter into the circulating capital. It can enter directly into fixed capital, like the mechanic's labour repairing a machine in a factory. But in this case its *value* enters into the circulation of the product, the commodity. And the repairers, etc., who do this labour as servants, do not exchange [VIII-350] their labour against capital but against revenue.)

"It is in consequence of this difference that the *non-productive* class, as Smith has observed, subsists only on revenues. In fact, since this class allows of no intermediary between itself and the consumer of its products, that is to say, the

[a] In spite of himself.—*Ed.*
[b] Cf. this volume, pp. 11-29.—*Ed.*

person who enjoys its labour, it is paid immediately by the consumer; and *he pays only from revenues.* As against these, the labourers of the *productive* class, being as a rule paid by an *intermediary who intends to make a profit from their labour, are most often paid by capital.* But this capital is always in the end replaced by the revenue of a consumer, otherwise it would not circulate and therefore would not yield any profit to its possessor" [p. 175].

This last "but" is quite childish. In the first place, a part of the capital is replaced by capital and not by revenue, whether this part of the capital circulates or does not circulate (as in the case of seed).

When a coal-mine supplies coal to an ironworks and gets from the latter iron which enters into the operations of the coal-mine as means of production, the coal is in this way exchanged for capital to the amount of the value of this iron, and reciprocally the iron, to the amount of its own value, is exchanged as capital for coal. Both (considered as use values) are products of new labour, although this labour was produced with means of labour that were already in existence. But the value of the product of the year's labour is not the product of the year's labour. It also replaces the value of the past labour which was objectified in the means of production. Therefore the part of the total product which is=to this value is not a part of the product of the year's labour, but the reproduction of past labour.

Let us take for example the product of the daily labour of a coal-mine, an ironworks, a timber producer and a machine-building factory. Let the constant capital in all these industries be=to $^1/_3$ of all the component parts of capital: i.e. let the proportion of pre-existing labour to living labour be 1:2. Then all these industries produce each a daily product of x, x′, x″, x‴. These products are certain quantities of coal, iron, timber and machinery. As such products, they are products of the day's labour (but also of the daily consumed raw materials, fuel, machinery, etc., which have all contributed to the day's production). Let the values of these be equal to z, z′, z″, z‴. These values are not the product of the day's labour, since $\frac{z}{3}, \frac{z'}{3}, \frac{z''}{3}, \frac{z'''}{3}$ are only equal to the value which the constant elements of z, z′, z″, z‴ had before they entered into the day's labour. Therefore also $\frac{x}{3}, \frac{x'}{3}, \frac{x''}{3}, \frac{x'''}{3}$ or a third part of the use values produced, represent only the value of the pre-existing labour and continually replace it. //The exchange which here takes place between pre-existing labour and the *product* of living labour is of quite a different nature from the exchange between labour capacity and the conditions of labour existing as capital.//

$Z=x$; yet x is the value of the total z,[35] but $^1/_3x$=the value of the raw material, etc., contained in the total z. Thus $^2/_3$ is a part of the day's product of the labour //but not at all the product of the day's labour, but on the contrary of the previous pre-existing labour combined with it// in which the pre-existing labour combined with the day's labour reappears and is replaced. Now it is true that each aliquot part of z, which is simply the quantity of actual products (iron, coal, etc.), represents in its value $^1/_3$ pre-existing labour and $^2/_3$ labour performed or added the same day. Pre-existing labour and the day's labour enter into the total product in the same proportion as they enter into each separate product of which the total product is made up. But if I divide the total product into 2 parts, putting $^1/_3$ on one side and $^2/_3$ on the other, it is the same as if the $^1/_3$ represents only pre-existing labour and the other $^2/_3$ only the day's labour. In fact the first $^1/_3$ represents all past labour which entered into the total product, the full value of the means of production consumed. After deducting this $^1/_3$, therefore, the other $^2/_3$ can represent only the product of the day's labour. The $^2/_3$ in fact represent the total amount of the day's labour that was added to the means of production.

The last $^2/_3$ are therefore equal to the producer's revenue (profit and wages). He can consume them, i.e. spend them on articles which enter into his individual consumption. Suppose that these $^2/_3$ of the coal produced daily were bought by the consumers or purchasers not with money, but with the commodities which they have previously transformed into money in order to buy coal with it. A part of these $^2/_3$ of the coal will enter into the individual consumption of the coal producers themselves, for heating, etc. This part therefore does not enter into circulation, or if it does first enter into circulation it will be withdrawn again from it [VIII-351] by its own producers. Minus this part of the $^2/_3$ which the producers of coal themselves consume, they must exchange all the rest of it (if they want to consume it) for articles which enter into individual consumption.

In this exchange it is a matter of complete indifference to them whether the sellers of the consumable articles exchange capital or revenue for the coal; that is to say, whether for example the cloth manufacturer exchanges his cloth for coal in order to heat his private dwelling (in this case the coal itself in turn is an article of consumption for him, and he pays for it with revenue, with a quantity of cloth that represents profit); or whether James, the cloth manufacturer's footman, exchanges the cloth he has received as wages for the coal (in this case the latter is once more an article of consumption and exchanged for the revenue of the cloth manufacturer, who in turn however has exchanged his revenue for the unproductive labour of the footman); or whether the cloth manufacturer exchanges cloth for coal in order to replace the coal required in his factory that has been used up. (In the latter case the cloth that the cloth manufacturer exchanges represents for him constant capital, the value of one of his means of production; and the coal represents for him not only the value but his means of production *in natura*. But for the coal producer the cloth is an article of consumption, and both cloth and coal represent for him revenue; the coal, revenue in its non-realised form; the cloth, revenue in its realised form.)

But as for the last $^1/_3$ of the coal, the coal producer cannot spend it on articles which enter into his individual consumption; he cannot spend it as revenue. It belongs to the process of production (or reproduction) and must be transformed into iron, timber, machinery—into articles which form the component parts of his constant capital and without which the production of coal cannot be renewed or continued. He could, it is true, exchange also this $^1/_3$ for articles of consumption (or, what is the same thing, for the money of the producers of these articles), but in fact only on the condition that he exchanges these consumption articles in turn for iron, timber, machinery—that they enter neither into his own consumption nor into the outlay of his revenue, but into the consumption and revenue outlays of the producers of timber, iron and machinery; all of whom, however, in turn find themselves in the position of not being able to expend $^1/_3$ of their product on articles for individual consumption.

Now let us assume that coal enters into the constant capital of the producers of iron and timber, and of the machine builder. On the other hand iron, timber, and machinery enter into the constant capital of the producer of coal. In so far as these products of theirs mutually enter to the same amount of value, they replace themselves *in natura*, and one has to pay the other only the balance for the SURPLUS that he has bought from him in excess of what he has sold to him. In fact, money appears here in practice (through the medium of bills of exchange, etc.) only as *means of payment*, not as coin, means of circulation; and only the balance is paid in money. The producer of coal will need a part of this $^1/_3$ of his coal for his own reproduction, just as he deducted from the product a part of the $^2/_3$ for his own consumption. The whole quantity of coal, iron, timber and machinery which are reciprocally replaced in this way by the exchange of constant capital for constant capital, of constant capital in one natural form for constant capital in another natural form, has absolutely nothing to do either with the exchange of revenue for constant capital or with the exchange of revenue for revenue. It plays exactly the same role as seed in agriculture or the capital stock of cattle in cattle-rearing. It is a part of the yearly product of labour, but it is not a part of the product of the year's labour (on the contrary it is the product of the year's labour+the pre-existing labour), which (conditions of production remaining the same) replaces itself annually as means of production, as constant capital, without entering into any circulation other than that between DEALERS and DEALERS and without affecting the *value* of the part of the product which enters into the circulation between DEALERS and CONSUMERS.[36]

Let us assume that the whole $^1/_3$ of the coal is thus exchanged *in natura* for its own elements of production, iron, timber, machinery. //It might be possible for example to exchange the entire amount direct for machinery; but the machine builder in turn would exchange it as constant capital, not only for his own but for that of the producers of iron and timber.// In fact, each hundredweight of the $^2/_3$ of his product in coal [VIII-352] which he exchanged for articles of consumption, exchanged as revenue, would, from the standpoint of value, consist of 2 parts, as the total product does. $^1/_3$ of a hundredweight would be equal to the value of the means of production used up in the hundredweight, and $^2/_3$ of the hundredweight would be equal to the labour newly added to this $^1/_3$ by the producers of the coal. But if the total product for example=30,000 hundredweight he exchanges only 20,000 hundredweight as revenue. On the assumption made, the other 10,000 hundredweight would be replaced by iron, timber, machinery, etc., etc.; in a word, the whole value of the means of production used up in the 30,000 hundredweight would be replaced *in natura* by means of production of the same sort and of equal value.

The buyers of the 20,000 hundredweight thus do not pay a single FARTHING for the value of the pre-existing labour contained in the 20,000 hundredweight; for the 20,000 represent only $^2/_3$ of the value of the total product in which the newly added labour is realised. It comes to the same thing, therefore, as if the 20,000 hundredweight represented only labour newly added (during the year, for example) and no pre-existing labour. The buyer therefore pays the whole value of each hundredweight, pre-existing labour+newly added labour, and yet he pays only for the newly added labour, and that is because the quantity he buys is only 20,000 hundredweight, only that quantity of the total product which is equal to the value of all the newly added labour. Just as little does he pay for the farmer's seed in paying for the wheat which he eats. The producers have mutually replaced this part for each other; therefore they do not need to have it replaced a second time. They have replaced it with the part of their own product which it is true is the year's product of their labour, but is not at all the product of their year's labour, but on the contrary is the part of their annual product that represents the pre-existing labour. Without the new labour the product would not be there; but in the same way it would not be there without the labour objectified in the means of production. If it were merely the product of the new labour, then its value would be less than it now is, and there would be no part of the product to be returned to production. But if the other method of labour were not more productive and did [not] yield more product in spite of a part of the product having to be returned to production, it would not be used.

Although no part of the value of the $^1/_3$ of the coal enters into the 20,000 hundredweight of coal sold as revenue, any change in the value of the constant capital which the $^1/_3$ or 10,000 hundredweight represented would nevertheless bring about a change of value in the other $^2/_3$ which are sold as revenue. Let production in iron, timber, machinery and so on, in a word, in the elements of production of which the $^1/_3$ of the product is composed, become more costly. Let the productivity of mining labour remain the same. The 30,000 hundredweight are produced with the same quantity of iron, timber, coal, machinery and labour as before. But since iron, timber and machinery have got dearer, cost more labour time than before, more coal than before must be given for them.

[VIII-353] As previously, the product would be=to 30,000 hundredweight. The coal-mining labour has remained as productive as it was before. With the same quantity of living labour and the same amount of timber, iron, machinery, etc., it produces 30,000 hundredweight as before. The living labour, as before, is represented by the same value, say £20,000 (reckoned in money). On the other hand timber, iron, etc., in a word, the constant capital, now cost £16,000 instead of £10,000; i.e. the labour time contained in them has increased by $^6/_{10}$, or 60%.

The value of the total product now=£36,000; it was £30,000 before; it has therefore risen by $^1/_5$, or 20%. So also every aliquot part of the product costs $^1/_5$, or 20%, more than before. If a hundredweight cost £1 previously, then now it costs £1+$^1/_5$ of £1=£1 4s. Previously, $^1/_3$ or $^3/_9$ of the total product=constant capital, $^2/_3$=labour added. Now the proportion of the constant capital to the value of the total product=16,000:36,000=$^{16}/_{36}$=$^4/_9$. It amounts therefore to $^1/_9$ more than before. The part of the product which is=to the value of the labour added was formerly $^2/_3$ or $^6/_9$ of the product, now it is $^5/_9$.

So we get:

	Constant capital	Labour added
Value=£36,000	£16,000 ($^4/_9$ of the product)	£20,000 (the same value as before=$^5/_9$ of the product)
Product=30,000 cwt	13,333 $^1/_3$ cwt	16,666 $^2/_3$ cwt

The coal miners' labour would not have become less productive; but the product of their labour+the pre-existing labour would have become less productive; i.e. $^1/_9$ more of the total product would be required to replace the component part of the value [VIII-354] formed by the constant capital. $^1/_9$ less of the product would be=to the value of the labour added. Now as before the producers of iron, timber, etc., would only pay for 10,000 cwt of coal. Previously these cost them £10,000. They will now cost them £12,000. A part of the costs of the constant capital would therefore be made good, since they would have to pay the increased price for the part of the coal which they get in replacement of iron, etc. But the producer of coal has to buy raw material, etc., from them to the amount of £16,000. There remains therefore a debit balance of £4,000, i.e. 3,333 $^1/_3$ cwt of COAL. He must therefore, as before, supply 16,666 $^2/_3$ cwt +3,333 $^1/_3$ cwt=20,000 cwt of coal=$^2/_3$ of the product to the consumers, who would now have to pay £24,000 for it instead of £20,000. In so doing they would have to replace for him not only labour, but also a part of the constant capital. As regards the consumers, the matter would be very simple. If they wished to consume the same quantity of coal as before, they must pay $^1/_5$ more for it and so must spend $^1/_5$ of their revenue less on other products, if the production costs have remained the same in every branch of production. The difficulty lies only in this: how does the producer of coal pay for the £4,000 of iron, timber, etc., for which their producers do not want coal in exchange? He has sold the 3,333 $^1/_3$ cwt,=to this £4,000, to the consumers of coal, and has received in exchange commodities of all kinds. But these cannot enter into his consumption or that of his labourers, but must pass into the consumption of the producers of iron, timber, etc., for he must replace in these articles the value of his 3,333 $^1/_3$ cwt. It will be said: it's quite a simple matter. All consumers of coal have to consume $^1/_5$ less of all other commodities, or each of them has to give $^1/_5$ more of his commodities for coal. The producers of timber, iron, etc., consume exactly this $^1/_5$ more. However, it is not *prima facie* evident how the lowered productivity in the ironworks, machine building, timber-felling, etc., is to enable their producers to consume a larger revenue than before, SINCE THE PRICE OF THEIR ARTICLES IS SUPPOSED TO BE EQUAL TO THEIR VALUES, AND, CONSEQUENTLY, TO HAVE RISEN ONLY IN PROPORTION TO THE DIMINISHED PRODUCTIVITY OF THEIR LABOUR.

Now it is assumed that iron, timber, machinery have risen in value by $^3/_5$, by 60%. There are only 2 causes which can give rise to this. Either the iron, timber, etc., production has become less productive, because the living labour used in it has become less productive, that is, a greater quantity of labour must be used to produce the same product. In this case the producers must use $^3/_5$ more labour than before. The rate of labour[a] has remained the same, because the lowered productivity of labour has only a passing effect on individual products. Therefore the rate of surplus value also has remained the same. The producer needs 24 days' labour where he needed 15 before; but he pays the labourers, as before, only 10 hours' labour on each of the 24 [working days], and makes them work 2 [hours] for nothing on each of these days, as previously. If the 15 [labourers] have therefore done 150 hours' labour for themselves and 30 for him; so the 24 work 240 hours for themselves and 48 for him. (Here we don't worry about the rate of profit.) Wages have only fallen in so far as they are spent in iron, timber and machinery, etc., which is not the case. The 24 labourers now consume $^3/_5$ more than the 15 did before. So the coal producers can set aside correspondingly more for them from the value of the 3,333 $^1/_3$ cwt (i.e., for their MASTER, who pays out the wages).

Or the reduced productivity in the production of iron, timber, etc., arises from the fact that parts of their constant capital, of their means of production, have become dearer. Then the same alternative applies, and finally the reduced productivity must result in the use of a greater quantity of living labour; therefore also in increased wages, which the coal producer has partly received from the consumers in the £4,000.

[a] I.e. the rate of wages.—*Ed.*

In the branches of production where more labour is employed, the amount of the surplus value will have risen because the number of workers employed is greater. On the other hand, the rate of profit will have fallen in so far as all component parts of their constant capital into which their own product enters [have risen]; whether they themselves use a part of their own product as means of production, or, as in the case of coal, their product enters as a means of production into their own means of production. However, if their circulating capital laid out in wages has increased more than the part of the constant capital that they have to replace, their rate of profit will also have risen, and they [VIII-355] will participate in the consumption of a part of the £4,000.

An increase in the value of the constant capital (arising from lowered productivity in the branches of labour which supply it) raises the value of the product into which it enters as constant capital, and reduces the part of the product (*in natura*) which replaces the newly added labour, thus making it less productive in so far as this is reckoned in its own product. For the part of the constant capital which is exchanged *in natura*, the position is the same as it was. The same quantity of iron, timber and coal as before will be exchanged *in natura* in order to replace the iron, timber and coal that has been used up, and in this transaction the higher prices will balance each other. But the surplus of coal which now forms a part of the constant capital of the coal producer and does not enter into this exchange in kind is, as before, exchanged for revenue (in the case given above, in part not only for wages but also for profit); this revenue, however, instead of going to the former consumers, accrues to the producers in whose spheres of production a greater quantity of labour is used, that is, the number of labourers has increased.

If a branch of industry produces products which enter only into individual consumption, and neither into other industries as means of production (by means of production constant capital is always meant here) nor into their own reproduction (as for example in agriculture, cattle-raising, or the coal industry, into which coal itself enters as *matière instrumentale*[a]), then the annual product of this branch //any possible surplus over the annual product making no difference in this connection// must always be paid for out of revenue, wages or profit.

Let us take the case of the linen given earlier.[37] Three yards of linen consist of: $^2/_3$ constant capital and $^1/_3$ labour added. One yard

[a] Instrumental material.—*Ed.*

of linen therefore represents labour added. If the surplus value=25%, then $^1/_5$ of the 1 yard represents the profit, the other $^4/_5$ represent the reproduction of the wages. The manufacturer himself consumes the $^1/_5$, or what is the same thing, others consume it and pay him the value, which he consumes in their own or in other commodities. //To simplify matters, here the whole profit is—wrongly—considered as revenue.// But he expends the $^4/_5$ of a yard again in wages; his labourers consume them as their revenue either directly or in exchange for other consumable products, whose owners consume the linen.

This is the total part of the 3 yards of linen—the 1 yard—which the linen producers can themselves consume as revenue. The other 2 yards represent the manufacturer's constant capital; they must be reconverted into the conditions of production for linen—yarn, machinery, etc. From the standpoint of the manufacturer, the exchange of the 2 yards of linen is an exchange of constant capital; but he can only exchange it against the revenue of other people. So he pays for the yarn, say, with $^4/_5$ of the 2 yards or $^8/_5$ yards, and for the machinery with $^2/_5$ of a yard. The spinner and machine builder in turn can each consume $^1/_3$ of what they get, that is, the former, out of $^8/_5$ yards, $^8/_{15}$ of a yard, the latter $^2/_{15}$ out of the $^2/_5$ of a [yard]. Added together, $^{10}/_{15}$ or $^2/_3$ of a yard. But $^{20}/_{15}$ or $^4/_3$ yards must replace for them the raw material, flax, iron, coal, etc., and each of these articles in turn consists of one part which represents revenue (labour newly added), and another part which represents constant capital (raw materials and fixed capital, etc.).

The last $^4/_3$ yards, however, can only be consumed as revenue. What therefore ultimately appears as constant capital in yarn and machinery and is used by the spinner and machine builder to replace the flax, iron and coal (except for the part of the iron, coal, etc., which the machine builder replaces with machines) can only represent the part of the flax, iron and coal which forms the revenue of the flax, iron and coal producers, so that there is no constant capital to be replaced in this; that is to say, it must belong to the part of the product into which, as shown above, no part of the constant capital enters. But these producers consume what is their revenue in iron, coal, flax, etc., in linen or in other consumable products, because their own products as such do not enter, or only to a small extent, into their individual consumption. Thus a part of the iron, flax, etc., can be exchanged for a product which only enters into individual consumption, that is linen, and in exchange for it replace for the spinner all, and for the machine builder part, of his constant capital; while in turn the spinner and machine builder, with the part of their yarn and machinery that represents revenue, consume linen and thereby replace the weaver's constant capital.

Thus in fact the whole of the linen is resolved into the profits and wages of the weaver, spinner, machine builder, flax-grower and producers of coal and of iron, while at the same time they replace the whole of the constant capital for the linen manufacturer and the spinner. The account would not balance if the final producers of raw materials had to replace their own constant capital by exchange with the linen, since this is an article for individual consumption, which does not enter into any sphere of production as means of production, [VIII-356] as part of the constant capital. The account balances, because the linen bought by the flax-grower, producers of coal and of iron, machine builder, etc., with their own product, replaces for them only the part of their product which consists in revenue for *them*, but in constant capital for those who buy their products. That is only possible because they replace the part of their product which does not consist of revenue and which therefore cannot be exchanged for consumable products, *in natura* or by the exchange of constant capital for constant capital.

In the example given above[a] it is assumed that the productivity of labour in a given branch of industry has remained the same, and yet that it has fallen, if the productivity of the living labour employed in this branch of industry is reckoned in its own product. But this is very simply explained.

Suppose the product of a spinner's labour is=to 5 lbs of yarn. Assume that he needs for this only 5 lbs of cotton (that is, there is no waste); and that an lb. of yarn costs 1 shilling (we leave the machinery out of account; i.e. we suppose that its value has neither fallen nor risen; for the case we are considering, therefore, its value is=to 0). [Let] cotton [cost] 8d. an lb. Of the 5s. which the 5 lbs of yarn costs, 40d. (5×8d.)=3s. 4d. is for the cotton, and 5×4d.=20d.=1s. 8d. is the newly added labour. Of the total product, therefore, constant capital amounts to $3+{}^{1}/_{3}$ lbs of yarn (3s. 4d.) and labour to $1\,{}^{2}/_{3}$ lbs of yarn. Hence ${}^{2}/_{3}$ of the 5 lbs of yarn replace constant capital and ${}^{1}/_{3}$ of the 5 lbs of yarn, or $1\,{}^{2}/_{3}$ lbs, is the part of the product which pays for the labour.

Assume that the price of an lb. of cotton now rises by 50%, from 8d. to 12d., or 1s. Then we have for 5 lbs of yarn, first, 5s.

[a] See this volume, p. 88-91.—*Ed.*

for 5 lbs of cotton, and 1s. 8d. for labour added, whose quantity, and therefore whose value expressed in money, remains the same. Thus the 5 lbs of yarn now costs 5s.+1s. 8d.=6s. 8d. Of this 6s. 8d., however, raw material is now 5s. and labour 1s. 8d.

6s. 8d.=80d., of which 60d. is for raw material and 20d. for labour. Labour now only forms 20d. of the value of the 5 lbs, 80d., or $^1/_4$=25%; previously, 33 $^1/_3$%. On the other hand the raw material is 60d.=$^3/_4$=75%, previously it was only 66 $^2/_3$%. As the 5 lbs of yarn now costs 80d., 1 lb. costs $^{80}/_5$ d.=16d. For his 20d.—the value of labour—[the spinner] will therefore get 1 $^1/_4$ lbs of the 5 lbs of yarn, and [the other] 3 $^3/_4$ lbs [go for] raw material. Previously, 1 $^2/_3$ lbs were for labour (profit and wages) and 3 $^1/_3$ lbs for constant capital. Reckoned in its own product, therefore, the labour has become less productive, although its productivity has remained the same and only the raw material has got dearer. But it has remained equally productive, because the same labour has transformed 5 lbs of cotton into 5 lbs of yarn in the same time, and the actual product of this labour (considered as use value) is only the *form of yarn* which has been given to the cotton. The 5 lbs of cotton have been given the form of yarn as before, with the same labour. The actual product, however, consists not only of this form of yarn but also of the raw cotton, the material which has been put into this form, and the value of this material now forms a greater part of the total product than it did before, in proportion to the labour which gives it the form. Consequently the same quantity of spinning labour is paid for in less yarn, or the part of the product which replaces it has become smaller.

So much for that.

So in the first place Garnier is wrong when he says that the whole capital is in the end always replaced by consumer's revenue, since a part of the capital can be replaced by capital and not by revenue. Secondly, it is in itself a silly statement, since revenue itself, in so far as it is not wages (or wages paid by wages, revenue derived from wages), is profit on capital (or revenue derived from profit on capital). Finally, it is silly to say[a] that the part of capital which does not circulate (in the sense that it is not replaced by consumer's revenue) "would not yield any profit to its possessor". In fact—conditions of production remaining the same—this part yields no profit (or rather, no surplus value). But without it capital could in no case produce its profit.

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a See this volume, pp. 83-84.—*Ed.*

[VIII-357] "All that can be deduced from this difference is that, in order to employ *productive* people, what is required is not only the *revenue of the person who enjoys their labour,* but *also a capital which yields profit to intermediaries,* while *to employ non-productive people* the revenue which pays them is most often sufficient" (l.c., p. 175).

This one sentence is such a bundle of nonsense that it makes it clear that Garnier, the translator of Adam Smith, IN FACT understood nothing of what Adam Smith wrote, and in particular had no conception whatever of the essence of the *Wealth of Nations*—namely, the view that the capitalist mode of production is the most productive mode (which it absolutely is, in comparison with previous forms).

First, it is an extremely silly objection to raise against Smith, who declared that unproductive labour was labour paid directly from revenue, that "to employ *non-productive* people the revenue which pays them is most often sufficient". Now however the antithesis:

"In order to employ *productive* people, what is required is *not only the revenue of the person who enjoys* their labour, but also a *capital* which *yields profit to intermediaries.*"

(How unproductive then must agricultural labour be for Mr. Garnier, which in addition to the revenue which enjoys the product of the land, requires a capital which not only yields profit to intermediaries, but in addition a rent to the landowner.[a])

In order "to employ these productive people", what is necessary is not first capital that employs them, and secondly revenue that enjoys their labour, but nothing other than capital, which produces the revenue, which enjoys the fruit of their labour. If as a capitalist tailor I lay out £100 in wages, this £100 produces for me say £120. It produces for me a revenue of £20, with which I can then, if I want to, also enjoy tailoring labour in the form of a "frockcoat". If on the other hand I buy clothes for £20 in order to wear them, it is obvious that these clothes have not created the £20 with which I buy them. And the case would be the same if I got a jobbing tailor to come to my house and made him sew coats for me for £20. In the first case I received £20 more than I had before, and in the second case, after the transaction, I have £20 less than I had before. Moreover, I would soon realise that the jobbing tailor whom I pay directly from revenue does not make the coat as cheaply as if I bought it from the intermediary.

Garnier imagines that the profit is paid by the consumer. The consumer pays the "value" of the commodity; and although it contains a profit for the capitalist, the commodity is cheaper for

[a] In his comments Marx uses French phrases.—*Ed.*

him, the consumer, than if he had spent his revenue directly on labour causing it to produce on a small scale for his personal requirements. It is obvious here that Garnier has not the slightest idea of what capital is.

He continues:

"Do not many *unproductive* workers, such as actors, musicians, etc., as a rule only receive their wages through the channel of a manager who draws profits from the capital placed in this kind of enterprise?" (l.c., pp. 175-76).

This observation is correct, but it only shows that a part of the labourers whom Adam Smith in his second definition calls unproductive are productive according to his first definition.

"It follows therefore that in a society in which the *productive* class is very numerous, it must be supposed that a large accumulation of capitals exists in the hands of the intermediaries or entrepreneurs of labour" (l.c., p. 176).

In fact, wage labour on a mass scale is only another expression for capital on a mass scale.

"It is therefore not, as Smith maintains, the proportion existing between the mass of capitals and that of revenues which will determine the proportion between the *productive* class and the *non-productive* class. This latter proportion seems to depend much more on the customs and habits of the people; on the more or less advanced degree of its industry" (p. 177).

If productive labourers are such as are paid from capital, and unproductive such as are paid from revenue, the proportion of the productive class to the unproductive is obviously that of capital to revenue. The proportional growth of the two classes, however, will not depend only on the existing proportion of the mass of capitals to the mass of revenues. It will depend on the proportion in which the increasing revenue (profit) is transformed into capital or expended as revenue. Although the bourgeoisie was originally very thrifty, with the growing productivity of capital, i.e., of labour, [VIII-358] it imitates the retainer system of the feudal lords. According to the latest report (1861 or 1862) on the FACTORIES, the total number of persons (MANAGERS included) employed in the FACTORIES properly so called of the UNITED KINGDOM was only 775,534,* while the number of female servants in England alone amounted to 1 million.[38] What a convenient arrangement it is that makes a factory girl sweat 12 hours in a factory, so that the factory proprietor, with a part of her unpaid labour, can take into his personal service her sister as maid, her brother as GROOM and her cousin as soldier or policeman!

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* *Return to an Address of the House of Commons*, DATED 24 APRIL 1861 (PRINTED 11 FEBRUARY 1862).[11]

Garnier's last sentence is trite tautology. He makes the proportion between the productive and the unproductive classes depend, not on the proportion of capital and revenue—or RATHER on the mass of existing commodities which are expended in the form of capital or of revenue—but (?) on the customs and habits of the people, on the degree of development of its industry. In fact, capitalist production first appears at a certain stage of development of industry.

As a Bonapartist senator, Garnier naturally waxes enthusiastic over lackeys and servitors in general:

"No class with an equal number of individuals contributes more than domestic servants to the conversion into *capital* of sums originating from *revenue*" (p. 181).

In fact, no class provides a more worthless section of recruits for the petty bourgeoisie. Garnier does not understand how Smith,

"a man who has observed things with such sagacity", does not value more highly "this intermediary, placed close to the rich, in order to *gather up* the scraps of revenue which the latter so thoughtlessly dissipates", etc. (l.c., p.[p. 182-]83).

He himself says in this sentence that he [the intermediary] merely "gathers up" the scraps of "revenue". But of what does this revenue consist? Of the unpaid labour of the productive labourer.

After all these extremely worthless polemics against Smith, Garnier, relapsing into Physiocracy, declares agricultural labour the only productive labour! And why? Because it

"creates another new value, a value which *did not exist* in society, even as an equivalent, at the moment when this labour began to be performed; and it is this value which provides a rent to the owner of the land" (l.c., p. 184).

So what is productive labour? Labour which produces a surplus value, a new value over and above the equivalent which it receives as wages. Smith is not to blame for Garnier's failing to understand that the *exchange of capital for labour* means nothing but the exchange of a commodity of a given value—equal to a given quantity of labour—for a greater quantity of labour than it itself contains, and thus

"creates a new value which did not exist in society, even as an equivalent, at the moment when this labour began to be performed".

Ch. Ganilh. A very inferior and superficial compilation is Charles Ganilh's *Des systèmes d'économie politique.* First edition Paris *1809,* second *1821.* (Quotations from the latter.) His twaddle is directly linked with Garnier, against whom he polemises.

//*Canard* in *Principes d'économie politique* defines

"*wealth*" [as] "*an accumulation of superfluous labour*".[39]

Had he said that it is the labour which is superfluous for keeping the labourer alive as a labourer, the definition would be correct.//

Mr. Ganilh's starting-point is the elementary fact that the commodity is the element of bourgeois wealth, and therefore labour, in order to produce wealth, must produce commodities, must *sell* itself or its product.

"In the present state of civilisation, labour is only known to us through exchange" (l.c., Vol. I, p. 79).[a] "Labour without exchange can produce no wealth" (l.c., p. 81).

From this Mr. Ganilh JUMPS straight into the Mercantile system.

Because labour without exchange creates no bourgeois wealth, "wealth comes exclusively from trade" (l.c., p. 84).

Or, as he says later:

"Exchange or trade alone gives value to things" (l.c., p. 98). On this "principle of the identity of values and wealth ... rests the doctrine of the fruitfulness of general labour" (l.c., [p.] 93).

Ganilh himself declares that

[VIII-359] the "commercial system" which he calls a mere "modification" of the monetary system "derives private and public wealth from the exchangeable values of labour, whether these values are or are not fixed in durable, and permanent material objects" (l.c., [p.] 95).

He thus falls into the Mercantile system, as Garnier fell into the Physiocratic. His trash, IF GOOD FOR NOTHING ELSE, is consequently not bad as a characterisation of this system and of its views on "surplus value", especially as he puts forward these views in opposition to Smith, Ricardo, etc.

Wealth is exchangeable value; all labour which produces an exchangeable value or itself has an exchangeable value consequently produces wealth.[b] The only word in which Ganilh shows himself a more profound Mercantilist, is the word *general* labour. The labour of individuals, or rather its product, must take the form of general labour. Only so is it exchange value, *money*. IN FACT, Ganilh comes back to the view that wealth is equivalent to money; though no longer only gold and silver, but the commodity itself, in so far as it is *money*. He says:

"*Commercial system*, or the exchange of values of *general labour*" (l.c., [p.] 98).

This is nonsense. The product is value as the form of existence, as the incarnation of general labour, but not as "the *value* of

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[a] Here and below Marx quotes Ganilh in French.—*Ed.*

[b] In his comments on Ganilh Marx uses French words and expressions.—*Ed.*

general labour", which would be equivalent to the value of value. But let us assume that the commodity is constituted as value, and has even taken on the form of money, is metamorphosed. It is now exchangeable value. But how great is its value? All commodities are exchangeable value. They are not different from each other in this. But what makes the exchangeable value of a definite commodity? Here Ganilh does not get beyond the crudest superficiality. A is of greater exchange value when it exchanges for more B, C, D, etc.

Ganilh is quite right when he says of Ricardo and most of the economists that they consider labour without exchange, although their system, like the whole bourgeois system, rests on exchange value. This however is only due to the fact that to them the *form* of product as commodity seems self-evident, and consequently they examine only the *magnitude of value.* In exchange the products of individuals only manifest themselves as products of general labour by taking the form of *money.* This relativity, however, originates from the fact that they must present themselves as the form of existence of general labour, and can be reduced to it only as relative, merely quantitatively different expressions of social labour. But the exchange itself does not give them their *magnitude of value.* In exchange they appear as general social labour; and the extent to which they can appear as general social labour depends on the extent to which they can present themselves as social labour, that is, on the extent of the commodities for which they can be exchanged, and therefore on the expansion of the market, of trade; on the range of commodities in which they can be expressed as exchange value. For example, were there only 4 different branches of production in existence, each of the 4 producers would produce a great part of his product for himself. If there are thousands, then he can produce his total product as commodity. It can enter entirely into exchange.

But Ganilh imagines, with the Mercantilists, that the magnitude of value is itself the product of exchange, whereas in fact it is only the form of value or the form of *commodity* which the products receive through exchange.

"Exchange gives *things* a value which they would not have had without it" (p. 102).

If this means that *things,* use values, only become value, receive this form as relative expressions of social labour, it is a tautology. But if it is intended to mean that through exchange they get a greater value than they would have had without it, it is clearly nonsense, for exchange can only increase A's magnitude of value by reducing that of B. So far as it gives A a greater value than it has before the exchange, it gives B a smaller value. A+B, therefore, has the same value after the exchange as it had before it.

"The most useful products may have no value if exchange does not give any to them",

(*d'abord*, if these things are "products", they are from the start products of labour, not general elemental things provided by nature like air, etc.; if they are "the most useful", they are use values in the highest sense, use values that everyone needs; if exchange gives them *no* value, this is only possible if everyone produces them for himself; this however contradicts [VIII-360] the assumption that they are produced for exchange; therefore the whole proposition is nonsense)

"and the most useless products may have very great value, if exchange is favourable for them" (p. 104).

For Mr. Ganilh, "exchange" is a mystical being. If the "most useless" products are no use for anything, have no use value, who will buy them? They must therefore have at least an imaginary "utility" for the buyer. And if he is not a fool, why should he pay more for them? Their dearness must therefore originate in some circumstance which in any case does not arise from their "uselessness". Their "scarcity", rarity? But Ganilh calls them "the most useless *products*". As therefore they are products, why are they not produced in greater quantities, in spite of their great "exchangeable value"? If before it was the buyer who was a fool, giving a lot of money for something that had neither a real nor an imaginary use value for him, now it is the seller, who does not produce these TRIFLES of great exchange value instead of utilities of small [exchange value]. That their exchange value is great in spite of their small use value (use value determined by the natural needs of man), must therefore be due to some circumstance that originates not from Lord Exchange, but from the product itself. Its high exchange value is therefore not the product of exchange, but only appears in exchange.

"The exchanged value of things and not their exchangeable value establishes the real value, the value which is identical with wealth" (l.c., p. 104).

But exchangeable value is a relation of the thing to other things with which it can be exchanged. //The correct point underlying this statement is: what compels the transformation of the commodity into money is that it has to enter into exchange as an exchangeable value, but only becomes that as the result of exchange.// On the other hand, the exchanged value of A is a definite quantity of products B, C, D, etc. Therefore (according to Mr. Ganilh) it is no longer a value, but a thing, without exchange. B, C, D, etc., were not "values". A has become a value through these non-values stepping into its place (as exchanged value). By the mere change of place—after they have come out of exchange and find themselves in the same position as before—these things have become values.

"It is therefore neither the real utility of things, nor their intrinsic value, which makes them wealth; it is exchange which fixes and determines their value, and it is this value which identifies them with wealth" (l.c., [p.] 105).

Lord Exchange fixes and determines something which was there or was not there. If only exchange creates the value of things, then this value, this product of exchange, ceases to exist as soon as exchange itself ceases. Thus what it makes, it equally unmakes. I exchange A for B+C+D. In the act of this exchange A gets value. As soon as the act is past, B+C+D stands on the side where A was, and A on the side where B+C+D was. And in fact each stands on its own, outside Lord Exchange, who only consisted of this change of place. B+C+D is now things, not values. So is A. Or exchange "fixes and determines" in the literal meaning of the word. A dynamometer determines and fixes the degree of strength of my muscles, but it does not make it. In this case value is not produced by exchange.

"There is in truth no wealth for individuals and for peoples, except when each labours for all"

(that is to say, when his labour takes the form of *general social labour*, for in any other meaning this would be nonsense; since, except in the form of general social labour, an iron manufacturer does not work for all, but *only* for consumers of iron)

"and all for each"

(which again is nonsense, if we are dealing with use value, for the products of all are without exception special products, and each person needs only special products; what this means is therefore only that each special product takes on a form in which it *exists for everyone*; and it only exists in this form, not because as a special product it is distinct from the product of each other person, but because it is identical with it; that is, once more the form of social labour as it exists on the basis of commodity production) (l.c., p. 108).

[VIII-361] From this definition—exchange value=the expression of the labour of the isolated individual as general social labour—Ganilh falls once more into the crudest conception: that exchange value=the proportion in which commodity A exchanges against commodity B, C, D, etc. A has great exchange value if much B, C, D is given for it; but then little A is given for B, C, D. Wealth consists of exchange value. Exchange value consists of the relative proportion in which products exchange for each other. The total quantity of products has therefore no exchange value, since it is not exchanged for anything. Hence, society, whose wealth consists of exchange values, has no wealth. Consequently it follows not only, as Ganilh himself concludes, that

> the "national wealth, which is composed of the exchangeable values of labour" (p. 108),

can never rise and can never fall in exchange value (therefore there is *no surplus value*), but that it has no exchange value whatever, and so is not wealth, since wealth consists only of exchangeable values.

> "If the abundance of wheat makes *its value fall*, the farmers will be less rich, because they have less exchange values to obtain for themselves things that are necessary, useful or pleasant for life; but the consumers of wheat will profit from all that the farmers have lost: the loss of some will be compensated by the gain of others, and the general wealth will undergo no change" (pp. 108-09).

Pardon me! The consumers of wheat eat the wheat and not the exchangeable value of the wheat. They are richer in means of subsistence, but not in exchangeable value. They have exchanged a small amount of their products—which have a high exchange value because of their relative paucity as compared with the quantity of wheat for which they are exchanged—for the wheat. The farmers have now received the *high exchange value* and the consumers a good deal of wheat of small exchange value, so that now the latter are the poor ones and the farmers the rich.

Moreover, the total (the social total of exchange values) loses its nature of being exchange value in the same degree as it becomes the total of exchange values. A, B, C, D, E, F have exchange value in so far as they are exchanged for each other. When they have been exchanged, they are then all products for their consumers, their purchasers. By exchanging hands they have ceased to be exchange value. And thereby the wealth of society, which is composed of exchangeable values, has disappeared. The value of A is relative; it is its exchange relation to B, C, etc. A+B has less exchange value, because its exchange value now exists only in relation to C, D, E, F. But the total of A, B, C, D, E, F has no exchange value at all, because it expresses no relation. The total of commodities is not exchanged for other commodities. Therefore the wealth of society, which consists of exchange values, has no exchange value and is consequently not wealth.

"Hence it is that it is difficult, and perhaps impossible, for a country to enrich itself by internal commerce. It is not at all the same for peoples who engage in foreign trade" (l.c., p. 109).

This is the old Mercantile system. Value consists in my getting not an equivalent, but more than the equivalent. At the same time, however, if there is no equivalent, then this would imply that the value of A and the value of B are determined not by the proportion of A in B or of B in A, but by a third thing in which A and B are identical. But if there is no equivalent, there can also be no excess over the equivalent. I get less gold for iron than iron for gold. Now I have more iron, for which I get less gold. If therefore I gain on the original transaction because less gold=more iron, I now lose just as much because more iron=less gold.

"All labour, whatever be its nature, is productive of wealth provided that it has an exchange value" (l.c., p. 119). "Exchange pays no regard either to the quantity or to the material nature or to the durability of the products" (l.c., p. 121). "All" (kinds of labour) "are *equally productive of the sum* for which they have been exchanged" (pp. 121-22).

First they are equally productive of the *sum*, that is, the *price*, which they have been paid (the *value* of their wages). But Ganilh at once goes another step further. Immaterial labour, he says, produces the material product for which it is exchanged, so that it seems that material labour produces the product of immaterial labour.

[VIII-362] "There is no difference between the labour of the workman who makes a chest of drawers for which he gets two bushels of wheat in exchange and the labour of a village fiddler for which he gets two bushels of wheat. In both cases two bushels of wheat are produced: two bushels to pay for the chest of drawers, and two bushels to pay for the pleasure given by the village fiddler. It is true that after the joiner has consumed the two bushels of wheat, a chest of drawers remains, and after the fiddler has consumed the two bushels of wheat, nothing remains; but how many labours reputed productive are in the same case!.. It is not by what remains after consumption that one can judge whether a labour is productive or sterile, it is by *the exchange or by the production to which it has given rise.* But since the joiner's labour, as well as the fiddler's labour, is *the cause of the production of two bushels of wheat, both are equally productive of two bushels of wheat,* although the one, after it is finished, does not fix and realise itself in any durable object, and the other fixes and realises itself in a durable object" (l.c., pp. 122-23).

"Adam Smith would like to reduce the number of labourers who are not usefully occupied, in order to multiply that of the labourers who are usefully occupied; but no consideration has been given to the fact that if this desire could be realised all wealth would be impossible, because consumers would be lacking for the producers, and the excess that was not consumed would not be reproduced. The productive classes do not give the products of their labours gratuitously *to the classes whose labours do not yield any material products*"

(here he nevertheless himself distinguishes between labours which yield material products and labours which do not);

"they give them to them in exchange for the convenience, the pleasures and the enjoyments that they receive from them, and, *in order to give them to them, they are obliged to produce them.* If the material products of labour were not employed to pay for the labours which do not yield material products, they would not have consumers and their *reproduction* would cease. The labours productive of enjoyment *thus contribute to production as efficaciously* as the labour which is considered to be the most productive" (l.c., [pp.] 123, 124).

"Almost always the convenience, the pleasures or the enjoyments which they" (the peoples) "seek *follow and do not precede the products which are to pay for them*" (l.c., [p.] 125).

(They seem therefore to be much more effect than cause of the products which are to pay for them.)

"The position is different when the labours devoted to pleasure, luxury and ostentation *are not wanted by the productive classes,*"

(thus he himself makes the distinction here)

"and they are nevertheless *forced* to pay for them and to cut down their own requirements by this amount. Then it may come about that this forced payment does not bring about an increase in production" (l.c., p. 125). "Apart from this case ... all labour is necessarily productive, and contributes more or less efficaciously to the formation and growth of the public wealth, because *it necessarily calls forth the products which pay for it*" (l.c., [p.] 126).

//So according to this the "unproductive labours" are productive neither because of their cost, i.e., their exchange value, nor because of the special enjoyment that they produce, i.e., their use value, but because they produce productive labour.//

//If, according to Adam Smith, that labour is productive which is directly exchanged for capital, then we have to consider, apart from the form, also the material components of the capital which is exchanged for labour. It resolves itself into the necessary means of subsistence; that is for the most part into commodities, material things. What the labourer has to pay from these wages to State and Church is a deduction for services which are forced upon him; what he pays out for education is devilishly little, but when he does, his payments are productive, for education produces labour capacity; what he pays out for the services of physicians, lawyers, priests, is his misfortune; there are very few unproductive labours or services left on which the labourer's wages are spent, especially as he himself provides his costs of consumption (cooking, keeping his house clean, generally even repairs).//

The following statement of Ganilh's is extremely characteristic:

"If exchange gives to the servant's labour a value of 1,000 frs, while it gives to that of the husbandman or factory worker only a value of 500 frs, one must conclude from this that the servant's labour contributes to the *production of wealth* twice as much as that of the husbandman and the factory worker; and it cannot be otherwise, as long as the labour of servants receives in payment twice as much in material products as the labour of husbandmen and factory workers. How can it be imagined that wealth results from labour which has less exchange value and which is consequently paid less!" (l. c., pp. 293-94).

[VIII-363] If the wages of the factory or agricultural labourer=500, and the surplus value (profit and rent) created by him=40%, his net product would=200, and 5 such labourers would be required to produce the wages of 1,000 frs for the servant. If instead of the servant Lord Exchange cared to buy a mistress for 10,000 frs annually, the net product of 50 such productive labourers would be required. And because her unproductive labour brings in for the mistress 20 times as much exchange value, wages, as the wages of the productive labourer, this person adds 20 times as much to "the production of wealth", and a country produces the more wealth the higher it pays its servants and mistresses. Mr. Ganilh forgets that only the productivity of manufacturing and agricultural labour, only the surplus created by the productive workers but not paid to them, provides any fund at all for paying the unproductive labourers. But he reckons like this: 1,000 frs wage, and the labour of servant or mistress as equivalent for the wage, make together 2,000 frs. The value of servants and mistresses, i.e., their production costs, depend entirely on the *net product* of the productive labourers. Indeed, their existence as a special breed of people depends on it. Their price and their value have little in common with each other.

But even assuming that the value (the production costs) of a servant is twice as great as that of a productive labourer, it must be observed that the productivity of a labourer (like that of a machine) and his value are entirely different things, which are even in inverse proportion to each other. The value that a machine costs is always a minus in relation to its productivity.

"In vain is the objection raised that if the labour of servants is as productive as that of husbandmen and factory workers, there is no reason why the public economy of a country should not be used to maintain them, not only without being squandered but with a constant increase of value. This objection is only specious because it assumes that the fruitfulness of each labour results from its *co-operation in the production of material objects, that material production is constitutive of wealth and that production and wealth are completely identical.* It is forgotten that *all production only becomes wealth concurrently with its consumption*" //and so the same fellow says one page later "that all labour is *productive* of wealth, in proportion to its exchange value determined by supply and demand" (it *produces* wealth, not in proportion to the exchange value it produces, but in proportion to its own exchange value, i.e., not on the basis of what it produces but of what it costs), "that its respective value only contributes to the accumulation of capitals by *the saving and nonconsumption* of the products that this value is entitled to take out of total production"// "and that exchange determines up to what point it *contributes to the formation of wealth*. If it is remembered that all labours contribute directly or indirectly to the total production of each country, that exchange, in fixing the value of each labour, determines the part that it has had in this production, that *consumption of the production* realises the value that exchange has given it, and that the surplus or deficit of production over consumption determines the state of wealth or poverty of peoples, it will be realised how inconsistent it is *to isolate* each labour, to fix its fertility and its fruitfulness by its *contribution to material production and without any regard to its* [VIII-364] *consumption, which alone gives it a value*, a value without which wealth cannot exist" (l.c., pp. 294-95 [296]).

On the one hand the fellow makes wealth depend on the excess of production over consumption, on the other hand he says that only consumption gives value. And a servant who consumes 1,000 frs consequently contributes twice as much to the giving of value as a peasant who consumes 500 frs.

In the first place he admits that these unproductive labours do not directly participate in the formation of material wealth. Smith does not claim more than this. On the other hand he tries to prove that on the contrary they create material wealth in the same measure as, according to his own admission, they do not. All those who polemise against Adam Smith on the one hand assume a superior attitude to material production, and on the other hand they attempt to justify immaterial production—or even no production, like that of lackeys—as material production. It makes absolutely no difference whether the owner of the net revenue consumes this revenue in lackeys, mistresses or pasties. But it is ludicrous to imagine that the surplus must be consumed by servants and cannot be consumed by productive labourers themselves without the value of the product going to the devil. With Malthus too we find the same view of the necessity of unproductive consumers—which necessity in fact exists when the surplus comes into the hands of *gens oisifs*.[a] [40]

//*Adam Smith. Value and Its Component Parts.* Smith's erroneous conception, see above, which he [develops] in spite of his originally correct view,[41] is shown also in the following passage:

"Rent ... enters into the composition of the price of commodities in a different way from wages and profit. High or low wages and profit are the *causes* of high or *low price of corn*; *high or low rent is the effect of it*" (*Wealth of Nations*, B. I, Ch. XI).[42]//

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[a] Idlers.—*Ed.*

//*Petty*. The following passage, where rent in general is treated as a surplus value, a net product, should be compared with the one quoted above from Petty[a]:

"Suppose a man could with his own hands plant a certain scope of land with corn, that is, could plough, sow, harrow, reap, carry home, and winnow so much as the husbandry of this land required. I say, that when this man hath subducted his seed out of the proceed of his harvest, and also what himself hath both eaten and given to others in exchange for clothes, and other natural necessaries; that the remainder of corn is the natural and true rent of the land for that year; and the *medium* of seven years, or rather of so many years as makes up the cycle, within which dearths and plenties make their revolution, doth give the ordinary rent of the land in corn. But a further, though collateral question may be, how much money this corn or rent is worth; I answer so much as the money, which another single man can save, ... if he employed himself *wholly* to produce and make it; viz. let another man go travel into a countrey where is silver, there dig it, refine it, bring it to the same place where the other man planted his corn: coyne it, etc. the same person, all the while of his working for silver, gathering also food for his necessary livelihood, and procuring himself covering, etc. I say, the silver of the one must be esteemed of equal value with the corn of the other" (*Traité des taxes*,[43] pp. 23 [-24]).//

Ganilh claims to have put forward a theory in his *Théorie de l'économie politique* (a book I don't know) which Ricardo later copied from him.[44] This theory is that wealth depends on net product and not on gross product, and thus on the level of PROFIT and RENT. (This is certainly not a discovery of Ganilh's, who distinguishes himself, however, by the way he puts it.)

SURPLUS VALUE presents itself (has its real existence) in a SURPLUS PRODUCE in excess of the quantity of products which only replace its original elements, that is, which enter into its production costs and—taking constant and variable capital together—are equal to the total capital advanced to production. The aim of capitalist production is the surplus, not the product. The labourer's necessary labour time, and therefore also the equivalent in the product with which it is paid for, is only necessary as long as it produces surplus labour. Otherwise it is *unproductive* for the capitalist.

The surplus value is equal to the rate of surplus value $\frac{s}{v}$ multiplied by the number of simultaneous days' labour or the number of employed labourers, that is, by n. So $S=\frac{s}{v}\times n$. This surplus value can therefore be increased or reduced in two ways.

[a] See this volume, pp. 78-79.—*Ed.*

For example, $\frac{s}{\frac{v}{2}} \times n$ is equal to $\frac{2s}{v} \times n = 2S$. Here S [VIII-365] has doubled, because the rate has doubled, since $\frac{s}{\frac{v}{2}}$ is $\frac{2s}{v}$, is twice as much as $\frac{s}{v}$. On the other hand, however $\frac{s}{v} \times 2n$ would also be equal to $\frac{2sn}{v}$, that is, also$=2S$. V, the variable capital, is equal to the price of the single day's labour multiplied by the number of labourers employed. If 800 labourers are employed, each costing £1, then $V=£800=£1 \times 800$, where $n=800$. Then if the surplus value is 160, its rate would be $\frac{160}{£1 \times 800} = \frac{160}{800} = \frac{16}{80} = \frac{1}{5} = 20\%$. But the surplus value itself is $\frac{160}{£1 \times 800} \times 800$, that is, $\frac{£S}{£1 \times n} \times n$.

With a given length of labour time, this surplus value[a] can only be doubled by a double growth of productivity, or at a given level of productivity, by a lengthening of the labour time.

But what concerns us here is: $2S = \frac{s}{\frac{v}{2}} \times n$; and $2S = \frac{s}{v} \times 2n$.

The surplus value (GROSS AMOUNT of surplus value) remains the same, if the number of labourers is reduced by half—is only n instead of $2n$, but the surplus labour performed by them each day is twice as much as it was before. On this assumption, therefore, two things would remain the same: first, the total quantity of products produced; secondly, the total quantity of SURPLUS PRODUCE or net product. But the following would have changed: first, the variable capital, or the part of the circulating capital expended in wages, would have fallen by half. The part of the constant capital which consists of raw materials would ditto remain unchanged, as the same quantity of raw material as before would be worked up, although this would be done by half the labourers employed before. As against this, the part which consists of fixed capital has increased.

If the capital expended in wages=£300 (£1 per labourer), it would now=£150. If that expended in raw materials=£310, it

[a] The manuscript has "rate of surplus value".—*Ed.*

would now=£310. If the value of the machinery=4 times as much as the rest of the capital, it would now=1,600.[45] Therefore if the machinery is worn out in 10 years, the machinery entering annually into the product would=£160. We will assume that the capital previously expended annually on instruments=£40, thus only $^1/_4$. Then the account would stand:

	Machinery	Raw material	Wages	Total	Surplus value	Rate of profit	Total product
Old capital	40	310	300	650	150 or 50%	$23\,^1/_{13}$%	800
New capital	160	310	150	620	150 or 100%	$24\,^6/_{31}$%	770

In this case the rate of profit has risen, because the total capital has decreased—the capital expended in wages has fallen by [£]150, the total value of the fixed capital has only risen by [£]120, and so in all £30 less than before is expended.

But if the £30 left over is again employed in the same way, $^{31}/_{62}$ (or $^1/_2$) in raw material, $^{16}/_{62}$ in machinery and $^{15}/_{62}$ in wages, the result would be:

Machinery	Raw material	Wages	Surplus value
£7.14.6	£15	£7.5.6	£7.5.6

and taking both together:

	Machinery	Raw material	Wages	Surplus value	[Rate of] profit
New capital	£167.14.6	£325	£157.5.6	£157.5.6	$24\,^6/_{31}$%

Total amount of capital expended: *£650* as before. *Total product* £807.5.6.

The total value of the product has risen; the total value of the capital expended has remained the same; and not only the value, but the amount of the total product has risen, since an additional £15 in raw materials has been transformed into the product.

[VIII-366] "When a country is deprived of the aid of machines, and its labour is carried out by hand, the labouring classes consume almost the whole of their production. To the degree that industry makes progress, is improved by the division of labour, the skill of the workmen, and the invention of machines, the costs of production diminish, or in other words, a smaller number of labourers is required to obtain a greater production" ([Ch. Ganilh, *Des systèmes d'économie politique*, Paris, 1821,] Vol. I, pp. 211-12).

That is to say, therefore, in the same degree as industry becomes more productive, the production costs of wages are reduced. Fewer labourers are employed in relation to the product, and these therefore also consume a smaller part of the product. If a labourer without machinery needs 10 hours to produce his own means of subsistence, and if with machinery, he only needs 6, then (with 12 hours' labour) in the first case he works 10 for himself and 2 for the capitalist, and the capitalist gets $^1/_6$ of the total product of the 12 hours. In the first case 10 labourers will produce a product for 10 labourers (=100 hours) and 20 for the capitalist. Of the value of 120, the capitalist gets $^1/_6$=20. In the second case, 5 labourers will produce a product for 5 labourers (=30 hours), and for the capitalist 30 hours. Of the 60 hours the capitalist now gets 30, that is, $^1/_2$—3 times as much as before. The total surplus value too would have risen, namely from 20 to 30, by $^1/_3$. When I appropriate $^1/_2$ of 60 days, this is $^1/_3$ more than when I appropriate $^1/_6$ of 120 days.

Moreover, the $^1/_2$ of the total product that the capitalist gets is also greater in quantity than before. For 6 hours now produce as much product as 10 did before; 1 as much as $^{10}/_6$, or 1 as much [as] $1\,^4/_6=1\,^2/_3$ [before]. So the 30 surplus hours contain as much product [as did previously] 30 $(1+^2/_3)=30+^{60}/_3=50$. 6 hours produce as much product as 10 did previously, that is, 30—or 5×6—produce as much as 5×10 did before.

The capitalist's surplus value would therefore have risen and also his surplus product (if he consumes it himself, or as much of it as he consumes *in natura*). The surplus value can even rise without the quantity of the total product being increased. For the increase of surplus value means that the labourer is able to produce his means of subsistence in less time than before, that therefore the value of the commodities he consumes falls, represents less labour time, and that therefore a certain value=6 hours, for example, represents a greater quantity of the use values than before. The labourer receives the same quantity of product as before, but this quantity forms a smaller part of the total product, as its value expresses a smaller part of the fruits of the day's labour. Although an increase in productive power in the branches of industry whose product NEITHER directly nor indirectly enters into the formation of the labourer's means of consumption could not have this result—since increased or reduced productivity in these branches does not affect the relation between the necessary and the surplus labour—the result for these industries would nevertheless be the same, although it did not originate from a change in their own productivity. The relative value of their products would rise in exactly the same proportion as that of the other commodities had fallen (if their own productivity had remained the same); consequently, a proportionately smaller aliquot part of these products, or a smaller part of the labour time of the labourer which is materialised in them, would procure for him the same quantity of means of subsistence as before. The surplus value would therefore rise in these branches of labour just as in the others. But what will then become of the 5 displaced labourers? It will be said that capital has also been released, namely, that which paid the 5 dismissed workers, who each received 10 hours (for which they worked 12), that is, 50 hours in all, which could previously have paid the wages of 5 labourers and which [now] that wages have fallen to 6 hours can pay for $^{50}/_{6}=8\,^{1}/_{3}$ days' labour. Therefore now the capital of 50 hours' labour that has been released can employ more labourers than have been dismissed. But a capital equivalent to the whole 50 hours' labour has not been released. For even assuming that the raw material has become cheaper in the same proportion as the increase in the quantity of it that is worked up in the same labour time—that is, assuming that the same increase of productive power has taken place in that branch of production—the outlay for the new machinery nevertheless remains. Assuming that this costs exactly 50 hours' labour, it has certainly in no case employed as many labourers as were put off. For this 50 hours' labour was laid out entirely in wages, for 5 labourers. But in the value of the machine, equivalent to 50 hours' labour, both profit and wages are contained, both paid and unpaid labour time. In addition, constant capital enters into the value of the machine. The number of machine-building labourers is smaller than the number of labourers discharged; nor are they the same individuals [VIII-367] as those discharged. The greater demand for labourers in machine building can at most affect the future distribution of the number of labourers, so that a larger part of the generation entering the labour market—a larger part than before—turns to that branch of industry. It does not affect those who have been discharged. Moreover the increase in the annual demand for these is not equal to the new capital expended on machinery. The machine lasts for example for 10 years. The constant demand which it creates is therefore equal annually to $^{1}/_{10}$ of the wages contained in it. To this $^{1}/_{10}$ must be added labour for repairs during the 10 years, and the daily consumption of coal, oil and other *matériaux instrumentaux* in general; which in all amounts perhaps to another $^{2}/_{10}$.

//If the capital released were equal to 60 hours, these would now represent 10 hours' surplus labour and only 50 necessary labour. Thus if previously the 60 hours had been expended in wages and 6 labourers had been employed, now it would be only 5.//

//The shifting of labour and capital which increased productive power in a particular branch of industry brings about by means of machinery, etc., is always only prospective. That is to say, the *increase, the number of new labourers flowing into industry,* is distributed in a different way; perhaps the children of those who have been thrown out, but not these themselves. They themselves vegetate for a long time in their old TRADE, which they carry on under the most unfavourable conditions, inasmuch as their necessary labour time is greater than the socially necessary labour time; they become paupers, or find employment in branches of industry where a lower grade of labour is employed.//

//A pauper, like a capitalist (*rentier*), lives on the revenue of the country. He does not enter into the production costs of the product, and consequently, according to Mr. Ganilh, is a representative of exchangeable value. Ditto, a criminal who is fed in prison. A large part of the "unproductive labourers", holders of State sinecures, etc., are simply respectable paupers.//

//Assume that the productivity of industry is so advanced that whereas earlier $^2/_3$ of the population were directly engaged in material production, now it is only $^1/_3$. Previously $^2/_3$ produced means of subsistence for $^3/_3$; now $^1/_3$ produce for $^3/_3$. Previously $^1/_3$ was net revenue (as distinct from the revenue of the labourers), now $^2/_3$. Leaving contradictions out of account, the nation would now use $^1/_3$ of its time for direct production, where previously it needed $^2/_3$. Equally distributed, all $^3/_3$ would have more time for unproductive labour and leisure. But in capitalist production everything seems and in fact is contradictory. The assumption does not imply that the population is STAGNANT. For if the $^3/_3$ grow, so also does the $^1/_3$; thus, *measured in quantity,* a larger number of people could be employed in productive labour. But relatively, in proportion to the total population, it would always be 50% less than before. Those $^2/_3$ of the population consist partly of the owners of profit and rent, partly of unproductive labourers (who also, owing to competition, are badly paid). The latter help the former to consume the revenue and give them in return an equivalent in SERVICES—or impose their services on them, like the political unproductive labourers. It can be supposed that—with the exception of the horde of flunkeys, the soldiers, sailors, police, lower officials and so on, mistresses, grooms, clowns and jugglers—these unproductive labourers will on the whole have a higher level of culture than the unproductive workers had previously, and in particular that ill-paid artists, musicians, lawyers, physicians, scholars, schoolmasters, inventors, etc., will also have increased in number.

Within the productive class itself commercial MIDDLEMEN will have multiplied, but in particular those engaged in machine construction, railway construction, mining and excavation; moreover, in agriculture labourers engaged in stock-raising will have increased in number, and also those employed in producing chemical and mineral materials for fertilisers, etc. Further, the farmers who grow raw materials for industry will have risen in number, in proportion to those producing means of subsistence; and those who provide fodder for cattle, in proportion to those who produce means of subsistence for people. *As the constant capital grows, so also does the proportionate quantity of the total labour which is engaged in its reproduction.* Nevertheless, the part directly producing means of subsistence, although its number declines, [VIII-368] produces more products than before. Its labour is more productive. *While for the individual capital the fall in the variable part of the capital as compared with the constant part* takes the direct form of a reduction in the part of the capital expended in wages, for the total capital—in its *reproduction*—this necessarily takes the form that a relatively greater part of the total labour employed is engaged in the reproduction of means of production than is engaged in the production of products themselves—that is, in the reproduction of machinery (including means of communication and transport and buildings), of *matières instrumentales* (coal, etc., gas, oil, tallow, leather belting, etc.) and of plants which form the raw material for industrial products. Relatively to the manufacturing labourers, agricultural labourers will decline in number. Finally the luxury labourers will increase in number, since the higher revenue will consume more luxury products.//

//The variable capital is resolved into revenue, firstly wages, secondly profit. If therefore capital is conceived as something contrasted with revenue, the constant capital appears to be capital *proper*: the part of the total product that belongs to production and enters into the production costs without being individually consumed by anyone (with the exception of draught cattle). This part may originate entirely from profit and wages. In the last analysis, it can never originate from these alone; it is the product of labour, but of labour which regarded the instrument of production itself as revenue, as the savage did the bow. But once transformed into constant capital, this part of the product is no longer resolvable into wages and profit, although its reproduction yields wages and profit. A part of the product belongs to this part. Each subsequent product is the product of this past labour and of present labour. The latter can only be continued in so far as it returns a part of the total product to production. It must replace the constant capital *in natura*. If it grows more productive, it replaces the product, but not its value, reducing this value *post festum*.[a] If it grows less productive, it raises its value. In the first case the aliquot part drawn by past labour from the total product falls; in the second case it rises. In the first case the living labour becomes more productive, in the second, less productive.//

//The factors which reduce the costs of the *constant capital*, also include improved raw materials. For example, it is not possible to make the same quantity of twist in the same time both from good and from bad raw cotton, leaving entirely out of account the relative quantity of waste, etc. Hence the importance of the quality of seed, etc.//

//As an example *combination* where a manufacturer himself makes a part of his former constant capital, or where previously the raw material passed as constant capital out of his sphere of production into a second sphere, and he now himself gives it the second form—this always only amounts to a concentration of profits, as was shown earlier.[b] [26] An *example* of the first: the linking together of spinning and weaving. *An example of the second*: the mineowners of Birmingham, who took over the *complete* process of making iron, which had formerly been divided between a number of entrepreneurs and owners.//

Ganilh continues:

"So long as the division of labour is not established in all branches, so long as all classes of the labouring and industrious population have not attained their full development, the invention of machines, and their employment in certain industries, only cause the capitals and labourers displaced by the machines to flow into other employments which can usefully emloy them. But it is evident that when all branches of employment have the capital and the labourers they require, every further improvement and every new machine that cuts down labour, necessarily reduces the labouring population; and as this reduction does not diminish production, the part which it leaves available accrues either to the profit of capitals or to the rent of land; and in consequence the natural and necessary effect of machines is to diminish the population of the wage-earning classes who live on the gross product, and to increase the population of the classes which live on the net product" (l.c., p. 212).

[a] As a result.—*Ed.*

[b] See this volume, pp. 55-59.—*Ed.*

[VIII-369] "*The displacement of the population* of a country, *a necessary consequence of the progress of industry*, is the true cause of the prosperity, the power and the civilisation of modern peoples. The more the lower classes of society decrease in number, the less need it be troubled by the dangers to which the distress, the ignorance, the credulity and the superstition of these unfortunate classes ceaselessly expose it; the more the upper classes multiply, the more subjects the State has at its disposal, the stronger and more powerful it is, the more knowledge, intelligence and civilisation there is in the whole population" (l.c., p. 213).

//*Say* makes the total value of the product resolvable into revenue in the following way: in the Constancio translation of Ricardo's [*Principles*], Ch. 26, he says in a note:

"The net revenue of an individual consists of the value of the *product* to which he has contributed ... less his disbursements; but as the disbursements that he has made are *portions of revenue* which he has paid to others, *the totality of the value of the product has served to pay revenues*. The total revenue of a nation is composed of its gross product, that is to say, of the gross value of all its products which are distributed among the producers."[46]

The last sentence would be correct if expressed in this way: The total revenue of a nation is composed of that part of its gross product, that is to say, of the gross value of all the products which are distributed as revenues among the producers, that is to say, less that portion of all the products which in each branch of industry had replaced the means of production.[a] But so expressed, the sentence would negate itself.

Say continues:

"This value, after many exchanges, would be entirely consumed in the year which saw its birth, but it would nonetheless be still the revenue of the nation; just as an individual who has 20,000 frs annual revenue has nonetheless 20,000 frs annual revenue, although he consumes it entirely each year. His revenue does not consist only of his savings."

His revenue never consists of his savings, although his savings always consist of his revenues. To prove that a nation can annually consume both its capital and its revenue, Say compares it to an individual who leaves his capital intact and only consumes his revenue each year. If this individual consumed in a single year both his capital of 200,000 frs and the revenue of 20,000, he would have nothing to eat the year after. If the entire capital of a nation, and consequently the entire gross value of its products, resolved into revenues, Say would be right. The individual consumes his 20,000 frs revenue. His 200,000 frs capital, which he does not consume, would be composed of the revenues of other individuals, each of whom consumes his share, and thus, at the end of the year, the whole capital would be consumed. But

[a] Marx comments Say's quotations in French.—*Ed.*

perhaps it would be reproduced while it is consumed, and thus replaced? But the individual in question reproduces annually his revenue of 20,000 frs, because he has not consumed his capital of 200,000 frs. The others have consumed this capital. Then they have no capital with which to reproduce revenue.//[a]

"Only the *net product*," says Ganilh, "and those who consume it form its" (the State's) "wealth and its power, and contribute to its prosperity, its glory and its grandeur" (l.c., p. 218).

Ganilh further cites Say's notes to Constancio's translation of Ricardo's [*Principles*], Ch. 26, where Ricardo says that if a country has 12 million [inhabitants], it would be more advantageous for its wealth if 5 million productive labourers labour for the 12 million, than if 7 million productive labourers labour for the 12 million. In the first case the net product consists of the SURPLUS PRODUCE on which the 7 million who are not productive live; in the other, of a surplus produce for 5 million. Say remarks on this:

"This is quite like the doctrine of the Economists of the eighteenth century,[6] who maintained that manufactures in no way helped towards the wealth of the State, because the *wage-earning class*, consuming a [VIII-370] value equal to that which they produce, contribute nothing to their famous net product" [p. 219].

On this, Ganilh observes (pp. 219-20):

"It is not easy to see any connection between the Economists' assertion *that the industrial class consumes a value equal to that which it produces* and the doctrine of Mr. Ricardo, *that the wages of labourers cannot be counted in the revenue of a State*."

Here too Ganilh misses the point. The Economists go wrong in regarding the manufacturers as only *wage-earning classes*. This distinguishes them from Ricardo. They are further wrong in thinking that the *wage-earners* produce what they consume. The correct view, as Ricardo in contrast to them knew very well, is that it is they who produce the net product, but produce it precisely because their consumption, that is to say their wage, is equal not to the time they labour, but to the labour time that they have put in to produce this wage[b]; that is, that they receive a share of their product only equal to their necessary consumption, or that they receive only as much of their own product as is equivalent to their own necessary consumption. The Economists assumed that the whole industrial class (*maîtres et ouvriers*[c]) was in this position. They considered that only rent bore the character of an excess of production over wages, and consequently that it was the only

[a] Marx comments Say's quotations in French.— *Ed.*

[b] The part of the sentence, from the words "because their consumption", is written by Marx in French.— *Ed.*

[c] Masters and workmen.— *Ed.*

wealth. But when Ricardo says that PROFITS and RENTS form this excess and are consequently the only wealth, in spite of his difference from the Physiocrats, he agrees with them in thinking that only the net product, the product in which the SURPLUS VALUE exists, forms the national wealth; although he has a better understanding of the nature of this SURPLUS. For him, too, it is only the part of the revenue which is in excess of wages. What distinguishes him from the Economists is not his explanation of the net product, but his explanation of wages, under which category the Economists wrongly also include PROFITS.

Say also remarks in opposition to Ricardo:

"From seven million fully employed labourers there would be more savings than from five million."[47]

Ganilh rightly observes, refuting this:

"That is to suppose that *economies from wages* are preferable to the *economy which results from the reduction of wages*.... It would be too absurd to pay 400 millions in wages to labourers who give no net product, in order to provide them with the opportunity and the means for making economies on their wages" (l.c., [p.] 221).[48]

"With every step made by civilisation, labour becomes less burdensome and more productive; the classes condemned to produce and to consume diminish; and the classes which direct labour, which relieve (!), console (!) and enlighten the whole population, multiply, *become more numerous* and a p p r o p r i a t e t o t h e m s e l v e s a l l t h e b e n e f i t s w h i c h r e s u l t f r o m t h e d i m i n u t i o n o f t h e c o s t s o f l a b o u r, from the abundance of products and the cheapness of consumer goods. In this way, the human race lifts itself up.... Because of this *progressive tendency to the diminution of the lower classes of society* and *the increase of the upper classes* ... civil society becomes more prosperous, more powerful," etc. (l.c., p. 224). "If ... the number of labourers employed is 7 millions, the wages will be 1,400 millions; but if tbe 1,400 millions do not yield a larger net product than the thousand millions paid to the five million labourers, *the real economy would be in abolishing the 400 millions in wages paid to two million labourers who yield no net product*, and not in the savings that these 2 million labourers could make from the 400 millions of wages" (l.c., p. 221).

In Chapter 26 Ricardo observes[a]:

"*Adam Smith* constantly magnifies the advantages which a country derives from a large gross, rather than a large net income.... What would be the advantage resulting to a country from the employment of a great quantity of productive labour, if, whether it employed that quantity or a smaller, its net rent and profits together would be the same?... Whether a nation employs 5 or 7 million productive labourers [VIII-371] to produce the net revenue on which 5 million others live, ... the food and clothing of these 5 millions would be still the net revenue. The employing of a greater number of men would enable us neither to add a man to our army and navy, nor to contribute one guinea more in taxes" (l.c., p. 215).[b49]

This reminds us of the ancient Germans, of whom one part in turn took the field and the other cultivated the field. The smaller

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[a] See this volume, p. 116.—*Ed.*

[b] Marx quotes Ricardo partly in French, partly in German.—*Ed.*

the number that was indispensable for cultivating the field, the greater the number who were able to war. It would not have helped them if the number of people had increased by $^1/_3$, so that instead of 1,000 they had 1,500, if 1,000 were then required to cultivate the field while previously it was 500. Their disposable forces would have consisted of only 500 men both before and after. If on the other hand the productive power of their labour had increased, so that 250 sufficed to cultivate the field, 750 of the 1,000 could have taken the field, whereas in the opposite case, it would be only 500 out of the 1,500.

First it should be noted here that Ricardo means by net revenue or net product not the excess of the total product over the part of it that must be returned to production as means of production, raw materials or instruments. On the contrary, he shares the false view that the gross product consists of gross revenue. By net product or net revenue he means the surplus value, the excess of the total revenue over the part of it that consists of wages, of the revenue of the labourers. This revenue of the labourer, however, = the variable capital, the part of the circulating capital which he is constantly consuming and constantly reproducing as the part of his production which he himself consumes.

If Ricardo treats the capitalists as not entirely useless, that is to say, as themselves agents of production, and therefore resolves a part of their profit into wages, he has to deduct a part of their revenue from the net revenue and to declare that all these persons only contribute to wealth in so far as their wages form the smallest possible part of their profit. However that may be, at least a part of their time as agents of production belongs, like a FIXTURE, to production itself. And to this extent they cannot be used for other purposes of society or of the State. The more free time their duties as MANAGERS of production leave them, the more is their profit independent of their wage. In contrast to these, the capitalists who live only on their interest, and also the landlords who live on rent, are in person entirely at the disposal [of society and the State], and no part of their income enters into the production costs—except for that part which is used for the reproduction of their own worthy person. Ricardo should therefore have also desired, in the interests *of the State*, a growth of rent (the pure net revenue) at the cost of profits; but this is not at all his viewpoint. And why not? Because it hinders the accumulation of capitals [or]—what is in part the same thing—because it increases the number of unproductive labourers at the cost of the productive.

Ricardo fully shares Adam Smith's view of the distinction between productive and unproductive labour, that the former exchanges its labour directly for capital, [the latter] directly for revenue. But he no longer shares Smith's tenderness for and illusion about the productive labourer. It is a misfortune to be a productive labourer. A productive labourer is a labourer who produces wealth *for another.* His existence only has meaning as such an instrument of production for the wealth of others. If therefore the same quantity of wealth for others can be created with a smaller number of productive labourers, then the suppression of these productive labourers is in order. *Vos, non vobis.*[50] Ricardo, incidentally, does not think of this *suppression* as Ganilh does—that through mere suppression the revenue increases and that what was *formerly* consumed *as variable capital* (that is, in the form of wages) would then be consumed *as revenue.* With the diminution in the number of productive workers also disappears the amount of product which those who have been discharged themselves consumed and themselves produced—their equivalent. Ricardo does not assume, as Ganilh does, that the same quantity of products as before is produced; but the same quantity of net product. If the labourers consumed 200 and their SURPLUS was 100, the total product was 300, and the surplus was $^1/_3$=100. If the labourers consume 100 and their SURPLUS is 100 as before, the total product=200 and the surplus=$^1/_2$=100. The total product would have fallen by $^1/_3$—by the quantity of products consumed by the 100 workers, and the net [VIII-372] product [would have] remained *the same,* because $^{200}/_2$=$^{300}/_3$. For Ricardo, therefore, the amount of the gross product does not matter, provided that that portion of the gross product which constitutes the net product remains the same or grows, but in any case does not diminish.[a]

So he says[51]:

"To an individual with a capital of 20,000 *l.*, whose profits were 2,000 *l.* per annum, it would be a matter quite indifferent whether his capital would employ a 100 or a 1,000 men, whether the commodity produced, sold for 10,000 *l.*, or for 20,000 *l.*, provided, in all cases, his profits were not diminished below 2,000 *l.* Is not the real interest of the nation similar?[b]"

First of all,[52] if capital=£20,000 and the annually sold products=£20,000 (whether capital uses 100 OR 1,000 MEN), it is not clear where the annual profit of £2,000 can come from; for this profit=the excess of the value of the total product over the

[a] The part of the sentence, from the words "provided that", is written by Marx in French.—*Ed.*

[b] In the French quotation the last sentence is omitted.—*Ed.*

value of the capital advanced, and the excess of 20,000 over 20,000=0. We must therefore change the assumption, first of all, and let the man who advances 20,000 capital sell the annual product for £22,000, if he is to make an annual profit of £2,000.

Second, as far as the second hypothesis is concerned, that the capital=£20,000, the annually sold commodities=£10,000, and nevertheless a profit of £2,000 is made, that is only possible if the £10,000 worth of commodities represent (1) depreciated machinery, (2) used-up raw materials, (3) wages, (4) a profit of 10% over and above the total sum of capital advanced (and thus not only over and above the wages advanced). In this case, we can no longer assume, as in the first one, that the magnitude of capital advanced and the magnitude of capital consumed in production are identical. As the £10,000 worth of commodities constitute the total annual product, it is clear that £10,000, or half of the capital, was fixed capital, which entered into the labour process but not into the valorisation process. This £10,000 cannot however constitute the whole of the fixed capital advanced, since part of it, say $^1/_{12}$ of the fixed capital, goes into the product as wear and tear, or the reproduction time of the fixed capital=12 years. To work with round figures, assume that the reproduction time=11 years. The total fixed capital advanced then=£11,000, of which $^1/_{11}$,=£1,000, goes into the commodities. Of the £10,000 worth of commodities, 1,000 represent the wear and tear of fixed capital, and 9,000 raw materials and newly added labour (wages and profit). Of these 9,000, let 2,000=profit. 7,000 would thus be left for raw material and wages. Assume that, out of this 7,000, 5,000 are for raw materials and 2,000 for wages. The total sum of added labour then=£4,000, and since 100 workers must be engaged, from whose labour a profit of 100% is made, the workers will receive £20 each (£20×100=2,000). Each worker worked 6 hours for himself and 6 hours for the capitalist. The part of the capital that would equal added labour=100 working days (each working day of the length of a year), of which one half would consist of paid labour and the other of unpaid labour. The calculation would now be as follows:

Total capital	Fixed capital	Wear and tear of fixed capital	Raw material	Wages	Surplus value	Total product	Profit
£20,000	11,000	£1,000	£5,000	£2,000/100 working days	£2,000	£10,000	2,000 or 10%

Assuming that the working day=£40 (paid and unpaid labour), the total product (10,000) would then consist of *250 working days* (of which 100 would represent newly added labour).

Now, to stay with the first example, Ricardo tells us here that the product=£20,000, and thus=500 working days. We learn further that the capitalist employs 1,000 men instead of 100, hence ten times as many. That would yield £20,000, assuming that the wages for one man=£20. With this, the whole capital would be exhausted, without a centime for raw material and fixed capital. The trick cannot be turned in this way.

[VIII-373] One of the main difficulties here is that Ricardo indicates the values only in the amounts of labour employed and not in proportion to the gross product that is produced in each case. The one sells his product for £20,000, the other for £10,000. If this example is to have general validity, the product in one case must, according to the law of values, contain twice as much labour time as in the other, so that 2 times as many working days are concealed in £20,000 as in £10,000. Now, the one employs 10 times as many workers as the other. Variable capital is in one case 10 times as great as in the other. So in the total product of 20,000 is concealed 10 times as much living labour time as in the total product of 10,000. If the first capital contained, in the same proportion, more constant capital (past working days) as it contains more living labour, it would be 10 times, not 2 times, greater than the second.

The *presuppositions* in the illustrations must not be self-contradictory. They must therefore be formulated in such a way as to be *real* presuppositions, real hypotheses, and not assumed absurdities or hypothetical unrealities and impossibilities.

P^1=£20,000=$2P^2$=£10,000. P^1 contains 1,000 days of living labour time+a certain amount of past labour time. P^2 contains 100 days of living labour time+a certain amount of past labour time.

The whole example, as presented by Ricardo, contradicts itself, it is absurd and impossible (especially if we assume, as we must in any general example, that neither of the two sells his commodities above their value, so that the product sold for 20,000, will contain precisely twice as much labour time as the product sold for 10,000. If we assume that Capital No. II computes the profit from its advanced capital independently from the value of its product, we lose our footing entirely).

[VIII-374] According to one of Ricardo's assumptions, 100 workers produce £2,000 of surplus value. Assuming that the whole of the working day (12 hours)=£20, the *value* of the total labour of these 100 workers would only=£2,000. But since their wages are paid from this value, while surplus value consists only of the unpaid part of the working day, the value of a working day must therefore be reckoned higher than £20, if surplus value alone=2,000. Let us therefore set it at £30. Assume something entirely fantastic, that the wages only=£10 a year, $^{1}/_{3}$ of the total labour time. In this case the value of 100 working days=30×100=3,000, the value of the wages=10×100=1,000, and surplus value (the value of the unpaid labour)=2,000.

In the other CASE, Ricardo assumes 1,000 workers. Setting the value of a whole working day at £30, as in the first example, the objectified labour alone of these 1,000 workers would=£30,000. But Ricardo now assumes that the value of the total product only=£20,000. Under all circumstances his illustration [is] therefore absurd. To make the 2nd CASE possible, the value of the total working day must be *more* than £20. But if it is 1 centime more than £20, the product of 1,000 workers (excluding constant capital contained in it) cannot=£20,000—it must be more.

We must therefore either increase the value of the capital (which is unacceptable, as the illustration rests on the fact that in both cases capitals of *equal* value, i.e., £20,000, are employed) or change the number of workers. Consider the latter operation (otherwise we should even have to increase the capital in CASE II). Assume, for instance, that capital I employs 500 workers instead of 1,000. The value of 500 workers at £30 per working day=15,000. This represents, however, a surplus value of only 2,000=$^{2}/_{15}$ of 15,000 or 13$^{1}/_{3}$%. Or, if the wages=11,000, surplus value would=2,000=$^{2}/_{11}$ or 18$^{2}/_{11}$%.

Or, to operate with round figures and direct relations, assume that capital I employs 400 workers. So, if a working day=£30, 400 working days=400×30=£12,000, of which surplus value= =£2,000. The wages thus=10,000. And surplus value is now $^{1}/_{5}$ in relation to wages or $^{1}/_{6}$ of the total working day; wages [make up] $^{5}/_{6}$ of the whole. In the above, surplus value [was assumed to be] 2 times greater than wages, or $^{2}/_{3}$ of the total working day and the total product, whereas the wages [were set at] $^{1}/_{3}$ of the total. The latter [was] $^{2}/_{6}$ of the whole, surplus value, $^{4}/_{6}$ of the whole. A difference in wages conditioned by the difference in the productivity of workers is here assumed arbitrarily, for otherwise the surplus value could not have been 2,000 for £1,000 in the first case, and in the second it could not have been 2,000 for 4 times more workers with the wages of 10,000. It is assumed here that workers are paid in their own product.

The worker of II thus processes as much raw material in 4 hours as the other in 10 (as much in $^{1}/_{3}$ or $^{2}/_{6}$ of a day as the other in $^{5}/_{6}$ of a day). Thus he processes in 2 hours (or in $^{2}/_{12}$ of a day) as much as the other in 5 hours ($^{5}/_{12}$), or as much in 1 hour as the other in $2^{1}/_{2}$. Assuming that worker II processes 1 lb. of cotton in 4 hours he will process $^{1}/_{4}$ lb. in 1 hour and $^{12}/_{4}$ lb. or 3 lbs in 12 hours.

Then, if worker I processes 1 lb. of cotton in 10 hours, he will process $^{1}/_{10}$ lb. in 1 hour and $^{12}/_{10}$ lb. in 12 hours,or $1^{2}/_{10}=1^{1}/_{5}$ lbs. Worker II produces 3 lbs in 1 working day, and 100 working days of II produce 300 lbs.

Worker I produces $1^{1}/_{5}$ lbs in 1 working day, and 400 workers produce ($400+^{400}/_{5}$ lbs)=480 lbs.

The raw material which one (I) processes in one working day is in a proportion of $1:2^{1}/_{2}$ to what the other (II) processes in 1 day. But there are 4 working days in I where there is 1 working day in II. 100 workers in II produce 300 lbs, while 100 in I produce only 120. $120:300=1:2^{1}/_{2}$. However, although the product in I is $2^{1}/_{2}$ less, in relation to labour time, than in II, the GROSS AMOUNT is greater, for in I 4 times as many workers are employed as in II. We must therefore distinguish between proportional products (comparable products of a *single working day*) in both classes and absolute quantities (i.e., the amount of products as determined by the products of a single working day×by the number of working days or the number of workers employed). The proportional product in I is to [the proportional product in] II as $1:2^{1}/_{2}$. But since there are four times as many working days in I or four times as many [VIII-375] workers employed as in II, the proportion of absolute magnitudes=$4:2^{1}/_{2}$, or=$^{8}/_{2}:^{5}/_{2}=8:5$. The capital employed in I and II for raw materials (in both *cases the same raw material and of the same value*) must therefore be in the relation=8:5. So if I processes £7,000 worth of raw material, II [processes] 4,375 worth of it. Now I expends 10,000 on wages, and 7,000 on raw material; of the capital of 20,000 there now remains only 3,000. But since Ricardo assumes that I sells for £20,000, the capital which he consumes in production must not exceed 18,000, or he would not gain a FARTHING. But his product=his production costs. Or else his product should have been 22,000. But Ricardo states distinctly that it=£20,000. £2,000 of fixed capital must therefore enter into the labour process and not the valorisation process, and out of the total fixed capital of 3,000 $^{1}/_{3}$,=£1,000, must enter into the valorisation process.

We now have the following calculation for I:

Capital	Fixed capital		Raw material	Wages	Surplus value	Capital consumed	Product	Profit
£20,000	£3,000		£7,000	£10,000	£2,000	£18,000	£20,000	£2,000=10%
	2,000 not consumed	1,000 consumed						

Assume that the raw material is cotton, and that 1 lb. of cotton is processed into 1 lb. of yarn; 1 lb. of cotton costs 6d., so that 2 lbs cost 1s. and 40 lbs, £1; 280,000 lbs cost £7,000. The product would thus be 280,000 lbs of yarn, which cost £20,000. 1 lb. yarn would cost *1*$^{3}/_{7}$*s.* Thus, as raw material=6d., the product would cost 11$^{1}/_{7}$d. more, and nearly 12d. or 200% would be added to the value of the raw material.

Now let us consider CASE II. Wages=£1,000, raw material=£4,375, the total=£5,375. Commodities are sold for £10,000, of which £2,000 is surplus value; so, of the £8,000, yarn (8,000—5,375)=2,625. There therefore remain £2,625 for the wear and tear of fixed capital that is contained in £10,000. As Ricardo further assumes that advanced capital=20,000, it consists of £12,625 fixed capital, of which 10,000 enters into the labour process but not in the valorisation process, while 2,625 enters the product as wear and tear. The machinery is therefore assumed to be damned expensive, as nearly $^{1}/_{4}$ goes in wear and tear, so that it must be reproduced nearly every 4 years. Under all these unpleasant circumstances, we have the following calculation:

Capital	Fixed capital		Raw material	Wages	Surplus value	Capital consumed	Product	Profit
£20,000	£12,625		£4,375	£1,000	2,000	8,000	10,000	2,000 or 10%
	10,000 not consumed	2,625 consumed						

Counting 1 lb. [of cotton] at 6d., 2 lbs cost 1s. and 40 lbs=£1. Therefore, the £4,375=40×£4,375=175,000 lbs. The product is therefore 175,000 lbs of yarn, whose value=£10,000. So, 175 lbs cost £10, and $^{175}/_{10}$ lbs=£1=17$^{1}/_{2}$ lbs. A pound of yarn costs 1$^{1}/_{7}$s. or is $^{2}/_{7}$s. cheaper than the yarn spun by the other, by No. I.

Now, as far as, first, the *deplacement* of capital and labour is concerned, I expended £10,000 in wages, II only £1,000. That means £9,000 less in spinning labour. Variable capital is $^{9}/_{10}$

smaller in II than in I. But II expended £12,625 in fixed capital and I only 3,000, thus £9,625 less; I spent £7,000 on raw materials, II only 4,375, and thus £2,625 less. The whole *deplacement* was to begin with merely another division of capital [VIII-376] between the production elements of which the yarn consists. But the matter should not rest there. Since the [capital advanced as fixed] capital will be reproduced in approximately 5 years, only $^1/_5$ is annually required for the reproduction of this part of the capital. The capital which has flown back into machine building can only be employed annually in producing 5 such machines in 5 years, or 1 machine per year; this would therefore depend on the growth of the mode of production in II.[a]

II employed only 100 workers where I employed 400, and he paid them £10 where I paid 25, thus $^2/_5$ of the old wages. If he had not decreased wages in proportion to productivity of labour, the saving of 300 workers would not have gained him a single FARTHING, if he had sold the commodities at their value. The 100 workers would have cost him £2,500, and his total surplus value would only=£500; i.e., his profit would only represent $^1/_4$ of I in proportion to the labour time he employed. *A mere reduction* in the number of workers and in wages does not work if the wage rate does not fall. In the above example, the number [of workers] fell by $^1/_4={}^5/_{20}$; wages fell by $^2/_5$ or $^8/_{20}$. But since I produces a pound of yarn at $1^3/_7$s., which costs II only $1^1/_7$, he could undercut the other if he sold the yarn at $1^2/_7+{}^1/_{35}$s.$=1^{11}/_{35}$s. The other sells it precisely at $1^3/_7$, or $1^{15}/_{35}$s. In this case, II could pay the same wages as I, since $^1/_7$s. times 175,000 lbs equals 25,000s. or £1,250, and $^1/_{35}$s. times 175,000 equals 5,000s. or £250. These price rises would make a total of £1,500. We have seen that, when II pays workers £25, like I, his surplus value=£500. This surplus value+1,500 for raising the price over the value (since he produces under the conditions of social production costs)=£2,000. If II had to compete with I, he could pay the same wages, if he sold yarn at $1^{11}/_{35}$s. a pound instead of $1^1/_7$s. I would sell at 1s. $5^1/_7$d. a pound, or 1s. 5d. $^4/_7$ FARTHING.

II would sell at 1s. $3^{27}/_{35}$d. a pound, or 1s. 3d. $3^3/_{35}$f. So if II sold at 1s. 4d., he would make a greater profit than I, and still sell $1^1/_7$d. cheaper.

I would produce 280,000 lbs of yarn, II only 175,000 lbs, i.e., 105,000 lbs less. Assuming, though, that the workers consume the product, I supplies them with 140,000; thus only 140,000 enter into

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[a] The reference is to case II or capital II.—*Ed.*

circulation; with II, the workers use up only $^1/_{10}$ of £10,000=175,000 lbs, hence 17,500. There is obviously an error here, as 140,000 divided by 400 gives us 350 per person, or 35,000 for 100 men, and thus $^2/_{10}$ and not $^1/_{10}$—and we have assumed that the workers of II receive as much product as those of I.

This calculation must be abandoned. I don't see why time should be wasted on working out Ricardo's nonsense.

[IX-377] The passage in Ricardo (3rd ed., pp. 415, 416, 417)[a] runs: (Ch. XXVI)[b]

"Adam Smith constantly magnifies the advantages which a country derives from a large gross, rather than a large net income" (because, says Adam, *"the greater will be the quantity of productive labour which it puts into motion") ... "what would be the advantage resulting to a country from the employment of a great quantity of productive labour, if, whether it employed that quantity or a smaller, its net rent and profits together would be the same?"*

//This therefore means nothing but: *if the surplus value produced by a greater quantity of labour would be the same as that produced by a smaller quantity.* That however in turn means nothing but that it is the same thing for a country whether it employs a large number of labourers at a lower rate of surplus or a smaller number at a higher rate. $n \times {}^1/_2$ is just as much as $2n \times {}^1/_4$, where n represents the number [of labourers] and $^1/_2$ and $^1/_4$ the surplus labour. The "productive labourer" as such is a mere instrument of production for the production of SURPLUS, and if the result is the same a larger number of these "productive labourers" would be A NUISANCE.//

*"To an individual with a capital of 20,000 *l.*, whose profits were 2,000 *l.* per annum, it would be a matter quite indifferent whether his capital would employ a 100 or a 1,000 men, whether the commodity produced, sold for 10,000 *l.*, or for 20,000 *l.*, provided, in all cases, his profits were not diminished below 2,000 *l.*"*[c]

//The meaning of this, as is evident from a later passage, is perfectly banal. For example, a WINE-MERCHANT, who makes use of £20,000 and has £12,000 lying in his cellar each year, but sells £8,000 for £10,000, employs few people and makes 10% profit. And then take bankers!//

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[a] D. Ricardo, *On the Principles of Political Economy, and Taxation*, 3rd ed., London, 1821.—*Ed.*

[b] See this volume, p. 117.—*Ed.*

[c] Ibid., p. 119.—*Ed.*

*"Is not the real interest of the nation similar? *Provided its net real income, its rent and profits be the same, it is of no importance whether the nation consists of 10 or of 12 millions of inhabitants.* Its power of supporting fleets and armies, *and all species of unproductive labour*"*

(this passage shows among other things that Ricardo shared Adam Smith's view of productive and unproductive LABOUR, although he did no longer share Smith's tenderness, based on illusions, for the productive LABOURER)

*"must be in proportion to its net, and not in proportion to its gross, income. If five millions of men could produce as much food and clothing as was necessary for 10 millions, food and clothing for 5 millions would be the net revenue. Would it be of any advantage to the country, that *to produce this same net revenue*, seven millions of men should be required, that is to say, that seven millions should be employed to produce food and clothing sufficient for 12 millions? The food and clothing of 5 millions would be still the net revenue. The employing [of] a greater number of men would enable us neither to add a man to our army and navy, nor to contribute one guinea more in taxes."*[a] [53]

A country is the richer the smaller its productive population is *relatively* to the total product; just as for the individual capitalist: the fewer labourers he needs to produce the same SURPLUS, *tant mieux*[b] for him. The country is the richer the smaller the productive population in relation to the unproductive, the quantity of products remaining the same. For the relative smallness of the productive population would be only another way of expressing the relative degree of the productivity of labour.

On the one hand it is the tendency of capital to reduce to a dwindling minimum the labour time necessary for the production of commodities, and therefore also the number of the productive population *in relation to* the amount of the product. On the other hand, however, it has the opposite tendency to accumulate, to transform profit into capital, to appropriate the greatest possible quantity of the labour of others. It strives to reduce the rate of necessary labour, but to employ the greatest possible quantity of productive labour at the given rate.[c] The proportion of the products to the population makes no difference in this. Corn and cotton can be exchanged for wine, diamonds, etc., [IX-378] or labourers can be employed in productive labour which does not directly add anything to the (consumable) products (such as railway construction, etc.).

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[a] Ibid., p. 117.—*Ed.*

[b] So much the better.—*Ed.*

[c] In the manuscript the passage from the beginning of the paragraph is crossed out in pencil.—*Ed.*

If as the result of an invention a capitalist can now only use in his business £10,000 instead of the £20,000 he used previously, because £10,000 is sufficient, and if this sum yields 20% for him instead of 10, that is, as much as the £20,000 brought in before, this would be no reason for him to spend £10,000 as revenue instead of as capital as before. (Actually it is only in the case of State loans that we can speak of a direct transformation of capital into revenue.) He would place it elsewhere—and in addition would capitalise a part of his profit.

Among the economists (including Ricardo in part) we find the same antinomy as there is in reality. Machinery displaces labour and increases the net revenue (particularly always what Ricardo here calls net revenue—the quantity of products in which revenue is consumed); it reduces the number of labourers and increases the products (which then are partly consumed by unproductive labourers, partly exchanged abroad, etc.). So this would be desirable. But no. In that case it must be shown that machinery does not deprive the labourers of bread. And how is this to be shown? By the fact that after a SHOCK (to which perhaps the section of the population which is directly affected cannot offer any resistance) machinery once again employs more people than were employed before it was introduced—and therefore once again increases the number of "productive labourers" and restores the former disproportion.

That is in fact what happens. And so in spite of the growing productivity of labour the labouring population could constantly grow not in proportion to the product, which grows with it and faster than it, but proportionately [to the total population], if, for example, capital simultaneously becomes concentrated, and therefore former component parts of the unproductive classes fall into the ranks of the proletariat. A small part of the latter rises into the middle class. The unproductive classes, however, see to it that there is not too much food available. The constant retransformation of profit into capital always restores the same circuit on a wider basis.

And Ricardo's care for accumulation is even greater than his care for net profit, which he regards with fervent admiration as a means to accumulation. Hence too his contradictory admonitions and consoling remarks to the labourers. They are the people most interested in the accumulation of capital, because it is on this that the demand for them depends. If this demand rises, then the price of labour rises. They must therefore themselves desire the lowering of wages, so that the surplus taken from them, once more filtered through capital, is returned to them for new labour and their wages rise. This rise in wages however is bad, because it restricts accumulation. On the one hand they must not produce children. This brings a fall in the supply of labour, and so its price rises. But this rise diminishes the rate of accumulation, and so diminishes the demand for them and brings down the price of labour. Even quicker than the supply of them falls, [the accumulation of] capital falls along with it. If they produce children, then they increase their own supply and reduce the price of labour; thus the rate of profit rises, and with it the accumulation of capital. But the labouring population must rise *pari passu* with the accumulation of capital; that is to say, the labouring population must be there exactly in the numbers that the capitalist needs—which it does anyway.

Mr. Ganilh is not altogether consistent in his admiration for the net product. He quotes from Say:

"I do not doubt at all that in slave labour the excess of the products over consumption is larger than in the labour of a free man.... The labour of the slave has no limit but his capacity.... The slave" (and the free worker too) "*labours for an unlimited need: his master's cupidity*" (Ganilh, 2nd ed., [Vol. I,] pp. 231[-32]).[54]

[IX-379] On this Ganilh observes:

"The free labourer cannot consume more and produce less than the slave.... All consumption presumes an equivalent produced to pay for it. If the free labourer consumes more than the slave, the products of his labour must be more considerable than those of the slave's labour" (Ganilh, Vol. I, p. 234).

As if the size of the wage depended *only* on the productivity of the labourer, and not, with a given productivity, on the division of the product between labourer and master.

"I know," he continues, "that it can be said with some reason that the *economies made by the master at the expense of the labourer*[a]" (according to this there are after all economies made on the wages of the slave) "serve to augment his personal expenses," etc.... "But it is more advantageous to the general wealth that there should be well-being in all classes of society rather than an excessive opulence among a small number of individuals" (pp. 234-35).

How does that tally with the net product? And for that matter Mr. Ganilh at once retracts his liberal tirades (l.c., pp. 236-37). He wants NIGGER-slavery[b] for the colonies. He is only liberal in so far as he does not want to reintroduce it into Europe, having grasped

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[a] Ganilh has "*slave*".—*Ed.*

[b] See p. VII of this volume.—*Ed.*

that the free labourers here are slaves, that they only exist to produce net product for capitalists, LANDLORDS and their RETAINERS.

"He" (*Quesnay*) "definitely denies that economies made by the wage-earning classes have the faculty to increase capital; and the reason he gives for this is that these classes should not have any means on which to make economies, and that if they had *a surplus, an excess,* this could only be due to an error or to some disorder in the society's economy" (l.c., p. 274).

Ganilh cites in evidence the following passage from Quesnay:

"If the sterile class saves in order to augment its cash ... its labours and its gains will diminish in the same proportion, and it will fall into decay" (*Physiocratie,* p. 321).[55]

The ass! He does not understand Quesnay.

Mr. Ganilh puts on the keystone in the following paragraph:

"The larger they" (wages) "are, the less is the revenue of the society" (society stands on them, but they do not stand in society), "and all the skill of governments should be applied to reducing the amount [of the wages].... A *task ... worthy of the enlightened century in which we live*" (Vol. II, p. 24).

Then there are still *Lauderdale* (Brougham's insipid jests are not worth examining after him), (Ferrier?), *Tocqueville, Storch, Senior,* and *Rossi* to be considered briefly on productive and unproductive labour.[56]

EXCHANGE OF REVENUE AND CAPITAL

//To be distinguished: 1) The part of the *revenue which is transformed into new capital*; that is, the part of the profit which is itself again capitalised. Here we leave this entirely out of account—it belongs to the section on accumulation. 2) The revenue which is exchanged with capital consumed in production, so that by means of this exchange not new capital is formed, but old capital replaced—in a word, the old capital is conserved. In this inquiry, therefore, we can put the part of the revenue which is transformed into new capital as equal to nil, and treat the subject as if all revenue covers either revenue or capital consumed.

The whole amount of the annual product is therefore divided into 2 parts: one part is consumed as revenue, the other part replaces *in natura* the constant capital consumed.

Revenue is exchanged for revenue, when for example the producers of linen exchange a portion of that part of their product—the linen—which represents their profits and wages, their revenue, for corn that represents a portion of the profits and [IX-380] wages of farmers. Here therefore there is the exchange of linen for corn, those two commodities which both enter into individual consumption—exchange of revenue in the form of linen for revenue in the form of corn. There is absolutely no difficulty in this. If consumable products[57] are produced in proportions corresponding to needs, which means also that the proportional amounts of social labour required for their production are proportionately distributed //which of course is never exactly the case, there being constant deviations, disproportions, which as such are adjusted; but in such a way that the continuous movement towards adjustment itself presupposes continuous disproportion//, then revenue, for example in the form of linen, exists in the exact quantity in which it is required as an article of consumption, therefore in which it is replaced by the articles of consumption of other producers. What the producer of linen consumes in corn, etc., the farmers and others consume in linen. The part of his product which represents revenue, which he exchanges for other commodities (articles of consumption), is thus taken in exchange as an article of consumption by the producers of these other commodities. What he consumes in the product of others, these others consume in his product.

It may be noted in passing: that no more necessary labour time is employed on a product than is required by society—that is to say, no more time than on the average is required for the production of this commodity—is the result of capitalist production, which even continuously reduces the minimum of necessary labour time. But in order to do so, it must constantly produce on a rising scale.

If 1 yard of linen costs only 1 hour and this is the necessary labour time that society has to use to satisfy its need for 1 yard of linen, it by no means follows from this that if 12 million yards are produced—that is, 12 million hours' labour, or what is the same thing, 1 million days' labour—1 million labourers being employed as linen weavers, society [needs] to employ such a part of its labour time "necessarily" on the weaving of linen. If the necessary labour time is given, and therefore also that a certain quantity of linen can be produced in one day, the question arises how many such days are to be used in the production of linen? The labour time used on the total of particular products, in a year for example, is equal to a definite quantity of this use value—for example, 1 yard of linen (say=1 day's labour)—multiplied by the number of days' labour used in all. The total quantity of labour time used in a particular branch of production may be under or over the correct proportion to the total available social labour, although each aliquot part of the product contains only the labour time necessary for its production, or although each aliquot part of the labour time used was necessary to make the corresponding aliquot part of the total product.

From this standpoint, the necessary labour time acquires another meaning. The question is, in what quantities the necessary labour time itself is distributed among the various spheres of production. Competition constantly regulates this distribution, just as it equally constantly disorganises it. If too large a quantity of social labour time is used in one branch, the equivalent can be paid only, as if the corresponding quantity had been used. The total product—i.e., the value of the total product—is in this case not equal to the labour time contained in it, but=the proportional amount of labour time which would have been used had the total product been in proportion to the products in the other spheres. But inasmuch as the price of the total product falls below its value, the price of each aliquot part of it falls. If 6,000 yards of linen instead of 4,000 are produced, and if the value of the 6,000 yards is 12,000s. they are sold for 8,000. The price of each yard is $1^1/_3$s. instead of 2—$^1/_3$ below its value. It therefore amounts to the same thing as if $^1/_3$ too much labour time had been used to produce 1 yard. Assuming that the commodity has use value, the fall of its price below its value therefore shows that, although each part of the product has cost only the socially necessary labour time //here it is assumed that the conditions of production remain unchanged//, a superfluous—more than necessary—total quantity of social labour has been employed in this one branch.

The sinking of the relative value of the commodity as a result of altered [IX-381] conditions of production is something entirely different; this piece of linen on the market has cost 2s.,=1 day's labour, for example. But it can be reproduced every day for 1s. Since now the value is determined by the socially necessary labour time, not by the labour time used by the individual producer, the day that the producer has used for the production of the 1 yard now only=$^1/_2$ the socially determined day. The fall of the price of his yard from 2s. to 1s.—that is, of its price below the value it has *cost* him—shows merely a change in the conditions of production, that is, a change in the necessary labour time itself. On the other hand, if the production costs of the linen remain the same while those of all other articles rise—with the exception of gold, in short, the material of money; or even [if the rise applies to] certain articles such as wheat, copper, etc., in a word, to articles which do not enter into the component parts of the linen—then 1 yard of linen would=2s. as before. Its *price* would not fall, but its relative value expressed in wheat, copper, etc., would have fallen.

Of the part of the revenue in one branch of production (which produces consumable commodities) which is consumed in the revenue of another branch of production, it can be said that the demand is equal to its own supply (in so far as production is kept in the right *proportion*). It is the same as if each branch itself consumed that part of its revenue. Here there is only a formal metamorphosis of the commodity: *C—M—C.* Linen—money—wheat.

Both commodities which are exchanged here represent only a part of the new labour added in the year. But in the first place it is clear that this exchange—in which two producers mutually consume a part of their product which represents revenue in each other's commodities—only takes place in those branches of production which produce consumable articles, articles which enter directly into individual consumption, in which consequently revenue can be spent as revenue. Secondly, it is just as clear: that only regarding *this part* of the exchange of products it is true that the producer's supply=the demand for other products which he wishes to consume. Here in fact it is only a question of a simple exchange of commodities. Instead of producing his means of subsistence himself, he produces the means of subsistence for another, who produces his. No relation between revenue and capital enters into this. Revenue in one form of consumable articles is exchanged against revenue in another form of consumable articles, and so in fact consumable articles are exchanged for consumable articles. What determines their process of exchange is not that both are revenue, but that both are consumable articles. Their formal determination as revenue does not come into this at all. It shows itself however in the use value of the interchangeable commodities, in that both enter into individual consumption; which in turn however means no more than that one part of consumable products is exchanged for another part of consumable products.

The form of revenue can only intervene or make itself manifest where the form of capital confronts it. But even in this case what Say[58] and other vulgar economists assert is not true—that if A cannot sell his linen or can only sell it under its price—i.e., the part of his linen which he wishes to consume himself as revenue—then this happens because B, C, etc., have produced too little wheat, meat, etc. It may be because they have not produced enough of these. But it may also be because A has produced too much linen. For assuming that B, C, etc., have enough wheat, etc., to buy all A's linen, they nevertheless do not buy it, because only a definite quantity of linen is *consumed* by them. Or it may also be because A has produced more linen than the part of their revenue which can be spent on clothing materials altogether—that is, absolutely, because each person can expend as revenue only a definite quantity of his own product, and A's production of linen presupposes a greater amount of revenue than in total there is. It is ridiculous, however, when it is only a matter of the exchange of revenue against revenue, to suppose that what is wanted is not the use value of the product but the quantity of this use value, thus once again forgetting that *this* exchange concerns only the satisfaction of needs, not, as in exchange value, the quantity.

But everyone will prefer to have a large rather than a small quantity of an article. If this is supposed to solve the difficulty, then [IX-382] it is absolutely impossible to understand why the producer of linen, instead of exchanging his linen for other articles of consumption and piling these up *en masse*, does not carry out the simpler process of enjoying a part of his revenue in his superfluous linen. Why does he at all transform his revenue from the form of linen into other forms? Because he has to satisfy other needs than the need for linen. Why does he himself consume only a certain part of the linen? Because only a quantitatively determined part of the linen has use value for him. The same thing, however, holds for B, C, etc. If B sells wine and C books and D mirrors, each may prefer to consume the surplus of his revenue in his own product—wine, books, mirrors—rather than in linen. Thus it cannot be said that, necessarily, too little wine, books and mirrors have been produced because A cannot transform his revenue in the form of linen (or cannot transform it at its value) into wine, books and mirrors. It is still more ridiculous, however, when this exchange of revenue against revenue—this one section of the commodity exchange—is passed off as the whole of commodity exchange.

We have thus disposed of one part of the product. A part of the consumable products changes hands between the producers of these consumable products themselves. Each consumes a part of his revenue (profit and wages) in the other's consumable product instead of in his own consumable product, and in fact he can only do this in so far as there is the reciprocal consumption by the other of someone else's consumable product instead of his own. It is the same as if each had consumed that part of his consumable product which represents his own revenue.

For all the rest of the products, however, complicated relations intervene, and it is only here that the commodities exchanged confront each other as revenue and capital, and not only as revenue.

First a distinction has to be made. In all branches of production a part of the total product represents revenue, labour added (during the year), profit and wages. //Rent, interest, etc., are parts of profit; the income of the State good-for-nothings is part of profit and wages; the income of other unproductive labourers is the part of profit and wages which they buy with their unproductive labours—it therefore does not increase the product existing as profit and wages, but only determines how much of it they consume, and how much is consumed by the labourers and capitalists themselves.// But only in one section of the spheres of production can the part of the product representing revenue enter directly *in natura* into the revenue, or in its *use value* be consumed as revenue. All products which are *only* means of production cannot be consumed *in natura*, in their immediate form, as revenue, but only their *value*. This however must be consumed in the branches of production which produce directly consumable articles. A part of the means of production may be immediate articles of consumption—it may be one or the other according to the use made of it, as for example a horse, a cart, etc. A part of the immediate articles of consumption may be means of production, like corn for spirits, wheat for seed, and so on. Almost all articles of consumption can re-enter the production process as excrements of consumption, as for example worn-out and half-rotten rags of linen in the manufacture of paper. But no one produces linen in order that it should become, as rags, the raw material for paper. It only gets this form after the linen weaver's product as such has entered consumption. Only as excrement of this consumption, as residuum and product of the consumption process, can it then go into a new production sphere as means of production. This CASE, therefore, is not relevant here.

The products therefore—of which the aliquot part that represents revenue can[a] be consumed by their own producers as value, but not as use value (so that they must sell the part for example of their machines which represents wages and profit in order to consume it, [as they] cannot directly satisfy any individual need with it as a machine)—[these products] can just as little be consumed by the producers of other products; they cannot enter

[a] The manuscript has "cannot".—*Ed.*

into their individual consumption, and hence cannot form part of the products on which they spend their revenue, since this would be in contradiction to the use value of these commodities: their use value by the nature of the case *excludes* individual consumption. The producers of these unconsumable products, therefore, can only consume their *exchange value*; that is to say, they must first transform them into money in order to retransform this money into consumable commodities. But to whom are they [IX-383] to sell them? To producers of other individually unconsumable products? Then they would merely have one unconsumable product in the place of the other. It is however presupposed that this part of the products forms their revenue; that they sell these commodities in order to consume their value in consumable products. For that reason they can only sell them to the producers of products that can be consumed individually.

This part of the commodity exchange represents exchange of one man's capital for another man's revenue, and of one man's revenue for another man's capital. Only one part of the total product of the producer of consumable products represents revenue; the other part represents constant capital. He can neither himself consume the latter, nor can he exchange it for the consumable products made by others. He can neither consume *in natura* the use value of this part of the product, nor can he consume its value by exchanging it for other consumable products. He must on the contrary transform it again into the natural elements of his constant capital. He must *consume industrially* this part of his product, that is, use it as means of production. But in its use value his product is only capable of entering individual consumption; he cannot therefore transform it again *in natura* into his own elements of production. Its use value excludes industrial consumption. So he can only industrially consume its *value*. It is otherwise with the producers of the elements of production of his product. He can neither consume *in natura* this part of his product, nor can he consume its value by selling it for other products that can be consumed individually. Just as little as this part of his product can enter into his own revenue, can it be replaced out of the revenue of producers of other individually consumable products; since this would only be possible if he exchanged his product for their product and so *consumed* the value of his product, which cannot happen. But since this part of his product, as well as the other part which he can consume as revenue, by its use value can only be consumed as revenue, must enter into individual consumption and cannot replace constant capital, it must enter into the revenue of the producers of unconsumable products—it must be exchanged against that part of their products whose value they can consume, or in other words which represents their revenue.

If we look at this exchange from the standpoint of each of the people exchanging, for A, the producer of the consumable product, it represents a transformation of capital into capital. He transforms the part of his total product which is equal to the value of the constant capital it contains back again into the natural form in which it can function as constant capital. Both before and after the exchange it represents, in its value, only constant capital. For B, the producer of the product that cannot be consumed, it is the reverse: the exchange represents merely the transformation of revenue from one form into another. He transforms the part of his total product which forms his revenue,=the part of the total product which represents labour newly added, his own labour (capitalist and labourer)—into the natural form in which only he can consume it as revenue. Both before and after the exchange it represents, in its value, only his revenue.

If we look at the relation from both sides, then A exchanges his constant capital for B's revenue, and B exchanges his revenue for A's constant capital. B's revenue replaces A's constant capital, and A's constant capital replaces B's revenue.

In the exchange itself //irrespective of the purposes of those carrying it out// only commodities confront each other—and a simple exchange of commodities takes place—the relation between which is merely that of commodities, the designations of revenue and capital having no significance here. Only the different *use value* of these commodities shows that one lot can only serve for industrial consumption, and the other only for individual consumption, can only enter into this consumption. The various practical uses of the various use values of various commodities, however, concern their consumption and do not affect the process of their exchange as commodities. It is quite a different thing when the capitalist's capital is transformed into wages, and labour is transformed into capital. Here the commodities do not confront each other as simple commodities, but capital as capital. In the exchange we have just been considering sellers and buyers face each other only as sellers and buyers, only as simple commodity owners.

It is further clear that the whole of the product destined for individual consumption or the whole product entering into individual consumption, in so far as it enters into it, can only be exchanged for revenue. The fact that it cannot be industrially consumed means precisely that it can only be consumed as revenue, i.e., only individually. //As noted above, we here abstract from the transformation of profit into capital.[a]//

If A is a producer of a product that can only be individually consumed, let his revenue be equal to $^1/_3$ of his total product, his constant capital to $^2/_3$. The assumption implies that he himself consumes the first $^1/_3$, whether he [IX-384] consumes it all himself *in natura* or only partly or not at all, or whether he consumes its value in other articles of consumption; the sellers of these articles of consumption then consume their own revenue in A's product. So the part of the consumable product which represents the revenue of the producers of consumable products is consumed by them either directly, or indirectly, through exchanging among themselves the products to be consumed by them; in regard to this part, therefore, where *revenue is exchanged for revenue*—here it is the same as if A represented the producers of all consumable products. He himself consumes $^1/_3$ of this aggregate amount, the aliquot part which represents his revenue. This part, however, represents exactly the quantity of labour which during the year category A has added to its constant capital, and this quantity is equal to the total sum of wages and profits produced by category A during the year.

The other $^2/_3$ of category A's total product are equal to the value of the constant capital, and must therefore be replaced by the product of the annual labour of category B, which supplies products that ARE INCONSUMABLE and only enter into industrial consumption, as means of production into the production process. But as these $^2/_3$ of A's total product, just the same as the first $^1/_3$, must enter into individual consumption, it is taken by the producers of category B, in exchange for the part of their product which represents their revenue. Category A has therefore exchanged the constant part of its total product for its original natural form, exchanged it retransformed for the newly delivered products of category B; but category B has only paid for it with that part of its product which represents its revenue but which it can only consume in the products of A. It has thus in fact paid with its newly added labour, which is completely represented by the part of B's product that is exchanged for the last $^2/_3$ of A's product. Thus A's total product is exchanged for revenue, or passes entirely into individual consumption. On the other hand (on the

[a] See this volume, p. 130.—*Ed.*

assumption that the transformation of revenue into capital is here left out of account, being taken as=0) the *total revenue* of society is also expended on product A; for the producers of A consume their revenue in A, and so do the producers of category B. And there is no other category besides these two.

The total product A is consumed, although it contains $^2/_3$ constant capital, which cannot be consumed by the producers of A but must be retransformed into the natural form of their elements of production. The total product A is equal to the total revenue of society. The total revenue of society, however, represents the total labour time which it has added during the year to the existing constant capital. Now although the total product A consists of newly added labour only as to $^1/_3$, and as to $^2/_3$ of past labour that has to be replaced, it can be bought in its entirety by newly added labour, because $^2/_3$ of this total annual labour must be consumed not in their own products but in the products of A. A is replaced by $^2/_3$ more newly added labour than it itself contains, because these $^2/_3$ are labour newly added in B, and B can only consume it individually in A, just as A can only consume the same $^2/_3$ industrially in B. Thus the total product of A can in the first place be entirely consumed as revenue, and at the same time its constant capital can be replaced. Or rather it can only be entirely consumed as revenue because $^2/_3$ of it are replaced by the producers of constant capital, who cannot consume *in natura* the part of their product representing revenue, but are obliged to consume it in A, that is, through exchanging it for $^2/_3$ of A.

We have thus disposed of the final $^2/_3$ of A.

It is clear that it makes no difference if a third category C exists, whose products are consumable both industrially and individually; for example, corn, by men or by cattle or as seed or as bread; vehicles, horses, cattle, etc. In so far as these products enter into individual consumption they must be consumed as revenue, direct or indirect, by their own producers, or by the producers (direct or indirect) of the part of the constant capital contained in them. They therefore come under A. In so far as they do not enter into individual consumption, they come under B.

The process of this second kind of exchange, where it is not revenue that is exchanged against revenue but capital against revenue—in which the whole constant capital must in the end be resolved into revenue, that is, into newly added labour—can be thought of in two ways. Let A's product be for example linen. The $^2/_3$ of the linen which are=to the constant capital of A (or its value) pay for yarn, machinery and *matières instrumentales.* But the yarn manufacturer and the manufacturer of machinery [IX-385] can only consume as much of this product as represents their own revenue. The linen manufacturer pays the whole price of the yarn and machinery with these $^2/_3$ of his product. By so doing he has thus replaced for the spinner and the machinery manufacturer their total product which entered into the linen as constant capital. But this total product is itself=to the constant capital and revenue—one part being equal to the labour added by the spinner and machinery manufacturer, and another part representing the value of their own means of production, that is, for the spinner flax, oil, machinery, coal, etc., and for the machinery manufacturer coal, iron, machinery, etc. A's constant capital, $=^2/_3$, has thus replaced the total product of the spinner and machinery manufacturer, their constant capital+the labour newly added by them—their capital+their revenue. But they can only consume their revenue in A. After deducting the part of the $^2/_3$ of A which=their revenue, with the rest they pay for their raw materials and machinery. According to our assumption, however, the latter need not replace any constant capital. Only so much of their product can enter into product A—and therefore also into the products which are means of production for A—as A can pay for. But A can only pay with his $^2/_3$ for as much as B can buy with his revenue, i.e., as much as the product exchanged by B contains revenue, newly added labour. If the producers of the final elements of production of A had to sell to the spinner a quantity of their product which represented a part of their own constant capital—that is, which represented more than the labour they had added to their constant capital—then they could not accept payment in A, because they cannot consume one part of this product. Consequently what takes place is the opposite.

Let us trace the stages in reverse. Let us assume that the total linen=12 days. The product of the flax-grower, of the iron manufacturer, etc.,=4 days; this product is sold to the spinner and the machinery manufacturer, who in turn add 4 days to it; these sell it to the weaver, who again adds 4 days. The linen weaver can thus himself consume $^1/_3$ of his product; 8 days replace his constant capital for him and pay for the product of the spinner and machinery manufacturer; these can consume 4 of the 8 days, and with the other 4 they pay the flax-grower, etc., and thus replace their constant capital; the last-named have only their labour to replace with the last 4 days in linen.

The revenue, although it is assumed to be of the same size,=4 days, in all 3 cases, is of different proportions in the products of the 3 classes of producers who participate in producing product A. For the linen weaver, it is $^1/_3$ of his product,$=^1/_3$ of 12; for the spinner and for the machinery manufacturer it is equal to $^1/_2$ of his product,$=^1/_2$ of 8; for the flax-grower it is equal to his product,=4. In relation to the total product it is however exactly the same,$=^1/_3$ of 12,=4. But for the weaver, the labour newly added by spinner, machinery manufacturer and flax-grower takes the form of constant capital. For the spinner and machinery manufacturer, the total product represents the labour newly added by themselves and by the flax-grower, the labour time of the flax-grower appearing as constant capital. For the flax-grower, this phenomenon of constant capital has ceased to exist. Because of this, the spinner for example can use machinery, or constant capital in general, in the same proportions as the weaver. For example, $^1/_3$. But in the first place the amount (the total amount) of the capital employed in spinning must be smaller than that used in weaving, since its total product enters as constant capital into weaving. Secondly, if the spinner also has the proportion of $^1/_3$:$^2/_3$, his constant capital would$=^{16}/_3$, his added labour would be equal to $^8/_3$; the former would be equal to $5^1/_3$ days' labour, the latter to $2^2/_3$. In this case there would be proportionately more days' labour contained in the branch which supplies him with flax, etc. He would then have to pay $5^1/_3$ for newly added labour, instead of 4 days.

It is self-evident that only that part of category A's constant capital has to be replaced by new labour which enters into the valorisation process of A, that is, is consumed by A during the labour process. The whole of the raw material and the *matières instrumentales* enter into it, and the wear and tear of the fixed capital. The other part of the fixed capital does not enter into it, and therefore has not got to be replaced.

A large part of the existing constant capital—large as regards the relation of the fixed capital to the total capital—does not therefore require to be replaced annually by new labour. For that reason the (absolute) amount may be considerable, but nevertheless it is not large in relation to the total (annual) product. This *entire part of the constant capital,* in A and B, which enters into the determination of the rate of profit (with a given surplus value), does not enter as a determining element into the current reproduction of the fixed capital. The larger this part in relation to the total capital—the greater the scale on which present, already existing, fixed capital is employed in production—the greater the *current* volume *of reproduction* will be that is used for the replacement of the worn-out fixed capital, but the smaller relatively will be the *proportional* amount, in relation to the total capital.

Let the reproduction period (*the average*) for all kinds of fixed capital be 10 years. [IX-386] Let us assume that the different kinds of fixed capital have a turnover of 20, 17, 15, 12, 11, 10, 8, 6, 4, 3, 2, 1, $^4/_6$ and $^2/_6$ years (14 kinds), so that the fixed capital has an *average* turnover of 10 years.[59]

On the average, therefore, the capital would have to be replaced in 10 years. If the total fixed capital amounted to $^1/_{10}$ of the total capital, then only $^1/_{10}$ of the former, hence only $^1/_{100}$ of the total capital, would have to be replaced annually.

If it amounted to $^1/_3$, then $^1/_{30}$ of the total capital would have to be replaced annually.

But let us now compare fixed capitals with different reproduction periods—the capital with a 20-year period, for example, in contrast to the capital with a period of $^1/_3$ of a year.

Only $^1/_{20}$ of the fixed capital which is reproduced in 20 years has to be replaced annually. So that if it amounts to $^1/_2$ of the total capital, only $^1/_{40}$ of the total capital has to be replaced annually, and if it amounts even to $^4/_5$ of the total capital, only $^4/_{100}={}^1/_{25}$ of the total capital has to be replaced annually. On the other hand, if the capital which has a reproduction period of $^2/_6$ of a year—that is, turns over 3 times a year—amounts to only $^1/_{10}$ of the capital, then the fixed capital has to be replaced 3 times a year, so that $^3/_{10}$ of the capital has to be replaced annually, nearly $^1/_3$ of the total capital. On the average, the larger the fixed capital in proportion to the total capital, the longer is its *relative* (not absolute) period of reproduction; and the smaller it is, the shorter its *relative* period of reproduction. Implements form a much smaller part of handicraft capital than machinery does of machine-production capital. But handicraft implements wear out much more quickly than machinery.

Although the absolute magnitude of its reproduction—or its wear and tear—grows with the absolute size of the fixed capital, as a rule its proportional magnitude falls, IN SO FAR as its period of turnover, its duration, as a rule increases in proportion to its size. This proves among other things that the quantity of labour reproducing machinery or fixed capital is not at all proportional to the labour which originally produced these machines (conditions of production remaining the same), since only the annual wear and tear has to be replaced. If the productivity of labour rises—as it constantly does in this branch of production—the quantity of labour required for the reproduction of this part of the constant capital diminishes still more. However, account has to be taken of the means of consumption daily used by the machine (which however have nothing directly to do with the labour employed in the machine-building industry itself). But machinery, which needs merely coal and a little oil or tallow, lives on an infinitely stricter diet than the labourer—not only the labourer whom it replaces, but the labourer who built the machine itself.

We have now disposed of the product of the entire category A and of a part of category B's product. A is completely consumed: $^1/_3$ by its own producers, $^2/_3$ by the producers of B, who cannot consume their own revenue in their own product. The $^2/_3$ of A, in which they consume the part of the value of their product which represents revenue, at the same time replace their constant capital *in natura* for the producers of A, that is, provide them with the commodities which they *consume industrially*. But with the consumption of A's entire product, and with $^2/_3$ of it replaced by B in the form of constant capital, we have also disposed of the *entire* part of the product which represents the labour newly added annually. This labour cannot therefore buy any other part of the total product. In fact, the whole of the labour added annually (leaving out of account the capitalisation of profit)=the *labour contained in* A. For $^1/_3$ of A which is consumed by its own producers represents the labour newly added by them during the year to the $^2/_3$ of A which represent A's constant capital. They have performed no labour apart from this, which they consume in their own product. And the other $^2/_3$ of A, which are replaced by B's product and consumed by the producers of B, represent all the labour time which the producers of B have added to their own constant capital. They have added no more in labour, and there is nothing more for them to [IX-387] consume.

In its *use value*, product A represents the whole part of the annual total product which enters annually into individual consumption. In its *exchange value*, it represents the total quantity of labour newly added by the producers during the year.

Thus, however, we have as *residuum* a third part of the total product whose constituent parts, when exchanged, can represent neither the exchange of revenue against revenue nor of capital against revenue and vice versa. This is the part of product B which represents B's constant capital. This part is not included in B's revenue and therefore cannot be replaced by or exchanged against product A, and therefore also cannot enter as a constituent part into A's constant capital. This part is likewise consumed, industrially consumed, to the extent that it enters not only into the labour process but also into the valorisation process of B. This part, therefore, like all other parts of the total product, must be replaced *in the proportion in which it forms a component part of the total product*, and indeed it must be replaced *in natura* by *new* products of the same sort. On the other hand, it is not replaced by any new labour. For the total quantity of newly added labour=the labour time contained in A, which is completely replaced only by B consuming his revenue in $^2/_3$ of A and supplying to A in exchange all the means of production which are consumed in A and must be replaced. For the first $^1/_3$ of A, which is consumed by its own producers, consists only—as exchange value—of the labour newly added by themselves, and it contains no constant capital.

Let us now examine this residuum.

It consists of the constant capital which enters into raw materials, secondly of the constant capital which enters into the formation of the fixed capital, and thirdly of the constant capital which enters into *matières instrumentales*.

First, the raw materials. Their constant capital consists in the first place of fixed capital, machinery, instruments of labour and buildings, and perhaps *matières instrumentales*, which are means of consumption for the machinery employed. In regard to the directly consumable part of the raw materials—such as cattle, corn, grapes, and such like—this difficulty does not arise. In this aspect they belong to class A. This part of the constant capital contained in them enters into the $^2/_3$ of the constant part of A, which is exchanged as capital against the unconsumable products of B or in which B consumes his revenue. This holds good too in general for those raw materials which cannot be consumed directly, in so far as they enter *in natura* into the consumable product itself, however many intermediate stages they may pass through in the processes of production. The part of flax that is transformed into yarn and later into linen enters in its entirety into the consumable product.

But a part of these *vegetative raw materials*, such as timber, flax, hemp, leather and so on, partly enters directly into the components of the fixed capital itself, and partly into the *matières instrumentales* for the fixed capital. For example, in the form of oil, tallow, etc.

Secondly, however, seed [belongs to the constant capital expended for the production of raw materials]. Vegetative materials and animals reproduce themselves. Vegetation and generation. By seed we mean actual seed, and in addition fodder which reverts to the land as dung, pedigree cattle, etc. This large part of the annual product—or of the constant part of the annual product—itself serves directly as material for regeneration, it reproduces itself.

Non-vegetative raw materials. Metals, stones, etc. Their value consists of only 2 parts, since here there is no seed—which represents the raw materials of agriculture. Their value consists only of added labour and machinery consumed (including the means of consumption for the machinery). In addition therefore to the part of the product which represents newly added labour and is hence included in the exchange of B for the $^2/_3$ of A, there is nothing to be replaced but the wear and tear of the fixed capital and its means of consumption (such as coal, oil, etc.). But these raw materials form the principal component part of the constant capital, of the fixed capital (machinery, instruments of labour, buildings, etc.). They therefore replace their constant capital *in natura* by exchange.

[IX-388] *Secondly, the fixed capital (machinery, buildings, instruments of labour, containers of all kinds).*

Their constant capital consists of: 1) their raw materials, metals, stones, raw materials such as timber, leather belting, rope, etc. But though these raw materials form the raw material for them, they themselves enter as means of labour into the production of these raw materials. Hence they replace themselves *in natura.* The iron producer has to replace machinery, the machine builder iron. In quarrying there is wear and tear of machinery, but in factory buildings there is wear and tear of building stone, etc. 2) *The wear and tear of machine-building machinery,* which within a certain period has to be replaced by a new product of the same kind. But the product of the same kind can, of course, replace itself. 3) *The means of consumption for the machine* (*matières instrumentales*). Machinery consumes coal, but coal consumes machinery, and so on. In the form of containers, tubes, pipes, etc., machinery of all kinds enters into the production of the means of consumption for machinery, as in the case of tallow, soap, gas (for lighting). Therefore also in these cases the products of these spheres enter reciprocally into each other's constant capital, and consequently replace each other *in natura.*

If beasts of burden are included among machines, what has to be replaced in their case is fodder and in certain conditions stabling (buildings). But if fodder enters into the production of cattle, so do cattle into the production of fodder.

In the third place, matières instrumentales. Some of these require raw materials, like oil, soap, tallow, gas, etc. On the other hand, in the form of fertilisers, etc., they in turn enter in part into the production of these raw materials. Coal is required for making gas, but gas lighting is used in producing coal, etc. Other *matières instrumentales* consist only of labour added and fixed capital (machinery, containers, etc.). Coal must replace the wear and tear of the steam-engine used to produce it. But the steam-engine consumes coal. Coal itself enters into the means of production of coal. Thus it replaces itself *in natura*. Transport by rail enters into the production costs of coal, but coal in turn enters into the production costs of the locomotive.

Later on, there is something special to be added about chemical factories, all of which *plus ou moins*[a] produce *matières instrumentales*, such as the raw material of containers (for example, glass, porcelain), as well as articles which enter directly into consumption.

All colouring materials are *matières instrumentales*. But they enter into the product not only as to their value, as for example coal consumed enters into COTTON; but they reproduce themselves in the form of the product (its colours).

Matières instrumentales are either *means of consumption for machinery*—in this case either fuel for the prime mover, or means of reducing the friction of the operating machinery, such as tallow, soap, oil, etc.—or they are *matières instrumentales* for buildings, like cement, etc. Or they are *matières instrumentales* for carrying on the production process in general, such as lighting, heating, etc. (in this case they are *matières instrumentales* required by the labourers themselves to enable them to work).

Or they *are matières instrumentales* which enter into the formation of the raw materials as do all types of fertilisers and all chemical products consumed by the raw materials.

Or *they are matières instrumentales* which enter into the finished product—colouring matter, polishing materials, and so on.

The result is therefore:

A replaces his own constant capital, [equal to] $^2/_3$ [of the product], by exchange with that part of B's unconsumable product which represents B's revenue—that is, the labour added in category B during the year. But A does not replace B's constant capital. B for his part must replace this constant capital *in natura* by new products of the same sort. But B has no labour time over

[a] In a greater or smaller degree.—*Ed.*

to replace them with. For all the new labour time added by him forms his revenue, and is therefore represented by the part of B's product which enters as constant capital into A. How then is B's constant capital replaced?

Partly by his *own reproduction* (vegetative or animal), as in all agriculture and stock-raising; partly by *exchange in natura* of parts of one constant capital for parts of another constant capital, because the product of one sphere enters as raw material or means of production into the other sphere, and vice versa; that is, because the products of the various spheres of production, the [IX-389] various sorts of constant capital, enter reciprocally *in natura* into each other's sphere as conditions of production.[36]

The producers of unconsumable products are the producers of constant capital for the producers of consumable products. But at the same time their products serve them reciprocally as elements or factors of their own constant capital. That is to say, they consume each other's products *industrially*.

The whole product A is consumed. Therefore also the whole of the constant capital it contains. The producers of A consume $^1/_3$ of A, the producers of the unconsumable products B consume $^2/_3$ of A. A's constant capital is replaced by the products of B which form B's revenue. This is in fact the only part of the constant capital that is replaced by *newly added labour*; and it is replaced by it because the quantity of products B that is the newly added labour in B, is not consumed by B, but on the contrary is industrially consumed by A, while B consumes individually the $^2/_3$ of A.

Let A=3 days' labour; his constant capital, on our assumption,=2 days' labour. B replaces the product of $^2/_3$ of A, and so supplies unconsumable products=2 days' labour. Now 3 days' labour have been consumed, and 2 are left. In other words, the 2 days of past labour in A are replaced by 2 days of newly added labour in B, but only because the 2 days of newly added labour in B consume their value in A and not in product B itself.

B's constant capital, in so far as it has entered into the total product B, must likewise be replaced *in natura* by new products of the same sort—that is, by products which are required for *industrial* consumption by B. But it is not replaced by *new* labour time, although it is replaced by the *products* of the labour time newly applied during the year.

Let the constant capital in B's total product be $^2/_3$. Then if the newly added labour (=the sum of wages and profit)=1, the past labour which served it as material and means of labour=2. How then are these 2 replaced? The proportion of constant and variable capital may vary considerably within the various spheres of production of B. But on our assumption the average is as $^1/_3$:$^2/_3$, or 1:2. Each of the producers of B is now faced by $^2/_3$ of his product, such as coal, iron, flax, machinery, cattle, wheat (i.e., the part of his cattle and wheat that does not enter into consumption), etc., whose elements of production must be replaced, or which must be reconverted into the natural form of their elements of production. But all these products themselves re-enter industrial consumption. The wheat (as seed) is in turn also its own raw material, and a part of the cattle produced replaces what has been consumed, that is, itself. In these spheres of production of B (agriculture and stock-raising) only this part of their product therefore replaces their own constant capital in its natural form. A part of this product, therefore, does not go into circulation (at least need not go into circulation, and can only do so in a formal sense). Others of these products, such as flax, hemp, etc., coal, iron, timber, machinery, in part enter into their own production as means of production, in the same way as seed in agriculture; for example, coal in the production of coal, and machinery in the production of machinery. A part of the product consisting of machinery and coal, and in fact a part of that part of this product which represents its constant capital, thus replaces itself and merely changes its place [in the process of production]. It changes from a product into its own means of production.

Another part of these and of other products reciprocally enter into each other as elements of production—machinery into iron and timber, timber and iron into machinery, oil into machinery and machinery into oil, coal into iron, iron (tram-rails, etc.) into coal, and so on. In so far as the $^2/_3$ of these products of B are not self-replacing in this way—that is, do not come back in their natural form into their own production, so that a part of B is directly consumed industrially by its own producers, just as a part of A is directly consumed individually by its own producers—the products of the producers of B replace each other reciprocally as means of production. The product of a goes into b's industrial consumption and the product of b into a's industrial consumption; or in a roundabout way, a's product into b's industrial consumption, b's product into that of c, and that of c into that of a. What therefore is consumed as constant capital in one of B's spheres of production is newly produced in another; but what is consumed in the latter is produced in the former. What in one sphere passes from the form of machinery and coal into the form of iron, passes in the other from the form of iron and coal into machinery, and so on.

[IX-390] What has to be done is to replace B's constant capital in its natural form. If we consider B's total product, it represents the entire constant capital in all its natural forms. And where the product of one particular sphere of B cannot replace its own constant capital *in natura* purchase and sale, a change of hands, puts everything here in its proper place again.

Here, therefore, there is replacement of constant capital by constant capital; in so far as this does not occur directly and without exchange, here *therefore* there is *exchange of capital for capital*, that is, of products for products on the basis of their use value; the products enter reciprocally into their respective production processes, so that each of them is industrially consumed by the producers of the other.

This part of the capital resolves neither in profit nor in wages. It contains no newly added labour. It is not exchanged against revenue. It is neither directly nor indirectly paid for by consumers. It makes no difference whether this reciprocal replacement of capitals is carried through with the aid of merchants (that is, by merchant capitals) or not.

But since these products are new (machinery, iron, coal, timber, etc., which reciprocally replace each other), since they are the products of the last year's labour—thus the wheat which serves as seed is just as much a product of new labour as the wheat which passes into consumption, etc.—how can it be said that no newly added labour is contained in these products? And moreover isn't their form striking evidence to the contrary? Even if not in the case of wheat or cattle, surely in the case of a machine, its form bears witness to the labour which has transformed it from iron, etc., into a machine, and so forth.

This problem has been solved earlier.[a] [5] It is not necessary to go into it here again.

//Adam Smith's statement that the TRADE between DEALERS AND DEALERS must be=to the TRADE between DEALERS and CONSUMERS[36] (by which he means direct, not industrial, consumers, since he himself includes industrial consumers among DEALERS) is therefore wrong. It is based on his false assertion that the whole product consists of revenue, and in fact only means that the part of the commodity exchange which is equal to the EXCHANGE BETWEEN CAPITAL AND REVENUE is

[a] See this volume, pp. 84-94, 113-14.—*Ed.*

equal to the TOTAL EXCHANGE OF COMMODITIES. As the assertion is wrong, the practical applications Tooke made of it for the circulation of money are also wrong (especially the relation between the quantity of money circulating between DEALERS and the quantity of money circulating between DEALERS and CONSUMERS).[60]

Let us take as the final DEALER confronting the CONSUMER the merchant who buys the product of A; this product is bought from him by the revenue of A,$={}^1/_3$ of A, and by the revenue of B,$={}^2/_3$ of A. These replace his merchant capital for him. The total of their revenues must cover his capital. (The profit which the rascal makes must be accounted for by his retaining a part of A for himself, and selling a smaller part of A for the value of A. Whether the rascal is thought of as a necessary agent of production or as a sybaritic intermediary does not in any way alter the case.) This EXCHANGE between DEALER and CONSUMER of A covers in value the EXCHANGE between the DEALER in A and all the producers of A, and consequently all DEALINGS between these producers among themselves.

The merchant buys the linen. This is the last DEALING between DEALER and DEALER. The linen weaver buys yarn, machinery, coal, etc. This is the last but one DEALING between DEALER and DEALERS. The spinner buys flax, machinery, coal, etc. This is the last DEALING but two between DEALER and DEALERS. The flax-grower and machine builder buy machines, iron, etc., and so on. But the DEALINGS between the producers of flax, machinery, iron, coal, to replace their constant capital, and the value of these DEALINGS, do not enter into the DEALINGS which A's product passes through, whether as the exchange of revenue for revenue, or as the exchange of revenue for constant capital. These DEALINGS—not those between the producers of B and the producers of A, but those between the producers of B—have not to be replaced by the buyer of A to the seller of A, any more than the value of this part of B enters into the value of A. These DEALINGS too require money, and are carried out through merchants. But the part of the circulation of money which exclusively belongs to this sphere is completely separate from that between DEALERS and CONSUMERS.//

[IX-391] Two questions are still to be solved:

1) In our investigation up to now wages have been treated as revenue, without being distinguished from profit. How far in this connection have we to take account of the fact that wages are at the same time part of the circulating capital of the capitalist?

2) Up to now it has been assumed that the total revenue is spent as revenue. The ALTERATION that comes in when a part of the

revenue, of the profit, is capitalised, has therefore to be considered. This in fact coincides with the examination of the process of accumulation—but not in its formal aspect. That a part of the product which represents SURPLUS VALUE is reconverted, partly into wages and partly into constant capital, presents no difficulty. Here we have to examine how this affects the exchange of commodities under the headings previously considered—under which it can be examined in relation for its bearers, that is to say, as exchange of revenue for revenue, exchange of revenue for capital, or finally, exchange of capital for capital.//

//This intermezzo has therefore to be completed in this historico-critical section, as occasion warrants.[61]//

Ferrier (F. L. A.) (*sous inspecteur des douanes*[a]): *Du Gouvernement considéré dans ses rapports avec le commerce*, Paris, 1805. (This was the main source for Friedrich List.[b]) This fellow eulogises the *Bonapartist* system of prohibitions, etc. In fact the Government (therefore also State officials—those unproductive labourers) is in his view important, as a MANAGER directly intervening in production. This customs officer is consequently extremely angry with Adam Smith for calling State officials unproductive.

"The principles which Smith *has laid down in regard to the economy of nations* have as their basis a distinction between productive and unproductive labour...."[c]

//Because in fact he wants the largest possible part to be spent as capital, i.e., in exchange for productive labour, and the smallest possible part as revenue, in exchange for unproductive labour.//

"This distinction is in essence false. *There is no unproductive labour*" (p. 141). "There is therefore economy and prodigality on the part of nations; but a nation is only prodigal or economic in its relations with *other* peoples, and it is from this standpoint that the question should be considered" (l.c., p. 143).

In a moment we shall quote for comparison the context of the passage from Adam Smith which Ferrier regards with such abomination.

"There is an economy on the part of nations, but it is very different from what Smith recommends," Ferrier says. "It consists in not buying foreign products except in so far as a nation can pay for them with its own. It consists sometimes in doing without them altogether" (l.c., pp. [174,] 175).[c]

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[a] Sub-inspector of Customs.—*Ed.*

[b] F. List, *Das nationale System der politischen Oekonomie*, Vol. I, Stuttgart and Tübingen, 1841.—*Ed.*

[c] Marx quotes Ferrier partly in French, partly in German.—*Ed.*

//B. I, Ch. VI, (ed. Garnier, t. I, pp. 108, 109) [Vol. I, p. 92][14] *Adam Smith* says at the end of this chapter which deals with "*des parties constituantes du prix des marchandises*"[a]:

"As in a civilised country there are *but few commodities of which the exchangeable value arises from labour only, rent and profit contributing largely to that of the far greater part of them, so the annual produce of its labour will always be sufficient to purchase or command a much greater quantity of labour than what was employed in raising, preparing, and bringing that produce to market.* If the *society were annually to employ all the labour which it can annually purchase, as the quantity of labour would increase greatly every year,* so the produce of every succeeding year would be of vastly greater value than that of the foregoing. But there is no country *in which the whole annual produce is* employed in maintaining the industrious. The idle everywhere consume a great part of it; and, according to the different proportions in which it is annually divided between those two different orders of people, its ordinary or average value must either annually increase or diminish, or continue the same from one year to another."

There is confusion of all kinds in this passage, in which Smith is in fact trying to solve the problem of accumulation.

First, once again there is the wrong assumption that the "exchangeable value" of the annual product of labour, and so also "*the annual produce of labour*", resolves itself into wages and profits (including rents).[62] We will not deal again with this nonsense. We only observe: the amount of the annual product—or of the funds, the STOCKS of commodities which are the annual product of labour—consists for the most part [IX-392] of commodities *in natura* which can only enter as elements into constant capital //raw materials, seed, machinery, etc.//, which can *only* be consumed industrially. The very *use value* of these commodities (and they form the larger part of the commodities entering into constant capital) shows that they are not suitable for individual consumption; that therefore revenue cannot be expended on them, whether it is wages, profit or rent. A part of the raw materials (in so far as it is not required for the reproduction of raw materials themselves, or in so far as it does not enter into the fixed capital as *matière instrumentale* or directly as a component part) will, it is true, later on be given a consumable form, but only through the labour of the current year. As a product of the previous year's labour these raw materials themselves form no part of revenue. It is only the consumable part of the product that can be consumed, can enter into individual consumption and thus form revenue. But even a part of the consumable product cannot be consumed without making reproduction impossible. One part even of the consumable part of commodities therefore must be deducted

[a] The component parts of the price of commodities.—*Ed.*

which must be *consumed industrially*, that is, it must serve as material of labour, as seed, etc., not as means of subsistence, whether for labourers or for capitalists. This part of the product therefore has *d'abord* to be deducted from Adam Smith's calculation—or rather has to be added to it. If *the productivity of labour* remains *the same*, then this part of the *product* which does not consist of revenue remains the same from year to year; provided that, with the productivity of labour remaining the same, the same quantity of labour time as before is employed.

On the assumption therefore that a *greater quantity* of labour than before is used each year, we have to see what happens to the constant capital. In short: in order to employ a greater quantity of labour, it is not enough either that a *greater quantity of labour* should be available, or that a *greater quantity should be paid for*, that is, more should be spent in wages; but the means of labour—raw material and fixed capital—must also be there in order to absorb a greater quantity of labour. Hence this point is still to be discussed *after* the points raised by Adam Smith have been cleared up.

So then, once more [we take] his first sentence:

"As in a civilised country there are but few commodities of which the exchangeable value *arises from labour only, rent and profit contributing largely* to that of the far greater part of them, *so the annual produce of its labour* will always be sufficient *to purchase or command* a much greater *quantity of labour* than *what was employed in raising*, preparing, and bringing *that produce* to market" (in other words, to produce it).

Here different things are obviously mixed up. Not only *living labour*, living labour employed during the current year, enters into the exchangeable value of the total annual product, but also past labour, product of the labour of past years. Not only labour in living form, but labour in objectified form. The exchangeable value of the product=the total labour time which it contains, a part of which consisted of living labour and a part of objectified labour.

Let the proportion of the former to the latter be as $^1/_3$:$^2/_3$, 1:2. Then the value of the total product=3, of which 2 are objectified labour time and 1 living labour time. The *value* of the total product can therefore buy more living labour than is contained in it, on the assumption that objectified labour and living labour are exchanged for each other as equivalents, that a definite quantity of objectified labour commanded only a quantity of living labour equal to itself. For the product=3 days' labour; but the living labour time contained in it=1 day's labour only. 1 day's living labour sufficed to produce the product (in fact, only to give the final form to its elements). But 3 days' labour is contained in it. Therefore if it was exchanged entirely against living labour time, if it was employed only "to purchase or command" quantities of living labour, it would be able to command, to purchase, 3 days' labour.

This however is evidently not what Adam Smith has in mind, and would be a quite useless premiss for him. What he means is that a large part of the exchangeable value of the product does not resolve itself (or as he *wrongly* expresses it, because of a confusion of ideas noted earlier[63]) into wages, but into profits and rents, or, as we will say to simplify things, into profits. In other words, the part of the value of the product which=the quantity of labour added during the last year—thus IN FACT the part of the product which in the proper meaning of the word is the product of last year's labour—pays first the labourers and secondly enters into the capitalist's revenue, his fund for consumption. This whole part of the total product arises from labour, and indeed exclusively from labour; but it consists of paid and unpaid labour. The wages are equal to the total of the paid labour, the profits [IX-393] to the total of the unpaid labour. If therefore this total product was expended in wages, it could naturally set in motion a greater quantity of labour than that of which it was the product; and in fact the proportion in which the product can set in motion more labour time than it itself contains depends exactly on the proportion in which the working day is divided into paid and unpaid labour time.

Let us assume that the proportion is such that the labourer produces or reproduces his wages in 6 hours, that is, in half a day. Then the other 6 hours or the other half day forms the SURPLUS. Thus for example of a product which contained 100 days' labour,=£50 (when the day's labour=10s., making 100 days' labour=1,000s., or £50), there would be £25 for wages and £25 for profit (rent). With the £25,=50 days' labour, 100 labourers would have been paid, who would have worked precisely half their labour time for nothing or for their MASTERS. If therefore the whole product (of the 100 days' labour) were to be expended in wages, then 200 labourers could be set in motion with the £50, each of whom would receive as wages 5s. or half the product of his labour as before. The product of these labourers would=£100 (that is, 200 days' labour=2,000s.=£100), with which 400 labourers (5s. the labourer, making 2,000s.) could be set in motion, whose product would=£200, and so on.

And this is what Adam Smith means by saying that "the annual produce of labour" will always be sufficient "to purchase or command a much greater quantity of labour" than what was employed to produce the product. (If the labourer were paid the whole product of his labour, that is, £50 for 100 days' labour, then the £50 too could only set in motion 100 days' labour.) And so Smith goes on to say:

"If the society were annually to employ all the labour which it can annually purchase, as the quantity of labour would increase greatly every year, so the produce of every succeeding year would be of vastly greater value than that of the foregoing."[a]

A part of this product however is consumed by the owners of profit and rent; a part by their parasites. The part of the product that can be expended again in (productive) labour is consequently determined by the part of the product which the capitalists, landlords and their parasites (that is the unproductive labourers) do not themselves consume.

But nevertheless there is always a new fund (a new fund of wages) to set in motion, with the previous year's product, a greater quantity of labourers in the current year. And as the value of the annual product is determined by the quantity of labour time employed, the value of the annual product will grow each year.

Of course it would be of no use to have the fund "*to purchase* or *command*" a "much greater quantity of labour" than in the previous year unless a greater quantity of labour was on the market. It is of no use to me to have more money to buy a commodity, unless more of this commodity is on the market. Let us assume that the £50 set in motion, instead of the 100 as before (who received £25), not 200 but only 150 labourers, while the capitalists themselves consumed £12 10s. instead of £25. The 150 labourers (=£37 10s.) would perform 150 days' labour=1,500s.=£75. But if the quantity of labourers available were, as before, only 100, instead of £25 as before, they would receive £37 10s. as wages, though their product [would amount to] only £50 as before. Thus the revenue of the capitalist would have fallen from £25 to £12 10s., because wages had risen by 50%. Adam Smith knows, however, that an increasing quantity of labour will be available. Partly [due to] the annual increase of the population (though this is supposed to be provided for in the old wages), partly unemployed paupers, or half-employed labourers, etc. Then the large numbers of unproductive labourers, part of

[a] See this volume, p. 152.—*Ed.*

whom can be transformed into *productive* labourers by a different way of using the SURPLUS PRODUCE. Finally the same number of labourers can perform a *greater quantity* of labour. And whether I pay 125 labourers instead of 100, or whether the 100 work 15 hours a day instead of 12, WOULD BE QUITE THE SAME THING.

It is incidentally an error of Adam Smith's—directly connected with his analysis of the total product into revenue—to say that with the increase of the productive capital—or with the growth of the part of the annual product which is destined for reproduction—the *labour employed* (the living labour, the part of capital expended in wages) must increase in the same proportion.

[IX-394] Thus first Adam Smith has a fund of consumable means of subsistence, which can "purchase or command" a greater quantity of labour this year than the foregoing year; he has more labour; and at the same time more means of subsistence for this labour. Now we must see how this ADDITIONAL QUANTITY OF LABOUR is to be realised.//

Had Adam Smith adhered with full consciousness to the analysis of SURPLUS VALUE which in substance is to be found in his work—which is created only in the exchange of capital against wage labour—it would have followed that productive labour is only that which is exchanged against capital: never labour which is exchanged with revenue as such. In order for revenue to be exchanged against productive labour, it must first be transformed into capital.

But taking as his starting-point one aspect of the traditional view—that productive labour is labour which directly produces material wealth of any kind—and at the same time combining with this his distinction in so far as it is based on the exchange of either capital for labour or of revenue for labour, with Smith the following became possible: The kind of labour for which capital is exchanged is always productive (it always creates material wealth, etc.). The kind of labour which is exchanged for revenue may be productive or it may not; but the spender of revenue as a rule prefers to set in motion directly unproductive labour RATHER than productive. One can see how Adam Smith, by this compound of his two distinctions, very much weakens and blunts the principal distinction.[a]

The following quotation shows that Adam Smith does not take the fixation of labour in a purely external sense; among the various component parts of the fixed capital is enumerated:

[a] See this volume, pp. 11-29.—*Ed.*

"4), of the acquired and useful abilities of all the inhabitants and members of the society. The acquisition of such talents, by the maintenance of the acquirer during his education, apprenticeship or study, always costs a real expense, which is a capital fixed and realised, as it were, in his person. Those talents, as they make a part of his fortune, so do they likewise that of the society to which he belongs. The improved dexterity of a workman may be considered in the same light as a machine or instrument of trade which facilitates and abridges labour, and which, though it costs a certain expense, repays that expense with a profit" ([Garnier,] l.c., t. II, l.II, ch. I, pp. 204, 205) [Vol. II, p. 12].

The strange origin of accumulation and *its necessity:*

"In that rude state of society, in which there is no division of labour, in which exchanges are seldom made, and in which every man provides every thing for himself, *it is not necessary that any stock should be accumulated, or stored up beforehand, in order to carry on the business of the society*"

(that is, after assuming *qu'il n'y pas de société*[a]).

"Every man endeavours to supply, by his own industry, his own occasional wants, as they occur. When he is hungry, he goes to the forest to hunt etc." ([Garnier,] t. II, pp. 191, 192) (l.II, *Introduction*) [Vol. II, p. 1]. "But when the division of labour has once been thoroughly introduced, the produce of a man's own labour can supply but a very small part of his occasional wants. The far greater part of them are supplied by *the produce of other men's labour,* or, what is the same thing, the price of the produce of his own. But this *purchase* cannot be made till such time as *the produce of his own labour* has not only been *completed,* but *sold.*"

(Even in the first case he could not eat the hare before he had killed it, and he could not kill it before he had produced for himself the classical "*arc*"[b] or SOMETHING SIMILAR. The only thing that seems to be added in CASE II is therefore not the necessity of a stock OF ANY SORT, but the "time ... as the produce of his own labour has been *sold*".)

"*A stock of goods of different kinds,* therefore, must be *stored up* somewhere, sufficient to maintain him, and to supply him with the materials and tools of his work, till such time at least as both these events can be brought about. A weaver *cannot apply himself entirely* to his peculiar business, unless there is beforehand stored up somewhere, *either in his own possession, or in that of some other person, a stock* sufficient to maintain him, and to supply him with the materials and tools of his work, till he has not only completed, but sold his web. This *accumulation must* evidently *be previous* to his applying his industry for so long a time to such a peculiar business.... *The accumulation of* stock *must,* in the nature of things, *be previous to the division of labour*" ([Garnier,] l.c., pp. 192-93) [Vol. II, p. 2].

(On the other hand, according to what he has stated at the beginning, it appears that no accumulation OF CAPITAL takes place *before* the DIVISION OF LABOUR, just as there is no DIVISION OF LABOUR before the ACCUMULATION OF CAPITAL.)

He continues:

[a] That there is no society.— *Ed.*
[b] Bow.— *Ed.*

"Labour can be more and more subdivided in proportion only as stock is previously more and more accumulated. *The quantity of materials which the same number of people can work up, increases in a great proportion* as labour comes to be more and more subdivided; and as the operations of each workman are gradually reduced to a greater degree of simplicity, a variety of new machines come to be invented for facilitating and [IX-395] abridging these operations. As the division of labour advances, therefore, in order to give constant employment to an equal number of workmen, *an equal stock of provisions*, and *a greater stock of materials and tools* than what would have been necessary in a ruder state of things, must be *accumulated beforehand*" ([Garnier,] l.c., pp. 193-94) [Vol. II, pp. 2-3]. "As *the accumulation of stock is previously necessary* for carrying on this great improvement in the productive powers of labour, so that accumulation naturally leads to this improvement. *The person who employs his stock in maintaining labour*, necessarily wishes to employ it in such a manner as to produce as great a quantity of work as possible. He endeavours, therefore, both to make among his workmen the most proper distribution of employment, and to furnish them with the best machines which he can either invent or afford to purchase. His abilities, in both these respects, are generally in proportion to the extent of his stock, or to the number of people whom it can employ. *The quantity of industry*, therefore, *not only increases in every country with the increase of the stock* which employs it, but, *in consequence of that increase*, the same *quantity of industry produces a much greater quantity of work*" ([Garnier,] pp. 194-95) [Vol. II, p. 3].

Adam Smith treats the objects which are already in the fund for consumption in exactly the same way as PRODUCTIVE and UNPRODUCTIVE LABOUR. FOR INSTANCE:

"A dwelling-house, as such, contributes nothing to the revenue of its inhabitant; and though it is, no doubt, extremely useful to him, it is as his clothes and household furniture are useful to him, which, however, make a part of his expense, and not of his revenue" ([Garnier,] l.c., t. II, l. II, ch. I, pp. 201, 202) [Vol. II, p. 9]. On the other hand, fixed capital includes "all those profitable buildings which are the means of procuring a revenue, not only to their proprietor who lets them for a rent, but to the person who possesses them, and pays that rent for them; such as shops, warehouses, workhouses, farm-houses, with all their necessary buildings, stables, granaries, etc. These are very different from mere dwelling-houses. They are a sort of instruments of trade" ([Garnier,] l.c., l. II,[a] ch. I, pp. 203, 204) [Vol. II, p. 11].

"All such improvements in mechanics, as enable the same number of workmen to perform an equal quantity of work with cheaper and simpler machinery than had been usual before, are always regarded as advantageous to every society. A certain quantity of materials, and [the labour] of a certain number of workmen, which had before been employed in supporting a more complex and expensive machinery, can now be applied to augment the quantity of work which that or any other machinery is useful only for performing" ([Garnier,] l.c., t. II, l. II, ch. II, pp. 216, 217) [Vol. II, pp. 20-21].

"The whole expense of maintaining the *fixed capital* is ... necessarily excluded from the neat revenue of the society" ([Garnier,] l.c., t. II, l. II, ch. II, p. 218) [Vol. II, p. 21]. "Every saving, therefore, in the expense of maintaining the *fixed capital*, which does not diminish the productive powers of labour, must increase the fund which puts industry into motion, and consequently the annual produce of

[a] The manuscript has "l. I".—*Ed.*

land and labour, the real revenue of every society" ([Garnier,] l.c., t. II, l. II, ch. II, pp. 226, 227) [Vol. II, p. 28].

Metallic money forced out of the country by bank-notes and by paper money in general—if spent "in purchasing foreign goods for home consumption"—buys either luxury products such as foreign wines, foreign silks, etc., in a word, "goods ... likely to be consumed by *idle people*, who produce nothing ... or ... they may purchase *an additional stock of materials, tools, and provisions, in order to maintain and employ an additional number of industrious people, who reproduce, with a profit, the value of their annual consumption*" ([Garnier,] t. II, l. II, ch. II, pp. 231, 232) [Vol. II, p. 32].[a]

The first manner OF EMPLOYMENT, says Smith, promotes prodigality, "increases expense and consumption, without increasing production, or establishing any permanent fund for supporting that expense, and is in every respect hurtful to the society" ([Garnier,] l.c., t. II, p. 232) [Vol. II, p. 32].[a] On the other hand "employed in the second way, it promotes industry; and though it increases the consumption of the society, it provides a permanent fund for supporting that consumption; *the people who consume reproducing, with a profit, the whole value of their annual consumption*" ([Garnier,] t. II, l. II, ch. II, p. 232) [Vol. II, p. 33].

"The quantity of industry which any capital can employ, must evidently be equal to the number of workmen whom it can supply with materials, tools, and a maintenance suitable to the nature of the work" ([Garnier,] l.c.,l. II, ch. II, p. 235) [Vol. II, p. 34].

[IX-396] In *Book II, Ch. III* ([Garnier,] l.c., t. II, p. 314 sqq.) [Vol. II, p. 96 sqq.] we find:

"Both productive and unproductive labourers, and those who do not labour at all, are all equally maintained by the annual produce of the land and labour of the country. This produce ... must have certain limits. According, therefore, as a smaller or greater proportion of it is in any one year employed in maintaining unproductive hands, the more in the one case, and the less in the other, will remain for the productive, and the next year's produce will be greater or smaller accordingly....

"Though the whole annual produce of the land and labour of every country is ... ultimately destined for supplying the consumption of its inhabitants, and for procuring a revenue to them; *yet when it first* comes either from the ground, or from the hands of the productive labourers, it naturally divides itself into two parts. One of them, and frequently the largest, is, in the first place, destined for *replacing a capital, or for renewing the provisions, materials, and finished work*, which had been withdrawn from a capital; the other for constituting a revenue either to the owner of this capital, as the profit of his stock, or to some other person, as the rent of his land....

"*That part of the annual produce of the land and labour of any country which replaces a capital*, never is immediately employed to maintain any but productive hands. It pays the wages of productive labour only. That which is immediately destined for constituting a revenue ... may maintain indifferently either productive or unproductive hands....

"Unproductive labourers, and those who do not labour at all, are all maintained *by revenue*; either, first, by that part of the annual produce which is originally destined for constituting a revenue to some particular persons, either as the

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[a] Marx quotes Smith partly in French, partly in German.—*Ed.*

revenue[a] of land, or as the profits of stock; or, secondly, by that part which, though originally destined for replacing a capital, and for maintaining productive labourers only, yet when it comes into their hands, whatever part of it is over and above their necessary subsistence, may be employed in maintaining indifferently either productive or unproductive hands. Thus even the common workman, if his wages are considerable, may maintain a menial servant; or he may sometimes go to a play or a puppet-show, and so contribute his share towards maintaining one set of unproductive labourers; or finally he may pay some taxes, and thus help to maintain another set ... equally unproductive. No part of the annual produce, however, which had been originally destined to replace a capital, is ever directed towards maintaining unproductive hands, till after it has put into motion its full complement of productive labour.... The workman must have earned his wages by work done, before he can employ any part of them in this manner.... The rent of land and the profits of stock are everywhere ... the principal sources from which unproductive hands derive their subsistence." These two sorts of revenue "might both maintain indifferently, either productive or unproductive hands. They seem, however, to have some predilection for the latter....

"The proportion, therefore, between the productive and unproductive hands, depends very much in every country upon the proportion between that part of the annual produce, which, as soon as it comes either from the ground, or from the hands of the productive labourers, is destined for replacing a capital, and that which is destined for constituting a revenue, either as rent or as profit. This proportion is very different in rich from what it is in poor countries."

Smith then contrasts

the "very large, frequently the largest, portion of the produce of the land" which "in the opulent countries of Europe *is destined for replacing the capital of the rich and independent farmer*" with "the prevalency of the feudal government", when "a very small portion of the produce was sufficient to replace the capital employed in cultivation...".

It is the same with commerce and manufactures. Large capitals are now employed in them, formerly very small capitals, but they "yielded very large profits. The rate of interest was nowhere less than 10 per cent, and their profits must have been sufficient to afford this great interest. At present, the rate of interest, in the improved parts of Europe, is nowhere higher than 6 per cent; and in some of the most improved, it is so low as 4, 3, and 2 per cent. Though that part of the revenue of the inhabitants which is derived from the profits of stock, is always much greater in rich than in poor countries, it is because the stock is much greater; in proportion to the stock, the profits are generally much less.

"That part of the annual produce, therefore, which, as soon as it comes either from the ground, or from the hands of the productive labourers, is destined for replacing a [IX-397] capital, is not only much greater in rich than in poor countries, but bears a much greater proportion to that which is immediately destined for constituting a revenue either as rent or as profit. The funds destined for the maintenance of productive labour are not only much greater in the former than in the latter, but bear a much greater proportion to those which, though they may be employed to maintain either productive or unproductive hands, have generally a predilection for the latter."[b]

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[a] Smith has "rent" here.—*Ed.*

[b] Marx quotes Smith partly in French, partly in German, with some alterations.—*Ed.*

(Smith falls into the error of identifying the size of the productive capital with the *size of that part of it* which is destined to provide subsistence for productive labour. But IN FACT large-scale industry, as he knew it, was as yet only in its beginnings.)

"The proportion between those different funds necessarily determines in every country the general character of the inhabitants as to industry or idleness." Thus he says for example: in English and Dutch manufacturing towns "where the inferior ranks of people are chiefly maintained by the employment of capital, they are in general industrious, sober, and thriving". On the other hand, in "towns which are principally supported by the residence of a court, and in which the inferior ranks of people are chiefly maintained by the spending of revenue, they are in general idle, dissolute, and poor; as at Rome, Versailles",[a] etc.

"The proportion between the sum of capitals and that of revenue, therefore, seems everywhere to regulate the proportion between industry and idleness. Wherever capital predominates, industry prevails: wherever revenue, idleness. *Every increase or diminution of capital*, therefore, naturally tends to increase or diminish the real quantity of industry, the number of productive hands, and consequently the exchangeable value of the annual produce of the land and labour of the country, the real wealth and revenue of all its inhabitants....

"What is annually saved is as regularly consumed as what is annually spent, and nearly in the same time too; but it is consumed by a different set of people. The first portion of revenue by idle guests and menial servants, who leave nothing behind them in return for their consumption. The second [portion] by labourers[b] who reproduce, with a profit, the value of their annual consumption.... The consumption is the same, but the consumers are different...."[c]

Hence Smith's homilies (further on [Garnier,] l.c., l. II, ch. III, pp. 328, 329 sqq.) [Vol. II, pp. 107, 108, 109] on

the frugal man, who by his annual savings provides something like a public workhouse for an additional number of productive hands, and thus "establishes, as it were, a perpetual fund for the maintenance of an equal number of productive hands", while the prodigal diminishes "the funds destined for the employment of productive labour.... If the quantity of food and clothing, which were thus" (as a result of the prodigal's prodigality) "consumed by unproductive, had been distributed among productive hands, they would have *reproduced, together with a profit*, the full value of their consumption...".[d]

The conclusion of this moral tale is that these (frugality and prodigality) average out among private individuals, that IN FACT "*la sagesse*"[e] prevails.

Great nations "are never impoverished by private, though they sometimes are by public prodigality and misconduct. The whole, or almost the whole public

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[a] Marx quotes Smith partly in French, partly in German, with some alterations.—*Ed.*

[b] Smith has "labourers, manufacturers, and artificers".—*Ed.*

[c] Marx quotes Smith partly in French, partly in German, with some alterations.—*Ed.*

[d] Marx quotes Smith partly in French, partly in German.—*Ed.*

[e] Wisdom.—*Ed.*

revenue is, in most countries, employed in maintaining unproductive hands. [These include] the people of the court (p. 336) [Vol. II, p. 113], the church, fleets and armies, who in time of peace produce nothing, and in time of war acquire nothing which can compensate the expense of maintaining them, even while the war lasts. *Such people, as they themselves* produce nothing, *are all maintained by the produce of other men's labour.* When multiplied, therefore, to an unnecessary number, they may in a particular year consume so great a share of this produce, as not to leave a sufficiency for maintaining the productive labourers, who should reproduce it next year..." [Garnier, t. II, pp. 314-36] [Vol. II, pp. 113-14].[14]

Book II, Ch. IV:

"The demand for productive labour, by the increase of the funds which are destined for maintaining it, grows every day greater and greater. Labourers easily find [IX-398] employment, but the owners of capitals find it difficult to get labourers to employ. Their competition raises the wages of labour, and sinks the profits of stock" ([Garnier,] l.c., t. II, p. 359) [Vol. II, p. 132].

In Book II, Ch. V ([Garnier,] t. II, p. 369 sqq.) [Vol. II, p. 141 et seq.] "Of the Different Employment of Capitals", Smith classifies them according as they employ more or less productive labour, and, CONSEQUENTLY, raise "the exchangeable value" of the annual product. First *agriculture.* Then *manufacture.* Then *commerce,* and finally *retail trade.* This is the order of precedence in which they *mettent en activité des quantités de travail productif.*[a] Here too we get a completely new definition of productive labourers:

"The persons whose capitals are employed in any of those four ways, are themselves *productive labourers.* Their labour, when properly directed, fixes and realises itself in the subject or vendible commodity upon which it is bestowed, and generally adds to its price the value at least of their own maintenance and consumption" ([Garnier,] l.c., p. 374) [Vol. II, p. 146].

//On the whole he sees their productivity in the fact that they put into motion productive labour.//

He says of *the farmer*:

"No equal capital puts into motion a greater quantity of *productive labour* than that of the farmer. Not only his labouring servants, but *his labouring cattle are productive labourers*" [Garnier, t. II, p. 376] [Vol. II, p. 148].

So in the end the ox too is a productive labourer.

Lauderdale (Earl of): *An Inquiry into the Nature and Origin of Public Wealth etc.*, London, 1804. (The French translation: *Recherches sur la nature et l'origine de la richesse publique etc.* by *Lagentie de Lavaïsse,* Paris, 1808).

Lauderdale's apologetic justification of profit will be examined only later on, in Section III.[29] It regards profit as arising from capitals themselves, because they "*supplant*" labour. They are paid

[a] Set in motion quantities of productive labour.— *Ed.*

for doing what otherwise, without them, the hand of man would have to do, or could not do at all.

("Now it will be seen that the profit of capital always derives either from its supplanting a portion of labour which would otherwise have to be performed by the hand of man; or from its performing a portion of labour which is beyond the reach of the personal exertion of man to accomplish" (p. 119) [p. 161].)[a]

The "Earl" is a great enemy of Smith's doctrine of accumulation and saving. Also of his distinction between *productive* and *unproductive labourers*; but according to him what Smith calls "productive powers of labour" are only the "productive power of capital". He flatly denies the derivation of SURPLUS VALUE put forward by Smith, on the following grounds:

"If this, however, was a just and accurate idea of the profit of capital, it would follow that the profit of stock must be a derivative, and not an original source of wealth[b]; and capital could not therefore be considered as a source of wealth, its profit being only a transfer from the pocket of the labourer into that of the proprietor of stock" (l.c., pp. 116-17) [pp. 157-58].[c]

It is clear that on these premisses he picks on the most superficial points in his polemic against Smith. Thus he says:

"Thus the same labour may appear either productive or unproductive, according to the use subsequently made of the commodity on which it was bestowed. If my cook, e.g., makes a tart which I immediately consume, he is considered as an unproductive labourer; and the act of making the tart is unproductive labour; because that service has perished at the moment of its performance; but if the same labour is performed in a pastry cook's shop, it becomes productive labour" (l.c., p. 110) [pp. 149-50].

(*Garnier* has the copyright in this argument, as his edition and notes on Smith appeared in 1802, two years before Lauderdale.)

"This extraordinary distinction, founded on the mere durability of the services performed, classes as unproductive labourers some of those who are occupied in rendering the most important services to society. Thus the sovereign, and all who are employed in the maintenance of religion, the justice, or the defence of the State, as well as those whose skill ... are occupied in superintending the health and education of the society, are alike deemed unproductive labourers" (l.c., pp. [110-]11) [p. 151]. (Or, as Adam Smith [Garnier,] t. II, l. II, ch. III, p. 313) [Vol. II, p. 95] presents the elegant sequence: "churchmen, lawyers, physicians, men of letters of all kinds; players, buffoons, musicians, opera-singers, opera-dancers, etc.") "If exchangeable value is to be considered as the basis of wealth,—it is needless to use much argument to explain the errors of this doctrine. [IX-399] The practice of mankind, in estimating these services, if we can judge by what is paid for them, bears sufficient testimony of its inaccuracy" [pp. 151-52].

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[a] The page references in square brackets are to the English edition mentioned by Marx above.—*Ed.*

[b] Lauderdale has "revenue".—*Ed.*

[c] Marx quotes Lauderdale partly in German, partly in French.—*Ed.*

Further:

"The labour of the manufacturer fixes and realises itself in some vendible commodity.... Neither the *labour performed by the menial servant*, nor that of which the necessity is supplanted by circulating capital," //by this he means *money*// "do naturally stock, or store themselves up in such a manner as to be transferred from one to another for a defined value. The profit of the one and the other alike arises from *saving the labour of the owner* or master. The similarity is indeed such, that it is natural to suppose the same circumstances which led the one to be deemed unproductive, would naturally create the same impression with relation to the other" //and thereupon he quotes Smith, l. II, ch. II,[64]// (Lauderdale, l.c., pp. 144-45) [pp. 195-97].

Thus we would have the succession: Ferrier, Garnier, Lauderdale, Ganilh. The latter phrase about the "*saving of labour*"[a] is particularly hard ridden by *Tocqueville.*

After Garnier appeared the inane Jean Baptiste Say's *Traité d'économie politique.* He reproaches Smith in that

"he refuses the name of *products* to the *results* of these activities.[b] He gives the labour spent on them the name *unproductive*" (3rd ed., [Vol. I,] p. 117).

Smith does not at all deny that "these activities" produce a "result", a "product" of some kind. He even expressly mentions

"the protection, security, and defence of the commonwealth" as "the effect of their labour this year" (the labour of the servants of the public) (*Smith,* [Garnier,] t. II, l. II, ch. III, p. 313) [Vol. II, p. 95].

Say for his part sticks to Smith's secondary definition, that

these "services" and their product "generally perish in the very instant of their performance", "in the very instant of their production" (Smith, l.c.).[c]

Mr. Say calls these consumed "services", or their products, results—in a word, their use value—

"immaterial products or values, which are consumed in the instant of their production" [p. 116].

Instead of calling them "unproductive", he calls them "productive of immaterial products". He gives them another name. But then he declares further:

"that they do not serve to augment the national capital" (Vol. I, p. 119). "A nation in which there were a multitude of musicians, priests and officials, might be pleasantly entertained, well educated and governed admirably well, but that would be all. Its capital would not receive any direct increase from all the labour of these industrious men, because their products would be consumed as fast as they were created" (l.c., p. 119).

Thus Mr. Say declares these labours to be *unproductive* in the

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[a] See this volume, pp. 80, 193.—*Ed.*

[b] E.g., those of the physician, actor, etc.—*Ed.*

[c] See this volume, p. 19.—*Ed.*

most restricted sense used by Smith. But at the same time he wants to appropriate Garnier's "step forward". Hence he invents a new name for unproductive labours. This is his kind of originality, his kind of productivity and way of making discoveries. And with his customary logic, he refutes himself again. He says:

"It is impossible to accept the view of Mr. Garnier, who concludes from the fact that the labour of physicians, lawyers and other similar persons is productive, that it is as advantageous for a nation to increase it as any other labour" (l.c., p. 120).

And why not, if one kind of labour is as productive as the other, and the increase of productive labour is in general "advantageous for a nation"? Why is it not as advantageous to increase this kind of labour as any other? Because, Say replies with his characteristic profundity, because it is not at all advantageous to increase productive labour of any kind above the need for this labour. But then surely Garnier is right. For it is equally advantageous—that is, equally disadvantageous—to increase the one kind of labours as to increase the other kind above a certain quantity.

"The case is the same," Say continues, "as with physical labour expended on a product beyond what is necessary to make it."

(Not more joiner's labour should be employed to make a table than is necessary for the production of the table. Or to patch up a sick body, not more than is necessary to cure it. So LAWYERS and physicians should perform only the necessary labour for the production of their immaterial product.)

"The labour which is productive of immaterial products, *like all other labour*, is only productive up to the point at which it increases the utility, and consequently the value"

(that is, the use value, but Say mistakes the utility for the exchange value)

"of a product: beyond this point, it is a purely unproductive labour" (l.c., p. 120).

Say's logic is therefore this:

It is *not so useful* for a nation to increase the "producers of immaterial products" as to increase the producers of material products. *Proof*: it is absolutely useless to increase the producers of any kind of product, whether material or immaterial, beyond what is necessary. *Therefore* it is more useful to increase the useless producers of material products than those of immaterial products. It does not follow in both cases that it is useless to increase these producers, but only the producers of a particular kind in their corresponding branch of production.

[According to Say,] too many material products cannot [IX-400] be produced, nor can too many immaterial. But *variatio delectat.*[a] So different kinds must be produced in both departments. And moreover Mr. Say teaches:

"Sluggishness in the sale of some products arises from the scarcity of some others" [l.c., p. 438].

Therefore there can never be too many tables produced, but at most perhaps too few dishes to be put on the tables. If physicians increase too much in number, what is wrong is not that their SERVICES are available in superfluity, but perhaps that the SERVICES of other producers of immaterial products are in short supply—for example, prostitutes (see l.c., p. 123, where the industries of street-porters, prostitutes, etc., are grouped together, and where Say ventures to assert that the "apprenticeship" for a prostitute "amounts to nothing").

In the end, the scales come down on the side of the "unproductive labourers". With given conditions of production, it is known exactly how many labourers are needed to make a table, how great the quantity of a particular kind of labour must be in order to make a particular product. With many "immaterial products" this is not the case. The quantity of labour required to achieve a particular result is as CONJECTURAL as the result itself. Twenty priests together perhaps bring about the conversion that one fails to make; 6 physicians consulting together perhaps discover the remedy that one alone cannot find. In a bench of judges perhaps more justice is produced than by a single judge who has no control but himself. The number of soldiers required to protect a country, of police to keep up order in it, of officials "to govern it" well, etc.—all these things are problematical and are very often discussed for example in the English Parliament; although how much spinning labour is needed to spin 1,000 lbs of twist is known very exactly in England. As for other "productive" labourers of this kind, the concept of them includes the fact that the utility which they produce depends only on their number, consists in their number itself. For example, lackeys, who should bear witness to their MASTER's wealth and elegance. The greater the number of them, the greater the effect they are supposed to "produce". Thus Mr. Say sticks to his point: "unproductive labourers" can never be sufficiently increased in numbers.

Mr. G. Garnier had published in Paris in 1796 *Abrégé élémentaire des principes de l'économie politique.* Along with the Physiocratic view

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[a] A change is diverting.—*Ed.*

that agriculture alone is productive another is to be found (which to a great extent explains his polemic against Adam Smith), namely, that consumption (strongly represented by the "unproductive labourers") is the source of production, and that the volume of the latter is to be measured by the volume of the former. The unproductive labourers satisfy artificial needs and consume material products, and are thus in every way useful. He also polemises, therefore, against economy (thrift). On p. xiii of his preface we find:

"The fortune of an individual is enlarged by saving; the public fortune, *on the contrary*, derives its increase from the increase of consumption."

And on p. 240, in the chapter on public debts:

"The improvement and extension of agriculture and consequently the progress of industry and commerce have *no other cause* than the extension of artificial needs."

From this he concludes that public debts are a good thing, in that they increase these needs.[a]

Le comte Destutt de Tracy: *Élémens d'idéologie, IV^e et V^e parties. Traité de la volonté et de ses effets*, Paris, 1826 ([First edition] 1815).

"All useful labour is really productive, and the whole labouring class of society equally deserves the name *productive*" (p. 87).

But in this productive class he distinguishes

"the labouring class which *directly produces* all our wealth" (p. 88)

—that is, what Smith calls THE PRODUCTIVE LABOURERS.

As against these, the *sterile* class consists of the rich, who consume their rent of land or rent on money. They are the *idle class*.

"The real *sterile* class is the class of idlers, who do nothing but live what is called *nobly* on the products of labours performed before them, whether these products are realised in landed property which they farm out, that is to say, which they *lease* to a labourer, or whether they consist in money or goods that they lend for a return, which also means to *lease* them. Those are the real drones of the hive (*fruges consumere nati*[b])" (p. 87); these idlers "can expend nothing but their *revenue*. If they break into [IX-401] their funds, nothing replaces them; and their consumption, increased for the moment, ceases for ever" (p. 237).

"This *revenue* is ... only a deduction from the products of activity of the industrious citizens" (p. 236).

How then does it stand with the labourers whom these idlers

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[a] Marx wrote this sentence in French. See this volume, pp. 35, 79-84, 94-97.—*Ed.*

[b] Born to consume the fruits (Horace, *Epistolae*, Liber primus, Epistola II, 27).—*Ed.*

directly employ? In so far as they consume commodities, they do not consume actual labour, but the products of the productive labourers. Here therefore we are dealing with labourers for whose labour the idlers directly exchange their revenue, that is, with labourers who draw their wages directly from revenue, not from capital.

"Since the men to whom it" (the revenue) "belongs are idle, it is obvious that they *do not direct any productive labour.* All these labourers whom they pay are intended only to procure some enjoyment for them. No doubt these enjoyments are of different kinds.... The expenditure of all this class of men ... feeds a numerous population whose existence it makes possible, but one whose labour is completely sterile.... Some of it may be more or less fruitful, e.g. the construction of a house, the improvement of a landed estate; but these are particular cases when for the time being they cause productive labour to be performed.[65] Apart from these minor exceptions, the whole consumption of this species of capitalists is absolutely pure loss from the standpoint of reproduction, and an equally great diminution of the wealth that has been acquired" (p. 236).[a]

//Real political economy *à la* Smith treats the CAPITALIST only as personified capital, *M—C—M*, agent of production. But who is to consume the products? The labourers?—*Quod non.*[b] The capitalist himself? Then he is acting as a big idle consumer and not as a capitalist. The owners of land and money rents? They do not reproduce their consumption, and thereby are harmful to wealth. Nevertheless, there are also two correct aspects in this contradictory view, which regards the capitalist only as a real hoarder, not an illusory one like the hoarder proper: 1) capital (and hence the capitalist, its personification) is treated only as an agent for the development of the productive forces and of production; 2) it expresses the standpoint of emerging capitalist society, to which what matters is exchange value, not use value; wealth, not enjoyment. The enjoyment of wealth seems to it a superfluous luxury, until it itself learns to combine exploitation and consumption and to subordinate itself to the enjoyment of wealth.//

"To find how these revenues" (on which the idlers live) "have been formed it is always necessary to go back to the *industrial capitalists*" (p. 237, note).

The *industrial capitalists*—the 2nd sort of capitalists—

"include all the entrepreneurs in any industry whatever, that is to say, all the persons who, *having capitals,* ... employ their talent and their labour in turning them to account themselves instead of hiring them to others, and who consequently live neither on wages nor on revenues but on *profits*" (p. 237).

In Destutt it is quite clear—as with Adam Smith before him—that what on the surface is glorification of the productive

[a] Marx quotes Destutt partly in German, partly in French.—*Ed.*

[b] But they don't.—*Ed.*

labourer is in fact only glorification of the *industrial capitalist* in contrast to LANDLORDS and SUCH MONIED CAPITALISTS as live only on their revenue.

"They have ... in their hands almost all the wealth of society.... It is not only the income from this wealth that they spend annually, but even the fund itself, and sometimes many times in the year, when the course of business is rapid enough to make this possible. For since in their capacity as industrialists they spend only in order that the money shall come back to them with a profit, the more they can do so on this condition, the greater their profits" (pp. 237-38).

As for their personal consumption, it is the same as that of the idle capitalists. But it is

"in total moderate, because industrialists are usually unassuming" (p. 238). But it is different with their industrial consumption, "it is nothing less than final; it returns to them with profits" (l.c.). Their profit must be large enough not only for their "personal consumption, but also" for "the rent of land and the interest on money which they obtain from the idle capitalists" ([p.] 238).

Destutt is right on this. Rents of land and interest on money are only "*deductions*" from industrial profit, portions of the latter given by the industrial capitalist from his gross profit to LANDLORDS and MONEYED CAPITALISTS.

"The revenues of the rich idlers are only rents taken from industry; it is industry alone that creates them" (p. 248). The industrial capitalists "rent their" (that is, the idle capitalists') "land, their houses and their money, and they make use of them in such a way as to *draw profits* from them *higher than this rent*" [p. 237]. That is, the rent which they pay to the idlers, which therefore is only a part of this profit. This rent that they thus pay to the idlers is "the sole revenue of these idlers and the sole fund for their annual expenditures" (p. 238).

Up to here, ALL RIGHT. But how then does it stand with the *wage labourers* (the productive labourers, who are employed by the industrial capitalists)?

"These have no other treasure but their everyday labour. This labour obtains wages for them.... But whence come these wages? It is clear that they come from the properties of those [IX-402] to whom the wage labourers *sell their labour*, that is to say, from the funds which are in their possession beforehand, and which are *nothing but the accumulated products of labours previously performed.* It follows from this that the consumption paid for by this wealth is the consumption of the wage labourers, in the sense that it is they whom it maintains, but at bottom it is *not they who pay it*, or at least they only pay for it *with funds existing beforehand in the hands of those who employ them.* Their consumption should therefore be regarded as having been made by those who hire them. They only receive with one hand and return with the other.... It is therefore necessary to regard not only all that they" (the wage labourers) "spend but even all that they receive as the real expenditure and *consumption of those who buy their* labour. That is so true that in order to see whether this consumption is more or less destructive of wealth that has been acquired, or even if it tends to increase it ... it is necessary to know *what use the capitalists make of the labour that they buy*" (pp. 234-35).

VERY WELL. And whence come the profits of the entrepreneurs which enable them to pay revenue to themselves and to the idle capitalists, etc.?

"I will be asked how these industrial entrepreneurs can make such large profits, and whence they can draw them? I reply that *it is through their selling everything that they produce at a higher price than it has cost them to produce*" (p. 239).

And to whom do they sell everything at a higher price than it costs them?

"They sell it,

"1) to themselves, for the whole part of their consumption destined for the satisfaction of their needs, which they pay for with a portion of their profits;

"2) to the wage labourers, both those whom they pay and those paid by the idle capitalists; in this way *they draw back from these labourers their total wages*, apart from any small economies which these may be able to make;

"3) to the idle capitalists, *who pay them with the part of their revenue* which they have not already given to the labourers directly employed by them, so that all the rent which they annually pay to the idle capitalists comes back to them in one or other of these ways" (l.c., [p.] 239).

Let us now have a look at these 3 categories of sales.

1) The industrial capitalists themselves consume *one part* of their product (or profit). They cannot possibly enrich themselves by swindling themselves and selling their products to themselves *at a dearer price* than they themselves have *paid* for them. Nor can any one of them swindle the others in this way. If A sells his product, which the industrial capitalist B consumes, at too dear a price, then B sells his product, which the industrial capitalist A consumes, at too dear a price. It is the same thing as if A and B had sold their products to each other at their real value. Category 1 shows us how the capitalists spend a part of their profit; it does not show us whence they draw the profit. In any case they make no profit by "*selling to one another* everything that they produce *at a higher price* than it has cost them to produce".

2) They can likewise draw no profit from the part of the product which they sell to their labourers *above the production costs*. It is presupposed that the whole consumption of the labourers is IN FACT "the consumption of those who buy their labour". Moreover Destutt rubs this in by remarking that the capitalists, by selling their products to the wage labourers (their own and those of the idle capitalists), only "draw back their total wages". And in fact not even the total, but after deducting their economies. It is all the same whether they sell the products to them cheap or dear, since they always only get back what they have given them, and, as said above, the wage labourers only "receive with one hand and return with the other". First the capitalist pays *money* to the

labourer as wages. Then he sells him his product "too dear", and by so doing draws the money back again. But as the labourer cannot pay back to the capitalist more money than he has received from him, so the capitalist can *never* sell his products to him *dearer* than he has *paid* him for his labour. He can always only get back from him as much money for the sale of his products as the money he has given him for his labour. Not a farthing more. How then can his money increase through this "circulation"?

[IX-403] In addition to this, there is another absurdity in Destutt. Capitalist C pays the labourer L a weekly wage of £1, and then draws back the £1 for himself again by selling him commodities for £1. By this means, Tracy thinks, he has drawn back to himself the total of the wages paid. But first he gives the labourer £1. And then he gives him commodities for £1. So what in fact he has given him is £2: £1 in commodities and £1 in money. Of this £2, he takes back £1 in the form of money. Therefore in fact he has not drawn back a FARTHING of the £1 wage. And if he intended to enrich himself by this kind of "drawing back" the wages (instead of by the labourer giving him back in labour what he advanced to him in commodities), he would soon come to his senses.

Here, therefore, the noble Destutt confuses the circulation of money with the real circulation of commodities. Because the capitalist, instead of giving the labourer directly commodities to the value of £1, gives him £1, with which the labourer then decides as he likes which commodities he wants to buy, and returns to the capitalist in the form of money the draft he had given him on his merchandise—after he, the labourer, has appropriated his aliquot share of the merchandise—Destutt imagines that the capitalist "draws back" the wages,[a] because the same piece of money flows back to him. And on the same page Mr. Destutt remarks that the phenomenon of circulation is "*mal connu*"[b] (p. 239). Totally unknown to himself, at any rate. If Destutt had not explained "the drawing back of the total wages"[a] in this peculiar way, the nonsense might at least have been conceivable in a way we shall mention now.

(But before that, a further illustration of his sapience. If I go into a shop and the shopkeeper gives me £1 and I then use this £1 to buy commodities to the value of £1 in his shop, he then draws back the £1 again. No one will assert that he has enriched

[a] See this volume, p. 170.—*Ed.*
[b] Little known.—*Ed.*

himself by this operation. Instead of £1 in money and £1 in commodities he now has only £1 in money left. Even if his commodity was only worth 10s. and he sold it to me for £1, in this case too he is 10s. poorer than he was before the sale, even though he has drawn back the whole of one pound sterling.)

If C, the capitalist, gives the labourer £1 wages, and afterwards sells him commodities to the value of 10s. for £1, he would certainly have made a profit of 10s. because he had sold the commodities to the labourer 10s. too dear. But from Mr. Destutt's point of view even so it could not be understood how any profit from this transaction arises for C. (The profit arises from the fact that he has paid him less wages—in fact has given the labourer a smaller aliquot part of the product in exchange for his labour—than he gives him *nominally*.) If he gave the labourer 10s. and sold his commodity for 10s., he would be just as rich as if he gives him £1 and sells him his 10s. commodity for £1. Moreover, Destutt bases his argument on the assumption of necessary wages. In the best case any profit here would only be explained by the labourer having been cheated over his wages.

This CASE 2 therefore shows that Destutt has absolutely forgotten what a productive labourer is, and has not the slightest idea of the source of profit. At most it could be said that the capitalist makes a profit by raising the price of the products above their value, in so far as he sells them not to his own wage labourers but to the wage labourers of idle capitalists. But since the consumption of unproductive labourers is in fact only a part of the consumption of idle capitalists, we come now to case 3.

3) The industrial capitalist sells his products "too dear", above their value, to the

> "idle capitalists, who pay him with the part of their revenue which they have not already given to the labourers directly employed by them, so that all the rent which they annually pay to the idle capitalists comes back to them" (the industrial capitalists) "in one or other of these ways".

Here again there is the childish conception of the rent, etc., coming back, as there was above of the drawing back of the total wages. For example, C pays £100 rent of land or interest on money to I (the idle capitalist). The £100 are means of payment for C. They are means of purchase for I, who with them draws £100 of commodities from C's warehouse. Thus the £100 return to C as the transformed form of his commodity. But he has £100 less in commodities than before. Instead of giving them direct to I, he has given him £100 in money, with which the latter buys £100 of his commodities. But he buys these £100 worth of commodities with C's money, not with his own funds. And Tracy imagines that in this way the rent which C has paid over to I comes back to C. What imbecility! First absurdity.

Secondly, Destutt himself has told us that rent of land and interest on money are only deductions from the industrial capitalist's profit, and therefore only quotas of profit given away to the idler. On the assumption that C drew back this whole quota [IX-404] to himself by some sort of trick, though not in one or other of the ways DESCRIBED BY TRACY—in other words, that capitalist C paid no rent at all, neither to the LANDLORD nor to the MONIED capitalist—he would retain his *whole* profit, but the question is precisely how to explain *whence* he derived the profit, how he has made it, how it arose. As this cannot be explained by his *having* or *retaining* it without giving a quota of it to LANDLORD and MONIED capitalist, just as little can it be explained by the fact that the quota of profit which he has given away to the idler under one category or another is entirely or partially, in one way or another, dragged back by him from the hand of the idler into his own hand again. Second absurdity! [a]

Let us disregard these absurdities. C has to pay I—the idler—rent to the amount of £100 for the land or the capital that he has rented (*loué*) from him. He pays the £100 out of profit (whence the latter arises we do not yet know). Then he sells his products to I, which are consumed either by I directly or through his RETAINERS (the unproductive wage labourers), and he sells them to him *too dear*, for example, 25% above their value. He sells him products worth £80 for £100. In this transaction C undoubtedly makes a profit of £20. He has given I a draft for £100 worth of commodities. When the latter presents the draft, he gives his commodities only to the value of £80, by fixing the nominal price of his goods 25% above their value. Even if I would be satisfied with consuming commodities worth £80 and paying £100 for them, C's profit could never rise above 25%. The prices and the fraud would be repeated every year. But I wants to consume to the value of £100. If he is a landlord, *que faire*[b]? He mortgages property to C for £25, in exchange for which C gives him

[a] In the manuscript Marx crossed out the following text here: "'Whence come their revenues to these idle men? Put these two absurdities aside. Is it not from the rent which those who set their capitals to work pay to them *out of their profits*?' (p. 246). Mr. Destutt, therefore, explains the origin of these profits from which rent is paid not by the fact that with this rent products are again bought by the industrialist." The quotation is reproduced on p. 176 of this volume.—*Ed.*

[b] What is he to do?—*Ed.*

commodities worth £20—for he sells his commodities at 25% ($^1/_4$) above their value. If he is a money-lender, he hands over to C £25 of his capital, in exchange for which C gives him commodities worth £20.

Let us assume that the capital (or value of the land) was lent at 5%. Then it amounted to £2,000. Now it amounts to only £1,975. His rents are now £98 $^3/_4$. And so it would go on, with I constantly consuming commodities to the real value of £100, but his rents constantly falling, because in order to have commodities to the value of £100 he must always consume an ever greater part of his capital itself. Thus bit by bit C would get the whole of I's capital into his own hands, and the rents of it together with the capital—that is to say, along with the capital itself he would appropriate that portion of the profit which he makes from borrowed capital. Mr. Destutt evidently has this process in view, for he continues:

> "But I will be told, if that is so and if industrial entrepreneurs in effect *reap each year more than they have sown*, in a very short time they must have attracted to themselves *the whole public fortune*, and soon there would be nothing left in a State but wage labourers without funds, and capitalist entrepreneurs. *That is true*, and things would in fact be so if the entrepreneurs or their heirs did not take the course of resting as they grow wealthy, and did not thus continually go to recruit the class of idle capitalists; and even in spite of this frequent emigration, it still happens that when industry has been at work in a country for some time without too great disturbances, its capitals are always being augmented not only because of the growth of the total wealth, but also in a much greater proportion.... It might be added this effect would be felt even more strongly but for the immense levies that all governments impose each year on the industrious class by means of taxes" (pp. 240-41).

And Mr. Destutt is quite right up TO A CERTAIN POINT, although not at all in what he wants to explain. In the period of the declining Middle Ages and rising capitalist production the rapid enrichment of the industrial capitalists is in part to be explained by the direct fleecing of the LANDLORDS. With the fall in the value of money resulting from the discoveries in America, the farmers paid the landlords the old rent in nominal, not in real terms, while the MANUFACTURERS sold them commodities above their value—not just at the higher value of the money. Similarly in all countries, as for example the Asiatic, where the principal revenue of the country is in the hands of LANDLORDS, princes, etc., in the form of rent, the MANUFACTURERS, *few in number* and therefore not restricted by competition, sell them their commodities at monopoly prices, and in this way appropriate a part of their revenue; they enrich themselves [IX-405] not only by selling to them "unpaid" labour, but by selling the commodities at over the quantity of labour contained in them. Only Mr. Destutt is again wrong if he believes that money-lenders let themselves be fleeced in this way. On the contrary, they SHARE, through the high interest they draw, in those high profits, in that fleecing, directly and indirectly.

The following passage shows that this phenomenon was in Mr. Destutt's mind:

"One has only to see how weak they" (the industrial capitalists) "were throughout all Europe three or four centuries ago, in comparison with the immense wealth of all the powerful men of those days, and how today they have increased and grown in number, while the others have diminished" (l.c., p. 241).

What Mr. Destutt wanted to explain to us was the *profits* and the *high profits* of industrial capital. He has explained it in two ways. First, because the *money* which these capitalists pay out in the form of wages and rents flows back to them again, since these wages and rents buy products from them. In fact, what this explains is only why they do not pay wages and rents *twice*, first in the form of money, and secondly in the form of commodities to the same amount in money. The second explanation is that they sell their commodities above their price, they sell them *too dear*, first *to themselves*, thus cheating themselves; secondly to the labourers, thus again cheating themselves, as Mr. Destutt tells us that

the consumption of the wage labourers "should be regarded as having been made by those who hire them" (p. 235);

finally, in the third place, to the *gentlemen living on rents*, whom they fleece, and this would in fact explain why the industrial capitalists always keep for themselves a larger part of their profit, instead of giving it away to the idlers. It would show why the *distribution of the total profit* between the industrial and non-industrial capitalists is increasingly to the advantage of the former at the cost of the latter. It would not help one iota to an understanding of *whence* this *total profit* comes. Let us assume that the industrial capitalists had got the whole of it for themselves, the question remains, where does it come from?

Therefore Destutt has not only given no answer, but he has only revealed that he thinks the reflux of the money is a reflux of the commodity itself. This *reflux of money* means only that the capitalists first pay wages and rents in money, instead of paying them in commodities; that their commodities are bought with this money and hence they have paid in commodities in this roundabout way. This money therefore constantly flows back to them, but only to the extent that commodities to the same money value are definitively taken from them and fall to the share of the consumption of the wage labourers and drawers of rent.

Mr. Destutt (in a really French way—similar exclamations of astonishment about himself are to be found in Proudhon) is altogether astonished at

the "clarity" which this "way of looking at the consumption of our wealth ... sheds on the whole progress of society. Whence comes this consistency and this lucidity? From the fact that we have lighted upon the truth. This recalls the effect of those mirrors in which objects are outlined clearly and in their right proportions when one is in the right spot from which to view them, and in which everything appears confused and disjointed when one is too near or too far" (pp. 242-43).

Later, quite incidentally, Mr. Destutt recalls (from Adam Smith) the real course of things, which however in essence he only repeats as a phrase which he has not understood—as otherwise he (this Member of the Institute of France[66]) would have been unable to shed the streams of light referred to above.

"Whence come their revenues to these idle men? Is it not from the rent which those who *set their capitals to work* pay to them out of their *profits*, that is to say, those who use their funds *to pay labour which produces more than it costs*, in a word, the men of industry?"

(Aha! So the rents (and also their own profits) which the industrial capitalists pay to the idle capitalists for the funds borrowed from the latter come from their using these funds to pay wages to labour "which *produces more than it costs*"; that is to say, therefore, whose product has more value than is paid to them [wage labourers]—in other words, profit comes from what the wage labourers produce over and above what they cost; a surplus product which the industrial capitalist appropriates for himself, and of which he gives away only one part to those receiving rent from land and interest on money.)

Mr. Destutt concludes from this: not that we must go back to these productive labourers, but that we must go back to the capitalists who set them in motion.

"It is these who really maintain even the labourers employed by the others" (p. 246).

To be sure; inasmuch as they directly exploit labour, and the idle capitalists only do it THROUGH THEIR AGENCY. And in this sense it is correct [IX-406] to regard industrial capital as the source of wealth.

"We must therefore always go back to these" (the industrial capitalists) "in order to find the source of all wealth" (p. 246).

"In the course of time, *wealth has accumulated in greater or less quantity, because the result of previous labours has not been entirely consumed as soon as produced.* Some of the possessors of this wealth are content to draw a rent from it and consume it. These are those whom we have called idle. The other more active ones set to work both their own funds and those which they borrow. They employ them *to pay labour which reproduces them with a profit.*"

//Hence, therefore, not only the reproduction of this fund, but [the production] of the SURPLUS, which forms *profit.* //

"With this profit they pay for their own consumption and defray that of others. By these consumptions themselves" (their own and that of the idlers? Here again the same absurdity) "their funds come back to them somewhat increased, and they start again. That is what constitutes circulation" (pp. 246-47).

The inquiry into the "productive labourer", and the result that only one whose buyer is an industrial capitalist is a productive labourer—one whose labour produces profit for its immediate buyer—led Mr. Destutt to the conclusion that in fact the *industrial capitalists* are *the sole productive labourers* in the higher meaning of the word.

"They who live on profits" (the industrial capitalists) "maintain all the others and alone augment the public fortune and create all our means of enjoyment. That must be so, *because labour is the source of all wealth* and because they alone give a *useful direction to current labour,* by making a *useful application of accumulated labour*" (p. 242).

That they give "a useful direction to current labour" in fact means only that they employ useful labour, labour which results in use values. But that they make "useful application of accumulated labour"—if it is not to mean the same thing again, that they make industrial use of accumulated wealth for the production of use values—means that they make "useful application of accumulated labour" by buying with it more current labour than is contained in it. In the passage just cited Destutt naïvely epitomises the contradictions which make up the essence of capitalist production. Because labour is the source of all wealth, capital is the source of all wealth; the actual propagator of wealth is not he who labours, but he who makes a profit out of another's labour. The productive powers of labour are the productive powers of capital.

"Our faculties are our only original wealth; our labour produces all other wealth, and all labour properly directed is productive" (p. 243).

Hence, according to Destutt, it follows as a matter of course that the industrial capitalists

"maintain all the others and alone augment the public fortune and create all our means of enjoyment".

Our faculties (*facultés*) are our only original wealth, therefore the labour capacity is not wealth. Labour produces all other wealth, that means: it produces wealth for all others except for itself, and it itself is not wealth, but only its product is wealth. All labour properly directed is productive; that means: all productive labour, all labour which yields profit to the capitalist, is properly directed.

The following remarks of Destutt—which refer not to the *different classes of consumers*, but to the *different nature of the articles of consumption*—are a very good paraphrase of Adam Smith's views in Book II, Ch. III, at the end of which he inquires into what kind of (unproductive) expenditure, that is to say, of individual consumption, consumption of revenue, is more or less advantageous. He opens this inquiry (Garnier, t. II, p. 345) [Vol. II, p. 122] with the words:

"As frugality increases, and prodigality diminishes, the public capital, so the conduct of those whose expense just equals their revenue, without either accumulating or encroaching, neither increases nor diminishes it. Some modes of expense, however, seem to contribute more to the growth of public opulence than others."

Destutt summarises Smith's exposition as follows:

"If consumption is very different according to the kind of consumer, it varies also according to the nature of the things consumed. All indeed represent labour, but its value is fixed more securely in some than in others. As much trouble may have been taken in making a firework as in finding and cutting a diamond, and consequently one may have as much value as the other. But when I have bought, paid for and used both, at the end of half an hour I shall have nothing left of the first, and the second can still be a resource for my grandchildren a century later.... It is the same with what [IX-407] are called" (that is, by Say) "immaterial products. *An invention is of eternal utility.* An intellectual work, a picture also have a utility that is more or less durable, while that of a ball, a concert, a play is instantaneous and disappears immediately. The same can be said of the *personal services* of doctors, lawyers, soldiers, domestic servants, and in general of all who are called *employed persons.* Their utility is that of the moment of need.... The most ruinous consumption is the quickest, because it is that which destroys more labour in the same time, or an equal quantity of labour in less time; in comparison with it, consumption which is slower is a kind of *treasuring up,* since it leaves to times to come the enjoyment of part of the present sacrifices ... everyone knows that it is more economical to get, *for the same price,* a coat that will last three years than a similar one which will only last three months" (pp. 243-44).

Most of the writers who contested Smith's view of productive and unproductive labour regard *consumption* as a necessary spur to production. *For this reason* they regard the *wage labourers* who live on revenue—the unproductive labourers whose hire does not produce wealth, but is itself a new consumption of wealth—as equally productive *even of material wealth* as the productive labourers, since they widen the FIELD OF MATERIAL CONSUMPTION and therewith the FIELD OF PRODUCTION. This was therefore for the most part apologetics from the standpoint of bourgeois economy, partly for the rich idlers and the "unproductive labourers" whose *services* they consume, partly for "strong governments" whose expenditure is heavy, for the increase of the State debts, for holders of church and State benefices, holders of sinecures, etc. For these "unproductive labourers"—whose services figure in the expenses of the idle rich—all have in common the fact that although they *produce "immaterial products"*, they consume "*material products*", that is, products of the productive labourers.

Other economists, like Malthus, admit the distinction between productive labourers and unproductive, but prove to the industrial capitalist that the latter are as necessary to him as the former, even for the production of material wealth.

To say that production and consumption are identical or that consumption is the purpose of all production or that production is the precondition of all consumption, is of no help in this connection. What—apart from the tendentious purpose—is at the bottom of the whole dispute is rather this:

The labourer's consumption on the average is only equal to his production costs, it is not equal to his output. He therefore produces the whole surplus for others, and so this whole part of his *production* is *production for others*. Moreover, the industrial capitalist who drives the labourer to this *overproduction* (i.e., production over and above his own subsistence needs) and makes use of all expedients to increase it to the greatest extent possible—to increase this relative *overproduction* as distinct from the necessary production—directly appropriates the surplus product for himself. But as personified capital he produces for the sake of production, he wants to accumulate wealth for the sake of the accumulation of wealth. In so far as he is a mere functionary of capital, that is, an agent of capitalist production, what matters to him is exchange value and the increase of exchange value, not use value and its increase. What he is concerned with is the increase of abstract wealth, the rising appropriation of the labour of others. He is dominated by the same absolute drive to enrich himself as the hoarder, except that he does not satisfy it in the illusory form of building up a treasure of gold and silver, but in the creation of capital, which is real production. If the labourer's overproduction is *production for others*, the production of the normal capitalist, of the industrial capitalist as he ought to be, is production for the sake of production. It is true that the more his wealth grows, the more he falls behind this ideal, and becomes extravagant, even if only to show off his wealth. But he is always enjoying wealth with a guilty conscience, with frugality and thrift at the back of his mind. In spite of all his prodigality he remains, like the hoarder, essentially avaricious.

When Sismondi says that the development of the productive powers of labour makes it possible for the labourer to obtain ever-increasing enjoyments, but that these very enjoyments, if put at his disposal, would make him unfit for labour (as a wage labourer) //Sismondi says:

> "Because of the progress made by industry and science, each labourer is able to produce each day much more than he needs to consume. But at the same time as his labour produces wealth, this wealth, if he was called upon to enjoy it, would make him little fitted for labour" (*Nouveaux principes...*, Vol. I, p. 85)//,

it is equally true that the industrial capitalist becomes more or less unable to fulfil his function as soon as he personifies the enjoyment of wealth, as soon as he wants the accumulation of pleasures instead of the pleasure of accumulation.

He is therefore also a producer of *overproduction, production for others.* Over against this overproduction on one side must be placed overconsumption on the other, production for the sake of production must be confronted by consumption for the sake of consumption. What the industrial capitalist has to surrender to landlords, the State, creditors of the State, the church, and so forth, who only consume revenue, [IX-408] is an absolute diminution of his wealth, but it keeps his lust for enrichment going and thus preserves his capitalist soul. If the landlords, money-lenders, etc., were to consume their revenue also in productive instead of unproductive labour, the purpose would not be achieved. They themselves would become industrial capitalists, instead of representing the function of consumption as such. With regard to this point we shall examine later an extremely comical dispute between a Ricardian and a Malthusian.[67]

Production and consumption are *in their nature* inseparable. From this it follows that since in the system of capitalist production they are in fact separated, their unity is restored through their opposition—that if A must produce for B, B must consume for A. Just as we find with every individual capitalist that *pour sa part*[a] he favours prodigality on the part of those who are CO-PARTNERS with him in his revenue, so the older Mercantile system as a whole depends on the idea that a nation must be frugal as regards itself, but must produce luxuries for foreign nations to enjoy. The idea here is always: on the one side, production for production, therefore on the other side consumption of foreign

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[a] As to him.—*Ed.*

production. This idea of the Mercantile system is expressed for example by Dr. Paley, *Moral Philosophy*, Vol. II, Ch. XI:

"A laborious, frugal people, ministering to the demands of an opulent, luxurious nations."[68]

"They" (our politicians, Garnier, etc.), says Destutt, "put forward as a general principle that consumption is the cause of production, that therefore it is good for it to be very plentiful. They declare that it is this which constitutes a great difference between public economy and the economy of individuals" (l.c., pp. 249-50).

One more fine phrase:

"*The poor nations* are those where the people are comfortably off; and *the rich nations*, those where the people are generally poor" (l.c., p. 231).

Henri Storch, *Cours d'économie politique etc.*, edited by Jean Baptiste Say, Paris, 1823 (lectures read to Grand Duke Nicholas, concluded in 1815), *Vol. III*.

After Garnier, Storch is in fact the first writer to polemise against Adam Smith's distinction between productive and unproductive labour on a new basis.

He distinguishes the "*internal goods* or the elements of civilisation", with the laws of whose production the "theory of civilisation" has to concern itself, from material goods, component parts of material production (l.c., Vol. III, p. 217).

("It is evident that man only attains to the production of wealth in so far as he is endowed with internal goods, that is to say, in so far as he has developed his physical, intellectual and moral faculties, which implies the means for their development such as *social institutions*, etc. Thus the more civilised a people, the more its national wealth can grow." The reverse is also true (l.c., Vol. I, p. 136).

Against Smith:

"Smith ... excludes from *productive labours* all those which do not contribute *directly* to the production of wealth; but also he only considers the national *wealth*.... His error is not to have distinguished *non-material values from wealth*" (Vol. III, p. 218).[a]

And that is really all there is to it. The distinction between productive labours and unproductive labours is of decisive importance for what Smith was considering: the production of material wealth, and in fact one definite form of that production, the capitalist mode of production. In intellectual production another kind of labour appears as productive. But Smith does not take it into consideration. Finally, the interaction and the inner connection between the two kinds of production also do not fall within the field he is considering; moreover, they can only lead to something more than empty phrases when material production is examined *sub sua propria specie*.[b] In so far as he speaks of workers

[a] Marx quotes Storch partly in French, partly in German.—*Ed.*

[b] In its own form.—*Ed.*

who are not directly productive, this is only to the extent that they participate *directly* in the consumption of material wealth but not in its production.

With Storch himself the *Théorie de la civilisation* does not get beyond trivial phrases, although some ingenious observations slip in here and there—for example, that the material division of labour is the precondition for the division of intellectual labour. How much that *must* be the case, how little he had even *formulated* for himself the task, let alone its solution, is apparent from one *single* circumstance. In order to examine the connection between intellectual [IX-409] production and material production it is above all necessary to grasp the latter itself not as a general category but in *definite historical* form. Thus for example different kinds of intellectual production correspond to the capitalist mode of production and to the mode of production of the Middle Ages. If material production itself is not conceived in its *specific historical* form, it is impossible to understand what is specific in the intellectual production corresponding to it and the reciprocal influence of one on the other. Otherwise one cannot get beyond inanities. This because of the talk about "civilisation".

Further: from the specific form of material production arises in the first place a specific structure of society, in the second place a specific relation of men to nature. Their State system and their intellectual outlook is determined by both. Therefore also the kind of their intellectual production.

Finally, under intellectual production Storch also includes all kinds of professional activities of the ruling class, who carry out social functions as business. The existence of these strata, like the function they perform, can only be understood from the specific historical structure of their production relations.

Because Storch does not conceive material production itself *historically*—because he conceives it as production of material goods in general, not as a definite historically developed and specific form of this production—he deprives himself of the basis on which alone can be understood partly the ideological component parts of the ruling class, partly the free intellectual production of this particular social formation. He cannot get beyond meaningless general phrases. Consequently, the relation is not so simple as he presupposes. For instance, capitalist production is hostile to certain branches of intellectual production, for example, art and poetry. If this is left out of account, it opens the way to the illusion of the French in the eighteenth century which has been so beautifully satirised by Lessing.[69] Because we are further ahead than the ancients in mechanics, etc., why shouldn't we be able to make an epic too? And the *Henriade*[70] in place of the *Iliad*!

Storch, however, rightly stresses—with special reference to Garnier, who was actually the father of *this* attack on Smith—that Smith's opponents had set about it the wrong way.

"What do Smith's critics do? Far from establishing this distinction" (between non-material values and wealth), "they succeed in confusing these two kinds of value that are so evidently different."

(They assert that the production of intellectual products or the production of services is *material* production.)

"In regarding non-material labour as *productive*, they assume it is *productive of wealth*" (that is, directly), "that is to say, of material and exchangeable values, while it produces only non-material and immediate values; they assume that the products of non-material labour are subject to the same laws as those of material labour: and yet the former are governed by other principles than the latter" (Vol. III, p. 218).[a]

The following passages from Storch are to be noted as having been copied from him by later authors:

"From the fact that internal goods are in part the product of services, the conclusion has been drawn that they are no more lasting than the services themselves, and that they were necessarily consumed as they were produced" (Vol. III, p. 234). "The original goods, far from being destroyed by the use made of them, expand and grow with use, so that even the *consumption* of them augments their value" (l.c., p. 236). "Internal goods are susceptible of being accumulated like wealth, and of forming capitals that can be used in reproduction", etc.[a] (l.c., p. 236). "Material labour must be divided up and its products must be accumulated before the dividing up of non-material labour can be thought of" (p. 241).

These are nothing but general superficial analogies and relations between intellectual and material wealth. So for example is his observation that undeveloped nations *borrow* their intellectual capitals from abroad, just as materially undeveloped nations borrow their material capitals (l.c., p. 306); and that the division of non-material labour depends on the demand for it, in a word, on the market, etc. (p. 246).

Here are the passages which have actually been copied:

[IX-410] "The *production* of internal goods, far from diminishing the national wealth by the consumption of material products it requires, is on the contrary a powerful means of increasing it; as the production of wealth, in its turn, is an equally powerful means of increasing civilisation" (l.c., p. 517). "It is the equilibrium of the two kinds of production that causes the advance of national prosperity" (l.c., p. 521).

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[a] Marx quotes Storch partly in German, partly in French.—*Ed.*

According to Storch, the physician produces health (but also illness), professors and writers produce *les lumières*[a] (but also obscurantism), poets, painters, etc., produce *goût*[b] (but also bad taste), moralists, etc., produce *moeurs*,[c] preachers religion, the sovereign's labour security, and so on (pp. 247-50). It can just as well be said that illness produces physicians, stupidity produces professors and writers, lack of taste poets and painters, immorality moralists, superstition preachers and general insecurity produces the sovereign. This way of saying in fact that all these activities, these SERVICES, produce a real or imaginary use value is repeated by later writers in order to prove that they are productive workers in Smith's sense, that is to say, that they directly produce not products *sui generis*[d] but products of material labour and consequently immediate wealth. In Storch there is not yet this nonsense, which for that matter can be reduced to the following[e]:

1) that the various functions in bourgeois society mutually presuppose each other;

2) that the contradictions in material production make necessary a superstructure of ideological strata, whose activity—whether good or bad—is good, because it is necessary;

3) that all functions are in the service of the capitalist, and work out to his "benefit";

4) that even the most sublime intellectual productions should merely be granted recognition, and *apologies* for them made to the bourgeoisie, that they are presented as, and falsely proved to be, direct producers of material wealth.

W. Nassau Senior, *Principes fondamentaux de l'économie politique*, translated by *Jean Arrivabene*, Paris, 1836.

Nassau Senior mounts his high horse:

> "According to Smith, the lawgiver of the Hebrews was an unproductive labourer" (l.c., p. 198).[f]

Was it Moses of Egypt or Moses Mendelssohn? Moses would have been very grateful to Mr. Senior for calling him a "productive labourer" in the Smithian sense. These people are so dominated by their fixed bourgeois ideas that they would think they were insulting Aristotle or Julius Caesar if they called them

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[a] Enlightenment.—*Ed.*
[b] Good taste.—*Ed.*
[c] Morals.—*Ed.*
[d] Of their own kind.—*Ed.*
[e] The manuscript has "to two things".—*Ed.*
[f] Here and below Marx quotes Senior in French.—*Ed.*

"unproductive labourers". Aristotle and Caesar would have regarded even the title "labourers" as an insult.

"Does not the doctor who, by a prescription, heals a sick child and thus assures him many years of life, *produce* a durable result?" (l.c.)

Rubbish! If the child dies, the result is no less durable. And if the child is no better after treatment, the doctor's SERVICE has to be paid for just the same. According to Nassau doctors should only be paid in so far as they cure, and lawyers in so far as they win lawsuits, and soldiers in so far as they are victorious.

But now he gets really lofty:

"Did the Dutch produce temporary results by fighting against the tyranny of the Spaniards, or the English by revolting against a tyranny that threatened to be even more terrible?" (l.c., p. 198).

Belletristic trash! Dutch and English revolted at their own cost. No one paid them for labouring "in revolution". But with either productive or unproductive labourers there is always a buyer and seller of labour. Hence what rubbish!

These insipid literary flourishes used by these fellows when they polemise against Smith show only that they are representatives of the "educated capitalist", while Smith was the *interpreter* of the frankly brutal bourgeois parvenu. The educated bourgeois and his mouthpiece are both so stupid that they measure the effect of every activity by its [IX-411] effect on the purse. On the other hand, they are so educated that they *grant recognition* even to functions and activities that have nothing to do with the production of wealth; and indeed they grant them recognition because they too "indirectly" increase, etc., their wealth, in a word, fulfil a "useful" function for wealth.

Man himself is the basis of his material production, as of any other production that he carries on. All circumstances, therefore, which affect man, the *subject* of production, *plus ou moins*[a] modify all his functions and activities, and therefore too his functions and activities as the creator of material wealth, of commodities. In this respect it can in fact be shown that *all* human relations and functions, however and in whatever form they may appear, influence material production and have a more or less decisive influence on it.

"There are countries where it is quite impossible for people to work the land unless there are soldiers to protect them. Well, according to Smith's classification, the harvest is not produced by the joint labour of the man who guides the plough and of the man at his side with arms in hand; according to him, the ploughman

[a] More or less.—*Ed.*

alone is a productive labourer, and the soldier's activity is unproductive" (l.c., p. 202).

First, that is not true. Smith would say that the soldier's protective care is productive of defence, but not of the corn. If order was restored in the country, the ploughman would produce the corn just as before, without being compelled to produce the maintenance, and therefore the life, of the SOLDIERS INTO THE BARGAIN. The SOLDIER belongs to the *faux frais de production*,[a] in the same way as a large part of the unproductive labourers who produce nothing themselves, either intellectual or material, but who are useful and necessary only because of the faulty social relations—they owe their existence to SOCIAL EVILS.[b]

However, Nassau might say: if a machine is invented that makes 19 out of 20 labourers superfluous, then these 19 too are *faux frais de production*. But the soldier can drop out although the *material conditions of production*, the conditions of agriculture as such, remain unchanged. The 19 labourers can only drop out if the labour of the 1 remaining LABOURER becomes 20 times more productive, that is to say, only through a revolution in the actual material conditions of production. Moreover, *Buchanan* already observes:

"If the soldier, for example, be termed a productive labourer because his labour is subservient to production, the productive labourer might, by the same rule, lay claim to military honours; as it is certain that without his assistance no army could ever take the field to fight battles or to gain victories" (D. Buchanan, *Observations on the Subjects Treated of in Dr. Smith's Inquiry etc.*, Edinburgh, 1814, p. 132).

"The wealth of a nation does not depend on a numerical proportion between those who produce *services* and those who produce *values*, but on the proportion between them that is most fitted to render the labour of each more efficacious" (Senior, l.c., p. 204).

Smith never denied this, as he wants to reduce the "necessary" unproductive labourers like State officials, LAWYERS, priests, etc., to the *extent* in which their services are indispensable. And this is in any case the "proportion" in which they make the labour of productive labourers most efficacious. As for the other "unproductive labourers", whose labours are only bought *voluntarily* by anyone in order to enjoy their *SERVICES*, that is, as an article of consumption of his own choice, different cases must be distinguished. If the number of these labourers living on revenue is large in proportion to the "productive" labourers, it is, *either*, because the amount of wealth is small in general or it is of a one-sided

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[a] Overhead costs of production.—*Ed.*

[b] See this volume, p. 16.—*Ed.*

character—for example the medieval barons with their RETAINERS. Instead of consuming manufactured goods on any considerable scale, they and their RETAINERS consumed their agricultural products. When instead of these products they began to consume manufactured goods, the RETAINERS had to be set to labour. The number of those living on revenue was only large because a large part of the annual product was not *reproductively* consumed. Along with this, the total population was small. Or, the number of those living on revenue is large, because the productivity of the productive labourers is large, and therefore their SURPLUS PRODUCE WHICH THE RETAINERS FEED UPON. In this case the labour of the productive labourers is not productive because there are so many RETAINERS, but on the contrary—there are so many RETAINERS because the labour of the productive labourers is so productive.

Taking two countries with equal populations and an equal development of the productive powers of labour, it would always be true to say, with Adam Smith, that the wealth of the two countries must be measured according to the proportion of productive and of unproductive labourers. For that means only that in the country which has a relatively greater number of productive labourers, a relatively greater amount of the annual revenue is reproductively consumed, and consequently a greater mass of VALUES is produced annually.[a] Therefore Mr. Senior has only paraphrased a statement of [IX-412] Adam's, instead of counterposing it with A NOVELTY. Moreover, he himself here makes the distinction between the producers of SERVICES and the producers of values, and so it is the same with him as with most of those who polemise against the Smithian distinction—they accept and themselves use this distinction, at the same time as they reject it.

It is characteristic that all "unproductive" economists, who achieve nothing in their own speciality, [come out] against the distinction between productive labour and unproductive labour. However, in relation to the bourgeois, it is on the one hand an expression of their servility that they present all functions as serving the production of wealth for him; then on the other hand, they present the bourgeois world as the best of all possible worlds, in which everything is useful, and the bourgeois himself is so educated that he understands this.

In relation to the labourers, it is quite all right that the unproductive ones consume the great mass [of products], since they contribute just as much as the labourers to the production of wealth even though IN THEIR OWN WAY.

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[a] Cf. this volume, p. 127.—*Ed.*

Finally however Nassau blurts out, showing that he has not understood one word of the essential distinction made by Smith:

"It seems, in truth, that in this case Smith's attention was entirely absorbed by the position of the *big owners*, the only ones to whom his observations on the unproductive classes can in general be applied. I do not know how otherwise to account for his supposition that *capital is only employed to maintain productive labourers, while unproductive labourers live from revenue.* The greater number of those whom he calls preeminently unproductive—teachers, and those who govern the State—are maintained *at the expense of capital*, that is to say, *by means of what is spent in advance for reproduction*" (l.c., pp. 204-05).

This, IN FACT, is past all understanding. Mr. Nassau's discovery that State and schoolmasters live at the cost of capital and not at the cost of revenue needs no further commentary. Does Mr. Senior mean by it that they live on profit from capital, and in this sense at the expense of capital? If so, he only forgets that revenue from capital is not capital itself, and that this revenue, the result of capitalist production, is not spent in advance for reproduction, of which on the contrary it is the result.[a] Or does he mean that it is so because certain taxes enter into the production costs of particular commodities? That is, enter into the expenses of certain branches of production? Then he should know that this is only a form of levying taxes on revenue.

With reference to Storch Nassau Senior, the sophist, also remarks:

"Mr. Storch is doubtless in error when he expressly asserts that these *results*" (health, good taste, etc.) "like other things which have value, form part of the *revenue* of those who possess them, and that they are also exchangeable" (that is, in so far as they can be sold by their producers). "If this was so, if good taste, morality, religion, were really *things* which could be *bought*, wealth would have an importance very different from that ... given to it by the economists. What we buy is not health, knowledge or piety. The doctor, the priest, the teacher ... can only produce the instruments by means of which with greater or less certainty and perfection, these ulterior results will be produced.... If in each particular case the most suitable means to obtain success have been employed, the producer of these *means* has a right to a reward, even when he has not succeeded or when he has not produced the results expected. The exchange is completed as soon as the advice or the lesson has been given and the payment for it has been received" (l.c., pp. 288-89).

Finally, the great Nassau himself adopts the Smithian distinction. For in fact he distinguishes between "productive consumption and unproductive consumption" (p. 206) instead of between productive and unproductive labour. But the object of consumption is either a commodity—which is not referred to here—or direct labour.

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[a] Marx comments Senior partly in French.—*Ed.*

Consumption would be productive if it employed labour that either reproduced labour capacity itself (which for example the schoolmaster's or the physician's labour might do) or *reproduced* the value of the commodities with which it was bought. The consumption of labour which accomplished neither the one nor the other of these would be unproductive. And indeed Smith says: the labour which can only be consumed productively (i.e., industrially) I call productive labour, and that which can be consumed unproductively, whose consumption is by its nature not industrial consumption, I call unproductive labour. Mr. Senior has therefore proved his genius by *nova vocabula rerum*.[a]

In general, Nassau copies from Storch.

[IX-413] P. Rossi, *Cours d'économie politique (année 1836-1837)*, published in Brussels, 1843.

Here is wisdom!

"*The indirect means*" (of production) "include everything that furthers production, everything which tends to remove an obstacle, to make production more active, more speedy, easier."[b] (Earlier, p. 268, he says: "There are direct and indirect means of production. That is to say, there are means which are a cause *sine qua non* of the effect in question, forces which *make* this production. There are others which contribute to production, but do not make it. The former can act even *by themselves*, the latter can only help the former to produce", p. 268.) "...The whole labour of government is an indirect means of production.... The man who has made this hat must surely recognise that the gendarme who goes by in the street, the judge who sits in his court, the gaoler who takes over a criminal and keeps him in prison, the army which defends the frontier against enemy invasions, contribute to production" (p. 272).

What a pleasure it must be for the hatter, that everyone gets moving so that he can produce and sell this hat[c]! Inasmuch as he makes these gaolers, etc., contribute *indirectly*, not *directly*, to material production, Rossi IN FACT makes the same DISTINCTION as Adam (lecture XII).

In the following lecture XIII, Rossi takes the field *ex professo*[d] against Smith—indeed rather [like] his predecessors.

The erroneous distinction between productive labourers and unproductive labourers, he says, arises for 3 reasons.

1) "Among the *buyers*, some buy products or *labour for their own direct consumption*; others only buy them in order to sell the new products that they obtain by means of the products and the labour that they have acquired. The

[a] Giving things new names.—*Ed.*

[b] Marx quotes Rossi in French with some alterations.—*Ed.*

[c] Here and below, in his comments on Rossi, Marx uses French words and phrases.—*Ed.*

[d] Avowedly.—*Ed.*

determining factor for the former is the *use value*; for the latter, the exchange value." But in paying attention only to exchange value, one falls into Smith's error. "My servant's labour is unproductive for me: let us admit that fŏr a moment; is it unproductive for him?" (l.c., p[p. 275,] 276).[a]

As all capitalist production rests on the direct purchase of labour in order to appropriate a part of it *without purchase* in the process of production; which part however is *sold* in the product—since this is the basis of existence of capital, its concept—is not the distinction between labour which produces capital and that which does not produce it the basis for an understanding of the process of capitalist production? Smith does not deny that the servant's labour is productive for *him*. Every service is productive for its seller. To swear false oaths is productive for the person who does it for cash. Forging documents is productive for anyone paid to do it. A murder is productive for a man who gets paid for doing it. The trade of sycophant, informer, toady, parasite, lickspittle, is productive for people who do not perform these "SERVICES" gratis. Hence [according to Rossi] they are "productive labourers", producers not only of wealth but of capital. The thief, too, who pays himself—just as the law-courts and the State do—

> "employs his energy, uses it in a particular way, produces a result which satisfies a human need" [p. 275],

i.e., the need of the thief and perhaps also that of his wife and children. Consequently [he is a] productive labourer if it is merely a question of producing a "result" which satisfies a "need", or as in the cases mentioned above, if selling his "SERVICES" is enough to make them "productive".

> 2) "A second error has been not to distinguish between direct production and indirect production. That is why Adam Smith thinks that a magistrate is not productive.[71] But if production is almost impossible" (without the magistrate's labour) "is it not clear that this labour contributes to it, if not by direct and material co-operation, at least by an indirect action which cannot be left out of account?" (l.c., p. 276).

It is precisely this labour which participates indirectly in production (and it forms only a part of unproductive labour) that we call unproductive labour. Otherwise we would have to say that since the magistrate is absolutely unable to live without the peasant, therefore the peasant is an indirect producer of justice! And so on. Utter nonsense! There is yet another point of view bearing on the division of labour, with which we shall deal later.

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[a] Marx quotes Rossi partly in French, partly in German.—*Ed.*

"The three principal facts of the phenomenon of production have not been carefully distinguished: *the force or productive means, the application* of this force, the *result.*"

We buy a clock at a clockmaker's; we are only interested in the *result* of the labour. The same applies when we buy a coat at the tailor's. But:

"There are still people, men of the old school, who do not understand things in this way. They make a workman come to their home and get him to make such-and-such a piece of clothing, giving him the material and everything he needs for this labour. What is it that these people buy? They buy a force" //but also an application of this force//, "a means to produce results of some kind at their peril and risk.... The object of the contract is the purchase of a force."

(The point here is only that these "men of the old school" make use of a mode of production that has nothing in common with the capitalist mode, and in which all development of labour's productive powers, such as capitalist production brings with it, is impossible. It is characteristic that for Rossi *e tutti quanti*[a] such a specific distinction is inessential.)

"In the case of a servant, I buy a force capable of doing a hundred different things. The results it produces depend on the use that I make of the force" (p. 276).[b]

All this has nothing to do with the matter.

[IX-414] 3) "One buys or hires ... a definite application of a force.... You do not buy a product, you do not buy the result that you have in view. Will the lawyer's pleading win your case? Who knows? What is certain, what passes between you and your lawyer, is that, for a certain value, he will go on a certain day to a certain place to speak on your behalf, to apply his intellectual powers in your interests" (p. 276).[b]

//One further point on this. In lecture XII, p. 273, Rossi says:

"I am far from seeing producers only in those who pass their lives in making cotton cloth or shoes. I honour labour, whatever it may be ... but this respect should not be the exclusive privilege of the *manual labourer.*"

Adam Smith does not do this. For him, a person who produces a book, a painting, a musical composition or a statue, is a "productive labourer" in the second sense, although the person who improvises, recites, plays a musical instrument, etc. is not. And Adam Smith treats SERVICES, in so far as they directly enter into production, as materialised in the product, both the labour of the MANUAL LABOURER and that of the MANAGER, clerk, engineer, and even of the scientist in so far as he is an inventor, an INDOOR OR

[a] And all the rest.—*Ed.*

[b] Marx quotes Rossi partly in French, partly in German, with some alterations.—*Ed.*

OUTDOOR LABOURER for the workshop. In dealing with the division of labour, Smith explains how these operations are distributed among different persons; and that the product, the commodity, is the result of their co-operative labour, not of the labour of any individual among them. But the "intellectual" labourers *à la* Rossi are anxious to justify the large SHARE which they draw out of material production.//

After this discourse, Rossi continues:

"Thus in exchange transactions attention is fixed on one or other of the three principal facts of production. But can *these different forms of exchange* deprive certain *products* of the character of *wealth* and deprive the *exertions of a class of producers of the quality of being productive labours*? Clearly, there is no link between these ideas such as would justify a deduction of this kind. Because instead of buying the result, I buy the force necessary to produce it, why *should the action of the force not be productive* and *the product not be wealth*? Take again the example of the tailor. Whether one buys ready-made clothes from a tailor, or whether one gets them from a jobbing tailor who has been given the material and a wage, as far as the results are concerned the two actions are perfectly similar. No one will say that the former is a *productive labour* and the latter an *unproductive labour*; only in the second case the man *who wants a coat* has been his *own entrepreneur*. Well, from the standpoint of productive forces what difference is there between the jobbing tailor you have brought to your home and your domestic servant? None" (l.c., p. 277).

Here we have the quintessence of the whole superwise and would-be profound windbag! When Adam Smith, in his second and more superficial presentation, distinguishes between productive and unproductive labour, according to whether it is or is not directly realised in a vendible commodity for the buyer, he calls the tailor productive in both cases. But according to his more profound definition the latter is an "unproductive labourer". Rossi only shows that he "evidently" does not understand Adam Smith.

That the "*forms of exchange*" seem to Rossi to be a matter of complete indifference is just as if a physiologist were to say that particular forms of life are a matter of indifference, they are all only forms of organic matter. It is precisely these forms that are alone of importance when the question is the specific character of a social mode of production. A coat is a coat. But have it made in the first form of exchange, and you have capitalist production and modern bourgeois society; in the second, and you have a form of handicraft which is compatible even with Asiatic relations or those of the Middle Ages, etc. And these *forms* are decisive for material wealth itself.

A coat is a coat—that is Rossi's wisdom. But in the first case the jobbing tailor produces not only a coat, he produces capital; therefore also profit; he produces his master as a capitalist and himself as a wage labourer. When I have a coat made for me at home by a jobbing tailor, for me to wear, that no more makes me my own *entrepreneur* (in the sense of an economic category) than it makes the *entrepreneur tailor* an entrepreneur when [IX-415] he himself wears and consumes a coat made by his workmen. In one case the purchaser of tailoring labour and the jobbing tailor confront each other as mere buyers and sellers. One pays money and the other supplies the commodity into whose use value my money is transformed. In this transaction there is no difference at all from my buying the coat in a shop. Buyer and seller confront each other simply as such. In the other case, on the contrary, they confront each other as capital and wage labour. As for the domestic servant, he has the same determinate form as the jobbing tailor No. II, whom I buy for the sake of the use value of his labour. Both are simply buyers and sellers. But the way in which the use value is enjoyed in this case in addition brings in a patriarchal form of relation, a relation of master and servant, which modifies the relation [between buying and selling] in its content, though not in its economic form, and makes it distasteful.

For that matter Rossi only repeats in other phrases what Garnier said:

"When Smith wrote that nothing remained of the servant's labour, he was mistaken to a greater extent, we must say, than an Adam Smith should be mistaken. A manufacturer manages himself a large manufactory which requires very active and very assiduous supervision.... This man, not wanting to have unproductive labourers around him, has no servants. He is then compelled to *serve himself*.... What becomes of his productive labour during the time that he has to devote to this so-called unproductive labour? Is it not evident that your serving people perform a labour which enables you to apply yourself to a labour more appropriate to your abilities? Then how can it be said that no trace remains of their services? There remains everything that you do and that you could not have done if they had not replaced you in the service of your person and your home" (l.c., p. 277).

This is once more the *labour-saving* idea of Garnier, Lauderdale and Ganilh.[a] According to this, unproductive labours would only be productive in so far as they save labour and leave more time for a person's own labour, whether he is an industrial capitalist or an unproductive labourer, who can perform a more valuable labour through this replacement by a less valuable labour. A large part of the unproductive labourers who would be excluded by this are MENIAL SERVANTS (in so far as they represent only luxuries), and all unproductive labourers who produce merely enjoyment and whose labour I can only enjoy in so far as I *use just as much*

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[a] See this volume, pp. 80, 164.—*Ed.*

time to enjoy it as its *seller uses to produce it*, to provide it for me. In both cases there can be no talk of "saving" labour. Finally, even really labour-saving personal services would only be productive in so far as their consumer is a producer. If he is an idle capitalist, they only save him the labour of doing anything at all: like a slut having her hair curled or her nails cut instead of doing it herself, or a FOXHUNTER employing a stable-lad instead of being his own stable-lad, or someone who is just a glutton keeping a cook instead of cooking for himself.

Then these labourers would include too those who, according to Storch (l.c. [p. 250]), produce "*leisure*", through which a man gets free time for pleasure, intellectual labour, etc. The policeman saves me the time of being my own gendarme, the soldier of defending myself, the government official of governing myself, the shoe cleaner of cleaning my shoes myself, the priest the time required for thinking, and so on.

What is correct in this matter is—*the division of labour*. Everyone, apart from his productive labour or the exploitation of productive labour, would have a number of functions to fulfil which would not be productive and would in part enter into the costs of consumption. (The real productive labourers have to bear these consumption costs themselves and to perform their unproductive labour themselves.) If these "SERVICES" are pleasant, then sometimes the master performs them for the servant, as the *jus primae noctis*[a] shows, or as is shown by the labour of ruling, etc., which the masters have always taken on themselves. This in no way obliterates the distinction between productive and unproductive labour, but this distinction itself appears as a result of the *division of labour* and thus furthers the general productivity of the labourers by making unproductive labour the *exclusive* function of one section of labourers and productive labour the exclusive function of another section.

But even the *labour* of a number of MENIAL SERVANTS for mere show, to satisfy vanity, "is not unproductive". Why? Because it produces *something*, the satisfaction of vanity, OSTENTATION, the exhibition of wealth (l.c., p. 277). Here once again we meet the nonsense that every kind of SERVICE produces something—the courtesan sensual pleasure, the murderer homicide, etc.[b] Moreover Smith said that every form of this trash has its *value*. All that is missing [IX-416] is that these SERVICES are rendered gratis. That is

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[a] The right of the first night.—*Ed.*

[b] See this volume, p. 190.—*Ed.*

not the point in question. But even if they are rendered gratis, they will not increase (material) wealth by a single farthing.

Then the belletristic piffle:

> "The *singer* (they claim), *when he has finished singing, leaves us nothing.*—He leaves us a memory!" (Very fine!) "When you have drunk champagne, what remains?... Whether the consumption does or does not follow closely on the act of production, whether it takes place more or less rapidly, will bring about different economic results, but the fact of consumption, of whatever kind it may be, cannot deprive the product of its character as wealth. There are non-material products which are of greater durability than certain material products. A palace lasts a long time, but the *Iliad* is a source of even more durable pleasures" (pp. 277-78).

What bosh!

In the sense in which he is here speaking of wealth, as use value, it is precisely *consumption*, whether slow or rapid (its length depends on its own nature and on the nature of the object), and only consumption, that makes the product wealth at all. Use value has only value for use, and its existence for use is only its existence as an object for consumption, its existence in consumption. Drinking champagne, although this may produce a "hangover", is as little productive consumption as listening to music, although this may leave behind "a memory". If the music is good and if the listener understands music, the consumption of music is more sublime than the consumption of champagne, although the production of the latter is a "productive labour" and the production of the former is not.

If we consider all the twaddle against Smith's distinction between productive and unproductive labour, we find that Garnier, and perhaps also Lauderdale and Ganilh (though the latter said nothing new), exhausted [these polemics]. Those who came later (apart from Storch's unsuccessful effort) [produced] merely pretentious literary arguments, learned prattle. Garnier is the economist of the Directory and the Consulate, Ferrier and Ganilh are the economists of the Empire. On the other hand Lauderdale, the Earl, was far more concerned *to make apologies for consumers by presenting them as the producers of "unproductive labour". The glorification* of servility and flunkeyism, of TAX GATHERERS and parasites, runs through the lot of them. Compared with these, the rough cynical character of classical political economy stands out as a critique of existing conditions.

One of the most fanatic Malthusians is the *REVEREND Thomas Chalmers*, who thinks that the only means for curing all social ills is the religious education of the labouring class (by which he means ramming down their throats the Malthusian population theory with edifying Christian priestly trimmings); at the same time he is a great defender of all ABUSES, OF WASTEFUL EXPENDITURE by the State, of fat livings for the clergy and of wild extravagance on the part of the rich. He laments (p. 260 sqq.) the spirit of the time, the "HARD AND HUNGER-BITTEN ECONOMY"; and he wants heavy TAXES, a good deal to eat for the "higher" and unproductive workers, clergymen and so on (l.c.). Naturally, he blusters about the Smithian distinction. He devoted a whole chapter to it (Ch. XI) which contains nothing new except that parsimony, etc., only harms "the productive labourers", but whose tendency is exemplified in the following summing up:

This *"distinction seems to be nugatory, and withal, mischievous in application"* (l.c., p. 344).

And in what does this MISCHIEF consist?

*"We have entered at so much length into this argument, because we think *the political economy of our days* bears *a hard and hostile aspect towards an ecclesiastical establishment*; and we have no doubt, that to this, *the hurtful distinction*[a] *of Smith* has largely contributed"* (Thomas Chalmers, Professor of Divinity, *On Political Economy, in Connexion with the Moral State and Moral Prospects of Society,* 2nd ed., London, 1832, p. 346).

By the "ECCLESIASTICAL ESTABLISHMENT" the cleric means his own church, the CHURCH OF England AS BY LAW "ESTABLISHED". Moreover he was one of the fellows who HAD FOSTERED this "ESTABLISHMENT" UPON IRELAND. The parson is at least plain spoken.

[IX-417] Before we finish with Adam Smith, we will cite two further passages, the first, in which he gives vent to his hatred of the unproductive GOVERNMENT; the second, in which he aims to explain why the advance of industry, etc., presupposes free labour. Concerning *Smith's hatred of the clergy.*[72]

The first passage runs:

"It is the highest impertinence and presumption, therefore, in kings and ministers, to pretend to watch over the economy of private people, and to restrain their expense, either by sumptuary laws, or by prohibiting the importation of foreign luxuries. They are themselves always, and without any exception, the greatest spendthrifts in the society. Let them look well after their own expense, and they may safely trust private people with theirs. If their own extravagance does not ruin the State, that of their subjects never will" (ed. McCulloch, B. II, Ch. III, p. 122).

And once more the following passage[b]:

*"The labour of some of the most respectable orders of society is, like that of *menial servants,* unproductive *of any value,*"* //it has VALUE, and therefore costs an equivalent, but it produces no VALUE// *"and does not fix or realise itself in any

[a] Chalmers has "definition".—*Ed.*

[b] See this volume, pp. 16, 17, 163.—*Ed.*

permanent subject, or vendible commodity.... The sovereign, for example, with all the officers both of justice and war who are 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."* (l.c., pp. 94, 95).

This is the language of the still revolutionary bourgeoisie, which has not yet subjected to itself the whole of society, the State, etc. All these illustrious and time-honoured occupations—sovereign, judge, officer, priest, etc.,—with all the old ideological castes to which they give rise, their men of letters, their teachers and priests, are *from an economic standpoint* put on the same level as the swarm of their own lackeys and jesters maintained by the bourgeoisie and by idle wealth—the landed nobility and idle capitalists. They are mere *SERVANTS* of the public, just as the others are their SERVANTS. They live on the PRODUCE OF *OTHER* PEOPLE'S *INDUSTRY*, therefore they must be reduced to the smallest possible number. State, church, etc., are only justified in so far as they are committees to superintend or administer the common interests of the productive bourgeoisie; and their costs—since by their nature these costs belong to the *faux frais de production*—must be reduced to the indispensable minimum. This view is of historical interest in sharp contrast partly to the standpoint of antiquity, when material productive labour bore the stigma of slavery and was regarded merely as a pedestal for the idle citizen, and partly to the standpoint of the absolute or aristocratic-constitutional monarchy which arose from the disintegration of the Middle Ages—as Montesquieu, still captive to these ideas, so naïvely expressed them in the following passage (*Esprit des lois*, B. VII, Ch. IV [p. 171]):

"If the rich do not spend much, the poor will perish of hunger."[a]

When on the other hand the bourgeoisie has won the battle, and has partly itself taken over the State, partly made a compromise with its former possessors, and has likewise given recognition to the ideological castes as flesh of its flesh and everywhere transformed them into its functionaries, of like nature to itself; when it itself no longer confronts these as the representative of productive labour, but when the real productive labourers rise against it and moreover tell it that it lives on OTHER PEOPLE'S INDUSTRY; when it is enlightened enough not to be entirely absorbed in production, but to want also to consume "in an enlightened way"; when the intellectual labours themselves are more and more

[a] Marx quotes in French.—*Ed.*

performed in its *service* and enter into the service of capitalist production—then things take a new turn, and the bourgeoisie tries to justify "economically", from its own standpoint, what at an earlier stage it had criticised and fought against. Its spokesmen and conscience-salvers in this LINE are the Garniers, etc. In addition to this, these economists, who themselves are priests, professors, etc., are eager to prove their "productive" usefulness, to justify their wages "economically".

[IX-418] The second passage, referring to slavery, runs (ed. Garnier, 1. IV, ch. IX, pp. 549, 550 [551]) [Vol. III, pp. 154-56][14]:

"Such occupations" (as artificer and manufacturer) "were considered" (in several of the ancient states) "as fit only for slaves, and the free citizens of the State were prohibited from exercising them. Even in those States where no such prohibition took place, as in Athens and Rome, the great body of the people were in effect excluded from all the trades which are now commonly exercised by the lower sort of the inhabitants of towns. Such trades were, at Rome and Athens, all occupied by the slaves of the rich, who exercised them for the benefit of their masters, whose wealth, power, and protection, made it almost impossible for a poor freeman to find a market for his work, when it came into competition with that of the slaves of the rich. Slaves, however, are very seldom inventive; and all the most important improvements, either in machinery, or in the arrangement and distribution of work, which facilitate and abridge labour have been the discoveries of freemen. Should a slave propose any improvement of this kind, his master would be very apt to consider the proposal as the suggestion of laziness, and of a desire to save his own labour at the master's expense. The poor slave, instead of reward would probably meet with much abuse, perhaps with some punishment. In the manufactures carried on by slaves, therefore, more labour must generally have been employed to execute the same quantity of work, than in those carried on by freemen. The work of the former must, upon that account, generally have been dearer than that of the latter. The Hungarian mines, it is remarked by Mr. Montesquieu, though not richer, have always been wrought with less expense, and therefore with more profit, than the Turkish mines in their neighbourhood. The Turkish mines are wrought by slaves; and the *arms of those slaves are the only machines which the Turks* have ever thought of employing. The Hungarian mines are wrought by freemen, who employ a great deal of machinery, by which they facilitate and abridge their own labour. From the very little that is known about the price of manufactures in the times of the Greeks and Romans, it would appear that those of the finer sort were excessively dear" (l.c., t. III).

Adam Smith himself says, ([Garnier,] l.c., t. III, l. IV, ch. I, p. 5) [Vol. II, pp. 239-40]:

"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" and so on (l.c., t. III, p. 5).

And again ([Garnier,] l.c., pp. 24-25) [Vol. II, pp. 253-54]:

"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."

The man of the Monetary system raves about gold and silver because they are *money*, the independent, tangible [form of] existence of exchange value; and [a form of] its existence that is indestructible, everlasting—in so far as they are not allowed to become means of circulation, the merely transient form of the exchange value of commodities. The ACCUMULATION of gold and silver, piling it up, hoarding it, is therefore his way of growing rich. And as I showed in the quotation from Petty,[73] other commodities are themselves valued according to the degree in which they are more or less durable, that is, remain exchange value.

Now *in the first place* Adam Smith repeats this idea of the relatively greater or less durability of commodities in the section where he speaks of consumption which is more or less advantageous for the formation of wealth, according as it is consumption of less or more durable articles of consumption.[74] Here therefore the Monetary system peeps through; and necessarily so, since even in direct consumption there is the mental reservation that the [IX-419] article of consumption remains *wealth*, a commodity, therefore a unity of use value and exchange value; and the latter depends on the degree to which the use value is durable, that is, on how slowly consumption deprives it of the possibility of being a *commodity* or bearer of exchange value.

Secondly, in his second distinction between productive and unproductive LABOUR he completely returns—in a wider form—to the distinction made by the Monetary system.

Productive *labour "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."*

On the other hand, the unproductive LABOUR's results or *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"* ([ed. McCulloch,] Vol. II, B. II, Ch. III, p. 94).

Thus Smith makes the same difference between commodities and SERVICES as the Monetary system did between gold and silver and the other commodities. With Smith too the distinction is made from the point of view of ACCUMULATION—no longer however in the form of hoarding, but in the real form of reproduction. The commodity perishes in consumption, but then it reproduces in turn a commodity of higher value; or, if it is not so used, it is itself value, with which another commodity can be bought. It is the nature of the product of labour that it exists in a *plus ou moins* durable, and therefore again salable, use value; in a use value in which it is a VENDIBLE COMMODITY, a bearer of exchange value, a *commodity*, or, in essence, *money*. The SERVICES of unproductive labourers do not again become *money*. I can neither pay debts nor buy commodities nor buy labour which produces surplus value with the services for which I pay the lawyer, doctor, priest, musician, etc., the statesman or the soldier, etc. They have gone, like perishable articles of consumption.

Thus *au fond*[a] Smith says the same thing as the Monetary system. For them, only that labour is productive which produces *money*, gold and silver. For Smith, only that labour is productive which produces *money* for its buyer; although he discerns the money character in all commodities in spite of its mask, while the Monetary system sees it only in the commodity which is the independent existence of exchange value.

This distinction is founded on the nature of bourgeois production itself, since wealth is not the equivalent of use value, but only the *commodity* is wealth, use value as bearer of exchange value, as money. What the Monetary system did not understand is how this money is made and is multiplied through the consumption of commodities, and not through their transformation into gold and silver—in which they are crystallised as independent exchange value, in which however they not only lose their use value, but do not alter the *magnitude of* their *value*.

d) NECKER

Some quotations from Linguet above have already shown that the nature of capitalist production was clear to him. Nevertheless, Linguet can be brought in here after Necker.[75]

In his two works *Sur la législation et le commerce des grains* (first published 1775) and *De l'administration des finances de la France*, etc., Necker shows how the development of the productive powers of labour merely results in the worker requiring *less time* for the reproduction of his own wage, and therefore working *more time* for his EMPLOYER *unpaid*. In dealing with this, he rightly starts from the basis of the *average wage*, the minimum of wages. What he is mainly concerned with, however, is not the transformation of labour itself into capital and the accumulation of capital through this process, but rather the general development of the antithesis between poverty and wealth, between poverty and luxury, because,

[a] At bottom.—*Ed.*

to the extent that a smaller quantity of labour suffices to produce the necessary means of subsistence, part of the labour becomes more and more superfluous and can therefore be used in the production of luxury articles, in a different sphere of production. Some of these luxury articles are durable; and so they accumulate from century to century in the possession of those who have surplus labour at their disposal, making the contrast ever deeper.

The important thing is that Necker traces the origin of the wealth of the non-labouring estates [IX-420]—profit and rent—entirely to surplus labour. In his treatment of surplus value, however, what he has in mind is relative surplus value, resulting not from the lengthening of the total working day but from the shortening of the *necessary labour time*. The productive power of labour becomes the productive power of the owner of the conditions of labour. And productive power itself=the shortening of the labour time that is necessary to produce a certain result. The chief passages are the following:

First: De l'administration des finances de la France, etc. (*Œuvres*, Vol. II, Lausanne and Paris, 1789[76]):

"I see one of the classes of society whose wealth must always be pretty nearly the same; I see another of these classes whose wealth necessarily increases: thus luxury, which arises from a relation and a comparison, has had to follow the growth of this disproportion and become more evident as time went on" (l.c., pp. 285-86).

(The contrast between the *two classes* as *classes* has already been clearly noticed.)

"The class of society whose lot is as it were *fixed* by the effect of social laws is composed of all those who, *living by the labour of their hands*, are subject to the imperative law of the *owners*" (owners of the conditions of production) "and are compelled to content themselves with a *wage proportionate to the simple necessities of life*; competition between them and *the urgency of their needs* bring about their *state of dependence*; these conditions cannot change" (l.c., p. 286).

"*The continual invention of instruments which have simplified all mechanical arts has*, then, *augmented the wealth and the fortunate lot of the owners*; one part of these instruments, *by reducing the costs of working the land, has increased the revenue* of which the owners of such property can dispose; another part of the discoveries of genius has *so greatly facilitated* the labours of industry that the *men who are in the service of the dispensers of the means of subsistence*" (i.e., of the capitalists) "have been able, *in an equal length of time, and for the same reward*, to produce a greater quantity of products of all kinds" (p. 287). "Let us assume that a century ago a hundred thousand workers were required to do what is done today by eighty thousand; the other twenty thousand would have found themselves obliged to take to *other occupations* to obtain wages; and the new products of their manual labour resulting from this would increase the pleasures and the luxuries of the rich" (pp. 287-88).

"For," he continues, "it must not be forgotten that the rewards assigned to all trades which do not require any special talent are always proportionate to the *price of the necessary subsistence for each labourer*; thus the *speed of production*, when the knowledge required has become common, *does not accrue to the advantage of the labouring men*, and *the result is only an augmentation of the means* for the satisfaction of the tastes and vanities of those who have at their disposal the products of the land" (l.c., p. 288). "Among the various good things of nature which are fashioned and changed by men's industry there are a large number whose durability greatly exceeds the usual span of life: each generation has inherited a part of the labours of the preceding generation"

//he is here only taking into account the accumulation of what Adam Smith calls the consumption fund//

"and in all countries there is a continual *accumulation* of a greater quantity of the products of the arts; and as this quantity is always divided among the owners, the disproportion between their possessions and those of the numerous class of citizens has necessarily grown greater and more noticeable" (p. 289).

Hence

"*the quickening pace of industrial production*, which has multiplied the things of pomp and luxury on earth, *the length of time in which accumulation has grown from this*, and the *laws of property, which have brought these good things into the hands of one class of society alone* ... these great sources of luxury would in any case have existed, whatever had been the quantity of coined money" (p. 291).

(The latter argument is directed against those who held that luxury was the result of the growth in the amount of money.)

Secondly: Sur la législation et le commerce des grains, etc. (*Œuvres*, Vol. IV):

"When the artisan or the husbandman *have no reserves left*, they can no longer argue; they must *work today on pain of dying tomorrow*, and in this conflict of interest between [IX-421] the owner and labourer, the one stakes his life and that of his family, and the other a mere delay in the growth of his luxury" (l.c., p. 63).

This contrast between wealth that does not labour and poverty that labours in order to live also gives rise to a contrast of knowledge. Knowledge and labour become separated. The former confronts the latter as capital, or as a luxury article for the rich.

"The faculty of knowing and understanding is a general gift of nature, but it is only developed by education; if properties were equal, everyone *would labour moderately*"

(so once again, the quantity of labour time is the decisive thing),

"and *everyone would know a little*, because everyone would have *a portion of time*" (spare time) "left to give to study and reflection; but with the inequality of fortunes, resulting from the social order, *education is prohibited* for all who are born without property; because all sustenance being in the hands of that part of the nation which possesses *money or land*, and no one giving anything for nothing, the man born without any other resource but his strength is obliged to devote it to the service of the owners from the first moment when his strength develops, and to continue thus all his life, from the moment when the sun rises to the moment when this strength has been worn down and needs to be renewed by sleep" (p. 112). "Lastly, is it not certain that this inequality of knowledge has become necessary for the maintenance of all the social inequalities *which gave rise to it*?" (l.c., p. 113), (cf. pp. 118, 119).

Necker ridicules the economic confusion—characteristic of the Physiocrats in relation to the land, and of all subsequent economists in relation to the material elements of capital—which glorifies the owners of the conditions of production, not because they themselves, but these conditions, are necessary for labour and the production of wealth.

"They begin by confusing the importance of the owner (a function so easy to perform) with the importance of the land" (p. 126).

Schmalz. In his criticism of Smith's distinction between productive labour and unproductive labour this German afterbirth of the Physiocrats says (German edition, *1818*):

"I observe only ... that Smith's distinction between *productive* and *unproductive* labour should not be considered as essential or very precise, if one has regard to the fact that in general the labour of others never produces anything for us but a saving of time, and that this saving of time is all that forms *its value* and *its price*." [a]

//There is a confusion here: the value and the price of a thing is not determined by the saving of time effected through the division of labour, but I get more use value for the same value, labour is more productive, because a greater quantity of products is produced in the same time; however, as the echo of the Physiocrats he naturally could not discover value in labour time itself.//

"The joiner for example who makes a table for me, and the servant who takes my letters to the post, who cleans my clothes or gets for me the things I need, both perform a service of absolutely like nature. Both the one and the other save me the time which I myself would have to use up in doing these things, as also the time I would have to devote to acquire the skill and facility needed for them" (Schmalz, *Économie politique*, translated by Henri Jouffroy, etc. Vol. I, 1826, p. 304).

The following remark of this same scribbler Schmalz is also important for the link with Garnier, for instance his consumption system (and the economic utility OF VAST EXPENDITURE) with the Physiocratic system:

"This system" (Quesnay's) "regards the consumption of artisans, and even of *those who merely consume*, as meritorious, because this consumption, even though in an indirect and mediated way, contributes to the growth of the nation's revenue; since *but for this consumption the consumed products would not have been produced from the land and could not have been added to the revenue of the landowner*" (p. 321).[b]

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[a] Here and below Marx quotes Schmalz in French.—*Ed.*

[b] As the manuscript is damaged here, the text of the quotation is restored according to the original source.—*Ed.*

[X-422] *DIGRESSION*

TABLEAU ÉCONOMIQUE, ACCORDING TO QUESNAY[77]

5,000 millions annual gross product (in pounds of Tours)

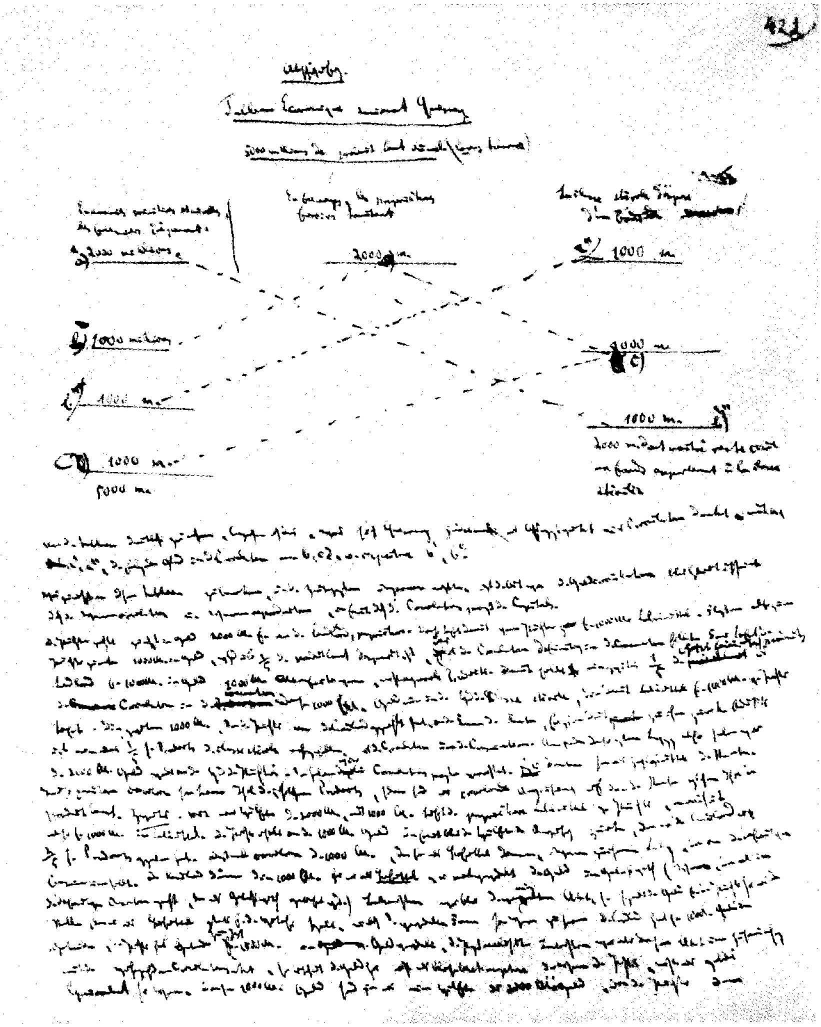
In original and annual advances, the farmers lay out	In rents, the landlords receive	The sterile class disposes of a fund of
a′) *2,000 millions*	a) *2,000 millions*	a″) *1,000 millions*
b) *1,000 millions*		c) *1,000 millions*
b″) *1,000 millions*		
d) *1,000 millions*		b′) *1,000 millions*
5,000 millions		2,000 millions, of which half remains as a fund belonging to the sterile class

To make the Tableau clearer, I have shown what Quesnay regards each time as the starting-point of a circulation, as a, a′, a″, the following link in the circulation as b, c, d, and as b′, b″ respectively.

The first point to note in this Tableau, and the point which must have impressed his contemporaries, is the way in which the money circulation is shown as determined purely by the circulation and reproduction of commodities, IN FACT by the circulation process of capital.

The farmer first pays 2,000 million frs in money to the LANDLORD, the *propriétaire*. With this, the landlord buys from the farmer 1,000 millions worth of means of subsistence. 1,000 millions therefore flow back to the farmer in money, while $^1/_5$ of the gross product is disposed of, passing definitively out of circulation into consumption.

The LANDLORD next buys, with 1,000 millions in money, manufactured commodities, non-agricultural products, to the value of 1,000 millions. With this purchase, a second $^1/_5$ of the (in this case manufactured) products falls out of circulation into consumption. These 1,000 millions in money are now in the hands of the sterile class, who buys with them from the farmer 1,000 millions worth of means of subsistence. Thus the second 1,000 millions which the



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farmer has paid to the LANDLORD in the form of rent flow back to the farmer. On the other hand, a further $^1/_5$ of the farmer's product has gone to the sterile class, out of circulation into consumption. At the end of this first movement, therefore, we have the 2,000 millions in money back in the hands of the farmer. This money has carried through four different processes of circulation.

First, it served as means of payment for rent. In this function it does not circulate any part of the annual product, but is merely a circulating draft on the part of the gross product which is equal to the rent.

Second, the landlord buys means of subsistence from the farmer, using half the 2,000 millions, that is, 1,000 millions, thus realising his 1,000 millions in means of subsistence. IN FACT, the farmer merely gets back, in the 1,000 millions in money, half of the draft he has given the LANDLORD for $^2/_5$ of his product. In this transaction the 1,000 millions, since they serve as means of purchase, circulate commodities to that amount, which fall into final consumption. The 1,000 millions here serve the LANDLORD only as *means of purchase*; he reconverts the money into use value (commodities, which however enter into final consumption, and are bought as use value).

If we consider purely the isolated act, the money here plays for the farmer merely the role which, as means of purchase, it always plays for the seller, namely, being the converted form of his commodity. The LANDLORD has converted his 1,000 in money into corn, the farmer has converted into money corn to the price of 1,000 millions, he has realised its price. But if we consider this act in connection with the preceding act of circulation, the money here does not appear as a mere metamorphosis of the farmer's commodity, as a golden equivalent of his commodity. The 1,000 millions are in fact only half the 2,000 millions, in money, which the farmer has paid to the [X-423] LANDLORD in the form of rent. It is true that he gets 1,000 millions in money for 1,000 millions in commodities, but in so doing in fact he only buys back the money with which he paid the LANDLORD the rent; that is to say, the LANDLORD buys, with the 1,000 millions which he has received from the farmer, 1,000 millions worth of commodities from the farmer. He pays the farmer with the money which he has received from the farmer without any equivalent.

This flowing back of the money to the farmer, taken in conjunction with the first act, does not *d'abord* make it appear to him a mere means of circulation. But then it is different in essence from the flowing back of money to its starting-point when the movement is an expression of a process of reproduction.

For example: the capitalist—or, to leave the characteristics of capitalist reproduction entirely out of account, a producer—lays out £100 for raw material, instruments of labour and means of subsistence for the period of his labour. We will assume that he does not add more labour to the means of production than he had expended on the means of subsistence, the wages that he has paid to himself. If the raw material, etc.,=£80, the means of subsistence consumed=£20, and the labour added ditto=£20, then the product=£100. If he now sells it, the £100 flows back to him in money, and so on. This flowing back of the money to its starting-point here expresses nothing but continuous reproduction. The simple metamorphosis in this case is *M—C—M*, transformation of money into commodity and retransformation of commodity into money—this mere change of form of money and commodity here representing at the same time the process of reproduction. Money is transformed into commodities, *means of production* and means of subsistence; then these commodities enter as elements into the labour process and emerge from it as a product. Thus a commodity appears again as a result of the process, that is, when the finished product re-enters the process of circulation, and by so doing again confronts money as a commodity; and finally it is reconverted into money, since the finished commodity can only be exchanged again for its production elements after it has first been transformed into money.

The constant flowing back of the money to its starting-point expresses here not only the formal conversion of money into commodity and commodity into money—as in the simple process of circulation or the mere exchange of commodities—but at the same time the continuous reproduction of the commodity by the same producer. Exchange value (money) is converted into commodities which enter into consumption, and are consumed as use values; they pass however into reproductive or industrial consumption, therefore reproduce the original value and consequently reappear in *the same* amount of money (in the above example, in which the producer labours only for his own maintenance). *M—C—M* here shows that *M* is not only formally converted into *C*, but *C* is actually consumed as a use value, falling out of circulation into consumption, but into industrial consumption, so that its value is maintained and reproduced in consumption, and *M* therefore reappears at the end of the process, being maintained in the movement *M—C—M*.

In contrast with this, in the case given above, no reproduction process takes place when the money flows back from the LANDLORD to the farmer. It is as if the farmer had given the LANDLORD tokens or TICKETS for products to the value of 1,000 millions. When the LANDLORD cashes these TICKETS, they flow back to the farmer and he redeems them. If the LANDLORD had had half the rent paid directly *in natura*, no circulation of money would have taken place. The whole circulation would have been limited to a simple change of hands, the transfer of the product from the farmer's hand to the LANDLORD's. First the farmer gives the LANDLORD the money instead of the commodity, and then the LANDLORD returns the money to the farmer in order to take the commodity itself. The money serves the farmer as *means of payment* to the LANDLORD; it serves the LANDLORD as *means of purchase* vis-à-vis the farmer. In the first function it moves away from the farmer, in the second it comes back to him.

This type of return flow of the money to the producer must always take place whenever he pays his creditors, instead of a part of his product, its value in money; and everyone who is a CO-PROPRIETOR of his SURPLUS is in this respect a creditor. For example: all taxes are paid by the producers in money. In this transaction the money is for them means of payment to the State. With this money the State buys commodities from the producers. In the hands of the State it is a means of purchase, and thus returns to the producers in the same measure as they part with their commodities.

This type of return flow—this peculiar flowing back of money that is not determined by reproduction—must take place in all cases where there is exchange of revenue for capital. What makes the money flow back in such cases is not reproduction but consumption. The revenue is paid in money, but it can only be consumed in commodities. The money which is received from the producers as revenue must therefore be paid back to them in order to obtain the same amount of value in commodities, that is, in order to consume the revenue. The money in which revenue is paid—rent for example, or interest or taxes //the [X-424] industrial capitalist pays his revenue to himself in the product, or from the sale of the product that part of it which forms his revenue//—has the general form of means of payment. The person who pays the revenue is supposed to have received from his creditor a part of his own product—for example, in the case of the farmer, the $^2/_5$ of the product which according to Quesnay constitutes the rent. He is only its nominal or *de facto* owner.

The part of the farmer's product, therefore, which constitutes his rent, requires for its circulation between farmer and LANDLORD only an amount of money equal to the value of the product, although this value circulates twice. First the farmer pays the rent in money; then with the same money the LANDLORD buys the product. The first is a simple TRANSFER of money, since the money functions only as *means of payment*; the assumption is therefore that the commodity for which it is paid is already in the hands of the payer and money does not serve him as a means of purchase; he receives no equivalent for the money, but on the contrary has this equivalent in advance. In the second transaction, on the other hand, the money functions as means of purchase, means of commodity circulation. It is as if, with the money in which he pays his rent, the farmer had bought the LANDLORD's share in the product. The LANDLORD, with the same money that he has thus received from the farmer (who however in fact has given it away without any equivalent), buys the product back again from the farmer.

The same sum of money, therefore, which is handed over by the producers to the owners of revenue in the form of means of payment, serves the owners of revenue as means of purchase for the producers' commodities. This twofold change of place of the money—from the hands of the producer into the hands of the owner of revenue, and from the latter's hands back into the hands of the producer—thus expresses only a single change of place on the part of the commodity, that is, from the hands of the producer into the hands of the owner of revenue. Since the producer is supposed to owe a part of his product to the owner of revenue, the money rent that he pays him is in fact only a retrospective payment for the value of the commodity which has already passed into his possession. The commodity is in his hands; but it does not belong to him. With the money that he pays in the form of revenue, he therefore redeems it making it his property. Therefore the commodity does not change hands. When the money changes hands, this represents only a *change in the title of ownership* of the commodity, which remains in the hands of the producer as before. Hence this twofold change of place of the money with only a single change of hands for the commodity. The money circulates twice, in order to make the commodity circulate once. But it too circulates only once as means of circulation (means of purchase), while the other time it circulates as means of payment; in which type of circulation, as I have shown above, no simultaneous change of place between commodity and money takes place.

In fact, if the farmer has no money in addition to his product, he can only pay for his product after he has first sold his commodity, and it has therefore already passed through its first metamorphosis before he can pay it out as money to the LANDLORD. Even taking this into account, there are more changes of place on the part of the money than on the part of the commodity. First, there is C—M; $^2/_5$ of the commodity is sold and transformed into money. Here there is the simultaneous exchange of commodity and money. Then however this same money, without being exchanged for a commodity, passes from the hands of the farmer into those of the LANDLORD. Here there is a change of place of the money, but no change of place of the commodity. It is the same as if the farmer had a CO-PARTNER. He has received the money, but he must share it with his CO-PARTNER. Or rather, for the $^2/_5$ it is more as if a SERVANT of the farmer has received the money. This SERVANT must give it to the farmer, he cannot retain it in his own pocket. In this instance the transfer of the money from one hand to the other does not express any kind of metamorphosis of the commodity, but is a mere TRANSFER of the money from the hand of its immediate possessor into the hand of its owner. This can therefore be the case when the man who first receives the money is merely a *colporteur*[a] for HIS EMPLOYER. Then the money is also not a means of payment—there is a simple transfer of it from the hand of the receiver, to whom it does not belong, into the hand of the owner.

This kind of change of place of money has absolutely nothing to do with the metamorphosis of the commodity, any more than has the change of place arising from the mere conversion of one kind of money into another kind. With a means of payment, however, it is always implied that the payer has received a commodity for which he subsequently pays. In the case of the farmer, etc., he has not *received* this commodity; it is in his hands before it is in the LANDLORD's hands, and it is a part of *his* product. But *in law* he becomes its owner only by handing over to the LANDLORD the money received for it. His legal title to the commodity changes; the commodity itself is in his hands both before and after. But first it was in his hands as something *in his possession* but the owner of which was the LANDLORD. It is now in his hands as his own property. The change in the legal form while the commodity remains in the

[a] Agent.—*Ed.*

same hands has naturally not caused the commodity itself to change hands.

[X-425] //This also makes it clear how absurd it is to "explain" the profit of the capitalist from the fact that he advances money to the labourer before he has converted the commodity into money.[78]

First: When I buy a commodity for my own consumption I get no "profit" because I am the buyer and the owner of the commodity is the "seller", because my commodity has the form of money and his must first be transformed into money. The capitalist pays for the labour only after he has consumed it, while other commodities are paid for before they are consumed. This arises from the peculiar nature of the commodity which he buys, and which is in fact only delivered after it is consumed. The money here has the form of means of payment. The capitalist has always appropriated to himself the commodity "labour" *before* he pays for it. The fact however that he only buys it in order to make a profit out of the resale of its product is no *reason* for his making this profit. It is a motive. And it would mean nothing but: he makes a profit by buying wage labour *because* he wants to make a profit out of selling it again.

Secondly: But he does nevertheless advance to the labourer in the form of money the part of the product which is his share as wages, and thus saves the latter himself the trouble and risk and time involved in converting into money the part of the commodity which is due to him as wages. Is the labourer not to pay him for this trouble, this risk, and this time, and on this account to accept less of the product than he would otherwise get?

This would upset the whole relationship between wage labour and capital, and destroy the economic justification of SURPLUS VALUE. The result of the process is in fact that the fund from which the capitalist pays the wage labourer is nothing but the latter's own product, and that therefore capitalist and labourer *actually* share the product in aliquot parts. But this actual result has absolutely nothing to do with the transaction between capital and wage [labour] (on which rests the economic justification of SURPLUS, the justification founded on the laws of commodity exchange itself). What the capitalist buys is the temporary right to dispose of labour capacity, he only pays for it when this labour capacity has taken effect, objectified itself in a product. Here, as in all cases where money functions as means of payment, purchase and sale precede the real handing over of the money by the buyer. But the labour *belongs* to the capitalist after that transaction, which has been completed before the actual process of production begins. The *commodity* which emerges as product from this process belongs entirely to him. He has produced it with means of production belonging to him and with labour which he has bought and which therefore belongs to him, even though it has not yet been paid for. It is the same as if he had not consumed anyone else's labour in the production of the commodity.

The gain that the capitalist makes, the surplus value which he realises, springs precisely from the fact that the labourer has sold to him not labour realised in a commodity, but his labour capacity itself as a commodity. If he had confronted the capitalist in the first form, as a possessor of commodities,[79] the capitalist would not have been able to make any gain, to realise any surplus value, since according to the law of value exchange is between equivalents, an equal quantity of labour for an equal quantity of labour. The capitalist's surplus arises precisely from the fact that he buys from the labourer not a commodity but his labour capacity itself, and this has less value than the product of this labour capacity, or, what is the same thing, realises itself in more objectified 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 repudiated. Because IN FACT—once the process is continuous—the capitalist only pays the labourer out of his own product, the labourer is only paid with a part of his own product, and the advance is therefore a mere pretence, we are now told that the labourer has sold his share in the product to the capitalist *before it has been converted into money.* (Perhaps before it was capable of being converted into money, for although the workman's labour had materialised itself in a product, it may be that only one part of the VENDIBLE COMMODITY[a] has as yet been realised, for example, part of a house.) So the capitalist is no longer owner of the product, and thereby the whole process through which he has appropriated another's labour *gratis* is invalidated. Now therefore owners of commodities confront each other. The capitalist has money, and the labourer sells him not his labour capacity but a commodity, namely, the part of the product in which his own labour is realised.

He [the labourer] will now say to the capitalist: "Of these 5 lbs of yarn, say $^3/_5$ represent constant capital. They belong to you. $^2/_5$, that is, 2 lbs, represent my newly added labour. Therefore you have to pay me the 2 lbs. So pay me the value of 2 lbs." And

[a] See this volume, p. 17.—*Ed.*

thereby he would POCKET not only the wages but also the profit, in short, a sum of money=the quantity of labour newly added by him and materialised in the form of the 2 lbs.

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

"WELL," says the labourer, "you deduct the 3 lbs for it, and pay me only 2."

"But," INSISTS THE CAPITALIST, "you couldn't materialise your labour, you couldn't spin, without my cotton and my spindles. You must pay extra for that."

"WELL," says the labourer, "the cotton would have rotted and the spindles rusted if I hadn't used them for spinning. [X-426] The 3 lbs of yarn which you are deducting do represent, it is true, only the value of your cotton and spindles which were used up, and are therefore contained, in the 5 lbs of yarn. But it is only my labour that has maintained the value of cotton and spindles unchanged, by using these means of production as means of production. I'm not charging you anything for this value-maintaining power of my labour, because it didn't cost me any extra labour time beyond the spinning itself, for which I get the 2 lbs. It's natural faculty of my labour which costs me nothing, though it maintains the value of the constant capital. As I don't charge you anything for it, you can't charge me for not being able to spin *without* spindles and cotton. For without spinning, your spindles and cotton wouldn't be worth a brass farthing."

Driven into a corner, the capitalist says: "The 2 lbs of yarn are in fact worth 2s. 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 take on both risks on your behalf *without recompense* and lose my time INTO THE BARGAIN? You can't expect something for nothing."

"WAIT A BIT!" replies the labourer, "what's the relation between us? We face each other as *owners of commodities*, you *as buyer, we as sellers*, for you want to buy our share in the product, the 2 lbs, and it in fact contains nothing but our own objectified labour time. Now you assert that we must sell you our commodity *below* its value, so that as a result you would be getting more value in commodity than you now have in money. The value of our commodity=2s. You want to give only 1s. for it, so that—since 1s. contains as much labour time as 1 lb. of yarn—you would get from the exchange twice as much value as you give in return. We on the other hand would get, instead of an equivalent, only half an equivalent, an equivalent for only 1 lb. of yarn instead of 2 lbs. And on what do you base this demand, which is contrary to the law of value and the exchange of commodities in proportion to their value? On what? On the fact that you are buyer and we are sellers, that our value is in the form of yarn, of a commodity, and your value is in the form of money—that the same value in the form of yarn confronts the same value in the form of money. But, my good friend, that is in fact a mere change of form, which affects the way in which the value is *expressed* but leaves the *amount of value* unaltered. Or do you hold the childish view that every commodity must be sold *under* its price, i.e., for less than the sum of money which represents its value, because in the form of money it gets an *increased* value? But no, good friend, it does not get any increased value; the magnitude of its value does not change, it merely takes the shape of exchange value in its pure form.

"Besides, my good friend, think of the troubles you are laying up for yourself by taking this line. For what you assert amounts to this—that the seller must always sell his commodity to the *buyer below* its value. Indeed as far as you are concerned, this was the case earlier when we sold you not our commodity but our labour capacity itself. It is true that you bought it at its value, but you bought our actual labour *below* the value in which it is expressed. However that's an unpleasant memory—let's say no more about it. We've got beyond that, thank goodness, since—by your own decision—we are no longer to sell you our labour capacity as a commodity, but the commodity itself which is the product of our labour. Let's look at the troubles you're laying up for yourself. The new law you have set up—that the seller pays for the conversion of his commodity into money not with his commodity, through the exchange of his commodity for money, but that he pays for it by selling the commodity *below* its price—this law by which the buyer always fleeces and defrauds the seller must hold good in like measure for every buyer and seller. Let's suppose that we accept your offer—but on the condition that you yourself submit to the law just created by you, namely the law that the seller must surrender to the buyer a part of his commodity *for nothing*, in return for the buyer changing it into money for him. Then you buy our 2 lbs, which are worth 2s., for 1s. and thus make a profit of 1s. or 100%. But now you have 5 lbs of yarn, of a value of 5s., after you have bought the 2 lbs belonging to us. Now you think you're going to do a good stroke of business. The 5 lbs cost you only 4s., and you're going to sell them for 5s. 'Wait a minute!' says *the man who buys from you.* 'Your 5 lbs of yarn is a commodity, and you are a seller. I have the same value in money, and I am a buyer. Consequently, by the law which you recognise I must make 100% profit out of you. You must therefore sell me the 5 lbs of yarn at 50% below its value, for 2s. 6d. I'll give you then 2s. 6d. and get in exchange a commodity to the value of 5s., and thus make 100% profit out of you, for what's sauce for the goose is sauce for the gander.'

"So you see, my good friend, where you get with your new law; you would simply have diddled yourself, since although at one moment you are a buyer, the next you're in turn a seller. In this particular case you would lose more as a seller than you gained as a buyer. And don't forget this too—before the 2 lbs of yarn you want now to buy from us ever existed, didn't you make other purchases in advance, but for which the 5 lbs of yarn would never have been there at all? [X-426a][a] Didn't you buy cotton and spindles in advance, which are now represented by 3 lbs of yarn? At that time the COTTON JOBBER in Liverpool and the THROSTLE maker in Oldham faced you as *sellers,* and you faced them as *buyer*; they represented commodity, you money—exactly the same relationship as we have the honour or the misfortune to stand in to each other at this moment. Wouldn't the SHARP COTTON JOBBER and your jovial *compère*[b] from Oldham have had a good laugh at you, if you had demanded that they hand over to you *for nothing* a part of the cotton and spindles, or what is the same thing, sell you these commodities below their price (and their value), on the ground that you were transforming commodities for them into money but they were transforming money into commodities for you, that they were sellers, you buyer? They risked nothing, for they got ready money, exchange value in the pure, independent form. You, on the other hand, what a risk you were taking! First you had to make spindles and cotton into yarn, run all the risks of the production process, and then finally the risk of reselling the yarn, changing it back again into money! The risk whether it would sell at its value, or over or under its value. The risk of not selling it at all, of not transforming it back into money; and AS TO ITS QUALITY AS yarn, YOU DIDN'T CARE A STRAW FOR IT. YOU DID NOT EAT yarn, NOR DRINK IT, NOR HAVE ANY USE WHATEVER FOR IT EXCEPT SELLING IT! And in any case the loss of time, in transforming the yarn again into money, and that

[a] Presumably Marx made a mistake in pagination.—*Ed.*

[b] Colleague.—*Ed.*

includes therefore the transformation of spindles and cotton into money. *'Old boy,'* your *compères* will reply, *'don't make a fool of yourself. Don't talk nonsense. What the devil do we care what you propose turning our cotton and our spindles to? What use you destine them for! Burn them, hang them, if you like, throw them to the dogs, but pay for them! The idea! We are to make you a present of our goods because you have set up as a cotton spinner, and seem not to feel quite at ease in that line of business, and magnify to yourself its risks and perilous chances! Give up cotton spinning, or don't come into the market with such preposterous ideas!'"*

The capitalist, with a supercilious smile, replies to this tirade from the labourers: "Evidently you people are a bit out of your depth. You're talking about things you don't understand. Do you imagine I've paid ready money to the Liverpool RUFFIAN and the CHAP in Oldham? THE DEVIL I DID. I've paid them in bills of exchange, and the Liverpool RUFFIAN'S COTTON WAS IN POINT OF FACT SPUN AND SOLD BEFORE HIS BILL FELL DUE. With you it's another affair altogether. You want to get ready money."

"VERY WELL," say the labourers, "and what did the Liverpool RUFFIAN and the Oldham CHAP do WITH YOUR BILLS?"

"What they were doing therewith?" says the capitalist. "Stupid question! They lodged them with their bankers and got them there discounted."

"How much did they pay the BANKER?"

*"Let me see! Money is now very cheap. I think they paid something like 3% discount; that is to say, not 3% on the sum, but they paid so much on the sum for the time the bill was running as would have come up to 3% on the whole matter if the bill had run for a whole year."

"Still better," say the working men. "Pay us 2s., the value of our commodity—or say 12s. as we have dealt today per day, but we will deal per week. But take away from that sum 3% per annum for 14 days."

"But this bill is too small," says the capitalist, "to be discounted by any banker."

"Well," reply the working men, "we are 100 men. Thus you have to pay to us 1,200s. Give us a bill for them. This makes £60 and is not too small a sum to be discounted; but besides, as you discount it yourself, the sum must not be too small for you, since it is the identical sum whence you pretend to derive your profit upon us.* The amount deducted wouldn't be worth mentioning. And since we would thus get the major part of our product in its entirety, we would soon reach the point when we didn't need you to discount it for us. Naturally we will not give you longer credit than the 14 days the STOCK JOBBER gives you."

If—turning the actual relationship upside-down—wages are to be derived from the discount on the part of the value of the total product that belongs to the workmen—that is, from the fact that the capitalist pays them this part in advance in *money*—he would have to give them very short-term bills of exchange, such as for example he pays to the COTTON JOBBER, etc. The workman would get the largest share of his product, and the capitalist would soon cease being a capitalist. From being the owner of the product he would become merely the workmen's banker.

Moreover, just as the capitalist takes the risk of selling the commodity below its [X-427] value, he equally takes the chance of selling it above its value. The workman will be thrown out onto the street if the product is unsaleable; and if it falls for long below the market price, his wages will be brought down below the average and SHORT TIME will be worked. It is he, therefore, that runs the greatest risk.

Thirdly: It never enters anyone's head to suggest that the farmer, because he has to pay rent in money, or the industrial capitalist, because he has to pay interest in money—and therefore in order to pay them must first have converted his product into money—is on that account entitled to deduct a part of his rent or his interest.//

In that part of the capital which circulates between industrial capitalist and labourer (that is, the part of the circulating capital which=the variable capital), there is also a return flow of the money to its starting-point. The capitalist pays the labourer his wages in money; with this money the labourer buys commodities from the capitalist, and so the money flows back to the capitalist. (In practice, to the capitalist's banker. But the bankers in fact represent, in relation to the individual capitalist, the aggregate capital in so far as it takes the form of *money*.) This return flow of the money does not in itself indicate any reproduction. The capitalist buys labour from the labourer with money; with the same money, the labourer buys commodities from the capitalist. The same money takes the form first of means of purchase for labour, and later on of means of purchase for commodities. That it comes back to the capitalist is due to the fact that at first he is a buyer, and then in turn, in relation to the same PARTIES, he is a seller. He parts with it as a buyer; it returns to him as a seller. The labourer on the contrary is first seller and then buyer, so first he gets the money and then he pays it out, while in relation to him the capitalist first pays it out and then takes it in.

For the capitalist, the movement here is *M—C—M*. He buys a commodity (labour capacity) with money; with the product of this labour capacity (a commodity) he buys money; in other words, he sells this product in turn to his former seller, the labourer. For the labourer, on the other hand, the movement of circulation is *C—M—C*. He sells his commodity (labour capacity), and with the money he gets for it he buys back a part of his own product (a commodity). It could indeed be said that the labourer sells a commodity (labour capacity) for money, spends this money on commodities, and then sells his labour capacity again, so that for him too the movement is *M—C—M*; and since the money is constantly fluctuating between him and the capitalist, it could equally be said, depending on whether one considers it from the standpoint of the one or of the other, that for him as well as for the capitalist the movement is *M—C—M*. The capitalist, however, is the buyer. The renewal of the process starts from him, not from the labourer, while the return flow of the money is compulsory, since the labourer must buy means of subsistence. Here, as in all movements where the form of circulation on one side is *M—C—M* and on the other *C—M—C*, it is made evident that the aim of the process of exchange on one side is exchange value, money—and therefore its increase—and on the other side use value, consumption. This is also the case when the money flows back as in the example first considered, where on the farmer's side the movement is *M—C—M*, *C—M—C* on the LANDLORD's side; taking into account the fact that the *M* with which the landlord buys from the farmer is the money form of the rent, and therefore the result of a movement *C—M*, the converted form of the part of the product that *au fond* belongs to the LANDLORD *in natura*.

This *M—C—M*, in so far as it merely expresses, as between labourer and capitalist, the return to the latter of the money laid out by him in wages, in itself does not indicate any reproduction process, but only that the two PARTIES are in turn buyer and seller in relation to each other. Nor does it represent money as capital, in such a way as in *M—C—M′*, where the second *M′* would be a larger sum of money than the first *M*, so that *M* represents self-valorising value (capital). On the contrary, it merely expresses the formal return of *the same* amount of money (often even less) to its starting-point. (By capitalist here, OF COURSE, is meant the class of capitalists.) I was therefore wrong in saying in the first Part[80] that the form $M—C—M$ must always be $M—C—M'$. It may express merely the formal return of the money, as I indicated there already, by showing that the return circuit of the money to the same starting-point arises from the fact that the buyer in turn becomes seller.[81]

It is not *this* return movement of the money that enriches the capitalist. For example, he has paid 10s. for wages. The labourer buys goods from him with this 10s. He has given the labourer goods to the value of 10s. for his labour capacity. If he had given him means of subsistence *in natura* to the price of 10s., there would have been no circulation of money, and therefore no return flow of money. This phenomenon of money returning has therefore nothing to do with the enrichment of the capitalist, which only arises from the fact that in the production process itself the capitalist appropriates more labour than he has expended in wages, and that his product is consequently larger than the costs of producing it; while the money that he pays the labourer can in no case be more than the money with which the labourer buys goods from him. This formal return of the money has nothing to do with enrichment, and therefore M here does not signify capital [X-428] any more than an increase or replacement of value takes place when money spent in rent, interest or taxes flows back to the payer of rent, interest and taxes.

$M—C—M$, in so far as it represents the formal return of money to the capitalist, only means that his promissory note issued in money is realised in his own commodity.

As an example of the wrong explanation of this money circuit—this return of money to its starting-point—see Destutt de Tracy above.[82] As a second example, with special reference to the circulation of money between labourer and capitalist, Bray is to be quoted later.[83] Finally, *Proudhon*, in regard to the money-lending capitalist.[a]

This form of return circuit $M—C—M$ is found wherever the buyer becomes in turn seller, and therefore in the movement of all commercial capital, where all dealers buy from each other in order to sell, and sell in order to buy. It is possible that the buyer—M—is unable to sell the commodity, rice for example, at a higher price than he bought it at; he may have to sell it below its price. Thus in such a case a simple return of the money takes place, because the purchase turns into a sale without the M having established itself as valorising value, that is, as capital.

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[a] See this volume, pp. 222, 240.— *Ed.*

It is the same for example in the exchange of constant capital. The machine builder buys iron from the producer of iron and sells him machines. In this case the money flows back. It was paid out as means of purchase for the iron. It then serves the iron producer as means of purchase for machines, and so flows back to the machine builder. The latter has got iron for the money he paid out; he has delivered machines for the money he received. The same money has circulated twice its value. For example, the machine builder buys iron with £1,000; with the same £1,000 the iron producer buys machinery. The value of the iron and the machinery together=£2,000. In this way, however, £3,000 must be in motion: £1,000 money, £1,000 machinery and £1,000 iron. If the capitalists made an exchange *in natura*, the commodities would change hands without a FARTHING circulating.

It is the same when they have reciprocal accounting and the money serves them as means of payment. If paper money or credit money (bank-notes) circulate, then there is one difference in the transaction. £1,000 still exist in bank-notes, but they have no INTRINSIC VALUE. In any case here too there are 3 [times £1,000]: £1,000 iron, £1,000 machinery, £1,000 in bank-notes. But as in the first case these 3 only exist because the machine builder has had 2—machinery £1,000 and money—in gold and silver or bank-notes—£1,000. In both cases the iron producer returns to him only number two (the money); because the only reason why he received it at all was that the machine builder, as buyer, did not immediately become seller; he did not pay for the first commodity, the iron, in commodities, and so he paid for it in money. When he pays for it in commodities, that is, when he sells commodities to the iron producer, the latter returns the money to him because payment has not to be made twice, once in money, and the second time in commodities.

In both cases the gold or the bank-note represents the converted form of a commodity previously bought by the machine builder or a commodity bought by some other person, or perhaps of a commodity that has been converted into money even though it has not yet been bought (as in the case of revenue), such as the LANDLORD (his forebears, etc.)[84] represents. Here the flowing back of the money only indicates that [the person] who has paid out the money for commodities, the person who has thrown the money into circulation, pulls back the money out of circulation by the sale of another commodity that he throws into circulation.

The very same £1,000 we are thinking of could in one day pass through 30 hands, from capitalist to capitalist, and [it would] only transfer capital from one to the other. Machinery [goes] to the iron producer, iron to the peasant, grain to the maker of starch or spirits, etc. In the end it might again come into the hands of the machine builder, and pass from him to the iron producer, etc., and thus it might circulate a capital of £40,000 or more and might continually flow back to whoever first paid it out. Mr. Proudhon concludes from this that that part of the profit made on this £40,000 which consists of interest on money, and is therefore paid out by the different capitalists—for example, by the machine builder to the man who lent him £1,000, by the iron producer to the man who lent him £1,000 which he spent long ago for coal, etc., or in wages, etc.—that these £1,000 yield the *total interest* that the £40,000 bring in. So that if the rate of interest was 5%, £2,000 in interest. From which he makes the correct calculation that the £1,000 have brought in 200%. And he is a critic of political economy *par excellence*! [a]

But although *M—C—M*, representing the money circulation between capitalist and labourer, in itself does not imply any act of reproduction, nevertheless this is implied by the continuous repetition of this act, the continuity of the return circuit. There cannot be a buyer continually becoming a seller without the reproduction of the commodity which he sells. In fact, this holds good for everyone except those who live on rent or interest or taxes. But in some cases the return movement *M—C—M* always takes place if the transaction is to be completed—as in the case of the capitalist in relation to the labourer, or LANDLORD or drawer of rent (with these latter, there is a simple return of the money). In other cases the act is completed when commodities are bought, when the movement *C—M—C* has been concluded, as in the case of the labourer. It is this act which he continually renews. His initiative is always as seller, not as buyer. The same holds good for all money circulation [X-429] which is merely expenditure of revenue. The capitalist himself, for example, consumes a certain amount each year. He has converted his commodity into money, in order to pay out this money for commodities which he wants for his final consumption. Here there is *C—M—C*, and there is no return of the money to him; but the return is to the seller (the SHOPKEEPER for example), whose capital is replaced by the expenditure of revenue.

Now we have seen that an exchange takes place, a circulation of revenue against revenue. The butcher buys bread from the baker;

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[a] See this volume, p. 240.—*Ed.*

the baker meat from the butcher; both consume their revenue. They do not pay for the meat that the butcher himself eats or the bread that the baker himself eats. Each of them consumes this part of his revenue *in natura*. It is however possible that the meat bought by the baker from the butcher replaces not the latter's capital but his revenue—that part of the meat sold by him which not only represents his profit but the part of his profit which he wants to consume himself, as revenue. The bread that the butcher buys from the baker is also an expenditure of his revenue. If the two run accounts with each other, one or the other of them has only to pay the balance. There is no money circulated in respect of the part of their reciprocal purchases and sales which balances out. Let us however assume that the baker has to pay the balance and that this balance represents revenue for the butcher. Then he spends the money from the baker on other articles of consumption. Assuming that this is £10, which he spends with the tailor. If the £10 represents revenue for the tailor, he spends it in a similar way; in turn, he buys bread with it, etc. In this way the money flows back to the baker, no longer however as a replacement of revenue, but as a replacement of capital.

A question that can still be raised is: in *M—C—M*, as carried through by the capitalist, when it represents self-valorising value, the capitalist draws more money out of circulation than he threw into it. (This was what the hoarder actually wanted to do but did not succeed in doing. For he does not draw more value in the form of gold and silver out of circulation than he threw into it in the form of commodities. He possesses more value in the form of money, whereas previously he had more value in the form of commodities.) The total production costs of his commodity=£1,000. He sells it for £1,200, because his commodity now contains 20% or $^1/_5$ unpaid labour—labour that he has not paid for but nevertheless sold. How then is it possible for all capitalists, the class of industrial capitalists, continually to draw more money out of circulation than they put into it? First it can be said that on the other hand the capitalist continually puts in more than he draws out. His fixed capital had to be paid for. But he sells it only in the measure that he consumes it, only bit by bit. It always enters only to a much smaller extent into the *value* of the commodity, while it enters in its entirety into the process of producing the commodity. If its circulation is 10 years, only $^1/_{10}$ of it enters annually into the commodity, and no money circulates in respect of the other $^9/_{10}$, as they do not in any way come into circulation in the form of a commodity. That is the first point.

We will consider this problem later,[85] and meanwhile return to Quesnay.

But first one other point. The return of bank-notes to a BANK which discounts bills or makes ADVANCES in notes is quite a different phenomenon from the return of money which we have been considering up to now. In this case the transformation of the commodity into money is anticipated. It receives the form of money before it is sold, perhaps before it is produced. Or perhaps it has already been sold (for bills of exchange). *In any case* it has not yet been *paid for*, not yet reconverted into money. This transformation is therefore in any case anticipated. As soon as it is sold (or *deemed* to be sold) the money flows back to the bank, either in its own notes, which thus come back out of circulation, or in notes of other banks, which are then exchanged for its own (between the BANKERS)—so that then the notes of both are withdrawn from circulation, return to their starting-point—or in gold and silver. If this gold and silver is demanded for bank-notes which are in some third person's hands, the notes come back. If the notes are not converted, a similar quantity of gold and silver is taken out of circulation, and now lies in the bank's reserves instead of the notes.

In all these cases the process is this:

The existence of the money (transformation of the commodity into money) was anticipated. As soon as it is actually transformed into money, the transformation into money takes place a second time. This second existence of it as money, however, returns to the starting-point—it cancels out, takes the place of its first existence as money, and comes back out of circulation to the bank. It is perhaps the *same identical* quantity of notes that expressed its first existence which now expresses its second. The bill of exchange for example has been discounted by a yarn manufacturer. He has received the bill of exchange from the weaver. With the £1,000 he pays for coal, raw cotton, etc. The various hands through which these notes pass in payment for their commodities finally spend them on linen, and so the notes come to the weaver, who on the day the bill matures pays the spinner the identical notes, and the spinner in turn takes them back to the bank. It is by no means necessary that the second (posthumous) transformation of the commodity into money—after the transformation in anticipation—[X-430] should be carried through in different money from the first. And so it seems as if the spinner has in fact got nothing, since he borrowed notes, and the end of the process is that he gets them back again and returns them to the issuer. In fact however these identical notes have served as means of circulation and means of payment during this period, and the spinner has used them in part to pay his debts, and in part to buy goods needed for the reproduction of the yarn, and in this way he has realised a SURPLUS (through the exploitation of his workmen), a part of which he can now pay back to the bank. Likewise in money, since more money has flowed back to him than he had expended, advanced, laid out. How? That again brings us to the question we had meanwhile held over.

So back to Quesnay. We come now to the 3rd and 4th acts of circulation.

L (the LANDLORD) buys manufactured commodities from S (sterile class, manufacturer)[86] (line a—c in the Tableau[a]) for 1,000. Here money, £1,000, circulates commodities to the same amount. //Because what takes place is a single act of exchange. If L bought from S in instalments and similarly received his rent from F (the FARMER) in instalments, the £1,000 of manufactured commodities could be bought say with £100. For L buys manufactured commodities from S for £100; S buys means of subsistence from F for 100; F pays 100 of rent to L; and when this had occurred 10 times, 10×£100 of commodities would have passed from S to L, and from F to S, and 10×£100 of rent from F to L. The whole circulation would then have been carried out with £100. If F however pays the rent in a single payment, a part of the £1,000 which is now in the possession of S and of the £1,000 which is again in F's possession might lie in their money-boxes, and the other part be in circulation.// Commodities to the value of £1,000 have now passed from S to L; on the other hand, money to the value of £1,000 has passed from L to S. This is simple circulation. Money and commodities merely change hands in the reverse direction. But in addition to the £1,000 of means of subsistence which the farmer has sold to L and which have thus gone into consumption, the £1,000 of manufactured commodities which S has sold to L have also gone into consumption. It must be noted that these existed before the new harvest. (Otherwise L could not buy them with the product of the new harvest.)

S for his part now buys means of subsistence to the value of £1,000 from F. Now *a second $^1/_5$ of the gross product* has fallen out of circulation and into consumption. As between S and F, the £1,000 functions as means of circulation. But at the same time two things take place here which do not take place in the process

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[a] See this volume, p. 204.— *Ed.*

between S and L. In that process S reconverted into money one part of his product—manufactured goods to the amount of 1,000 millions. But in the exchange with F he transforms the money again into means of subsistence (which for Quesnay=wages), and in this way replaces the capital which he had expended in wages and consumed. This retransformation of the £1,000 into means of subsistence expresses, in the case of L, mere consumption, but in the case of S it expresses industrial consumption, reproduction; for he retransforms a part of his commodity into one of the elements in its production—means of subsistence. The one metamorphosis of the commodity, its retransformation from money into commodity, thus in this case expresses at the same time the beginning of its *real*, not merely *formal*, metamorphosis—the beginning of its reproduction, the beginning of its retransformation into its own production elements; in this transaction there is at the same time metamorphosis of the capital. But for L revenue is merely converted from the form of money into the form of commodity. This implies only consumption.

In the second place, however, since S buys means of subsistence from F for £1,000, the second £1,000 which F paid as money-rent to L returns to F. But it only returns to him because he draws it back out of circulation, buys it back, with an equivalent—£1,000 in commodities. It is the same as if the LANDLORD had bought from him £1,000 of means of subsistence (in addition to the £1,000); that is to say, as if the landlord had had the second part of his money-rent delivered by the FARMER in commodities, and had then exchanged these commodities for commodities from S. S ONLY LIFTS FOR L THE SECOND PART OF THE £2,000 IN COMMODITIES WHICH F HAS PAID TO L IN MONEY. If payment had been in kind, F would have given L £2,000 in means of subsistence; L would have consumed £1,000 of these himself, and exchanged the other £1,000 in means of subsistence with S, for the latter's manufactured goods. In this case there would only have been: (1) TRANSFER of the 2,000 millions in means of subsistence from F to L; (2) a barter transaction between L and S, in which the former exchanges £1,000 in means of subsistence against £1,000 in manufactured goods, and vice versa.

But instead of this, 4 acts have taken place: [X-431] (1) TRANSFER of £2,000 in money from F to L; (2) L buys means of subsistence for £1,000 from F; the money flows back to F, serving as means of circulation; (3) L buys manufactured goods from S for £1,000 in money; the money functions as means of circulation, changing hands in the reverse direction to the goods; (4) with the £1,000 in money, S buys means of subsistence from F; the money functions as means of circulation. For S, it at the same time circulates as capital. It flows back to F because now the second £1,000 in means of subsistence is LIFTED—for which the LANDLORD held a promissory note from him. The money however does not come back to him directly from the LANDLORD, but only after it has served as means of circulation between L and S, and in between, *before it lifts the 1,000 millions of victuals, has on its passage lifted £1,000 in manufactures, and transferred them from the manufacturer to the landlord. The conversion of his commodity into money (in the exchange with the landlord) as well as the following conversion of money into victuals (in the exchange with the farmer) are, on the part of S, the metamorphosis of his capital, first into the form of money, and secondly into the form of the constitutive elements necessary to the reproduction of the capital.*

The result of the 4 acts of circulation up to this point is therefore: the LANDLORD has spent his revenue, half on means of subsistence, half on manufactured goods. By these transactions, the £2,000 he received as rent in the form of money have been spent. Half of it flows back to the farmer from him direct, and half indirect, via S. S however has parted with one part of his finished goods, and has replaced this part with means of subsistence, that is, with an element needed for reproduction. With these processes completed, the circulation is at an end as far as the LANDLORD comes into it. But the following have passed out of circulation into consumption—partly unproductive consumption, partly industrial (the LANDLORD has partially replaced the capital of S by spending his revenue): (1) 1,000 millions of means of subsistence (product of the new harvest); (2) 1,000 millions of manufactured goods (product of the previous year's harvest); (3) 1,000 millions of means of subsistence which enter into reproduction, that is, into the production of the commodities which S next year will have to exchange against half the LANDLORD's rent.

The 2,000 millions in money are now again in the hands of the farmer. He then buys goods for 1,000 millions from S to replace his annual and original advances,[a] in so far as these consist partly of tools, etc., and partly of manufactured goods which he consumes during the process of production. This is a simple process of circulation. It puts 1,000 millions into the hands of S, while the second part of his product existing in the form of a

[a] See this volume, p. 204.—*Ed.*

commodity is converted into money. On both sides there is metamorphosis of capital. The farmer's 1,000 millions are reconverted into elements of production needed for reproduction. The finished goods of S are reconverted into money; they pass through the *formal* metamorphosis from commodity into money, without which the capital cannot be reconverted into its production elements, and therefore also cannot be reproduced. This is the 5th circulation process. *£1,000 of manufactured goods* (product of the previous year's harvest) (a′—b′) fall out of circulation into reproductive consumption.

Finally S reconverts the 1,000 millions in money, in which form half of his commodities now exist, into the other half of his conditions of production—raw materials, etc. (a″—b″). This is simple circulation. For S, it is at the same time the metamorphosis of his capital into the form suitable for its reproduction; for F, it is the reconversion of his product into money. Now the last $^1/_5$ of the gross product falls out of circulation into consumption.

That is to say: $^1/_5$ goes into reproduction for the farmer, and does not come into circulation; the LANDLORD consumes $^1/_5$ (that makes $^2/_5$); S gets $^2/_5$; in all, $^4/_5$.[87]

Here there is an obvious gap in the explanation. Quesnay seems to reckon like this: F gives L (line a—b) 1,000 millions ($^1/_5$) in means of subsistence. With £1,000 of his raw materials he replaces S's fund (a″—b″). And £1,000 in means of subsistence form wages for S, which he adds as value to the commodities and consumes in food while he is doing it (c—d). And 1,000 millions remain in reproduction (a′), not entering into circulation. Finally, 1,000 millions of the product replace advances (a′—b′). Only he overlooks the fact that S buys for the £1,000 in manufactured goods, neither means of subsistence nor raw materials from the farmer, but pays back to him his own money. In fact he sets out from the presupposition that the farmer possesses 2,000 millions in money in addition to his gross product, and that this money is the total fund from which the money in circulation is provided.

He also forgets that in addition to the 5,000 millions in gross product, a further 2,000 millions of gross product exist in manufactured goods produced before the new harvest. For the 5,000 millions represent only the total annual production, [X-432] the total crop produced by the farmers, but not the gross product of manufacture, the reproductive elements for which have to be replaced out of this year's harvest.[a]

[a] In this and the next paragraphs Marx uses French words and phrases.—*Ed.*

We thus have: (1) 2,000 millions in money in the farmer's hands; (2) 5,000 millions in gross product of the land; (3) 2,000 millions in manufactured goods. That is, 2,000 millions in money, and 7,000 millions in product (agricultural and industrial). The circulation process, put briefly, is as follows: F=farmer, L=LANDLORD, S=manufacturer, sterile.

F pays L 2,000 millions in money for rent; L buys from F means of subsistence for 1,000 millions. So $^1/_5$ of the farmer's gross product is DISPOSED OF. At the same time, 1,000 millions in money flow back to him. L moreover buys goods from S for 1,000 millions. By this transaction, $^1/_2$ of S's gross product is DISPOSED OF. In return for it, he has 1,000 millions in money. With this money he buys 1,000 millions of means of subsistence from F. By this transaction S replaces $^1/_2$ of the reproductive elements of his capital. This disposes of another $^1/_5$ of the farmer's gross product. At the same time the farmer finds himself again in possession of the 2,000 millions in money, the price of the 2,000 millions in means of subsistence which he has sold to L and S. F now buys goods from S for 1,000 millions, which replace for him $^1/_2$ of his advances. So the other half of the manufacturer's gross product is DISPOSED OF. Finally, S buys raw materials from the farmer for the last £1,000 in money; thereby a third $^1/_5$ of the farmer's gross product is DISPOSED OF, and the second half of the reproductive elements of the capital of S is replaced; but also 1,000 millions flow back to the farmer. The latter finds himself therefore again in possession of the 2,000 millions, which is in order, since Quesnay thinks of him as the capitalist, in relation to whom L is merely a RECEIVER of revenue and S merely a wage-earner. If he paid L and S directly in his product, he would not part with any money. If he pays out in money, they buy his product with it, and the money flows back to him. This is the formal return circuit of money to the industrial capitalist, who as buyer opens the whole business and brings it to an end. Moreover, $^1/_5$ of the advances belongs to reproduction. $^1/_5$ of the means of subsistence, however, which has not entered into circulation at all, remains to be disposed of.

S buys from the farmer means of subsistence for 1,000 millions and raw materials for 1,000 millions; and on the other hand F buys from him only 1,000 millions of commodities to replace his advances. So S has to pay a BALANCE of 1,000 millions which in the final instance he pays with the £1,000 he has received from L. Quesnay seems to confuse this *payment* of 1,000 millions to F with the *purchase* of F's product to the amount of 1,000 millions.

Reference must be made to the Abbé Baudeau's OBSERVATIONS on this point.[88]

In fact (on our calculation) the 2,000 millions have only served to: (1) pay rent to the amount of 2,000 millions in money; (2) circulate 3,000 millions of the farmer's gross product (1,000 millions means of subsistence to L, 2,000 millions means of subsistence and raw materials to S) and to circulate 2,000 millions of the gross product of S (1,000 of it to L, who consumes it, and 1,000 to F, who consumes it reproductively).

In the last purchase (a″—b″) in which S buys raw materials from F, he pays him back in money.

[X-433] So once more:

S has received from L 1,000 millions in money. With this 1,000 millions in money he buys means of subsistence from F to that amount. With the same 1,000 millions in money F buys commodities from S. With the same 1,000 millions in money S buys raw products from F.

Or, S buys from F raw materials for 1,000 millions in money, and means of subsistence for 1,000 millions in money. F buys goods from S for 1,000 millions [in money]. In this case 1,000 millions flow back to S, but only because it was assumed that in addition to the 1,000 millions in money he receives from the LANDLORD, and the 1,000 millions in goods that he still has to sell, he had over and above this another 1,000 millions in money which he himself had thrown into circulation. Instead of 1,000 millions circulating the goods between him and the farmer, on this assumption 2,000 would have been used for it. Then 1,000 returns to S. For he makes purchases from the farmer for 2,000 millions in money. The latter buys 1,000 from him, for which he pays him back half the money he had received from him.

In the first case S buys in two stages. First he pays out 1,000 millions; this flows back to him from F; and then he pays it out once more definitively to F, and so nothing comes back.

In the second case, on the other hand, S makes a single purchase for £2,000. If then F makes a return purchase for 1,000 millions, these remain with S. The circulation would have used £2,000 instead of 1,000, because in the first case the 1,000, by rotating twice, realised £2,000 in commodities. In the second case £2,000, in one rotation, also [realised] £2,000 in commodities. If the farmer now pays back 1,000 millions to S, S has not got more than in the first case. For he has thrown into circulation, in addition to £1,000 in commodities, also 1,000 in money from his own fund which existed prior to the circulation process. He has put it out into circulation, and so it flows back to him.

In the first CASE: S [buys] £1,000 of commodities from F, for 1,000 *M*; F [buys] £1,000 in goods from S, [for] 1,000 *M*; S [buys] 1,000 of commodities from F, [for] 1,000 *M*; so that F keeps 1,000.

In the second CASE: S [buys] 2,000 of commodities from F, for 2,000 *M*; F [buys] £1,000 of goods from S, for 1,000 *M*. The FARMER, as before, keeps £1,000. S however gets back the £1,000 of capital advanced by him to circulation, it is thrown back to him by circulation. S buys commodities from F for 2,000 millions; F buys goods from S for 1,000 millions. Therefore in any event S has to pay a balance of 1,000 millions, but not more than this. Since, by way of paying this balance, he had paid F 2,000 millions as a result of the particular form of circulation, F pays him back these 1,000 millions, while in the first case he does not return any money to him.

In the first case S makes purchases from F for 2,000 millions, and F from S for 1,000 millions. So as before the balance in F's favour=1,000 millions. But this balance is paid to him in such a way that his own money flows back to him, because S first buys 1,000 millions from F, then F 1,000 millions from S, and finally S 1,000 millions from F. In these transactions 1,000 millions have circulated 3,000. But in the aggregate the value in circulation (if the money is real money)=4,000 millions, 3,000 in commodities and 1,000 in money. The amount of money originally thrown into circulation (to pay F) and circulating was never more than 1,000 millions, i.e., never more than the balance which S had to pay to F. Because F bought from him to the amount of 1,000 millions before he buys from F to the amount of 1,000 millions for the second time, S can pay his balance with these 1,000 millions.

In the second case S throws 2,000 millions into circulation. It is true that with it he buys 2,000 millions in commodities from F. These 2,000 millions are here required as means of circulation, and are paid out against an equivalent in commodities. But F buys back goods for 1,000 millions from S. One thousand millions therefore return to S, as the balance which he has to pay to F is only 1,000 millions and not 2,000. He has now replaced for F 1,000 millions in commodities, and so F must pay him back the 1,000 millions, which *now* he would have paid him in money for nothing. This CASE is remarkable enough to spend a moment on it.

There are various possible cases of the circulation assumed above of £3,000 in commodities, of which 2,000 are means of subsistence [and raw material] and 1,000 manufactures; we must however note: *first* that on Quesnay's assumption there are 1,000 millions in money in the hands of S and 1,000 millions of money in the hands of F at the moment when the circulation between the two of them begins; *secondly*, we will assume by way of illustrating the point that in addition to the 1,000 millions which S receives from L, S has in his till another 1,000 millions in money.

[X-434] I. *First*: The case as Quesnay puts it. S buys 1,000 *C* from F, for 1,000 *M*; with the 1,000 *M* thus received from S, F buys 1,000 *C* from S; finally S, with the 1,000 *M* he has got back in this way, buys 1,000 *C* from F. F is therefore left with the 1,000 *M* which to him represents capital (IN FACT, along with the other 1,000 *M* which he has got back from L, it forms the revenue with which again next year he pays the rent in money; that is, 2,000 *M*). 1,000 *M* has here circulated 3 times—from S to F, from F to S, from S to F—and each time in exchange for £1,000 of commodities, that is, for £3,000 in all. If the money itself has value, values to a total of £4,000 are in circulation. Money here functions only as means of circulation; but for F, in whose hands it finally remains, it is transformed into money and possibly into capital.

II. *Secondly*: The money functions merely as means of payment. In this case S, who buys 2,000 *C* from F, and F, who buys 1,000 *C* from S, settle accounts with each other. At the close of the transaction S has to pay a balance of 1,000 millions in money. As in the former case, 1,000 *M* comes into F's money-box, but without having served as means of circulation. The money is a TRANSFER of capital for him, as it only replaces his capital of 1,000 *C*. As before, values amounting to 4,000 are in circulation. But instead of 3 movements of 1,000 *M*, there has only been one, and the money has only paid for an amount of values in commodity form that is equal to itself. In the former case, it paid for 3 times as much. What would be saved as compared with case I would be the two superfluous movements of circulation.

III. *Thirdly*: To start with F comes forward as the buyer with the 1,000 *M* (which he has had from L), and buys commodities from S for 1,000. Instead of lying fallow with him as a hoard for payment of the next rent, now the £1,000 circulates. S has now 2,000 *M* (1,000 *M* from L and 1,000 *M* from F). With these 2,000 *M* he buys 2,000 *C* from F. Now values to the amount of £5,000 have been in circulation (3,000 *C* and 2,000 *M*). There has been a circulation of 1,000 *M* and 1,000 *C*, and a circulation of 2,000 *M* and 2,000 *C*. Of these 2,000 *M*, the 1,000 originating with the farmer circulates twice, that originating with S only once. Now 2,000 *M* return to F, of which however only 1,000 *M* settles his balance; the other 1,000 *M*, which he himself had thrown into circulation because he took the initiative as buyer, flows back to him through circulation.

IV. *Fourthly*: S buys AT ONCE 2,000 *C* from F, with 2,000 *M* (1,000 from L, and 1,000 which he puts himself into circulation from his till). F buys back from S 1,000 *C*, thus returning to him 1,000 *M*; and F holds, as before, 1,000 *M* to settle the balance between him and S. Values to the amount of £5,000 have circulated. There are two acts of circulation.

Of the 2,000 *M* which S returns to F, 1,000 *M* represents the money which F himself threw into circulation, and only 1,000 *M* the money which S threw into circulation. Here 2,000 *M* instead of 1,000 *M* come back to F, but IN FACT he gets only 1,000, as he himself had thrown the other 1,000 into circulation. That is, in CASE III. In CASE IV 1,000 *M* returns to S, but it is the 1,000 which he got from his money-box, not from selling his commodities to P,[a] and himself threw into circulation.

In CASE I and indeed in CASE II there is never more than £1,000 in money circulating; but in case I it circulates 3 times and in CASE II it only once changes hands; this is merely due to the fact that in CASE II a high development of credit, and consequently economy in payments, is assumed; while in CASE I the movement is rapid; however, each time the money functions as means of circulation, and therefore the value at the two poles must each time appear twice, once in money and once in commodity. In CASE III and IV £2,000 circulate, instead of 1,000 as in I and II. This is because on one occasion in both cases (in CASE III by S as buyer who closes the circulation process, in CASE IV by S as buyer who opens the circulation process) commodity values to the amount of 2,000 *M* are at a single stroke thrown into circulation; that is, 2,000 *C* enter into circulation in a single act; it is assumed, moreover, that the commodities have to be paid for on the spot and not after the balance has been struck.

The most interesting thing about the movement is however the £1,000 which in CASE III is left in the hands of the farmer, in CASE IV in the hands of the MANUFACTURER, although in both cases the balance of £1,000 is paid to the farmer, and he gets not a

[a] Here Marx denotes farmer by "P", presumably from *Pächter*.—*Ed.*

farthing more in CASE III, and not a farthing less in CASE IV. In these transactions, of course, the exchange is always an exchange of equivalents, and when we speak of a balance we mean only the equivalent value which is paid for in money instead of in commodities.

In [case] III F throws 1,000 *M* into circulation, and gets in exchange for it from S the equivalent in commodities, or 1,000 *C*. But then S buys commodities from him for 2,000 *M*. The first 1,000 *M* which he threw in thus comes back to him, because 1,000 *C* has been taken from him in exchange. This 1,000 *C* is paid for with the money which he had paid out. He gets the second 1,000 *M* in payment for the second 1,000 *C*. This balance is owed to him in money, because he had only bought in all 1,000 *C*, and commodities to the value of 2,000 millions had been bought from him.

[X-435] In CASE IV S throws 2,000 *M* into circulation AT ONCE, for which he takes from F commodities for 2,000. With the money which S himself had paid him, F in turn buys from S commodities for 1,000 and so the 1,000 *M* returns to S.

In CASE IV: S in fact gives F 1,000 C=1,000 *M* as commodity and 2,000 *M* as money, that is, 3,000 *M*; but S gets from F only 2,000 *C*. F has consequently to return to him 1,000 *M*.

In CASE III: F gives S in commodities the equivalent of 2,000 C=2,000 *M*, and in money=1,000 *M*. That is, 3,000 *M*. But he gets from S only 1,000 C, the equivalent of 1,000 *M*. S has consequently to return to him 2,000 *M*; he pays back 1,000 in the money which F himself threw into circulation, and he himself throws 1,000 into circulation. He keeps the balance of 1,000 *M*, but cannot keep 2,000 *M*.

In both cases S receives 2,000 *C*, and F 1,000 C+1,000 *M*, i.e., the balance in money. In CASE III, in addition to this, another 1,000 *M* comes to F, but this is only the excess of the money which he has thrown into circulation over what he has drawn from circulation in commodities. Similarly with S in CASE IV.

In both cases S has to pay a balance of 1,000 *M* as money, because he takes commodities to the value of 2,000 out of circulation, and puts into it commodities only to the value of 1,000. In both cases F has to receive a balance of 1,000 *M* as money, because he has thrown 2,000 *C* into circulation and only drawn from it 1,000 *C*, the second 1,000 *C* must therefore be paid in money to him. In both cases, it is only this 1,000 *M* that can finally change hands. Since however 2,000 *M* are actually in circulation, this must flow back to the person who put it into circulation; and this holds good whether F, in addition to receiving a balance of 1,000 *M* out of circulation, has thrown into it another 1,000 *M*; or whether S, who has to pay only a balance of 1,000 *M*, has in addition advanced another 1,000 *M*.

In CASE III 1,000 *M* comes into circulation in excess of the quantity of money that would under different circumstances be needed for the circulation of this quantity of commodities, because F comes forward as the first buyer, and must therefore throw money into circulation, whatever his ultimate position may be. In CASE IV, ditto, 2,000 *M* come into circulation, instead of only 1,000 as in II, because first S comes forward as buyer at the outset, and secondly buys 2,000 *C* all at once. In both cases the money that *circulates* between these buyers and sellers can finally only be equal to the balance which one of them has to pay. For the money which S or F has expended in excess of this amount is paid back to him.

Let us assume that F buys commodities from S to the value of £2,000. This CASE, then, would look like this: F gives S 1,000 *M* for commodities. S buys commodities from F for 2,000 *M*, as a result of which the first 1,000 returns to F and 1,000 INTO THE BARGAIN. F in turn buys commodities from S for 1,000 *M*, which brings this money back to S. At the end of the process F would have commodities to the amount of 2,000 *M* and the £1,000 that he had originally, before the circulation process began; and S commodities for 2,000 and 1,000 in money which he too originally had. The 1,000 *M* of F, and 1,000 *M* of S, would have played their role only as means of circulation and then would have flowed back—as money or in this case also as capital—to both the persons who had advanced them. Had they both used money as means of payment, they would have set off 2,000 *C* against 2,000 *C*; their accounts would have cancelled out and not a FARTHING would have circulated between them.

Thus the money which circulates as means of circulation between two persons who confront each other mutually as buyers and sellers returns to its source; there are 3 cases in which it can circulate.

[*First*:] The commodity values supplied balance each other. In this case the money returns to the person who advanced it to circulation and in this way used his capital to meet the costs of circulation. For example, if F and S each buys commodities for £2,000 from the other, and S opens the dance, he buys commodities from F for 2,000 *M*. F returns to him the 2,000 *M*, buying with it 2,000 in commodities from him. Thus S has both before and after the transaction 2,000 *C* and 2,000 *M*. Or when, as in the CASE cited previously, both advance the means of circulation to an equal amount, each gets back what he had advanced to circulation—as above, 1,000 *M* to F and 1,000 *M* to S.

Secondly: The commodity values exchanged between the two parties are not equal to each other. There is a balance to be paid in money. If, as above in CASE I, the circulation of the commodities has taken place in such a way that no more money has entered *into circulation* than is required for the payment of this balance—it being always only this sum that passes to and fro between the two parties—then it comes finally into the hands of the last seller, in whose favour the balance is.

Thirdly: The commodity values exchanged between the two parties are not equal to each other; there is a balance to be paid; but the circulation of the commodities takes place in such a form that more money circulates than is required to settle the balance; in this case the money in excess of this balance returns to the party who has advanced it. In CASE III to the man who receives the balance, in CASE IV to the one who has to pay it.

In the second category listed above the money only *returns* when the receiver of the balance is the first buyer, as for example between worker and capitalist. It changes hands, as [in case] II, when the other party comes forward as the first buyer.

[X-436] //Of course, all this only takes place on the assumption that the definite quantity of commodities is bought and sold between the same persons, so that each of them is alternately buyer and seller in relation to the other one. On the other hand let us assume that the 3,000 *C* are equally distributed among the commodity owners, A, A′, A″, the sellers, and they are confronted by the buyers B, B′, B″. If the 3 purchases take place simultaneously, that is to say, alongside each other, £3,000 must circulate, so that each A is in possession of 1,000 *M* and each B is in possession of 1,000 *C*. If the purchases follow each other, succeeding each other in time, the circulation of the same £1,000 can only effect these if the metamorphoses of the commodities are interwoven, that is to say, when some persons function as buyers and sellers, even if not [in relation] to the same persons as in the CASE above, but as buyer in relation to one person, and as seller in relation to the other. Thus for example: (1) A sells to B for £1,000; (2) A buys with this £1,000 from B′; (3) B′ with the £1,000 buys from A′; (4) A′ with the £1,000 from B′; (5) B′ with the £1,000 from A′. The money would have changed hands

5 times between the 4[a] persons; but also commodities to the value of £5,000 would have circulated. If commodities for 3,000 are to be circulated, it would be like this: (1) A [buys] from B for 1,000; (2) B from A′ for 1,000; [(3)] A′ from B′ for 1,000. 3 changes of place as between 4 persons. It is *M—C*.//

The CASES set out above do not contradict the law explained earlier:

"that, if the speed of circulation of money and the sum total of the commodity prices are given, the amount of the medium of circulation is determined" (I, p. 85).[b]

In example 1 above, £1,000[89] circulates 3 times, and in fact it circulates commodities to the amount of £3,000. The amount of money in circulation is consequently

$$\frac{3{,}000 \text{ (sum of prices)}}{3 \text{ (velocity)}} \text{ or } \frac{3{,}000 \text{ (sum of prices)}}{3 \text{ cycles}} = £1{,}000.$$

In CASE III or IV the total prices of the commodities in circulation are, it is true, the same=£3,000; but the speed of circulation is different. £2,000 circulate once, i.e., £1,000+£1,000. Of these £2,000, however, 1,000 circulates once more. £2,000 circulate $^2/_3$ of the 3,000 in commodities, and half of if, £1,000, circulates another $^1/_3$; one £1,000 circulates twice, but another £1,000 circulates only once. The twofold circulation of £1,000 realises commodities whose prices=£2,000; and the single circulation of £1,000 realises commodities whose prices=£1,000—both together=3,000 in commodities. What then is the speed of circulation of the money in relation to commodities which it circulates in this case? The £2,000 make $1^1/_2$ cycles (this is the same thing as *first* the total sum circulates once, and then half of it again completes one cycle)=$^3/_2$. And in fact:

$$\frac{3{,}000 \text{ (sum of prices)}}{^3/_2 \text{ cycles}} = £2{,}000.$$

What is it then that determines the *different rapidity* of circulation of the money in this case?

Both in III and IV the difference arises from the fact that, in contrast to I—where the total prices of the commodities circulating each time are never greater and never smaller than $^1/_3$ of the total prices of the aggregate quantity of commodities which

[a] The manuscript has "6".—*Ed.*

[b] K. Marx, *Zur Kritik der politischen Oeconomie*, Erstes Heft, Berlin, 1859 (see also present edition, Vol. 29, p. 341).—*Ed.*

circulate, commodities only to the amount of £1,000 circulate at any time—in III and IV, however, commodities for 2,000 circulate once, and commodities for 1,000 circulate once, that is, once $^2/_3$ of the existing quantity of commodities, and once $^1/_3$. For the same reason, larger varieties of coin must circulate in wholesale trade than in retail trade.

As I have already observed (I, "[The] Circulation of Money"), the reflux of the money shows in the first place that the *buyer* has *in turn* become *seller*[a]; and in fact it makes no difference whether in so doing he sells to the same person from whom he had bought, or not. If however the buying and selling is between the same persons, then the phenomena appear which have been the occasion of so many errors (Destutt de Tracy[82]). The buyer becoming seller shows that new commodities are to be sold. Continuity in the circulation of commodities—tantamount to its constant renewal (I, p. 78[b])—is, therefore, reproduction. The buyer can become in turn seller—as in the case of the manufacturer in relation to the labourer—without this denoting an act of reproduction. It is only the continuity, the repetition of this reflux, in relation to which it can be said that it denotes reproduction.

The reflux of money, when it represents the reconversion of the capital into its money form, necessarily shows the end of one cycle and the beginning again of new reproduction, if the capital as such continues the process. In this case too he [the capitalist], as in all other cases, was the seller, *C—M*, and then became buyer, *M—C*; but it is only in *M* that his capital again possesses the form in which it can be exchanged for its reproductive elements, and here the *C* represents these reproductive elements. *M—C* here represents the transformation of the money capital into productive or industrial capital.

Furthermore, as we have seen, the reflux of the money to its starting-point may show that the money balance in a series of purchases and sales is in favour of the buyer with whom the series of these processes opened. F buys from S for 1,000 in money. S buys from F for 2,000 in money. Here the £1,000 flows back to F. As for the other 1,000, there is merely a change of place of the money between S and F.

[X-437] Finally, however, a reflux of the money to its starting-point may take place without indicating payment of a

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[a] Ibid., p. 335.—*Ed.*

[b] Ibid., pp. 335-36.—*Ed.*

balance, both (1) when the reciprocal payments cancel each other out, and consequently there is no balance to be paid in money; and (2) when the transactions do *not* cancel out, and therefore a balance has to be paid. See the cases analysed above. In all these cases it makes no difference whether for example the same S confronts F; S representing here in relation to F and F to S the total number of those selling to him and buying from him (exactly as in the example where payment of a balance is indicated by the reflux of the money). In all these cases the money flows back to the person who so to speak has advanced it to circulation. It has done its job in circulation, like bank-notes, and comes *back* to the person who laid it out. *Here it is only means of circulation. The final capitalists settle with each other, and so it comes back to the one who paid it out.*

We have therefore still to deal later on with the question we have held over: the capitalist draws more money out of circulation than he threw into it.[85]

Back to Quesnay:

Adam Smith cites with some irony the Marquis de Mirabeau's hyperbolical statement:

> "There have been since the world began three great inventions.... The first is the invention of *writing*.... The second is *the invention*" (!) "of *money*.... The third is the *economical table*, the result of the other two, which completes them both" (ed. Garnier, t. III, l. IV, ch. IX, p. 540) [Vol. III, pp. 147-48].[14]

But in fact it was an attempt to portray the whole production process of capital as a *process of reproduction*, with circulation merely as the form of this reproduction process; and the circulation of money only as a phase in the circulation of capital; at the same time to include in this reproduction process the origin of revenue, the exchange between capital and revenue, the relation between reproductive consumption and final consumption; and to include in the circulation of capital the circulation between consumers and producers (IN FACT between capital and revenue); and finally to present the circulation between the two great divisions of productive labour—raw material production and manufacture—as phases of this reproduction process; and all this depicted in one *Tableau* which IN FACT consists of no more than 5 lines which link together 6 points of departure or return—[and this was] in the second third of the eighteenth century, the period when political economy was in its infancy—this was an extremely brilliant conception, incontestably the most brilliant for which political economy had up to then been responsible.

As regards the circulation of capital—its reproduction process, the various forms which it assumes in this process of reproduction, the connection between the circulation of capital and circulation in general (that is, not only the exchange of capital for capital but of capital for revenue)—Adam Smith in fact only took over the inheritance of the Physiocrats and classified and specified more precisely the separate items in the inventory.[90] But his exposition and interpretation of the movement as a whole was hardly as correct as its presentation in outline in the Tableau économique, in spite of Quesnay's false assumptions.

When moreover Adam Smith says of the Physiocrats:

"Their works have certainly been of some service to their country" ([Garnier,] l. c., p. 538) [Vol. III, p. 146],

this is an immoderately moderate statement of the significance for example of Turgot, one of the immediate fathers of the French Revolution.

The passage from Proudhon referred to earlier[a] runs:

"The amount of mortgage debts, according to the best-informed writers, is 12 milliards; some put it as high as 16 milliards. The amount of debts on note of hand, at least 6. Limited-liability companies, about 2. The public debt, 8 milliards. Total: 28 milliards. All these debts—note this point—have their source in money lent, or deemed to be lent, at 4, at 5, at 6, at 8, at 12, and up to 15%. I take 6% as the average interest, as far as concerns the first 3 categories: that would be, then, on 20 milliards, 1,200 millions. Add the interest on the public debt, about 400 millions: in all, 1,600 millions annual interest, for a capital of 1 milliard" [p. 152]. That is to say, 160%.[91] For "the amount of ready money, I will not say existing, but circulating in France, including the cash balance of the Bank, does not exceed 1 milliard, according to the most usual estimate" (p. 151). "When the exchange has been completed, the money is once more available, and can therefore give rise to a new loan.... The capital-money, from exchange to exchange, always returns to its source, it follows that the re-lending, always done by the same hand, always profits the same person" (p[p. 153-]54). *Gratuité du crédit. Discussion entre M. Fr. Bastiat et M. Proudhon*, Paris, 1850.[b][92]

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[a] See this volume, p. 222.—*Ed.*

[b] Marx quotes from Proudhon partly in French, partly in German, with some alterations.—*Ed.*

[X-438] d) LINGUET
THÉORIE DES LOIX CIVILES ETC., LONDON, 1767

In accordance with the plan of my work socialist and communist writers are entirely excluded from the historical reviews.[93] These reviews are only intended to show on the one hand in what form the political economists criticised each other, and on the other hand the historically determining forms in which the laws of political economy were first stated and further developed. In dealing with surplus value I therefore exclude such eighteenth-century writers as Brissot, Godwin and the like, and likewise the nineteenth-century socialists and communists. The few socialist writers whom I shall come to speak of in this survey[94] either themselves adopt the standpoint of bourgeois political economy or contest it from its own standpoint.

Linguet however is not a socialist. His polemics against the bourgeois-liberal ideals of the Enlighteners, his contemporaries, against the dominion of the bourgeoisie that was then beginning, are given—half-seriously, half-ironically—a reactionary appearance. He defends Asiatic despotism against the civilised European forms of despotism; thus he defends slavery against wage labour.

Vol. I. The only statement directed against Montesquieu:

"*l'esprit des lois, c'est la propriété*,"[a] [p. 236][95]

shows the depth of his outlook.

The only economists whom Linguet found to deal with were the Physiocrats.

The rich have taken possession of all the conditions of production; hence the *alienation of the conditions of production*, which in their simplest form are the natural elements themselves.

"In our civilised countries, all the elements [of nature] are slaves" (p. 188).[b]

In order to get hold of some of this treasure appropriated by the rich, it must be purchased with heavy labour, which increases the wealth of these rich persons.

"Thus it is that all captive nature has ceased to offer to these children resources of easy access for the maintenance of their life. Its favours must be paid for by assiduous toil, and its gifts by stubborn labours."

(Here—in the gifts of nature—the Physiocratic view is echoed.)

"The rich man, *who has arrogated to himself the exclusive possession of it*, only at this price consents to restore even the smallest part of it to the community. *In order to be allowed to share in its treasures, it is necessary to labour to increase them*" (p. 189). "One

[a] The spirit of the laws is property.—*Ed.*
[b] Here and below, Marx quotes Linguet in French.—*Ed.*

must, then, renounce this chimera of liberty" (p. 190). Laws exist in order to "sanctify a primary usurpation" (of private property), "to prevent new usurpations" (p. 192). "They are, as it were, a conspiracy against the greater part of the human race" (l.c. [p. 195], that is, against those who own no property). "It is society which has produced the laws, and not the laws which have produced society" (p. 230). "Property existed before the laws" (p. 236).[96]

"Society" itself—the fact that man lives in society and not as an independent, self-supporting individual—is the root of property, of the laws based on it and of the inevitable slavery.

On the one hand, there were peaceful and isolated husbandmen and shepherds. On the other hand—

"hunters accustomed to live by blood, to gather together in bands the more easily to entrap and fell the beasts on which they fed, and to concert together on the division of the spoils" (p. 279). "It is among the hunters that the first signs of society must have appeared" (p. 278). "*Real society came into being at the expense of the shepherds or husbandmen, and was founded on their subjection*" by a band of hunters who had joined hands (p. 289). All duties of society were resolved into commanding and obeying. "This degradation of a part of the human race, after it had produced society, gave birth to laws" (p. 294).[a]

Stripped of the conditions of production, the labourers are compelled by need to labour to increase the wealth of others in order themselves to live.

"It is the impossibility of living by any other means that compels our farm labourers to till the soil whose fruits they will not eat, and our masons to construct buildings in which they will not live. It is want that drags them to those markets where they await masters who will do them the kindness of buying them. *It is want that compels them to go down on their knees to the rich man in order to get from him permission to enrich him*" (p. 274).

"Violence, then, has been the first cause of society, and force the first bond that held it together" (p. 302). "Their" (men's) "first care was doubtless to provide themselves with food ... the second must have been to seek to *provide themselves with it without labour*" (pp. 307-08). "They could only achieve this by *appropriating to themselves the fruit of other men's labour*" (p. 308). "The first conquerors only made themselves despots so that they could be idle with impunity, and kings, in order to have something to live on: and this greatly narrows and simplifies ... the idea of domination" (p. 309). "Society is born of violence, and property of usurpation" (p. 347). "As soon as there were masters and slaves, society was formed" (p. 343). "From the beginning, the two [X-439] pillars of the civil union were on the one hand the slavery of the greater part of the men, and on the other, the slavery of all the women.... It was at the cost of three-fourths of its members that society assured the happiness, the opulence, the ease of the small number of property owners whom alone it had in view" (p. 365).

Vol. II:

"The question, therefore, is not to examine whether slavery is contrary to nature in itself, but whether it is contrary to the nature of society ... it is

[a] Here Marx quotes Linguet partly in French, partly in German, with some alterations.—*Ed.*

inseparable from it" (p. 256). "Society and civil servitude were born together" (p. 257). "Permanent slavery ... the indestructible foundation of societies" (p. 347).

"Men have only been reduced to depend for their subsistence on the liberality of another man *when the latter by despoiling them has become rich enough* to be able *to return* a small portion to them. His feigned generosity could be no more than a *restitution of some part of the fruits of their labours which he had appropriated*" (p. 242). "*Does not servitude consist* in this obligation to sow without reaping for oneself, to sacrifice one's well-being to that of another, to labour without hope? And did not its real epoch begin from the moment when there were men whom the whip and a few measures of oats when they were brought to the stable could compel to labour? It is only in a fully developed society that food seems to the poor *starveling* a sufficient *equivalent* for his liberty; but in a society in its early stages free men would be struck with horror at this unequal exchange. It could only be proposed for *captives*. Only after they have been deprived of the enjoyment of all their faculties can it" [the exchange] "become a necessity for them" (pp. 244-45).

"*The essence of society* ... consists *in freeing the rich man from labour*, giving him new organs, untiring members, which take upon themselves all the laborious operations *the fruits of which he is to appropriate*. That is the plan which slavery allows him to carry out without embarrassment. He buys men who are to serve him" (p. 461). "In suppressing slavery, no claim was made that either wealth or its advantages were suppressed.... It was therefore necessary that things should remain the same except in name. It has always been necessary for the majority of men to continue to live in the pay of and in dependence on the minority which *has appropriated to itself all wealth*. Slavery has therefore been perpetuated on the earth, but under a sweeter name. Among us now it is adorned with the title of service" (p. 462).

By these servants, Linguet says, he does not mean lackeys, etc.:

"The towns and the countryside are peopled by another kind of servant, more widely spread, more useful, more laborious, and known by the name of *journeymen*,[a] *handicraftsmen*, etc. They are not dishonoured by the brilliant colours of luxury; they groan beneath the loathsome rags which are the *livery* of penury. *They never share in the abundance of which their labour is the source.* Wealth seems to grant them a favour when it kindly accepts the *presents that they make to it*. It is for them to be grateful for *the services which they render to it*. It pours on them the most outrageous contempt while they are clasping its knees imploring *permission to be useful to it*. It has to be pleaded with to grant this, and *in this peculiar exchange of real generosity for an imaginary favour*, arrogance and disdain are on the *side of the receiver*, and servility, anxiety and eagerness *on the side of the giver*. These are the servants who have truly replaced the serfs among us" (pp. 463-64).

"The point that has to be examined is: what effective gain the *suppression of slavery* has brought to them. I say with as much sorrow as frankness: all that they have gained is to be every moment tormented by the fear of death from hunger, a calamity that at least never visited their predecessors in this lowest rank of mankind" (p. 464). "He is free, you say. Ah! That is his misfortune. He is bound to no one; but also no one is bound to him. When he is needed, he is *hired at the cheapest price* possible. The meagre *wage* that he is promised is hardly equal to *the price of his subsistence for the day which he gives in exchange*. He is given *surveillants* (OVERLOOKERS) *to compel him to fulfil his task quickly*; he is hard driven; he is goaded on,

[a] In the manuscript Marx inserted a German term in parentheses after the French one.— *Ed.*

for fear that a skilfully concealed and only too comprehensible laziness may make him hold back half his strength; for fear that the hope of *remaining employed longer on the same task* may stay his hands and blunt his tools. *The sordid economy that keeps a restless watch on him overwhelms him with reproaches at the slightest respite he seems to allow himself, and claims to have been robbed* if he takes a moment's rest. When he has finished he is dismissed as he was taken on, with the coldest indifference, and without any concern as to whether the twenty or thirty sous that he has just earned for a hard day's labour [X-440] will be enough to keep him *if he finds no work the following day*" (pp. 466-67).

"He is free! That is precisely why I pity him. For that reason, he is much less cared for in the labours in which he is used. His life is much more readily hazarded. The slave was precious to his master because of the money he had cost him. But the handicraftsman costs nothing to the rich voluptuary who employs him. Men's blood had some price in the days of slavery. They were worth at least as much as they could be sold for in the market. Since they have no longer been sold they have no real intrinsic value. A pioneer is much less valued in an army than a pack-horse, because the horse is very costly and a pioneer can be had for nothing. The suppression of slavery brought these military calculations into civil life; *and since that epoch there has been no prosperous bourgeois who does not calculate in this way, as heroes do*" (p. 467).

"The day labourers are born, grow up and are trained for" (are bred for) "the service of wealth without causing it the slightest expense, like the game that it massacres over its estates. It seems as if it really has the secret of which the unfortunate Pompey vainly boasted. Wealth has only to stamp on the ground, and from it emerge legions of hard-working men who contend among themselves for the honour of being at its disposal: if one among this crowd of mercenaries putting up its buildings or keeping its gardens straight disappears, the place that he has left empty is an invisible point which is immediately covered again without any intervention from anyone. A drop of the water of a great river is lost without regret, because new torrents incessantly succeed it. It is the same with labourers; the ease with which they can be replaced fosters the hard-heartedness towards them on the part of the *rich man*"

(this is the form used by Linguet; not yet capitalist) (p. 468).

"These men, it is said, have no master ... pure abuse of the word. What does it mean? they have no master—they have one, and the most terrible, the most imperious of masters, that is, *need.* It is this that reduces them to the most cruel dependence. *It is not one man in particular whose orders they must obey, but the orders of all in general.* It is not a single tyrant whose whims they have to humour and whose benevolence they have to court—which would set a limit to their servitude and make it endurable. *They become the valets of anyone who has money,* which gives their slavery an infinite compass and severity. It is said that if they do not get on well with one master they at least have the consolation that they can tell him so and the power to make a change: but the slaves have neither the one nor the other. They are therefore all the more wretched. What sophistry! For bear in mind that the number of those *who make others work* is very small and the number of labourers on the contrary is immense" (pp. 470-71). "What is this apparent liberty which you have bestowed on them reduced to for them? *They live only by hiring out their arms. They must therefore find someone to hire them, or die of hunger. Is that to be free?*" (p. 472).

"What is most terrible is that the very smallness of this pay is another reason for reducing it. The more the day labourer is driven by want, the cheaper he sells himself. The greater the urgency of his need, the less profitable is his labour. The despots for the moment whom he beseeches with tears to accept his services feel no shame in, as it were, feeling his pulse, to assure themselves that he has enough strength left; they fix the reward that they offer him by the degree of his weakness. The nearer they think he is to death from starvation, the more they deduct from what could keep him from it; and what the savages that they are give him is less to prolong his life than to delay his death" (pp. 482-83). "The independence" (of the day labourer) "...is one of the most baneful scourges that the refinement of modern times has produced. It augments the wealth of the rich and the poverty of the poor. The one saves everything that the other spends. What the latter is forced to economise is not from his superfluity but from what is indispensable to him" (p. 483).

"If today it is so easy to maintain these prodigious armies which join with luxury in order to bring about the extinction of the human race, it is only due to the suppression of slavery ... it is only since there have no longer been slaves that debauchery and beggary make heroes at five sous a day" (pp. 484-85).

"I find this" (Asiatic slavery) "a hundred times more preferable than any other way of existing for men reduced to having to win their livelihood by daily labour" (p. 496).

"Their" (the slaves' and the day labourers') "chains are made of the same material and only differently coloured. Here they are black, and seem heavy: there they look less gloomy and seem hollower: but weigh them impartially and you will find no difference between them; both are equally forged by necessity. They have precisely the same weight, or rather, if they are a few grains more in one case, it is in the one whose external appearance proclaims that it is lighter" (p. 510).

He calls to the men of the French Enlightenment, in regard to the labourers:

"Do you not see that the subjection, the annihilation—since it must be said—of this large part of the flock creates the wealth of the shepherds?... Believe me, in his interest" (the shepherd's), "in yours and even in theirs, leave them" (the sheep) "with the conviction that they have that this cur who yelps at them is stronger by himself than they are all together. Let them flee with stupid fright at the mere sight of his shadow. Everyone benefits from it. It will make it easier for you to gather them in to fleece them for yourselves. They are more easily guarded from being devoured by wolves. [X-441] It is true, only to be eaten by men. But anyway that is their fate from the moment they have entered a stable. Before talking of releasing them from there, start by overthrowing the stable, that is to say, society" (pp. 512-13).

f) BRAY (J. F.)
LABOUR'S WRONGS AND LABOUR'S REMEDY ETC., LEEDS, 1839

Since human existence is determined by labour, and labour presupposes means of labour ... "the great field for all exertion and the *raw material* of all wealth—the earth—must be[a] the common property of all its inhabitants" (p. 28).

"Life is dependent upon food, food upon labour, those dependencies are absolute. Therefore, if labour be evaded by any individual, it can be thus evaded by individuals only on the condition of increased labour by the mass" (p. 31).

"All the wrongs and the woes which man has ever committed or endured, may be traced to the assumption of a right in the soil, by certain individuals and classes, to the exclusion of other individuals and classes.... The next step which man has ever taken, after having claimed property in land, has been to claim property in man..." (p. 34).

[a] Bray has "is".—*Ed.*

Bray declares that his purpose is:

"fighting them" (the political economists) "upon their own ground, and with their own weapons" (in order to prove that poverty need not be the lot of the workers under every social system). "Before the conclusions arrived at by such a course of proceeding can be overthrown, the economists must unsay or disprove those established truths and principles on which their arguments are founded" (p. 41).

"According to the economists themselves the production of wealth requires: 1) labour, 2) accumulation of previous labour, or capital, and 3) EXCHANGES..." These are, according to the economists themselves, the *universal conditions of production*.[a] "They are applied to society at large, and, from their nature, cannot exempt any individual or any class from their operation" (p. 42).

"The ban—'Thou shalt labour'—rests alike on all created beings.... Man only can escape this law; and, from its nature, it can be evaded by one man only at the expense of another" (p. 43).

"From the very nature of labour and exchange, strict justice not only requires" //in this context, Bray refers to the economic definitions of the exchange value of commodities// "that all exchangers should be *mutually*, but that they should likewise be *equally*, benefited.... If a just system of exchanges were acted upon, the value of all articles would be determined by the entire cost of production; and equal values should always exchange for equal values. ... the workmen have given the capitalist the labour of a whole year, in exchange for the value of only half a year—and from this has arisen the inequality of wealth and power which at present exists around us. It is an inevitable consequence[b] of inequality of exchanges—of buying at one price and selling at another—that capitalists shall continue to be capitalists, and working men be working men—the one a class of tyrants and the other a class of slaves" (pp. 48-49).

"By the present system, exchanges are not only not mutually beneficial to all parties, as the political economists have asserted, but it is plain that there is, in most transactions between the capitalist and the producer, no exchange whatever ... what is it that the capitalist, whether he be manufacturer or landed proprietor, gives for the labour of the WORKING MAN? Labour? No, for he does not work—Capital? No, for his store of wealth is being perpetually augmented. ...the capitalist *cannot* make an exchange with anything that belongs to himself. The whole transaction, therefore, plainly shews that the capitalists and proprietors do no more than give the working man, for his labour of one week, a part of the wealth which they obtained from him the week before!—which just amounts to giving him nothing for something.... The wealth which the capitalist appears to give in exchange for the workman's labour was generated neither by the labour nor the riches of the capitalist, but it was originally obtained by the labour of the workman; and it is still daily taken from him, by a fraudulent system of unequal exchanges" ([p]p. 49[-50]). "The whole transaction between the producer and the capitalist, is a palpable deception, a mere farce" (p. 50).

"The law which says 'THERE SHALL BE ACCUMULATION', is only half fulfilled, and is made to subserve the interests of a particular class, to the detriment of all the rest of the COMMUNITY" (p. 50).

"Under the present social system, the whole of the working class are dependent upon the capitalists or EMPLOYERS OF THE MEANS OF LABOUR; and where one class, by its position in society, is thus dependent upon another class for the *MEANS OF*

[a] Marx here summarises Bray's ideas.—*Ed.*

[b] Bray has "condition".—*Ed.*

LABOUR, it is dependent, likewise, for the *MEANS OF LIFE*; and this is a condition so contrary to the very intention of society—so revolting to reason ... that it cannot for one moment be palliated or defended. It confers on man a power which ought to be vested in nothing mortal" (p. 52).

"Our daily experience teaches us, that if we take a slice from a loaf, the slice never grows on again: the loaf is but an accumulation of slices, and the more we eat of it, the less will there remain to be eaten. Such is the [X-442] case with the loaf of the working man; but that of the capitalist follows not this rule. His loaf continually increases instead of diminishing: with him, it is cut and come again, for ever. ...if EXCHANGES were equal, would the wealth of the present capitalists gradually go from them to the working classes: every shilling that the rich man spent, would leave him a shilling less rich" (p[p. 54-]55).

Bray also shows in his work that

"it is impossible that any capitalist can have derived even 1,000 pounds sterling from the actual hoarded labour of his WORKING-CLASS PROGENITORS" (l.c. [p. 55]).

It follows from the teachings of the political economists themselves that "there can be no EXCHANGES without ACCUMULATIONS—no ACCUMULATIONS without labour" [a] (l.c.).

"Under the present system, every working man gives to an EMPLOYER at least 6 days' labour for an equivalent worth only 4 or 5 days' labour, the gains of the last man are necessarily the losses of the first man" (p. 56).

"Thus, in whatever light" [the genesis of wealth is] "examined—whether as a gift, individual accumulation, exchange, inheritance—there is proof upon proof that there is a flaw in the rich man's title which takes away at once its very show of justice, and its value" (p. 56). "This wealth has all been derived from the bones and sinews of the working classes during successive ages, and it has been taken from them by the fraudulent and slavery-creating system of unequal EXCHANGES" (p. 57).

"If a working man under the present system would become wealthy, he instead of exchanging his own labour, must become a capitalist, or exchanger OF THE LABOUR OF OTHER PEOPLE; and thus, by plundering others in the same manner as he was plundered, through the MEDIUM OF UNEQUAL EXCHANGES, he will be enabled to acquire great gains FROM THE SMALL LOSSES OF OTHER PEOPLE" (p. 57).

"The political economists and capitalists have written and printed many books to impress upon the working man the fallacy that 'the gain of the capitalist is *not* the loss of the producer'. We are told that labour cannot move one step without capital—that capital is as a shovel to the man who digs—that capital is just as necessary to production as labour itself is. ...this mutual dependency between capital and labour has nothing to do with the relative position of the capitalist and the working man; nor does it show that the former should be maintained by the latter.... It is the capital, and not the capitalist, that is essential to the operations of the producer; and there is as much difference between the two, as there is between the actual cargo and the bill of lading" (p. 59).[97]

"From the relation which capital and labour bear to each other, it is evident that the more capital or accumulated produce there is in a country, the greater will be the facilities for production, and the less labour will it require to obtain a given (certain) result. Thus the people of Great Britain, with the aid of their present VAST accumulation of capital—their buildings, machinery, ships, canals and railways—can produce more manufactured wealth in one week, than their ancestors of a thousand years since could have created in half a century. It is not

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[a] Marx quotes Bray with some alterations.— *Ed.*

our superior physical FORCES,[a] but our capital, which enables us to do this; for, wherever there is a deficiency of capital, production will progress slowly and laboriously, and vice versa. From these considerations, then, it is apparent, that whatever is gained to capital, is likewise gained to labour—that every increase of the former tends to diminish the toil of the latter—and that, therefore, every loss to capital must also be a loss to labour. This truth, though long since observed by the political economists, has never yet been FAIRLY STATED by them."

//In fact, the fellows argue in the following way:

Accumulated products of labour, i.e., products not consumed, lighten and FRUCTIFY LABOUR. As a consequence, the fruits of this lightening, etc., must go not to labour itself but to accumulation. Consequently, it is not accumulation which must be the property of labour but labour must be the property of accumulation—of its own products. Consequently, the worker must not accumulate for himself but for someone else, and the accumulation must confront him as capital.

For the economists, the material element of capital is so integrated with its social formal determination as capital—with its antagonistic character as the product of labour dominating labour—that they cannot write a single sentence without contradicting themselves.//

"*They have even identified capital with one class of the* COMMUNITY, *and labour with another class*—although the two powers have naturally, and should have artificially, no such connection. The economists always attempt to make the prosperity, if not the very existence, of the working man dependent upon the condition of maintaining the capitalist in luxury and idleness. They would not have the working man to eat a meal until he has produced two—one for himself and the other for his MASTER—the latter receiving his portion indirectly, by unequal exchanges" (p[p. 59-]60).

"When the workman has produced a thing, it is his no longer—it belongs to the capitalist—it has been conveyed from the one to the other by the unseen magic of unequal exchanges" (p. 61).

"Under the present system, capital and labour—the shovel and the digger—are two separate and antagonistic powers" (p. 60).

[X-443] "But even if all the land and the houses and the machinery did belong to the capitalists, and the working class were not in being, the former would not thereby be enabled to evade the great condition 'THAT THERE SHALL BE LABOUR'. Their wealth would leave them in the choice only of dying or working.[b] They cannot eat the land and the houses; and the land will not yield sustenance, nor the machinery make clothing, without the application of human labour. Therefore, when the capitalists and proprietors say that the working class must SUPPORT them, they likewise say, in effect, that the producers belong to them as well as land and water[c] do—that the working man was created only for the rich man's use!" (p. 68).

"The producer receives, in exchange for what he gives to the capitalist—not the

[a] Bray has "powers".—*Ed.*

[b] Bray has "of working or starving".—*Ed.*

[c] Bray has here: "the houses and land".—*Ed.*

labour nor the produce of the labour of the capitalist, but—work! Through the instrumentality of money, the working class are not only compelled to perform the labour which the preservation of existence naturally imposes upon them, but they are likewise saddled with the labour of other classes. It matters not whether the producers now receive gold, or silver, or other commodities from a non-producing class: it *all* amounts to this—that the working class perform their own labour, and support themselves, and likewise perform the labour of the capitalist, and maintain him INTO THE BARGAIN! Whatever may be the *nominal* RECEIPTS which the producers receive from the capitalists, their actual RECEIPTS are—*the TRANSFER of that labour which ought to be rendered by the capitalists*" (pp. 153-54).

"We will suppose the population of the UNITED KINGDOM to be 25,000,000 of human beings. We assume that their maintenance is,[a] on the average, at least £15 per head annually. This gives £375,000,000 as the yearly value of the maintenance of the whole people of the UNITED KINGDOM. We do not, however, employ ourselves merely in producing articles of subsistence, for our labour creates, likewise, many unconsumable articles. We every year add to our STOCK OF ACCUMULATIONS, OR CAPITAL, by increasing the number of our houses, ships, IMPLEMENTS, machines, roads, and other assistants to further production, beside making good all wear and tear. Thus, although our subsistence may be worth but three hundred and seventy-five millions sterling a year, the total annual value of the wealth created by the people will not be less than five hundred millions sterling" (p. 81).

"We cannot calculate upon having above $^1/_4$ of our population, or about 6 millions of men—that is, those between the ages of 14 and 50—as effective producers. Of this number scarcely 5 millions can be said, under the present arrangements, to assist in production;" (Bray writes later on that only 4 millions are directly employed in actual production) "for thousands of able-bodied men[b] are compelled to stand idle while the work which they ought to do is being performed by women and children; and hundreds of thousands of men in Ireland can obtain no employment whatever. Thus 5 millions[c] of men, assisted by a few thousands of women and children, have to create produce for 25 millions" (pp. 81-82).

"The present number of working men, if unassisted by machinery, could not support themselves and the present number of idlers and unprofitable labourers. The agricultural and manufacturing machinery of every kind which we bring to our aid in the business of productions, has been computed to perform the labour of about one hundred millions of effective men. ... this machinery—and its application under the present system, has generated the hundreds of thousands of idlers and livers on profit who now press the working class into the earth" (p. 82).

"The present constitution of society has been fertilised by machinery, and by machinery will it be destroyed" (p. 82). "The machinery itself is good—is indispensable; it is the application of it—the circumstance of its being possessed by individuals instead of by the nation—that is bad" (p. 83).

"Of the 5 million men who at present assist in production some work only 5 hours a day, others 15;[d] and when to this is added the time lost by the compulsory

[a] Bray has "We may estimate the entire maintenance of the 25 millions of people to be worth".—*Ed.*

[b] Bray has further: "in Great Britain".—*Ed.*

[c] Bray has "less than 5 millions".—*Ed.*

[d] Bray has "The five millions of men already enumerated as assisting in production will include all who labour little or much. Some [...] do not work five hours a day, while others again toil on fifteen hours."—*Ed.*

idleness of great numbers in times OF DEPRESSION in TRADE, it will be found that our annual production is created and distributed by less than $^1/_5$ of the COMMUNITY, working, on the average, 10 hours a day" (p. 83).

"We suppose that the wealthy non-producers of every description, with their families, and dependents, amount only to 2 millions of persons, yet this number alone would cost the working classes £30,000,000 annually, if their maintenance were averaged, like that of the latter, at £15 per head" (pp. 83, 84). "But upon the most moderate computation their maintenance will cost not less than £50 per head. This gives a total of £100,000,000 as the annual cost of the mere drones of society—the utterly unproductive" (p. 84).

"Add to this[a] the double and quadruple ALLOWANCE received by the various classes of small proprietors, manufacturers, and tradesmen, in the shape of [X-444] profit and interest. Upon the most moderate computation, the share of wealth enjoyed by this extensive portion of the COMMUNITY will amount to not less than £140,000,000 annually, *above* the average of what is received by an equal number of the best paid of the working class. Thus, along with their government, the 2 classes of idlers and livers on profit—comprising perhaps $^1/_4$ of the entire population—absorb about £300,000,000 annually, or above one half of the entire wealth produced" (p[p. 84,] 85). "An average loss of above £50 per head to every working man in the empire! ... This leaves no more than an average of £11 per head per annum, to be divided amongst the remaining $^3/_4$ of the nation. From calculations made in 1815, it appears that the annual income of the whole people of the UNITED KINGDOM amounted to about £430,000,000; of which the working class received £99,742,547, and the rent, pension, and profit class £330,778,825! The whole property of the country was at the same time calculated to be worth nearly three thousand millions of pounds sterling" (p. 85).

Cf. the list of King[98] etc.

1844: *ENGLAND. POPULATION*: NOBILITY AND GENTRY=1,181,000. *TRADESMEN, FARMERS, etc.*=4,221,000 (combined total—5,402,000). LABOURERS, PAUPERS, etc.=9,567,000. Banfield (T.C.), *The Organisation of Industry*, 2nd ed., London, 1848 [pp. 22-23].

[X-445] g) Mr. RODBERTUS
DRITTER BRIEF AN V. KIRCHMANN VON RODBERTUS. WIDERLEGUNG DER RICARDOSCHEN LEHRE VON DER GRUNDRENTE UND BEGRÜNDUNG EINER NEUEN RENTENTHEORIE, BERLIN, 1851[99]

The following remark has to be made beforehand: supposing the necessary wage=10 hours, then this is most easily explained in the following manner. If 10 hours' labour (i.e., a sum of money=10 hours) enabled the agricultural labourer, on an average, to purchase all the necessary means of subsistence, agricultural, industrial products, etc., then this is the average wage for UNSKILLED LABOUR. We are thus concerned here with the *value* of his daily product which must fall to his share. In the first place this value exists in the form of the *commodity* which he produces, i.e., [in] a certain *quantity of this commodity*, in exchange for which, after

[a] Bray has "likewise".—*Ed.*

deducting what he himself consumes of the commodity (IF [he does consume any of it]), he can procure for himself the necessary means of subsistence. Not only the *use value* which he himself produces, but industry, agriculture, etc., thus come into the estimation of his necessary "income". But this is inherent in the concept of *commodity*. He produces a commodity, not merely a product. We need therefore waste no words about this.

Mr. Rodbertus first investigates the situation in a country where there is *no* separation between land ownership and ownership of capital. And here he comes to the right conclusion that rent (by which he means the entire *surplus value*) is simply=to the unpaid labour or the quantity of products which it represents.

In the first instance it is noteworthy that Rodbertus only takes into account the growth of *relative* surplus value, i.e., the growth of surplus value in so far as it arises out of the growing productivity of labour and not the growth of surplus value derived from the prolongation of the working day itself. All absolute surplus value is of course relative in one respect. Labour must be sufficiently productive for the worker not to require all his time to keep himself alive. But from this point the distinction comes into force. Incidentally, if originally labour is but little productive, the needs are also extremely simple (as with slaves) and the masters themselves do not live much better than the servants. The relative productivity of labour necessary before a PROFIT-MONGER, a parasite, can come into being is very small. If we find a high rate of profit though labour is as yet very unproductive, and machinery, division of labour, etc., are not used, then this is the case only under the following circumstances: either as in India, partly because the requirements of the worker are extremely small and he is depressed even below his modest needs, but partly also because low productivity of labour is identical with a relatively small fixed capital in proportion to the share of capital which is spent on wages or, and this comes to the same thing, with a relatively high proportion of capital laid out in labour in relation to the total capital; or finally, because labour time is excessively long. The latter is the case in countries (such as Austria, etc.) where the capitalist mode of production is already in existence but which have to compete with far more developed countries. Wages can be low here partly because the requirements of the worker are less developed, partly because agricultural products are cheaper or—this amounts to the same thing as far as the capitalist is concerned—because they have less value in terms of money. Hence the quantity of the product of, say, 10 hours' labour, which must go to the worker as necessary wages, is small. If, however, he works 17 hours instead of 12 then this can be made good. In any case because in a given country the relative value of labour falls in proportion to its productivity, it must not be imagined that wages in different countries are inversely proportional to the productivity of labour. In fact exactly the opposite is the case. The more productive one country is relative to another in the world market, the higher will be its wages as compared with the other. In England, not only nominal wages but real wages are higher than on the Continent. The worker eats more meat; he satisfies more needs. This, however, only applies to the industrial worker and not the agricultural labourer. But in proportion to the productivity of the English workers their wages are not higher.

Quite apart from the variation in rent according to the fertility of the land, rent as such—hence the modern form of landed property—would already be possible, it could exist, because the average wage of the agricultural labourer is below that of the industrial worker. Since, to start with, by tradition (as the farmer of the old times turns capitalist before capitalists turn farmers) the capitalist passed on part of his gain to the LANDLORD, he compensated himself by forcing wages down below their level. With the labourers' desertion of the land, wages had to rise and they did rise. But hardly has this pressure become evident, when machinery, etc., is introduced and the land once more boasts a (relative) SURPLUS POPULATION. (Vide England.) Surplus value can be increased, without the extension of labour time or the development of the productive power of labour, by forcing wages below their traditional level. And indeed this is the case wherever agricultural production is carried on by capitalist methods. Where it cannot be achieved by means of machinery, it is done by turning the land over to sheep grazing. Here then we already have a *potential basis* of [X-446] rent since, *in fact*, the agricultural labourer's wage does not=the average wage. This rent would be feasible quite independent of the *price* of the product, which is=to its value.

Ricardo is also aware of the second type of rent increase, which arises from a greater product sold at the same price,[a] but he does not take it into account, since he measures rent per qr and not per ACRE. He would not say that rent has risen (and *in this way* rent can rise with falling prices) because 20 qrs [at] 2s. is more than 10 [quarters at] 2s. or 10 qrs [at] 3s.

Incidentally, however the phenomenon of rent may be ex-

[a] D. Ricardo, *On the Principles of Political Economy*...—*Ed.*

plained, *the significant difference* between agriculture and industry remains, in that in the latter, excess surplus value[a] is created by cheaper production, in the former, by dearer production. If the average price of 1 lb. of yarn=2s. and I can produce it for 1s., then, in order to gain an increased market for it, I will necessarily sell [it] for 1s. 6d. [or] at any rate below 2s. And what is more, this is absolutely necessary, for cheaper production presupposes production on a larger scale. So, compared with before, I am now glutting the market. I must sell *more* than before. Although 1 lb. of yarn costs only 1s. this is only the case if I now produce, say, 10,000 lbs as against my previous 8,000 lbs. The low cost is only achieved because fixed capital is spread over 10,000 lbs. If I were to sell only 8,000 lbs, the wear and tear of the machines alone would raise the price per lb. by $^1/_5$=20%. So I sell at below 2s. in order to be able to sell 10,000 lbs. In doing so, I am still making an excess profit of 6d., i.e., of 50% on the value of my product which is 1s. and already includes the normal profit. In any case, I am hereby forcing down the market price with the result that in general the consumer gets the product more cheaply. But in agriculture I sell at 2s. since, if I had sufficient fertile land, the less fertile would not be cultivated. If the area of fertile land were enlarged, or the fertility [of the] poorer soil so improved that I could satisfy demand, then this game would end. Not only does Ricardo not deny this, but he expressly calls attention to it.

Thus if we admit that the varying fertility of the land accounts not for rent itself, but only for the differences in rent, there remains the law that while in industry, on an average, excess profit arises from the lowering of the price of the product, in agriculture the relative size of rent is determined not only by the relative raising of the price (raising the price of the product of fertile land above its value) but by selling the cheaper product at the cost of the dearer. This is, however, as I have already demonstrated (Proudhon),[b] merely the law of competition, which does not emanate from the "soil" but from "capitalist production" itself.

Furthermore, Ricardo would be right in another respect, except that, in the manner of the economists, he turns a historical phenomenon into an eternal law. This historical phenomenon is the relatively faster development of manufacture (in fact the truly bourgeois branch of industry) as against agriculture. The latter has

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[a] In the manuscript the German term is followed by its English equivalent.—*Ed.*

[b] See K. Marx, *The Poverty of Philosophy* (present edition, Vol. 6, pp. 197-206).—*Ed.*

become more productive but not in the same ratio as industry. Whereas in manufacture productivity has increased tenfold, in agriculture it has, perhaps, doubled. Agriculture has therefore become *relatively* less productive, although absolutely more productive. This only proves the very QUEER development of bourgeois production and its inherent contradictions. It does not, however, invalidate the proposition that agriculture becomes relatively less productive and hence, compared with [the value of] the industrial product, the value of the agricultural product rises and with it also rent. That in the course of development of capitalist production, agricultural labour has become relatively less productive than industrial labour only means that the productivity of agriculture has not developed with the same speed and to the same degree.

Suppose the relation of industry A to industry B is as 1 : 1. Originally agriculture [was] more productive because not only natural forces but also a machine created by nature play a part in agriculture; right from the start, the individual worker is working with a machine. Hence, in ancient times and in the Middle Ages agricultural products were relatively much cheaper than industrial products, which is obvious (see *Wade*[a]) from the ratio of the two within the average wage.

At the same time let 1 : 1 indicate the fertility of the two [branches of production]. Now if industry A=10, [i.e.] its fertility increases tenfold while industry B merely increases threefold,=3, then whereas the industries were previously as 1 : 1 they are now as 10 : 3 or as 1 : $^3/_{10}$. The fertility of industry B has decreased relatively by $^7/_{10}$ although absolutely it has increased threefold. For the highest rent [it is] the same—relatively to industry—as if it had risen because the poorest land had become $^7/_{10}$ less fertile.

Now it does not by any means follow, as Ricardo supposes,[b] that the rate of profit has fallen because wages have risen as a result of the relative increase in the price of agricultural products [X-447]. For the average wage is not determined by the relative but by the absolute value of the products which enter into it. It does however follow that the rate of profit (really the rate of surplus value) has not risen in the same ratio as the productive power of manufacturing industry, and this is due to agriculture (not the land) being relatively less productive. This is absolutely certain. The reduction in the necessary labour time seems small compared with the progress in industry. This is evident from the fact that

[a] [J. Wade,] *History of the Middle and Working Classes...*, London, 1833, p. 25.—*Ed.*

[b] See D. Ricardo, *On the Principles of Political Economy...*, pp. 111-12.—*Ed.*

the agricultural products of countries like Russia, etc., can beat those of England. The lower value of money in the wealthier countries (i.e., the low relative production costs of money in the wealthier countries) does not enter into it at all. For the question is, why it does not affect their industrial products in competition with poorer countries when it does affect their agricultural products. (Incidentally, this does not prove that poor countries produce more cheaply, that their agricultural labour is more productive. Even in the UNITED STATES, the volume of corn at a given price has increased, as has recently been proved by statistical information, not however because the yield per ACRE has risen, but because more ACRES have come under cultivation. It cannot be said that the land is more productive where there is a great land mass and where large areas, superficially cultivated, yield a greater absolute product with the same amount of labour than much smaller areas in the more advanced country.)

The fact that *less productive* land is brought under cultivation does not necessarily prove that agriculture has become less productive. On the contrary, it may prove that it has become more productive; that the inferior land is being cultivated, not [only] because the price of the agricultural product has sufficiently risen to compensate for the capital investment, but also the converse, that the means of production have developed to such an extent that the unproductive land has become "productive" and capable of yielding not only the normal profit but also rent. Land which is fertile at a [given] stage of development of productive power may be unfertile for a lower developmental stage.

In agriculture, the absolute extension of labour time—i.e., the augmentation of absolute surplus value—is only possible to a limited degree. One cannot work by gaslight on the land, etc. True, one can rise early in spring and summer. But this is offset by the shorter winter days when, in any case, only a relatively small amount of work can be accomplished. So in this respect *absolute surplus value* is *greater in industry* so long as the normal working day is not regulated by force of law. A second reason for a smaller amount of *surplus value* being created in agriculture is the long period during which the product remains in the process of production without any labour being expended on it. With the exception of certain branches of agriculture such as stock raising, sheep farming, etc., where the population is positively ousted from the land, the number of people employed relatively to the constant capital used, is still far greater—even in the most advanced large-scale agriculture—than in industry, or at least in the dominating branches of industry. Hence in this respect even if, for the above-mentioned reasons, the mass of surplus value is relatively smaller than it [would be] with the employment of *the same* number of people in industry—this latter condition is partly offset again by the wage falling below its average level—the rate of profit can be greater than in industry. But if there are, in agriculture, any causes (we only indicate the above) which raise the rate of profit (not temporarily but on an average as compared with industry) then the mere existence of the LANDLORD would cause this extra profit to consolidate itself and accrue to the LANDLORD rather than enter into the formation of the general rate of profit.

In general terms the question to be answered with regard to Rodbertus is as follows:

The general form of capital advanced is:

Constant capital	Variable capital
Machinery—Raw materials[100]	*Labour power*[a]

In general the two elements of constant capital are the instruments of labour and the object of labour. The latter is not necessarily a commodity, a product of labour. It may therefore not exist as an *element of capital*, although it is invariably an *element in the labour process*. Soil is the husbandman's raw material, the mine that of the miner, the water that of the fisherman and even the forest is that of the hunter. In the most complete form of capital, however, these 3 elements of the labour process also exist as 3 elements of capital, i.e., they are all commodities, use values which have an exchange value and are products of labour. In this case all 3 elements enter into the valorisation process, although machinery [enters into it] not to the extent to which it enters into the labour process but only in so far as it is consumed.

The following question now arises: Can the absence of one of these elements in a particular branch of industry enhance the *rate of profit* (not the rate of surplus value) in that industry? In general terms, the formula itself provides the answer:

The rate of profit equals the ratio of surplus value to the total capital advanced.

Throughout this investigation it is assumed that the *rate of surplus value*, i.e., the division of the value of the product between the capitalist and the wage worker, remains constant.

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[a] In the manuscript "wages"; changed to "labour power" presumably by Engels.—*Ed.*

[X-448] The rate of surplus value$=\frac{S}{V}$; the rate of profit $=\frac{S}{C+V}$. Since S', the rate of surplus value, is given, V is given and $\frac{S}{V}$ is assumed to be a constant magnitude. Therefore the magnitude of $\frac{S}{C+V}$ can only alter when $C+V$ changes and since V is given, this can only increase or decrease because C decreases or increases. And further, $\frac{S}{C+V}$ will increase or decrease not in the ratio of $C:V$ but according to C's relation to the sum of $C+V$. If $C=0$, then $\frac{S}{C+V}=\frac{S}{V}$. The rate of profit [would] in this case equal the rate of surplus value and this is its highest possible amount, since no sort of *calculation* can alter the magnitude of S and V. Suppose $V=100$ and $S=50$, then $\frac{S}{V}=\frac{50}{100}=\frac{1}{2}=50\%$. If a constant capital of 100 were added, then the rate of profit$=\frac{50}{100+100}=\frac{50}{200}=\frac{1}{4}=25\%$. The rate of profit would have decreased by half. If 150 were added to 100 then the rate of profit$=\frac{50}{150+100}=\frac{50}{250}=\frac{1}{5}=20\%$. In the first instance, total capital$=V$=variable capital, hence the rate of profit=the rate of surplus value. In the second instance, total capital$=2\times V$, hence the rate of profit is only half the rate of surplus value. In the third instance, total capital$=2\,{}^1/_2\times 100=2\,{}^1/_2\times V={}^5/_2\times V$; V is now only ${}^2/_5$ of total capital. The rate of surplus value$={}^1/_2$ of V, i.e., ${}^1/_2$ of 100, hence is only ${}^1/_2$ of ${}^2/_5$ of total capital$={}^2/_{10}$ of total capital. ${}^{250}/_{10}=25$ and ${}^2/_{10}$ of $250=50$. But ${}^2/_{10}=20\%$.

Hence to start with this much has been established. Provided V remains constant and $\frac{S}{V}$ too, then it is of no consequence how C is composed. If C has a certain magnitude, say 100, then it makes no difference whether it consists of 50 raw material and 50 machinery or 10 raw material and 90 machinery, or 0 raw material and 100 machinery or the other way about. For the rate of profit is determined by the relationship $\frac{S}{C+V}$; how the elements of production of which C consists relate, as value components, to C as a whole is irrelevant here. For instance, in the production of coal the raw materials (after deducting coal itself which again serves as *matière instrumentale*) may be reckoned as nought and the entire constant capital can be assumed to consist of machinery (including buildings and instruments of labour). On the other hand, with a tailor, machinery can be considered as nought and here the whole of constant capital resolves into raw materials (particularly where tailors running a large business do not as yet use sewing-machines and, on the other hand, even save buildings, as sometimes occurs nowadays in London, by employing their workers as OUTDOOR LABOURERS. This is *a new phenomenon*, where the 2nd *division of labour* reappears *in the form* of the first[101]). If the colliery owner employs 1,000 units of machinery and 1,000 units of wage labour and the tailor 1,000 of raw materials and 1,000 of wage labour, then with an equal rate of surplus value, the rate of profit in both instances is the same. If [we] assume that surplus value is 20%, then the rate of profit would in both cases be 10%, namely: $^{200}/_{2,000}={}^{2}/_{20}={}^{1}/_{10}=10\%$. Hence there are only two instances in which the ratio between the component parts of *C*, i.e., raw materials and machinery, can affect the rate of profit: 1) If a change in this ratio modifies the absolute magnitude of *C*. 2) If the ratio between the component parts of *C* modifies the size of *V*. This would imply organic CHANGES in production itself and not merely the tautologous statement that if a particular part of *C* accounts for a smaller portion, then the other must make up a larger portion of the total amount.

In the REAL BILL of an ENGLISH FARMER, *WAGES* amount to £1,690, *MANURE* to £686, *SEED* to £150, *fodder FOR COWS* to £100. Thus "raw material" comes to £936, which is more than half the amount spent on WAGES. (See F. W. Newman, *Lectures on Political Economy*, London, 1851, p. 166.)

*"In *Flanders*"* (in the *Belgian* areas) *"*dung* and hay are in these parts imported from Holland"* (for flax-growing, etc. In turn they export flax, *LINSEED*, etc.). "The *refuse in Dutch towns is[a] a matter of trade, and is regularly sold at high prices to Belgium. At about 20 miles from Antwerp, up the Schelde, the reservoirs may be seen for the manure that is brought from Holland. The trade is managed by a company of capitalists on[b] Dutch boats" etc.* (*Banfield* [The Organisation of Industry..., 2nd ed., London, 1848, pp. 40 and 42]).

And so even manure, plain muck, has become merchandise, not to speak of bone-meal, guano, potash, etc. That the elements of production *are estimated* in terms of money is not merely due to the formal change in production. New materials are introduced

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[a] Newman has "The refuse of the towns has therefore become".— *Ed.*

[b] Newman has "and the" instead of "on".— *Ed.*

into the soil and its old ones are sold for reasons relating to *production*. This is not merely a formal difference between the capitalist and the previous mode of production. The seed trade has risen in importance to the extent to which the importance of seed rotation has become recognised. Hence it would be ridiculous to say that no "raw material"—i.e., raw material as a commodity—enters into agriculture whether it be reproduced by agriculture itself or bought as a commodity, acquired from outside. It would be equally absurd to say that the machine employed by the engineer [X-449] who constructs machines does not figure as an element of value in his capital.

A German peasant who year after year produces his own elements of production, seeds, manure, etc., and, with his family, consumes part of his crops needs to spend money (as far as production itself is concerned) only on the purchase of a few tools for cultivating the land, and on wages. Let us assume that the value of all his expenses=100. He consumes half *in natura* (production costs). The other half he sells and he receives, say, 100. His gross income thus=100 and if he relates this to his capital of 50 then it amounts to 100%. If $^1/_3$ of the 50 is deducted for rent and $^1/_3$ for taxes ($33\,^1/_3$ in all) then he retains $16\,^2/_3$, calculated on 50 this is $33\,^1/_3$%. But in fact he has only received $16\,^2/_3$%.[102] The peasant has merely miscalculated and has cheated himself. The capitalist FARMER does not make such errors.

Mathieu de Dombasle says in his *Annales agricoles etc.*, Paris, 1829 (4th instalment, 1828) that under the *métairie* contract (in [the province of] Berry, for example),

"the landowner supplies the land, the buildings and usually all or part of the livestock and the tools required for cultivation; the tenant for his part supplies his labour and nothing, or almost nothing else. The products of the land are shared in equal parts" ([p.] 301). "The tenants are as a rule submerged in dire poverty" ([p.] 302). "If the métayer, having laid out 1,000 francs, increases his gross product by 1,500 francs" (i.e., a gross gain of 500 francs) "he must pass half of it on to the landowner, retaining merely 750, and so loses 250 francs of his expenses" ([p.] 304).[a] "Under the previous system of cultivation the expenses or costs of production were almost exclusively drawn in kind, from the products themselves, for the consumption of the animals and of the cultivator of the land and his family; hardly any cash was paid out. Only these particular circumstances could give rise to the belief that landowner and tenant could divide amongst themselves the whole of the harvest which had not been consumed during production. But this process is only applicable to this type of agriculture, namely, *low-level agriculture*. But when it is desired to raise that level, it is realised that this is only possible by making certain advances which have to be deducted from the gross product in order to be able to utilise them again in the following year. Hence this kind of division of the gross

[a] Marx quotes Mathieu de Dombasle partly in French, partly in German.—*Ed.*

product between the landowner and the tenant becomes an insurmountable obstacle to any sort of improvement" (l.c., [p.] 307).

Mr. Rodbertus seems to think that competition brings about a normal profit, or average profit or general rate of profit by reducing the commodities to their *real value*; i.e., that it regulates their price relationships in such a manner that the correlative quantities of labour time realised in the various commodities are expressed in money or whatever else happens to be the measure of value.[a] This is of course not brought about by the price of a commodity at any given moment being equal to its value nor does it have to be equal to its value. For example the price of commodity A rises above its value and for a time remains, moreover, at this high level, or even continues to rise. The profit of [the capitalist who produces] A thus rises above the average profit in that he appropriates not only his own "unpaid" labour time, but also a part of the unpaid labour time which other capitalists have "produced". This has to be compensated by a fall in profit in one or other sphere of production provided the price of the other commodities in terms of money remains constant. If the commodity is a means of subsistence generally consumed by the worker, then it will depress the rate of profit in all other branches; if it enters as a constituent part into the constant capital, then it will force down the rate of profit in all those spheres of production where it forms an element in constant capital.

Finally, the commodity may neither be an element in any constant capital, nor form a *necessary* item in the workers' means of subsistence (for those commodities which the worker can choose to buy or abstain from buying, he consumes as a consumer in general and not as a worker) but it may be one of the consumer goods, an article for individual consumption in general. If, as such, it is consumed by the industrial capitalist himself, then the rise in its price in no way affects the amount of surplus value or the rate of surplus value. Now if the capitalist wanted to maintain his previous STANDARD OF CONSUMPTION, then that part of profit (surplus value) which he uses for individual consumption would rise in relation to that which he sinks into industrial reproduction. The latter would decrease. As a result of the price rise, or the rise in profit above its average rate, in A, the volume of profit in B, C, etc. would diminish within a certain space of time (which is also determined by reproduction). If article A was exclusively con-

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[a] [J. K.] Rodbertus, *Sociale Briefe an von Kirchmann*. Dritter Brief, Berlin, 1851, p. 92.—*Ed.*

sumed by non-industrial capitalists, then they would consume more than before of commodity A as compared with commodities B, C, etc. The demand for commodities B, C, etc. would fall; their price would fall and, in this CASE, the price rise in A, or the rise in profit in A above the average rate, would have brought about a fall in the profit in B, C, etc. below the average rate by forcing down the money prices of B, C, etc. (in contrast to the previous instances where the money price of B, C, etc. [X-450] remained constant). Capitals would migrate from B, C, etc., where the rate of profit has sunk below the [average] level, to A's sphere of production. This would apply particularly to a portion of the capital which constantly appears on the market afresh and which would naturally tend to penetrate into the more profitable sphere A. Consequently, after some time, the price of article A would fall below its value and would continue to do so for a longer or shorter period, until the reverse movement set in again. The opposite process would take place in the spheres B, C, etc., partly as a result of the reduced supplies of articles B, C, etc., because of the exodus of capital, i.e., because of the organic CHANGES taking place in these spheres of production themselves, and partly as a result of the changes which have occurred in A and which in turn are affecting B, C, etc. in the opposite direction.

Incidentally, it may well be that in this process—assuming the value of money to be constant—the money prices of B, C, etc., never regain their original level, although they may rise above the value of commodities B, C, etc. and hence the rate of profit in B, C, etc. may also rise above the general rate of profit. Improvements, inventions, greater economy in the means of production, etc. are introduced not at times when prices rise above their average level, but when they fall below it, i.e., when profit falls below its normal rate. Hence during the period of falling prices of B, C, etc., their *real value* may fall, in other words the minimum labour time required for the production of these commodities may decrease. In this case, the commodity can only regain its former money price if the rise in its price over its value=the MARGIN, i.e., the difference between the price which expresses its new value and the price which expressed its higher former value. Here the *price* of the commodity would have changed the value of the commodity by affecting supply, and the production costs.

The result of the above-mentioned movement: If we take the average of the increases and decreases in the price of the commodity above or below its value, or the period of equalisation of rises and falls—periods which are constantly repeated—then the *average price*[103] is equal to the *value*. The average profit in a particular sphere therefore also=the general rate of profit; for although, in this sphere, profit rose above or fell below its old rate with the rise or fall in prices—or with the increase or decrease in production costs while the price remained constant—on an average, over the period, the commodity was sold at its *value*. *Hence* the profit yielded=the general rate of profit. This is Adam Smith's conception and, even more so, *Ricardo's*, since the latter adheres more firmly to the real concept of value. Mr. Rodbertus acquires it from them. And yet this conception is wrong.

What is the effect of the competition between capitals? The *average price* of the commodities during a period of equalisation is such that these prices yield the same rate of profit to the producers of commodities in every sphere, for instance, 10%. What else does this mean? That the price of each commodity stands at $^1/_{10}$ above the price of the production costs, which the capitalist has incurred, i.e., the amount he has spent in order to produce the commodity. In general terms this just means that capitals of equal size yield equal profits, that the price of each commodity is one-tenth higher than the price of the capital advanced, consumed or represented in the commodity. It is however quite incorrect to say that capitals in the various spheres of production produce the same surplus value in relation to their size, even if we assume that the absolute working day is equally long in all spheres, i.e., if we assume a set rate of surplus value. //We leave aside here the possibility of one capitalist enforcing longer working hours than another, and we assume a fixed *absolute* working day for all spheres. The variation between different days is partly offset in the absolute working days by the varying intensity of labour, etc., and partly these differences only signify arbitrary excess profits, exceptional cases, etc.//

Bearing in mind the above assumption, the amount of surplus value produced by capitals of *equal size* varies *firstly* according to the correlation of their organic components, i.e., of variable and constant capital; *secondly* according to their period of circulation in so far as this is determined by the ratio of fixed capital to circulating capital and also [by] the various periods of reproduction of the different sorts of fixed capital; *thirdly* according to the duration of the actual period of production as distinct from the duration of labour time itself,[104] which again may lead to substantial differences between the length of the production period and circulation period. (The first of these correlations, namely, that between constant and variable capital, can itself spring from a great divergency of causes; it may, for example, be purely formal so that the raw material worked up in one sphere is dearer than that worked up in another, or it may result from the varying productivity of labour, etc.)

Thus, if the commodities were sold at their values or if the *average prices* of the commodities were equal to their values, then the rate of profit in the various spheres would have to vary a great deal. In one case it would be 50, in others 40, 30, 20, 10, etc. Taking the total volume of commodities for a year in sphere A, for instance, their value would be equal to the capital advanced in them+the unpaid labour they contain. Ditto in spheres B and C. But since A, B and C contain different amounts of unpaid labour, for instance, A more than B and B more than C, the commodities A might perhaps yield $3S$ (S=surplus value) to their producers, B=$2S$ and C=S. Since the rate of profit is determined by the ratio of surplus value to capital advanced, and as on our assumption this is the same in A, B, C, etc., then [X-451] if C is the capital advanced, the various rates of profit will be $\frac{3S}{C}, \frac{2S}{C}, \frac{S}{C}$. Competition of capitals can therefore only equalise the rates of profit, for instance in our example, by making the rates of profit equal to $\frac{2S}{C}, \frac{2S}{C}, \frac{2S}{C}$ in the spheres A, B, C. A would sell his commodity at $1S$ less and C at $1S$ more than its value. The average price in sphere A would be below, and in sphere C would be above, the value of the commodities A and C.

As the example of B shows, it *can* in fact happen that the average price and the value of a commodity coincide. This occurs when the surplus value created in sphere B itself equals the average profit; in other words, when the relationship of the various components of the capital in sphere B is the same as that which exists when the sum total of capitals, the capital of the capitalist class, is regarded as a single *magnitude* on which the whole of surplus value [is] calculated, irrespective of the particular sphere of the total capital within which it has been created. In this total capital the periods of turnover, etc. are equalised; one can, for instance, consider that the whole of this capital is turned over during one year. In that case every section of the *total capital* would in accordance with its magnitude participate in the total surplus value and draw a corresponding part of it. And since every individual capital is to be regarded as SHAREHOLDER in this total capital, it would be correct to say *first* that its *rate of profit* is the same as that of all the others, capitals of the same size yield the same amount of profit; *secondly*, and this arises automatically from the first point, that the volume of profit depends on the size of the capital, on the number of SHARES IN THAT GENERAL CAPITAL WHICH ARE OWNED BY THE CAPITALIST. Competition among capitals thus seeks to treat every capital as a share of the total capital and correspondingly to regulate its participation in surplus value and hence also in profit. Competition *plus ou moins*[a] succeeds in this by means of its equalisations (we shall not examine here the reason why it encounters particular obstacles in certain spheres). But in plain language this just means that the capitalists strive (and this striving is competition) to divide among themselves the quantity of unpaid labour—or the products of this quantity of labour—which they squeeze out of the working class, not according to the surplus labour produced directly by a *particular* capital, but corresponding *firstly* to the relative portion of the total capital which a particular capital represents and *secondly* according to the amount of surplus labour produced by the aggregate capital. The capitalists, like hostile brothers, divide among themselves the loot of other people's labour which they have appropriated so that on an average one receives the same amount of unpaid labour as another.[105]

Competition achieves this equalisation by regulating average prices. These average prices themselves, however, are either above or below the value of the commodity so that no commodity yields a higher rate of profit than any other. It is therefore wrong to say that competition among capitals brings about a general rate of profit by equalising the prices of commodities to their values. On the contrary it does so by converting the values of the commodities into average prices, in which a part of surplus value is transferred from one commodity to another, etc. The *value* of a commodity=the quantity of paid+unpaid labour *contained* in it. The *average price* of a commodity=the quantity of paid labour it *contains* (objectified or living)+an average quota of unpaid labour. The latter does not depend on *whether this amount* was contained in the commodity itself or on whether more or less of it was embodied in the value of the commodity.

It is possible—I leave this over for a later inquiry which does not belong to the subject-matter of this book—that certain spheres of production function under circumstances which work against a reduction in their values to average prices in the above sense, and do not permit competition to achieve this victory.[106] If this were

[a] More or less.—*Ed.*

the case for instance with agricultural rent or rent from mines (there are rents which are altogether only explicable by monopoly conditions, for instance the water rent in Lombardy, and in parts of Asia, also house rent in so far as it represents rent from landed property) then it would follow that while the product of all industrial capitals is raised or lowered to the average price, the product of agriculture [would] equal its value, which would be above the average price. Might there be obstacles here, which cause more of the *surplus value created* in this sphere of production to be appropriated as property of the sphere itself, than should be the case according to the laws of competition, more than it should receive according to the quota of capital invested in this branch of industry?

Supposing industrial capitals which are producing 10 or 20 or 30% more surplus value [X-452] than industrial capitals of equal size in other spheres of production, not just temporarily, but because of the very nature of *their* spheres of production as opposed to others; supposing I say, they were able to hang on to this excess surplus value in the face of competition and to prevent it from being included in the general accounts (distribution) which determine the GENERAL RATE OF PROFIT, then, in this case, one could distinguish between 2 recipients in the spheres of production of these capitals, THE ONE WHO WOULD GET THE GENERAL RATE OF PROFIT, AND THE OTHER WHO WOULD GET THE SURPLUS EXCLUSIVELY INHERENT in THIS SPHERE. Every capitalist could pay, hand over, this excess to the privileged one, in order to invest his capital here, and he would retain for himself THE GENERAL RATE OF PROFIT, LIKE EVERY OTHER CAPITALIST, DEPENDENT UPON THE SAME CHANCES. If this were the case in agriculture, etc., then the splitting of *surplus value* into *profit* and *rent* would by no means indicate that labour as such is actually "more productive" (OF SURPLUS VALUE) here than in manufacture. Hence [it would not be necessary] to ascribe any magic powers to the soil; this, moreover, is in any case absurd, since value=labour, therefore surplus=value [and] cannot possibly=soil (although relative surplus value may be due to the natural fertility of the soil, but under no circumstances could this result in a *higher price* for the products of the soil. Rather the opposite). Nor would it be necessary to have recourse to Ricardo's theory, which is disagreeably linked with the Malthusian trash, has repulsive consequences and, though in theory it is not especially opposed to my views on relative surplus value, it deprives them of much of their practical significance.

Ricardo's point is this[a]:

[a] See D. Ricardo, *On the Principles of Political Economy...*, p. 59.—*Ed.*

Rent (for instance, in agriculture) can be nothing other than an *excédent*[a] above GENERAL PROFIT where—as he presupposes—agriculture is run on capitalist lines, where [there] is [a] FARMER. Whether that which the LANDLORD receives is actually equal to this rent in the bourgeois-economic sense is quite irrelevant. It may be purely a deduction from wages (*vide* Ireland) or it may be partly derived from the reduction of the farmer's profit below the average level of profits. Which of these possible factors happens to be operative is of no consequence whatsoever. *Rent*, in the bourgeois system, only exists as a special, characteristic form of surplus value in so far as it is an excess over and above (GENERAL) profit.

But how is this possible? The commodity wheat, like every other commodity, is sold at its *value*, i.e., it is exchanged for other commodities in relation to the labour time embodied in it. //This is the first erroneous assumption which complicates the problem by posing it artificially. Only in exceptional circumstances are commodities exchanged at their value. Their *average prices* are determined in a different way. *Vide supra*.[b]// The farmer who grows wheat makes the same profit as all the other capitalists. This proves that, like all the others, he appropriates that portion of labour time for which he has not paid his workers. Where, on top of this, does the rent come from? It must represent labour time. Why should surplus labour in agriculture resolve into profit and rent while in industry it is just profit? And, how is this possible at all, if the profit in agriculture=the profit in every other sphere of production? //Ricardo's faulty conception of profit and the way in which he confuses it with surplus value have also a detrimental effect here. They make the whole thing more difficult for him.//

Ricardo solves this *difficulty* by assuming that *IN PRINCIPLE* it is non-existent. //This indeed is in principle the *only possibility* of overcoming any difficulty. But there are two ways of doing this. Either one shows that the contradiction to the PRINCIPLE is an *illusion* which arises from the development of the thing itself, or one *denies* the existence of the difficulty *at one point*, as Ricardo does, and then takes this as a starting-point from which one can proceed to explain its existence at some other stage.//

He assumes a point at which the farmer's capital, like everyone else's, only yields profit. //This capital may be invested in a non-rent paying individual farm, or in a non-rent paying part of

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[a] Excess.—*Ed.*
[b] See above.—*Ed.*

the land of a farm. In fact it can be any capital which is employed in the cultivation of land that does not pay rent.// This, moreover, is the starting-point, and it can also be expressed as follows:

Originally the farmer's capital only pays profit, no rent //although this *pseudo-historical* form is of no consequence and in other "laws" is common to all bourgeois economists//. It is no different from any other industrial capital. Rent only enters into it because the demand for grain rises and now, in contrast to other branches of industry, it becomes necessary to resort to "less" fertile ground. The FARMER (the SUPPOSED original FARMER) suffers, like any other industrial capitalist, in so far as he has to pay his workers more because of the rise in [the price of] food. But he gains because of the rise in price of his commodity above its value, *firstly*, to the extent to which the value of other commodities which enter into his constant capital falls relatively to his commodity and so he buys them more cheaply, and *secondly*, in so far as he owns the surplus value in the form of his dearer commodity. Thus this farmer's profit rises above the average rate of profit, which has, however, fallen. HENCE another capitalist moves onto the less fertile land, No. II, which, with this lower rate of profit, can supply produce at the price of I or perhaps even a little more cheaply. Be that as it may, we now have, once more, [X-453] the normal situation on II, that surplus value merely resolves itself into profit. But we have explained the rent for I by the existence of a twofold price of production: the production price of II is simultaneously the market price of I. A temporary SURPLUS GAIN has been [achieved], just as with the factory-made commodity which is produced under more favourable conditions. The price of corn, which in addition to profit comprises rent, in fact consists only of objectified labour, and is equal to its value; it is however equal not to the value embodied in itself, but to the value of II. It is impossible to have two market prices side by side. //While Ricardo introduces farmer [No.] II because of the fall in the rate of profit, Stirling introduces him because wages [have] *fallen* not risen following upon the price of corn. This fall in wages allows II to cultivate [a piece of land] No. II at the old rate of profit, although the soil is less fertile.[a]// Once the existence of rent has been established in this way, the rest follows easily. The *difference between rents* according to varying fertility, etc., of course remains correct. This does not necessarily imply that less and less fertile land has to come under cultivation.

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[a] See P. J. Stirling, *The Philosophy of Trade; or, Outlines of a Theory of Profits and Prices...*, Edinburgh, London, 1846, pp. 209-10.—*Ed.*

So here we have Ricardo's theory. The higher price of corn, which yields an excess profit to I, does not yield even as much as the earlier rate of profit for II. It is thus clear that product No. II contains more value than product No I, i.e., it is the product of more labour time, it embodies a greater quantity of labour. Therefore more labour time must be supplied to manufacture the same product—say, for instance, a quarter of wheat. And the rise in rent will be relative to this decreasing fertility of the land, or the growth in the quantity of labour which must be employed to produce, say, a quarter of wheat. Of course Ricardo would not talk of a "rise" in rent if there were just an increase in the number of quarters from which rent is paid, but only if the price of the *individual* quarter rose from say 30s. to 60s. True, he does sometimes forget that the absolute volume of rent can grow with a reduced rate of rent, just as the ABSOLUTE AMOUNT OF PROFIT can increase WITH A DECREASING RATE OF PROFIT.

Others seek to by-pass this difficulty (*Carey* for instance) by directly denying its existence. Rent [they say] is only interest on the capital which, at an earlier stage, was incorporated in the land. Therefore, again only A FORM OF PROFIT. Here then the very *existence of rent* is denied and so indeed *explained away*.[a]

Others, for instance *Buchanan*, regard it just as a consequence of monopoly. See also *Hopkins*.[107] With them it is merely a *SURCHARGE* above *the value*.

For Mr. *Opdyke*, a typical Yankee, landed property or rent becomes "*THE LEGALISED REFLEXION OF THE VALUE OF CAPITAL*".[b]

With Ricardo the examination is rendered more difficult by the two false assumptions. //Ricardo it is true was not the inventor of the theory of rent. West and Malthus had put it into print before him. The SOURCE, however, is *Anderson*. But what distinguished Ricardo is the way in which he links rent with his theory of value (although West did not entirely miss the real interconnection either). As his later polemic about rent with Ricardo shows, Malthus himself did not understand the theory he had adopted from Anderson.// If we start from the correct principle that the value of commodities is determined by the labour time necessary for their production (and that value in general is nothing other than realised social labour time) then it follows that the *average price* of commodities is determined by the labour time required for their production. This conclusion would be the right

[a] See this volume, pp. 367-68, 371, 388-89.—*Ed.*

[b] G. Opdyke, *A Treatise on Political Economy*, New York, 1851, p. 60. See this volume, p. 328, Marx's footnote.—*Ed.*

one if it had been proved that *average price = value*. But I show that just *because* the value of the commodity is determined by *labour time*, the average price of the commodities (except in the *unique* case in which the so-called individual *rate of profit* in a particular sphere of production, i.e., the profit determined by the surplus value yielded in this sphere of production itself, [is] equal to the average rate of profit on total capital) *can never* be equal to their value although this determination of the average price is only derived from the value which is based on labour time.

D'abord,[a] it follows that even commodities whose average price (IF we disregard the value of constant capital) resolves only into wages and profit, in such a way that these stand at their normal rate, i.e., are average wages and average profit, can be sold above or below their own value. The fact that the commodity yields rent on top of profit [X-454] does not prove that the commodity is sold *above* its intrinsic value, any more than the circumstance of the surplus value of a commodity only expressing itself in the category of normal profit proves that the commodity is sold at its value. If a commodity can yield an *average rate of profit or general rate of profit on capital* which is *below* its own rate of profit determined by its real surplus value, then it follows that if on top of this average rate of profit commodities in a *particular sphere of production* yield a second amount of surplus value which carries a separate name, for instance, *rent*, then profit+rent, the sum of profit+rent need not be higher than the *surplus value* contained in the commodity. Since profit can be < than the intrinsic surplus value of the commodity, or the quantity of unpaid labour it embodies, profit+rent need not be > than the intrinsic surplus value of the commodity.

Why this occurs in a *particular* sphere of production as opposed to other spheres has of course still to be explained. But the problem has already been simplified. This commodity differs from the others in the following way: In a number of these other commodities average price is *above* their intrinsic value, but only in order to *raise* their rate of profit to the level of the general rate. In another section of these other commodities the average price stands at a level *below* their intrinsic value, but only to the extent required to *reduce* their rate of profit to concur with the general rate. Finally in a third section of these other commodities, average price = their intrinsic value, but only *because* if sold at their *intrinsic* value they yield the general rate of profit. But the commodity which yields rent differs from all these 3 instances. Whatever the

[a] In the first place.—*Ed.*

circumstances, it is sold at a price which will yield *more than average profit*—as determined by the general rate of profit on capital.

Now the question arises, which, or how many, of these 3 instances can occur. Supposing the *whole of the surplus value the commodity contains is realised* in its price. In that case, it excludes the *3rd instance,* namely, those commodities whose entire surplus value is realised in their average price, because they only yield ordinary profit. We may, therefore, dismiss this one. Similarly, on *this* presupposition, we can exclude the 1st instance, where the surplus value realised in the price of the commodity is *above* its intrinsic surplus value. For it is assumed, that "the surplus value contained in it is realised" in its price. This instance is thus analogous with case 2 of those commodities whose intrinsic surplus value is higher than the surplus value realised in their average price. As with these commodities the profit form of this surplus value—which has been equated by the reduction to the general rate of profit—constitutes in this case profit on the capital invested. The *excess intrinsic surplus value of the commodity over and above* this profit is, *however,* in contrast to *commodity 2,* also realised in these exceptional commodities, but accrues not to the owner of the capital, but to the owner of the land, the NATURAL AGENT, the mine, etc.

Or [what happens if we assume that] the price is forced up to such a degree that it carries more than the *average rate of profit*? This is, for instance, the CASE with actual monopoly prices. *This assumption*—applied to every sphere of production where capital and labour may be FREELY employed [and] whose production, so far as the volume of capital employed is concerned, is subject to the general laws—would not only be a *petitio principii,* but would *directly contradict* the foundations of [economic] science and of capitalist production—the former being merely the theoretical expression of the latter. For such an assumption presupposes the very phenomenon which is to be explained, namely, that in a particular sphere of production, the price of a commodity *must* carry more than the general rate of profit, more than the average profit, and to this end [the commodity] *must be sold above* its value. It presupposes that agricultural products are *excluded* from the general laws of value of commodities and of capitalist production. It, moreover, presupposes this, because the peculiar presence of rent side by side with profit *prima facie* makes it appear so. Hence this is absurd.

So there is nothing left but to assume that special circumstances exist in this particular sphere of production, which influence the situation and cause the prices of the commodities to realise their intrinsic surplus value. This in contrast to [case] 2 of the other commodities, where only as much of their intrinsic surplus value is realised by their prices as is yielded by the general rate of profit, where their average prices fall so far below their surplus value that they only yield the general rate of profit, or in other words their average profit is no greater than that in all other spheres of production of capital.

In this way the problem has already become much simpler. It is no longer a question of explaining how it comes about that the price of a commodity yields rent as well as profit, thus *apparently* evading the general law of value and by raising its price above its *intrinsic surplus value,* carrying *more than the general rate of profit* for a given capital. The question is why, in the process of equalisation of commodities at average prices, this particular commodity does not have to pass on to other commodities so much of its *intrinsic surplus value* that it only yields the *average profit,* but is able to realise a portion of its own surplus value which forms an excess *over and above* average profit; so that it is possible for a FARMER, who invests capital in this sphere of production, to sell the commodity at prices which yield him the ordinary profit and at the same time enable him to pay the excess in surplus value realised *over and above* this profit to a third PERSON, the LANDLORD.

[X-455] Put in this way, the very formulation of the problem carries its own solution.

It is quite simply the *private ownership* of land, mines, water, etc. by certain people, which enables them to snatch, intercept and seize the *excess surplus value over and above profit* (average profit, the rate of profit determined by the general rate of profit) contained in the commodities of these particular spheres of production, these particular fields of capital investment, and so to prevent it from entering into the general process by which the general rate of profit is formed. Moreover, some of this surplus value is actually collected in every industrial enterprise, since rent for the plot of land used (by factory buildings, workhouses, etc.) figures in every instance, for even where the land is available free, no factories are built, except in the more or less populated areas with good means of communication.

Supposing the commodities produced by the poorest cultivated land belonged to category 3, i.e., those commodities whose average price=their value, in other words, the whole of their intrinsic surplus value is realised in their price because only thus do they yield the ordinary profit; in this case the land would pay no rent and landownership would be purely nominal. If a *rent* were paid for the use of the land, then it would only prove that small capitalists, as is partly the case in England (see Newman[a]), are satisfied with making a profit *below* the average. The same applies whenever the rate of rent is higher than the difference between the *intrinsic* surplus value of a commodity and the *average profit*. There is even land whose cultivation at most suffices to pay wages, for, although here the labourer works for himself the whole of his working day, his labour time is longer than the socially *necessary* labour time. It is so unproductive—relative to the generally prevailing productivity in *this* branch of work—that, although the man works for himself for 12 hours, he hardly [produces] as much as a worker under more favourable conditions of production does in 8 hours. This is the same relationship as that of the hand-loom weaver who competes with the POWER-LOOM. Although the product of this hand-loom weaver=12 hours of labour, it was only equal to 8 or less hours of socially *necessary* labour and his product therefore only [had] the value of 8 necessary labour hours. If in such an instance the COTTIER pays a rent then this is purely a deduction from his *necessary* wage and does not represent surplus value, let alone an excess over and above average profit.

Assume that in a country like the UNITED STATES, the number of competing FARMERS is as yet so small and the appropriation of land so much just a matter of form that everyone has the opportunity to invest his capital in land and the cultivation of the soil, without the permission of hitherto-existing owner-cultivators or farmers. In these circumstances it is possible over a considerable period—with the exception of that landed property which by its very situation in populated areas carries a monopoly—that the surplus value which the farmer produces on top of average profit is not realised in the price of his product, but that he may have to share it with his brother capitalists in the same way as this is done with the surplus value of all commodities which would give an excess profit, i.e., raise the rate of profit above the general rate, if their surplus value were realised in their price. In this case the general rate of profit would rise, because wheat, etc., like other manufactured commodities, would be sold *below* its value. This selling *below* its value would not constitute an exception, but rather would prevent wheat from forming an exception to other commodities in the same category.

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[a] F. W. Newman, *Lectures on Political Economy*, p. 155.—*Ed.*

Secondly, assume that in a given country the land is all of a particular quality, so that if the whole of the surplus value from the commodity were realised in its price, it would yield the usual profit on capital. In this case no rent would be paid. The absence of rent would in no way affect the general rate of profit, it would neither raise it nor lower it, just as it is not influenced by the fact that other non-agricultural products are to be found in this category. Since the commodities belong to this category just because their *intrinsic surplus value* equals the *average profit* [they] cannot alter the level of this profit, on the contrary they CONFORM with it and do not influence it at all, although it influences them.

Thirdly, assume that all the land consists of a particular type of soil, but this is so poor that the capital employed in it is so unproductive that its product belongs to that kind of commodity whose surplus value [lies] below average profit. Since wages would rise everywhere as a result of the unproductiveness of agriculture, surplus value could in this case of course only be higher where absolute labour time can be prolonged, where the raw material, such as iron, etc., is not the product of agriculture or, further, where it [is], like cotton, silk, etc., an imported article and a product of more fertile soil. In this case, the price of the [agricultural] commodity would include a surplus value higher than that inherent in it, to enable it to yield the usual profit. The general rate of profit would consequently fall, despite the absence of rent.

Or assume in CASE 2, that the soil is very unproductive. Then surplus value of this agricultural product, by its very equality with average profit, would show that the latter is altogether low since in agriculture perhaps 11 of the 12 working hours are required to produce just the wages, and the surplus value only equals 1 hour or less.

[X-456] These various examples illustrate the following:

In the first case, the *absence or lack of rent* is bound up with, or concurs with, an *increased rate of profit*—as compared with other countries where the phenomenon of rent has developed.

In the second case the lack or absence of rent does not affect the rate of profit at all.

In the third case, compared with other countries where rent exists, it is bound up with and indicative of a *low, a relatively low,* general rate of profit.

It follows from this that the development of a particular rent in itself has absolutely nothing to do with the *productivity of agricultural labour,* since the absence or lack of rent can be associated with a rising, falling or constant rate of profit.

The question here is not: Why is the *excess of surplus value over average profit* held fast in agriculture, etc.? On the contrary, we should rather ask: Why should the opposite take place here?

Surplus value is nothing other than unpaid labour; the average or normal profit is nothing other than the quantity of unpaid labour WHICH EACH CAPITAL OF A GIVEN MAGNITUDE OF VALUE IS SUPPOSED TO REALISE. If we say that average profit is 10% then this means nothing other than that a capital of 100 commands 10 units of unpaid labour; or 100 units of objectified labour command $^1/_{10}$ of their amount in *unpaid* labour. Thus *excess of surplus value over average profit* implies that a commodity (its price or that part of its price which consists of surplus value) contains a quantity of unpaid labour [which is] > than the quantity of unpaid labour that forms average profit, which therefore in the average price of the commodities *forms the excess of their price over the price of their production costs.* In each individual commodity the production costs represent the capital advanced, and the excess over these production costs represents the *unpaid labour* which the advanced capital commands; hence the relationship of this excess in price over the price of production costs shows *the rate* at which a given capital—employed in the production process of commodities—commands unpaid labour, irrespective of whether the unpaid labour contained in the commodity of the *particular* sphere of production is equal to this *rate* or not.

Now what forces the individual capitalist, for instance, to sell his commodity at an average price, which yields him only the average profit and makes him realise less unpaid labour than is in fact worked into his own commodity? This average price is *thrust* upon him; it is by no means the result of his own free will; he would prefer to sell the commodity *above* its value. It is forced upon him by the competition of other capitals. For every capital of the same size could also be rushed into A, the branch of production in which the relationship of unpaid labour to the invested capital, for instance, £100, is greater than in production spheres B, C, etc. whose products by their use value also satisfy a social need just as much as the commodities of production sphere A.

When there are spheres of production in which certain natural conditions of production, such as, for example, arable land, coal seams, iron mines, waterfalls, etc.—without which the production process cannot be carried out, without which commodities cannot be produced in this sphere—are in the hands of others than the proprietors or owners of the objectified labour, the capitalists, then this second type of *proprietor of the conditions of production* will say:

If I let you have this condition of production for your use, then you will make your average profit; you will appropriate the normal quantity of unpaid labour. But your production yields an excess of surplus value, of unpaid labour, above the rate of profit. This excess you will not throw into the common account, as is usual with you capitalists, but I am going to appropriate it myself. It belongs to me. This transaction should suit you, because your capital yields you just the same in this sphere of production as in any other and besides, this is a very solid branch of production. Apart from the 10% unpaid labour which constitutes the average profit, your capital will also provide a further 20% of *additional* unpaid labour here. This you will pay over to me and in order to do so, you add 20% unpaid labour to the price of the commodity, and this you simply do not account for with the other capitalists. Just as your ownership of one condition of labour—capital, objectified labour—enables you to appropriate a certain quantity of unpaid labour from the workers, so my ownership of the other condition of production, the land, etc., enables me to intercept and divert away from you and the entire capitalist class, that part of unpaid labour which is excessive to your average profit. Your law will have it that under normal circumstances, capitals of equal size appropriate equal quantities of unpaid labour and you capitalists can force each other [X-457] into this position by competition among yourselves. WELL, I happen to be applying this law to you. You are not to appropriate any more of the unpaid labour of your workers than you could with the same capital in any other sphere of production. But the law has nothing to do with the excess of unpaid labour which you have "produced" over the normal quota. Who is going to prevent me from appropriating this "excess"? Why should I act according to your custom and throw it into the common POT of capital to be shared out among the capitalist class, so that everyone should draw out a part of it in accordance with his SHARE in the aggregate capital? I am not a capitalist. The condition of production which I allow you to utilise is not objectified labour but a natural phenomenon. Can you manufacture land or water or mines or coal pits? *Quod non.*[a] The means of compulsion which can be applied to you in order to make you release again a part of the surplus labour you have managed to get hold of does not exist for me. So out with it! The

[a] Certainly not.—*Ed.*

only thing your brother capitalists can do is to compete against you, not against me. If you pay me less excess profit than the difference between the *surplus time* you have made and the quota of surplus labour due to you according to the RULE of capital, your brother capitalists will appear on the scene and by their competition will force you to pay me FAIRLY THE FULL AMOUNT I AM EMPOWERED TO SQUEEZE FROM YOU.

The following problems should now be set forth: 1) The transition from feudal landownership to a different form, commercial land rent, regulated by capitalist production, or, on the other hand, the conversion of this feudal landed property into free peasant property; 2) How rent comes into existence in countries such as the UNITED STATES, where originally land has not been appropriated and where, at any rate in a formal sense, the bourgeois mode of production prevails from the beginning; 3) The Asiatic forms of landownership still in existence. But all this does not belong here.

According to this theory then, the private ownership of objects of nature such as the land, water, mines, etc., the ownership of these conditions of production, this essential ingredient of production emanating from nature, is not a source from which flows value, since value is only objectified labour time. Neither is it the source from which [excess] surplus value flows, i.e., an excess of unpaid labour over and above the unpaid labour contained in profit. This ownership is, however, a source of revenue. It is a claim, a means, which in the sphere of production that the property enters as a condition of production enables the owner to appropriate that part of the unpaid labour squeezed out by the capitalist which would otherwise be tossed into the capital fund as excess over normal profit. This ownership is a means of obstructing the process which takes place in the rest of the spheres of capitalist production, and of holding on to the surplus value created in this particular sphere, so that it is divided between the capitalist and the landowner in that sphere of production itself. In this way landed property, like capital, constitutes a promissory note to unpaid labour, gratis labour. And just as with capital, the worker's objectified labour appears as a power over him, so with landed property, the circumstance which enables the landowners to take part of the unpaid labour away from the capitalists, makes landownership appear as a source of value.

This then explains modern rent, its existence. *With a given capital investment,* the variation in the amount of rent is only to be explained by the varying fertility of the land. The variation in the amount of rent, *given equal fertility*, can only be explained by the varying amount of capital invested. In the first case, rent rises because its rate increases in proportion to the capital employed (also according to the area of the land). In the second case, it rises because with the same or even with a different rate (if the 2nd dose of capital is not equally productive) the amount of rent increases.

For this theory it is immaterial whether the least fertile land yields a rent or not. Further, it is by no means necessary for the fertility of agriculture to decline, although the diversity in productivity, if not artificially overcome (which is possible), is much greater than in similar spheres of industrial production. When we speak of greater or lesser fertility, we are still concerned with *the same* product. The relationship of the various products, one to another, is another question.

Rent as calculated on the land itself is the RENTAL, the AMOUNT OF RENT. It can rise without an increase in the rate of rent. If the value of money remains unchanged, then the relative value of agricultural products can rise, not because agriculture is becoming less productive, but because, although its productivity is rising, it is rising slower than in industry. On the other hand, a rise in the money price of agricultural products, while the value of money remains the same, is only possible if their value rises, i.e., if agriculture becomes less productive (provided it is not caused by temporary PRESSURE OF DEMAND UPON SUPPLY as with other commodities).

In the cotton industry, the price of the raw material fell continuously with the development of the industry itself; the same applies to iron, etc., coal, etc. The growth of rent here was possible, not because its rate rose, but only because more capital was employed.

Ricardo is of the following opinion: The powers of nature, such as air, light, electricity, steam, water are gratis; the land is not, because it is limited. So already for this reason alone, agriculture is less productive than other industries. If the land were just as COMMON, UNAPPROPRIATED, available in any quantities, as the other elements and powers of nature, then it would be much more productive.[a]

[X-458] *D'abord*, if the land were so easily available, at everyone's free disposal, then a principal element *for the formation of capital* would be missing. A most important condition of production and—apart from man himself and his labour—the only original

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[a] See D. Ricardo, *On the Principles of Political Economy...*, p. 56.—*Ed.*

condition of production could not be disposed of, could not be appropriated. It could not thus confront the worker as someone else's property and make him into a wage labourer. The productivity of labour in Ricardo's sense, i.e., in the capitalist sense, the "producing" of someone else's unpaid labour would thus become impossible. And this would put an end to capitalist production altogether.

So far as the powers of nature indicated by Ricardo are concerned, it is true that these are partly to be had for nothing and do not cost the capitalist anything. Coal costs him something, but steam costs him nothing so long as he gets water gratis. But now, for example, let us take steam. The properties of steam always existed. Its industrial usefulness is a new scientific discovery which the capitalist has appropriated. As a consequence of this scientific discovery, the productivity of labour and with it relative surplus value rose. In other words, the quantity of unpaid labour which the capitalist appropriated from a day's labour grew with the aid of steam. The difference between the productive power of steam and that of the soil is thus only that the one yields unpaid labour to the capitalist and the other to the landowner, who does not take it away from the worker, but from the capitalist. The capitalist is therefore so enthusiastic about this element "belonging to no one".

Only this much is correct:

Assuming the capitalist mode of production, the capitalist is not only a necessary functionary, but the dominating functionary in production. The landowner, on the other hand, is quite superfluous in this mode of production. Its only requirement is that land should *not* be COMMON PROPERTY, that it should confront the working class as a condition of production, *not belonging* to it, and the purpose is completely fulfilled if it becomes State property, i.e., if the State draws the rent. The landowner, such an important functionary in production in the ancient world and in the Middle Ages, is A USELESS SUPERFETATION in the industrial world. The radical bourgeois[108] (WITH AN EYE BESIDES TO THE SUPPRESSION OF ALL OTHER TAXES) therefore goes forward theoretically to a refutation of the private ownership of the land, which, in the form of State property, he would like to turn into the COMMON PROPERTY of the bourgeois class, of capital. But in practice he lacks the courage, since an attack on one form of property—a form of the private ownership of a condition of labour—might cast considerable doubts on the other form. Besides, the bourgeois has himself become an owner of land.

Now to Mr. Rodbertus.

According to Rodbertus, no raw material enters into agricultural calculations, because, so Rodbertus assures us, the German peasant does not reckon that seeds, feeding stuffs, etc. cost him anything. He does not count these as production costs; in fact he *mis*calculates. In England, where the FARMER has been doing his accounts correctly for more than 150 years, there should accordingly be *no* ground rent. The conclusion therefore should not be the one drawn by Rodbertus, that the farmer pays a rent because his rate of profit is higher than in manufacture, but that he pays it because, as a result of a miscalculation, he is satisfied with a *lower* rate of profit. Dr. Quesnay, himself the son of a tenant farmer and closely [acquainted] with French farming, would not have received this idea kindly. Quesnay includes the "raw material" which the tenant farmer needs, as one of the items in the annual outlay of 1,000 million, although the farmer reproduces it *in natura*.[a]

Although hardly any fixed capital or machinery is to be found in one section of manufacture, in another section—the entire transport industry, the industry which produces change of location, [using] wagons, railways, ships, etc.—there is no raw material but only tools of production. Do such branches of industry yield a rent apart from profit? How does this branch of industry differ from, say, the mining industry? In both of them only machinery and *matière instrumentale* are used, such as coal for steamships and locomotives and mines, fodder for horses, etc. Why should the rate of profit be calculated differently in one sector than in the other? [Supposing] the advances to production which the peasant makes *in natura* $= {}^1/_5$ of the total capital he advances, to which we would then have to add ${}^4/_5$ in advances for the purchase of machinery and wages, the expenditure amounting to 150 qrs. If he then makes 10% profit [this would be] equal to 15 qrs, i.e., the gross product would be 165 qrs. If he now deducted ${}^1/_5=30$ qrs and calculated the 15 qrs only on 120, then he would have made a profit of $12\,{}^1/_2$ [%].

Alternatively, we could put it in this way: The value of his product, or his product=165 qrs (=£330). He reckons his advances to be 120 qrs (£240), 10% on this=12 qrs (£24). But his gross product=165 qrs; from which thus 132 qrs are to be deducted, which leaves 33 qrs. But from these, 30 qrs are

[a] [F.] Quesnay, *Analyse du tableau économique*. In: *Physiocrates...*, Part I, Paris, 1846, p. 58 et seq.—*Ed.*

deducted *in natura*. This leaves an EXTRA PROFIT of 3 qrs (=£6). His total profit=15 qrs (£30) instead of 12 qrs (£24). So he can pay a rent of 3 qrs or £6 and *fancy* that he has made a profit of 10% like every other capitalist. But this 10% exists only in his imagination. IN FACT, he has made advances of 150 qrs, not of 120 qrs and on these, 10% amounts to 15 qrs or £30. IN FACT he received 3 qrs too few, $^1/_4$ of the 12 qrs which he actually received [X-459], or $^1/_5$ of the total profit which he should have received, because he did not consider $^1/_5$ of his advances to be advances. Therefore, as soon as he learnt to calculate according to capitalist methods, he would cease to pay rent, which would merely amount to the difference between *his* rate of profit and the normal rate of profit.

In other words, the product of unpaid labour embodied in the 165 qrs=15 qrs=£30=30 labour weeks. Now if these 30 labour weeks or 15 qrs or £30 were calculated on the total advances of 150 qrs, then they would only form 10%; if they were calculated only on 120 qrs, then they would represent a higher percentage, because 10% on 120 qrs would be 12 qrs and 15 qrs are not 10% of 120 qrs but $12\,^1/_2$%. In other words: Since the peasant did not include some of his advances in the account as a capitalist would have done, he calculates the surplus labour he has saved on too small a portion of his advances. Hence it represents a higher rate of profit than in other branches of industry and can therefore yield a rent which is based solely on a miscalculation. The game would be over if the peasant realised that it is by no means necessary first to convert his advances into *real money*, i.e., to *sell* them, in order to assess them in money, and hence to regard them as commodities.

Without this mathematical error (which may be committed by a large number of German peasants but never by a capitalist FARMER) Rodbertus' rent would be an impossibility. It only becomes possible *where* raw material enters into production costs, but not where it *does not*. It only becomes feasible where the raw material enters [into production] *without* entering into the accounts. But it is not possible *where* it does not enter [into production], although Mr. Rodbertus wants to derive his explanation of the existence of rent *not* from a *miscalculation*, but from the *absence* of a real ITEM of expenditure.

Take the mining industry or the fisheries. Raw material does not figure in these, except as *matière instrumentale*, which we can omit, since the use of machinery always implies (with very few exceptions) the consumption of *matières instrumentales*, the food of the machine. Assuming that the general rate of profit is 10% and £100 are laid out in machinery and wages; why should the profit on 100 amount to more than 10, because the 100 have not been expended on raw material, machinery and wages, but have been expended on raw material and wages only? If there is to be any sort of difference, this could only arise because in the *various instances*, the ratio of the values of constant capital and variable capital is in fact *different*. This varying ratio would result in varying surplus value, even if the *rate* of surplus value is taken to be constant. And if varying surplus values are related to capitals of *equal size*, they must of course yield unequal profits. But on the other hand the general rate of profit means nothing other than the equalisation of these inequalities, abstraction from the organic components of capital and reduction of surplus value, so that capitals of equal size yield equal profits.

That the amount of surplus value depends on the *size of the capital employed* does not hold good—according to the general laws of surplus value—for capitals in *different* spheres of production, but for *different capitals* in *the same* sphere of production, in which it is assumed that the *organic* component parts of capital are in the same proportion. If one says for example: the volume of profit in *spinning*, for instance, corresponds to the size of the capitals employed (which is also not quite correct, unless one adds that productivity is assumed to be *constant*), this in fact merely means that, given the rate of exploitation of the spinners, the total amount of exploitation depends on the number of exploited spinners. If, on the other hand, one says that the volume of profit in different branches of production corresponds to the size of the capitals employed, then this means that the rate of profit is the same for each capital of a given size, i.e., the volume of profit can only change with the size of this capital. In other words, the rate of profit is independent of the organic relationship of the components of a capital in a particular sphere of production; it is altogether independent of the amount of surplus value which is realised in these particular spheres of production.

Mining production ought to be considered right from the start as belonging to industry and not to agriculture. Why? Because no product of the mine is used, *in natura*, as an element of production; no product of the mine enters in kind, straight from the mine, into the constant capital of the mining industry (the same applies to fishing and hunting, where the outlay consists to a still higher degree of the instruments of labour and wages or labour itself). [X-460] In other words, because every element of production in the mine—even if its raw material originates in the mine—not only alters its form, but becomes a commodity, i.e., it must be *bought*, before it can re-enter mining as an element of production. Coal forms the only exception to this. But it only appears as a means of production at a stage of development when the exploiter of the mine has graduated as a capitalist, who uses double entry book-keeping, in which he not only owes himself his advances, i.e., is a debtor against his own funds, but his own funds are debtors against themselves. Thus just here, where in fact no raw material figures in expenditure, capitalist accounting must prevail from the outset, making the illusion of the peasant impossible.

Now let us take manufacture itself, and in particular that section where all the elements of the labour process are also elements in the valorisation process; i.e., where all the production elements enter into the production of the new commodity as items of expenditure, as use values that have a value, as *commodities*. There is a considerable difference between the manufacturer who produces the first intermediate product and the second and all those that follow in the process towards the finished product. The raw material of the latter type of manufacturers enters the production process not only as a commodity, but is already a commodity of the 2nd degree; it has already taken on a different form from the first commodity, which was a raw product in its natural form, it has already passed through a second phase of the production process. For example, the spinner: His raw material is cotton, itself a raw product (already a commodity too), but the raw product as commodity. The raw material of the weaver however is the yarn produced by the spinner; that of the printer or dyer is the woven fabric, the product of the weaver; and all these products, which reappear as raw materials in further phases of the process are at the same time commodities.[109]

[X-461] We seem to have returned here to the question with which we have already been concerned on two other occasions, once when discussing John Stuart Mill,[a] and again during the general analysis of the relationship between constant capital and revenue.[b 26] The continual recurrence of this question shows that there is still a hitch somewhere. Really this belongs into Ch. III on profit.[29] But it fits in better here.

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[a] See this volume, pp. 55-59.—*Ed.*

[b] Ibid., pp. 59, 114.—*Ed.*

For example:

4,000 lbs cotton $=£100$;
4,000 lbs yarn$=£200$;
4,000 YARDS CALICO$=£400$.

On the basis of this assumption, 1 lb. cotton=6d., 1 lb. yarn=1s., 1 YARD [calico]=2s.

Given a rate of profit of 10%, then

A	in £100, the outlay= *$90\,^{10}/_{11}$*	and the profit=	*$9\,^{1}/_{11}$*
B	in £200, the outlay=$181\,^{9}/_{11}$	and the profit=	$18\,^{2}/_{11}$
C	in £400, the outlay=$363\,^{7}/_{11}$	and the profit=	$36\,^{4}/_{11}$

A=*COTTON* [the product of the] peasant (I); B=*yarn* [the product of the] spinner (II), C=*woven fabric* [the product of the] weaver (III).

Under this assumption it does not matter whether A's $90\,^{10}/_{11}$ itself includes a profit or not. It will not do so if it constitutes self-replacing constant capital. It is equally irrelevant for B, whether the £100 includes profit or not, and ditto with C in relation to B.

The relationship of B (the COTTON-GROWER) or I, of S (spinner) or II and of weaver or III is as follows:

I)	*Outlay*= $90\,^{10}/_{11}$		*Profit*= $9\,^{1}/_{11}$	Total= *100*
II)	*Outlay*=100	(I)+ $81\,^{9}/_{11}$	*Profit*=$18\,^{2}/_{11}$	*Total*=200
III)	*Outlay*=200	(II)+$163\,^{7}/_{11}$	*Profit*=$36\,^{4}/_{11}$	*Total*=400

The grand total=700.
Profit=$9\,^{1}/_{11}+18\,^{2}/_{11}+36\,^{4}/_{11}$

Capital advanced in all 3 sections: $90\,^{10}/_{11}+181\,^{9}/_{11}+363\,^{7}/_{11}=636\,^{4}/_{11}$
Excess of 700 over $636\,^{4}/_{11}=63\,^{7}/_{11}$. But $63\,^{7}/_{11}:636^{4}/_{11}=10:100$.

Continuing to analyse this rubbish, we obtain the following:

I)	*Outlay*= $90\,^{10}/_{11}$		*Profit*= $9\,^{1}/_{11}$	*Total*=100
II)	*Outlay*=100	(I)+ $81\,^{9}/_{11}$	*Profit*=10+ $8\,^{2}/_{11}$	*Total*=200
III)	*Outlay*=200	(II)+$163\,^{7}/_{11}$	Profit=20+$16\,^{4}/_{11}$	*Total*=400

I does not have to repay any profit, because it is assumed that his constant capital of $90\,^{10}/_{11}$ does not include any profit, but represents purely constant capital. The entire product of I figures as constant capital in II's outlay. That part of constant capital which=100 yields a profit of $9\,^{1}/_{11}$ to I. The entire product [of] II=200 enters into III's outlay, and thus yields a profit of $18\,^{2}/_{11}$. However, this does not in any way alter the fact that I's profit is not one iota larger than II's or III's, because the capital which he has to replace is smaller to the same degree and the profit corresponds to the volume of the capital, irrespective of the composition of the capital.

Now let us assume that III produces everything himself. Then the position *seems* to change, because his outlay now appears as follows:

$90\,^{10}/_{11}$ in the production of COTTON; $181\,^{9}/_{11}$ in the production of yarn and $363\,^{7}/_{11}$ in the production of the woven fabric. He buys all 3 branches of production and must therefore continually employ a definite amount of constant capital in all 3. If we now total this up we get: $90\,^{10}/_{11}+181\,^{9}/_{11}+363\,^{7}/_{11}=636\,^{4}/_{11}$. 10 per cent of this is exactly $63\,^{7}/_{11}$, as above, only that one individual pockets the lot, whereas previously the $63\,^{7}/_{11}$ were shared among I, II and III.

[X-462] How did the wrong impression arise a little while ago?

But first, one other comment.

If from the 400, we deduct the profit of the weaver, which amounts to $36\,^{4}/_{11}$, then we are left with $400-36\,^{4}/_{11}=363\,^{7}/_{11}$, his outlay. This outlay includes 200 paid out for yarn. Of these 200, $18\,^{2}/_{11}$ are the profit of the spinner. If we now deduct these $18\,^{2}/_{11}$ from the outlay of $363\,^{7}/_{11}$, we are left with $345\,^{5}/_{11}$. But the 200 which are returnable to the spinner, also contain $9\,^{1}/_{11}$ profit for the COTTON-GROWER. If we deduct these from the $345\,^{5}/_{11}$, we are left with $336\,^{4}/_{11}$. And if we deduct these $336\,^{4}/_{11}$ from the 400—the total value of the woven fabric—then it becomes evident that it contains a profit of $63\,^{7}/_{11}$.

But a profit of $63\,^{7}/_{11}$ on $336\,^{4}/_{11}$ is=to $18\,^{34}/_{37}\%$.

Previously we calculated these $63\,^{7}/_{11}$ on $636\,^{4}/_{11}$, and obtained a profit of 10%. The excess of the total value of 700 over $636\,^{4}/_{11}$ was in fact $63\,^{7}/_{11}$.

According to this calculation, therefore, $18\,^{34}/_{37}\%$ would be made on 100 of this same capital, whereas according to the previous calculation only 10%.

How does this tally?

Supposing I, II and III are one and the same person, but that this individual does not employ 3 capitals simultaneously, one in COTTON-growing, one in spinning and one in weaving. Rather, as soon as he ceases to grow cotton, he begins to spin it and as soon as he has spun, he finishes with this and begins to weave.

Then his accounting would look like this:

He invests £$90\,^{10}/_{11}$ in COTTON-growing. From this he obtains 4,000 lbs of COTTON. In order to spin these he needs to lay out a further £$81\,^{9}/_{11}$ in machinery, *matière instrumentale* and wages. With this he makes the 4,000 lbs of yarn. Finally he weaves these into 4,000 YARDS which involves him in a further outlay of £163 $^7/_{11}$. If he now adds up his expenditure, the capital which he has advanced=90 $^{10}/_{11}$+81 $^9/_{11}$+163 $^7/_{11}$, i.e., £336 $^4/_{11}$. 10% on this would be 33 $^7/_{11}$, because 336 $^4/_{11}$:33 $^7/_{11}$=100:10. But 336 $^4/_{11}$+33 $^7/_{11}$=£370. He would thus sell the 4,000 YARDS at £370 instead of at £400, i.e., at £30 less, i.e., at 7 $^1/_2$% lower than before. If the value INDEED were 400, he could thus sell at the USUAL PROFIT of 10% and in addition pay a rent of £30, because his rate of profit would not be 33 $^7/_{11}$ but 63 $^7/_{11}$ on his advances of 336 $^4/_{11}$, i.e., 18 $^{34}/_{37}$%, as we saw earlier. And this IN FACT appears to be the manner in which Mr. Rodbertus makes out his calculation of rent.

What does the FALLACY consist of? First of all it is evident that if spinning and weaving are combined, they should yield a rent, just as if spinning is combined with cultivation or if agriculture is carried on independently.

Evidently two different problems are involved here.

Firstly we are calculating the £63 $^7/_{11}$ only on one capital of £336 $^4/_{11}$, whereas we should be calculating it on 3 capitals of a total value of £636 $^4/_{11}$.

Secondly in the last capital, that of III, we are reckoning his outlay to be £336 $^4/_{11}$, instead of £363 $^7/_{11}$.

Let us go into these points separately.

Firstly: If III, II and I are united in one person, and if he spins up the entire product of his cotton harvest, then he does not use any part of this harvest at all to replace his agricultural capital. He does not employ part of his capital in [X-463] COTTON-growing—in expenditure on COTTON-growing, seeds, wages, machinery—and another part in spinning, but he first puts a part of his capital into COTTON-growing, then this part+a second into spinning, and then the whole of these 2 first parts, now existing in the form of yarn+a 3rd part, into weaving. Now when the fabric of 4,000 YARDS has been woven, how is he to replace its elements? While he was weaving he wasn't spinning, and he had no material from which to spin; while he was spinning he did not grow any COTTON. Therefore his elements of production cannot be *replaced*. To help ourselves along, let us say: Well, the fellow sells the 4,000 YARDS and then "buys" yarn and the elements of COTTON out of the £400. Where does this get us? To a position where we are in fact assuming that 3 capitals are simultaneously employed and engaged and laid out in production. But yarn cannot be bought unless it is available and in order to buy COTTON it must be available as well. And so that they are available to replace the woven yarn and the spun COTTON, simultaneously with the capital employed in weaving, capitals must be invested which are turned into COTTON and yarn at the same time as the yarn is turned into woven fabric.

Thus, whether III combines all 3 branches of production or whether 3 producers share them, 3 capitals must be available simultaneously. If he wants to produce on *the same* scale, he cannot carry on spinning and COTTON-growing with the same capital which he used for weaving. Every one of these capitals is engaged and their reciprocal replacement does not affect the problem under discussion. The replacement capitals are the constant capital which must be invested and operating in each of the 3 branches simultaneously. If the £400 contain a profit of $63\,{}^{7}/_{11}$, then this is only because besides his own profit of $36\,{}^{4}/_{11}$, we allow III to gather in the profit which he has to pay to II and I and which, according to the assumption, is realised in his commodity. But the profit was not made on his £$363\,{}^{7}/_{11}$. The peasant made it on his additional £$90\,{}^{10}/_{11}$ and the spinner on his $181\,{}^{9}/_{11}$. When he pockets the whole amount himself, he likewise has not made it on the £$363\,{}^{7}/_{11}$ that he invested in weaving, but on this capital+his two other capitals invested in spinning and COTTON-growing.

Secondly: If we reckon III's outlay to be £$336\,{}^{4}/_{11}$ instead of $363\,{}^{7}/_{11}$, then this arises from the following:

We take his outlay on COTTON-growing to be only $90\,{}^{10}/_{11}$ instead of 100. But he needs the whole product and this=100 and not $90\,{}^{10}/_{11}$. It contains the profit of $9\,{}^{1}/_{11}$. Or else he would be employing a capital of $90\,{}^{10}/_{11}$ which would bring him *no profit*. His COTTON-growing would yield him no profit but would just replace his expenditure of $90\,{}^{10}/_{11}$. In the same way, spinning would not bring him any profit, but the whole of the product would only replace his outlay.

In this case, his expenditure would indeed be reduced to $90\,{}^{10}/_{11} + 81\,{}^{9}/_{11} + 163\,{}^{7}/_{11} = 336\,{}^{4}/_{11}$. This would be the capital he has advanced. 10% on this would be £$33\,{}^{7}/_{11}$. And the value of the product=£370. The value would not be one farthing higher because, according to the supposition, portions I and II have not brought in any profit. Accordingly III would have done much better to leave I and II well alone and to keep to the old method of production. For instead of the $63\,{}^{7}/_{11}$ which were previously at the disposal of I, II and III, III now has only £$33\,{}^{7}/_{11}$ for himself whereas previously, when his fellows were alongside of him, he had £$36\,{}^{4}/_{11}$. He would indeed be a very bad hand at business. He would only have saved an outlay of £$9\,{}^{1}/_{11}$ in II because he had made no profit in I, and he would have saved an outlay of $18\,{}^{2}/_{11}$

in III, by not making a profit in II. The £$90\,^{10}/_{11}$ in COTTON-growing and the $81\,^{9}/_{11}+90\,^{10}/_{11}$ in spinning would both have only replaced themselves. Only the third capital of $90\,^{10}/_{11}+81\,^{9}/_{11}+163\,^{7}/_{11}$ invested in weaving, would have yielded a profit of 10%. This would mean that 100 would yield 10% profit in weaving, but not one farthing in spinning and COTTON-growing. This would be very pleasant for III, so long as I and II are persons other than himself, but by no means so, if, in order *to save these petty profits and pocket them himself*, he has united these 3 branches of business in his worthy self. The saving of advances for profit (or that component part of the [X-464] constant capital of one capitalist which is profit for the others) arose therefore from the fact that [the products of] I and II contained no profits and that I and II performed no surplus labour but regarded themselves merely as wage labourers who only had to replace *their production costs*, i.e., the outlay in constant capital and wages. Thus, in these circumstances—provided I and II did not want to work for III, since if they did, profit would go to *his* account—less labour would have been done in any case, and it would not matter to III whether the work for which he has to pay is only laid out in wages, or in wages and profit. This is all the same to him, in so far as he buys and pays for the product, the *commodity*.

Whether constant capital is wholly or partially replaced *in natura*, in other words, whether it is replaced by the producers of the commodity for which it serves as constant capital, is of no consequence. *D'abord*, all constant capital must in the end be replaced *in natura*: machinery by machinery, raw material by raw material, *matière instrumentale* by *matière instrumentale*. In agriculture, constant capital may also enter as a *commodity*, i.e., be mediated directly by purchase and sale. In so far as organic[a] substances enter into reproduction, the constant capital must of course be replaced by products of the same sphere of production. But it need not be replaced by the individual producers within this sphere of production. The more agriculture develops, the more all its elements enter into it as commodities, not just formally, but in actual fact. In other words, they come from outside, for instance, seeds, fertilisers, cattle, animal substances, etc., are the products of other producers. In industry, for example, the continual movement to and fro of iron into the machine SHOP and machines into the iron mines, is just as constant as is the movement of wheat from the granary to the land and from the land to the granary of

[a] The word "organised" is written above this word in the manuscript.—*Ed.*

the FARMER. The products in agriculture are replaced directly. Iron cannot replace machines. But iron, to the value of the machine, replaces the machine for one [producer], and the iron for the other, in so far as the value of his machine is replaced by iron.

It is difficult to see what difference it is supposed to make to the rate of profit if the peasant, who lays out the $90\,^{10}/_{11}$ on a product of £100, were to compute that, for instance, he spends £20 on seeds etc., 20 on machinery etc., and $50\,^{10}/_{11}$ on wages. What he wants is a profit of 10% on the total sum. The £20 of the product which he sets against seeds do not include any profit. Nevertheless, this is just as much £20 as the £20 in machinery, in which there may be a profit of 10%, although this may be only formal. In actual fact the £20 in machinery, like the £20 in seeds, may not contain a single FARTHING of profit. This is the case if these £20 are merely a replacement for components of the machine builder's constant capital, which he draws from agriculture, for instance.

Just as it would be wrong to say that all machinery goes into agriculture as its constant capital, so it is incorrect to say that all raw material goes into manufacture. A very large part of it remains fixed in agriculture and only represents a reproduction of constant capital. Another part of it goes directly into revenue in the form of means of subsistence and some of it, like fruit, fish, cattle etc., does not undergo a "manufacturing process" at all. It would therefore be incorrect to burden industry with the entire bill for all the raw materials "manufactured" by agriculture. Of course in those branches of manufacture where the raw material features as an advance, alongside wages and machinery, the capital advanced must be greater than in *those* branches of agriculture which supply the raw material used. It could also be assumed that if these branches of manufacture had their *own* rate of profit (different from the general rate) it would be smaller here than in agriculture and precisely because less labour is employed. For, with a given rate of surplus value, more constant capital and less variable capital necessarily bring in a lower rate of profit. This, however, applies equally to certain branches of manufacture as against others and to certain branches of agriculture (in the economic sense) as against others. It is in fact least likely to occur in agriculture proper, because, although it supplies raw material to industry, it differentiates between raw materials, machinery and wages in its own expenditure account, but industry by no means pays agriculture for the *raw material*, i.e., for that part of constant capital which it replaces from within itself and not by exchange with industrial products.

[X-465] Now to a brief resumé of Mr. Rodbertus.

First he describes the *situation* as he imagines it, where the (self-SUPPORTING) owner of the land is at the same time the capitalist and slave-owner. Then there comes a separation. That part of the "product of labour" which has been taken from the workers—the "one natural rent"—is now split up into "rent of land and capital gain" (pp. 81-82). (Mr. *Hopkins*—see notebook[110]—explains this in even more simple and blunt terms.) Then Mr. Rodbertus divides the "raw product" and "manufactured product" (p. 89) between the landowner and the capitalist—*petitio principii*. One capitalist produces raw products and the other manufactured products. The LANDLORD produces *nothing*, neither is he the "owner of raw products". That is the conception of a German "landed proprietor" such as Mr. Rodbertus is. In England, capitalist production began simultaneously in manufacture and in agriculture.

How a "rate of capital gain" (rate of profit) comes about, is explained by Mr. Rodbertus purely from the fact that money now provides a "measure" of gain, making it possible to "express the relationship of gain to capital" (p. 94) and thus "supplying a standard gauge for the equalisation of capital gains" (p. 94). He has not even a remote idea that this *uniformity of profit is in contradiction* to the equality of rent and unpaid labour in each branch of production, and that therefore the values of commodities and the average prices must differ. This rate of profit also becomes the norm in agriculture because the "*return on property* cannot be calculated upon anything other than capital" (p. 95) and by far the "larger part of the national capital is employed" (p. 95) in manufacture. Not a word about the fact that with the advent of capitalist production, agriculture itself is revolutionised, not only in a formal sense but really, and the landowner is reduced to a mere receptacle, ceasing to fulfil any function in production. According to Rodbertus

> "in manufacture, the *value of the entire product of agriculture*" is included "in the capital *as raw material*, whereas this cannot be the case in primary production" (p. 95).

The entire bit is *incorrect*.

Rodbertus now asks himself whether apart from the industrial profit, the profit on capital, there "remains a rent for the raw product", and "for what reasons" (p. 96).

He even assumes

> "that the raw product like the manufactured product exchanges according to its labour costs, that the value of the raw product is only equal to its labour cost" (p. 96).

True, as Rodbertus says, Ricardo also assumes this.[a] But it is wrong, at least *prima facie*, since commodities do not exchange according to their values, but at average prices, which differ from their values, and this, moreover, is a consequence of the apparently contradictory law, the determination of the value of commodities by "labour time". If the raw product carried a rent apart from and distinct from average profit, this would only be possible if the raw product were *not* sold at the average price and why this happens would then have to be explained. But let us see how Rodbertus operates.

"I have *assumed* that the rent" (the *surplus value*, the unpaid labour time) "*is distributed according to the* v a l u e *of the raw product and the manufactured product*, and that this value is determined by *labour costs*" (labour time) (pp. 96-97).

To begin with we must examine this first *assumption*. In fact this just means that the *surplus values* contained in the commodities are in the same proportion as their *values*, or, in other words, the *unpaid* labour *contained* in the commodities is proportionate to the total quantities of *labour* they *contain*. If the quantity of labour contained in the commodities A and B is as 3:1, then the unpaid labour—or surplus values—contained in them is as 3:1. Nothing could be further from the truth. Given the necessary labour time, for instance 10 hours, one commodity may be the product of 30 workers while the other is the product of 10. If the 30 workers only work 12 hours, then the surplus value created by them=60 hours=5 days (5×12), and if 10 work 16 hours a day, then the surplus value created by them also=60 hours. According to this, the value of commodity $A=30\times12=120\times3=360:\begin{array}{|l}12\\ \hline 3\end{array}=30$ working days //12 hours=1 working day//. And the value of commodity $B=160$ working hours: $\begin{array}{r|l}160 & 12\\ \underline{12} & \overline{13}\\ 40 & \\ \underline{36} & \\ 4 & \end{array}=13\,^{1}/_{3}$ working days. *The values* of commodities $A:B=360:160=36:16=6:{}^{16}/_{6}=6:2\,^{4}/_{6}=6:2\,^{2}/_{3}$. The surplus values contained in the commodities, however, are as 60:60=1:1. They are equal, although the values are almost as 3:1.

[X-466] Therefore, the surplus values of the commodities are not proportionate to their values, *d'abord* if the absolute surplus values, the extension of labour time beyond the necessary labour, i.e., the *rates of surplus value* [are different].

[a] See D. Ricardo, *On the Principles of Political Economy...*, pp. 60-61.—*Ed.*

Secondly, assuming the rates of surplus value to be the same, and leaving aside other factors connected with circulation and the reproduction process, then the surplus values are not dependent on the relative quantities of labour contained in the 2 commodities, but on the proportion of the part of capital laid out in wages to the part which is laid out in constant capital, raw material and machinery. And this proportion can be entirely different with commodities of equal values, whether they be "agricultural products" or "manufactured products", which in any case has nothing to do with this business, at least not *prima facie*.

Mr. Rodbertus' first assumption, that, if the values of commodities are determined by labour time, it follows that the quantities of unpaid labour *contained* in various commodities—or their surplus values—are directly related to their values is therefore fundamentally wrong. It is therefore also incorrect to say that

"*rent* is distributed according to the *value* of the raw product and the manufactured product", if "this value is determined by *labour costs*" (pp. 96-97).

"Of course it follows from this that the size of these portions of rent is not determined by the *size of the capital on which the gain is calculated*, but by the *direct labour*, whether it be agricultural or manufacturing+that amount of labour which must be added on account of the wear and tear of tools and machines" (p. 97).

Wrong again. The volume of surplus value (and in this case surplus value is the *portion of rent*, since rent is here regarded as the general term, as opposed to profit and ground rent) depends only on the immediate labour involved and not on the wear and tear of fixed capital. Just as it does not depend on the value of the raw material or indeed on any part of the constant capital.

The wear and tear does, of course, determine the rate at which fixed capital must be reproduced. (At the same time, its production depends on the formation of new capital, on the accumulation of capital.) But the surplus labour which is performed in the production of fixed capital does not affect the sphere of production into which this fixed capital enters as such, any more than does the surplus labour which goes into the production of, say, the raw materials. It is rather equally valid for all of them, agriculture, production of machines and manufacture, that their surplus value is determined only by the amount of labour employed, if the rate of surplus value is given, and, by the rate of surplus value, if the amount of labour employed is given. Mr. Rodbertus seeks to "drag in" wear and tear in order to chuck out "raw materials".

On the other hand, Mr. Rodbertus maintains that the size of the rent can [never] be influenced by "that part of capital which consists of material value", since, "for instance, the labour cost of wool as a raw material cannot affect the labour cost of a particular product such as yarn or fabric" (p. 97).

The labour time which is required for spinning and weaving is as much, or rather as little, dependent on the labour time—i.e., the *value* of the machine—as it is on the labour time which the raw material costs. Both machine and raw material enter into the labour process; neither of them enters into the valorisation process.

"On the other hand, the value of the primary product, or the material value, does figure as *capital outlay* in the capital upon which the owner has to calculate his gain, the part of the rent falling on the manufactured product. *But in agricultural capital this part of capital is missing.* Agriculture *does not require any material which is the product of a previous production, in fact it actually begins the production,* and in agriculture, that part of the property which is analogous with material, would be the land itself, which is however assumed to be without cost" (pp. 97-98).

This is the conception of the German peasant. In agriculture (excluding mining, fishing, hunting but *by no means stock-raising*) seeds, feeding stuffs, cattle, mineral fertilisers, etc., form the material [X-467] for manufacturing and this material is the product of *labour.* This "*outlay*" grows proportionately to the development of industrialised agriculture. All production—once we are no longer dealing with mere taking and appropriating—is reproduction and hence requires "the product of a previous production as material". Everything which is the result of production is at the same time a prerequisite of production. And the more large-scale agriculture develops the more it buys products of "a previous production" and sells its own. In agriculture these expenses feature as commodities in a formal sense—converted into commodities by being reckoned in money—as soon as the FARMER becomes at all dependent on the sale of his product; as soon as the prices of various agricultural products (like hay for example) have established themselves, for division of the spheres of production takes place in agriculture as well. Queer things must be happening in the mind of a peasant if he reckons the quarter of wheat which he sells as *income,* but does not reckon the quarter which he puts into the soil as "*expenditure*". Incidentally, Mr. Rodbertus ought to try somewhere to "begin the production", for instance of flax or silk, without "products of a previous production". This is absolute nonsense.

And therefore also the rest of Rodbertus' conclusions:

"The two parts of capital that influence the *size* of the rent are thus common to agriculture and industry. The part of capital, however, that does not influence the size of the rent—but on which gain, i.e., the rent determined by those parts of capital, is also calculated—is to be found in industrial capital alone. According to the assumption, the value of the raw product like that of the manufactured product is dependent on labour cost and rent accrues to the owners of the primary product and of the manufactured product proportionately to this value. Therefore *the rent yielded in raw material production and industrial production is relative to the quantities of labour which the respective product has cost, but the capitals employed in agriculture and in industry, on which the rent is distributed as gain*—namely in manufacture entirely, in agriculture according to the rate of gain prevailing *in manufacture*—are not in the same proportion as those quantities of labour and the rent determined by them. Although *an equal amount of rent accrues to the primary product and to the industrial product*, industrial capital is larger than agricultural capital by the entire value of the raw material it contains. Since the value of this raw material *augments the industrial capital on which the available rent is calculated as gain, but not the gain itself*, and thus simultaneously helps *to lower the rate of capital gain*, which also prevails in *agriculture*, there must necessarily be left over in agriculture a part of the rent accruing there which is not absorbed by the *calculation of gain based on this rate of gain*" (pp. 98-99).

First wrong proposition: *If* industrial products and agricultural products exchange according to their *values* (i.e., in relation to the labour time required for their production), then they yield to their owners equal amounts of *surplus value* or quantities of unpaid labour. Surplus values are *not* proportional to values.

Second wrong proposition: Since Rodbertus presupposes *a rate of profit* (which he calls rate of capital gain) the supposition that commodities *exchange in the proportion of* their values is incorrect. One proposition excludes the other. For a (general) *rate of profit* to exist, the *values* of the commodities must have been *transformed into average prices* or must be in the constant process of transformation. The *particular rates of profit* which are formed in every sphere of production on the basis of the ratio of *surplus value to capital advanced*, are equalised in this general rate. Why then not in agriculture? That is the question. But Rodbertus does not even formulate this question correctly, because *firstly* he presupposes that there is a general *rate of profit* and secondly he assumes that the *particular* rates of profit (hence also their differences) are *not* equalised and thus that commodities exchange at their *values*.

Third wrong proposition: The *value of the raw material does not enter into agriculture*. Rather here, the advances of seeds, etc., are component parts of constant capital and are calculated *as such* by the FARMER. To the same degree that agriculture becomes a mere branch of industry—i.e., that capitalist production is established on the land—[X-468] to the degree to which agriculture produces for the market, produces *commodities*, articles for sale and not for its own consumption—to the same degree it calculates its outlay and regards each ITEM of expenditure as a commodity, whether it buys it from itself (i.e., from *production*) or from a third person.

The *elements of production* naturally become commodities to the same extent as the *products* do, because after all, these elements are those very same products. Since wheat, hay, cattle, seeds of all kinds, etc., are thus *sold* as commodities—and, since this sale is the essential thing, not their use as a means of subsistence—they also enter into production as *commodities* and the FARMER would have to be A REAL BLOCKHEAD not to be able to use money as the unit of account. *D'abord* this is, however, the formal aspect of the calculation. But simultaneously [the position] *develops* [in such a way] that the FARMER buys his *outlay*, seeds, cattle, fertilisers, mineral substances, etc., while he sells his *receipts*, so that for the individual FARMER these advances are also advances in the formal sense in that they are *bought commodities*. (They have always been commodities for him, component parts of his capital. And when he has returned them, in kind, to production, he has regarded them as *sold* to himself in his capacity as producer.) Moreover, this takes place to the same extent as agriculture develops and the final product is produced increasingly by industrial methods and according to the capitalist mode of production.

It is therefore wrong to say that there is a part of capital which enters into industry but *not* into agriculture.

Suppose then, according to *Rodbertus' (false) proposition*, that the "portions of rent" (i.e., shares of surplus value) yielded by the agricultural product and the industrial product are given, and that they are proportionate to the *values* of the agricultural product and the industrial product. Supposing, in other words, industrial products and agricultural products of *equal values* yield equal *surplus values* to their owners, i.e., contain *equal quantities of unpaid labour*, then no disproportion occurs through the entry into industry (for raw material) of *one single* part of capital which did not enter into agriculture, so that, for instance, the same surplus value in industry would be reduced in proportion to a capital *augmented* by this component. For the same *ITEM* of capital goes into agriculture. There only remains the question of whether it does so *in the same proportion*. But this brings us to *mere quantitative differences* whereas Mr. Rodbertus wants a "*qualitative*" difference. These same *quantitative differences* occur between different *industrial* spheres of production. They compensate one another in the general rate of profit. Why not as between industry and agriculture (IF THERE ARE SUCH DIFFERENCES)? Since Mr. Rodbertus allows agriculture to participate in the *general rate of profit*, why not in the process of its formation? But of course that would mean the end of his argument.

Fourth wrong proposition: It is wrong and arbitrary of Rodbertus to include *wear and tear of machinery*, etc., that is, an element of *constant capital*, in *variable capital*, that is, in the part of capital which creates surplus value and in particular determines the rate of surplus value, and at the same time, *not* to include raw material. He makes this *accounting error* in order to arrive at the *facit*[a] he wanted from the outset.

Fifth wrong proposition: If Mr. Rodbertus wants to differentiate between agriculture and industry, then that *element of capital* which consists of fixed capital such as machinery and tools belongs entirely to *industry*. This element of capital, in so far as it becomes part of any capital, can only enter into *constant capital*, and can never increase surplus value by a single farthing. On the other hand, as a *product of industry*, it is the result of a particular sphere of production. Its price, or the part of value which it forms within the whole of social capital, at the same time represents a *certain quantity of surplus value* (just as is the case with raw material). Now it does enter into the agricultural product, but it stems from industry. If Mr. Rodbertus reckons raw material to be an element of capital in industry which comes from outside, then he must reckon machines, tools, vessels, buildings, etc., as an element of capital in agriculture which comes from outside. He [must] therefore say that industry comprises only wages and raw materials (because fixed capital, in so far as it is not raw materials, is a product of industry, its own product) whereas agriculture comprises only wages [X-469] and machinery, etc., i.e., fixed capital, because *raw material*, in so far as it is not embodied in tools, etc., is the product of agriculture. It would then be necessary to examine how the absence of this "ITEM" affects the account in industry.

Sixthly: It is quite true that mining, fishing, hunting, forestry (in so far as the trees have not been planted by man), etc., in short, the *extractive industries*—concerned with the extraction of raw material that is not *reproduced* in kind—use *no raw materials*, EXCEPT *matières instrumentales*. This does *not* apply to agriculture.

But it is equally [true] that *the same* does hold good for a very large part of *industry*, namely the *transport industry*, in which *outlays* consist only of machinery, *matières instrumentales*, and wages.

Finally, there are certainly other *branches of industry*, such as tailoring, etc., which, relatively speaking, only absorb raw materials and wages, but no machinery, fixed capital, etc.

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[a] Result.—*Ed.*

In all these instances, the size of the *profit*, i.e., the *ratio of surplus value* to *capital advanced*, would not depend on whether the advanced capital—after deduction of *variable capital, or the part of capital spent on wages*—consists of machinery or raw material or both, but it would depend on the magnitude of the capital advanced relative to the part of the capital spent on wages. Different rates of profit (apart from the modifications brought about by circulation) would thus exist in the different spheres of production, the result of their equalisation being the general rate of profit.

Mr. Rodbertus surmises that there is a difference between surplus value and its special forms, in particular profit. But he misses the point because, right from the beginning, he is concerned with the explanation of *a particular* phenomenon (ground rent) and not [with] the establishment of a general law.

Reproduction occurs in all branches of production; but only in agriculture does this industrial reproduction coincide with natural reproduction. It does not do so in *extractive industry*. That is why, in the latter, the product does not in its natural form become an element in its own reproduction //except in the form of *matière instrumentale*//.

What distinguishes agriculture, stock-raising, etc., from other industries is, *firstly*, *not* the fact that a product becomes a means of production, since that happens to all industrial products which have not the definitive form of individual means of subsistence. And even as such they become means of production of the *producer* who reproduces himself or maintains his labour capacity by consuming them.

Secondly, the difference is *not* the fact that agricultural products enter into production as *commodities*, i.e., as component parts of capital; they go into production just as they come out of it. They emerge from it as commodities and they re-enter it as commodities. The commodity is both the prerequisite and the result of capitalist production.

Hence thirdly, there *only* [remains] the fact that they enter as their own means of production into the production process whose product they are. This is also the case with machinery. Machine builds machine. Coal helps to raise coal from the shaft. Coal transports coal, etc. In agriculture this appears as a natural process, guided by man, although he also causes it "to some extent". In the other industries it appears to be a direct effect of industry.

But Mr. Rodbertus is on the wrong track altogether if he thinks that he must not allow *agricultural products* to enter into reproduction as "*commodities*" because of the peculiar way in which they enter it as "use values" (technologically). He is evidently thinking of the time when AGRICULTURE was not as yet a TRADE, when only the *excess* of its production over what was consumed by the producer became a *commodity* and when even those products, in so far as they entered into production, were not regarded as *commodities*. This is a fundamental misunderstanding of the application of the capitalist mode of production to industry. For the latter, every product which has value—and is therefore in itself a *commodity*—also figures as a commodity in the accounts.

Supposing, for example, that in the mining industry, the constant capital, which consists purely of machinery, =£500 and that the capital laid out in wages also=£500. Then, if the surplus value=40%, i.e.,=£200, the profit [would be] 20%. Thus:

Constant capital Machinery	Variable capital	Surplus value
500	500	200

If the same variable capital were laid out in those branches of manufacture (or of agriculture) in which raw materials play a part, and furthermore, if the utilisation of this variable capital (i.e., the employment of this particular number of workers) required machinery, etc., to the value of £500, then indeed a third element, the value of the material, would have to be added, say again, £500. Hence in this case:

Constant capital Machinery Raw materials	Variable capital	[Surplus value]
500+500=£1,000	500	200

The 200 would now have to be reckoned on 1,500 and would only be $13\,^1/_3\%$. This example would still apply, if in the first case the transport industry had been quoted as an illustration. On the other hand, the rate of profit would remain the same in the second case if machinery cost 100 and raw materials 400.

[X-470] What, therefore, Mr. Rodbertus imagines is that in industry 100 are laid out in machinery, 100 in wages and x in raw materials, whereas in agriculture 100 are laid out in wages+100 in machinery. The scheme would be like this:

I) *Agriculture*

Constant capital Machinery	Variable capital	Surplus value	Rate of profit
100	100	50	$^{50}/_{200}=\,^1/_4$

II) *Industry*

Constant capital Raw materials	Machinery	Variable capital	Surplus value	Rate of profit
x	100	100	50	$\frac{50}{200+x}$

must therefore be, at any rate, less than $^1/_4$. Hence the rent in I.

Firstly then, this difference between agriculture and manufacture is *imaginary*, NON-EXISTENT; it has *no BEARING* on THAT FORM OF RENT WHICH DETERMINES ALL OTHERS.

Secondly, Mr. Rodbertus could find this difference between the rates of profit IN ANY TWO individual BRANCHES OF INDUSTRY. The difference is dependent on the *proportion of constant capital to variable capital* and the proportion in turn may or may not be determined by the addition of raw materials. In those branches of industry which use raw materials as well as machinery, the value of the raw materials, i.e., the relative share which they form of the total capital, is of course very important, as I have shown earlier.[a] This has nothing to do with ground rent.

"Only when the value of the raw product falls *below* the labour cost is it possible that in agriculture too the whole *portion of rent accruing* to *the raw product is absorbed in the gain calculated on capital*. For then this portion of rent may be so reduced that although agricultural capital does not comprise the value of material, the ratio between these two is similar to that existing between the portion of rent accruing to the manufactured product and the manufacturing capital, although the latter contains the value of material. Hence only in those circumstances is it possible that in agriculture too, no rent is left over besides capital gain. But in so far as, in practice, as a rule, conditions gravitate towards the law that value equals labour cost, so, as a rule, ground rent is also present. The absence of rent and the existence of nothing but capital gain, is not the original state of affairs, as Ricardo maintains, but only an exception" (p. 100).

Thus, continuing with the above example; but taking raw materials as £100, to have something tangible, we get:

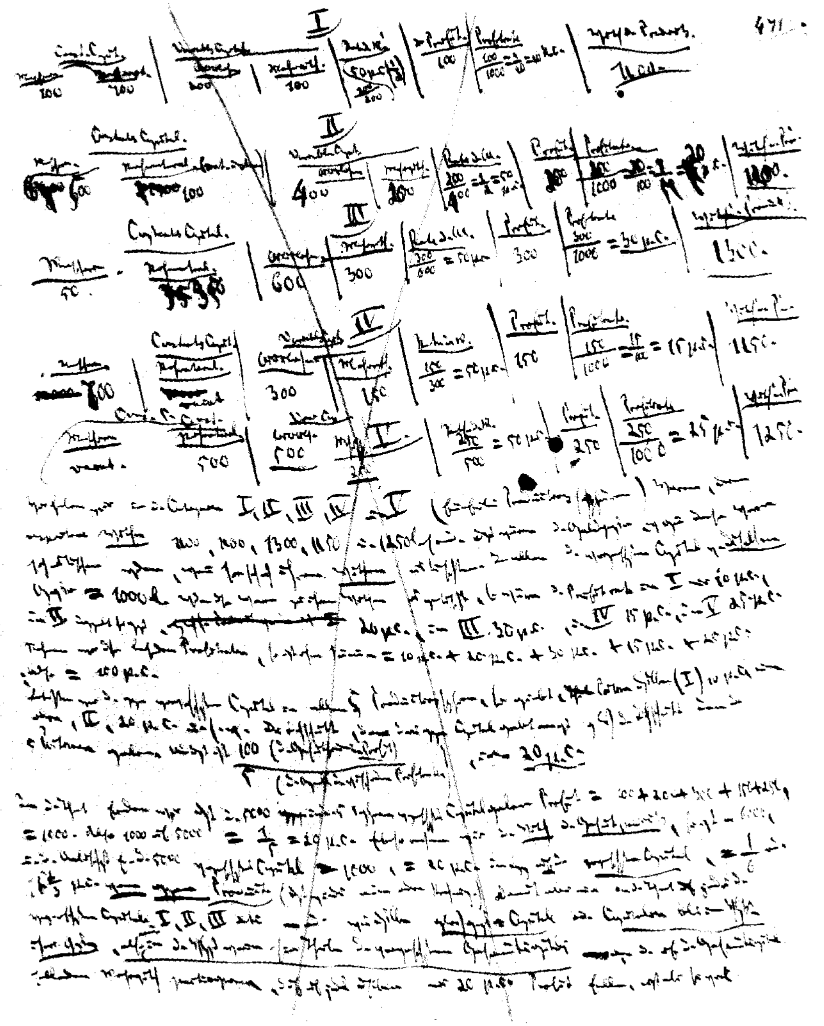
I) *Agriculture*

Constant capital Machinery	Variable capital	Surplus value	Value	Price	Profit
100	100	50	250	$233\,^2/_6$	$16\,^2/_3\%$

II) *Industry*

Constant capital Raw materials	Machinery	Variable capital	Surplus value	Rate of profit	Profit
£100	100	100	50	$^{50}/_{300}={}^1/_6$	£50+$16\,^2/_3\%$

[a] See this volume, pp. 60-67.—*Ed.*



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