Here the rate of profit in agriculture and industry would be the same, therefore nothing would be left over for rent, because the agricultural product is sold at £16\(\frac{1}{6}\) below its value. Even if the example were as correct as it is false for agriculture, then the circumstance that the value of the raw product falls "below the cost price"\(^a\) would in any case only correspond to the law of average prices. Rather it needs to be explained why "as an exception" this is to a certain extent not the case in agriculture and why here the total surplus value (or at least to a larger extent than in the other branches of industry, a surplus above the average rate of profit) remains in the price of the product of this particular branch of production and does not participate in the formation of the general rate of profit. It becomes evident here that Rodbertus does not understand what the (general) rate of profit and the average price are.

In order to make this law quite clear, and this is far more important than Rodbertus, we shall take 5 examples. We assume the rate of surplus value to be the same throughout.

<table>
<thead>
<tr>
<th>I</th>
<th>1</th>
<th>7</th>
<th>2</th>
<th>1</th>
<th>50%</th>
<th>100</th>
<th>10%</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>100</td>
<td>700</td>
<td>200</td>
<td>100</td>
<td>50%</td>
<td>100</td>
<td>10%</td>
</tr>
<tr>
<td>II</td>
<td>500</td>
<td>100</td>
<td>400</td>
<td>200</td>
<td>50%</td>
<td>200</td>
<td>20%</td>
</tr>
<tr>
<td>III</td>
<td>50</td>
<td>350</td>
<td>600</td>
<td>300</td>
<td>50%</td>
<td>300</td>
<td>30%</td>
</tr>
<tr>
<td>IV</td>
<td>700</td>
<td>none</td>
<td>300</td>
<td>150</td>
<td>50%</td>
<td>150</td>
<td>15%</td>
</tr>
<tr>
<td>V</td>
<td>none</td>
<td>500</td>
<td>250</td>
<td>50%</td>
<td>250</td>
<td>25%</td>
<td></td>
</tr>
</tbody>
</table>

The value of the product \(=1,100\) (\textit{vide} to the next page).

It is not at all necessary to compare commodities of equal value; they are to be compared only at their value. To simplify matters, the commodities compared here are taken as produced by capitals of equal size.

\[X-471\]

\(a\) Rodbertus has "below the labour cost".—\textit{Ed.}\n
capital advanced is of the same size = £1,000. If these commodities were exchanged at their values, then the rate of profit in I would be only 10%; in II, twice as great, 20%; in III, 30%; in IV, 15%; in V, 25%. If we add up these particular rates of profit they come to 10% + 20% + 30% + 15% + 25%, which is 100%.

If we consider the total capital advanced in all 5 spheres of production, then one portion of this (I) yields 10%, another (II) 20%, etc. The average yielded by the total capital equals the average yielded by the 5 portions, and this is:

\[ \frac{100 \text{ (the total sum of [the rates of] profit)}}{5 \text{ (the number of different rates of profit)}} \], i.e., 20%.

In fact we find that the £5,000 capital advanced in the 5 spheres yields a profit = 100 + 200 + 300 + 150 + 250 = 1,000; 1,000 on 5,000 = \( \frac{1}{5} \) = 20%. Similarly: if we work out the value of the total product, it comes to 6,000 and the excess on the 5,000 capital advanced = 1,000, = 20% in relation to the capital advanced, = \( \frac{1}{6} \) or \( 16^{2/3} \% \) of the total product. (This again is another calculation.)

However, so that in fact each of the capitals advanced, i.e., I, II, III, etc.—or what comes to the same thing, that capitals of equal size—should receive a part of the surplus value yielded by the aggregate capital only in proportion to their magnitude, i.e., only in proportion to the share they represent in the aggregate capital advanced, each of them should get only 20% profit and each must get this amount. [X-472] But to make this possible, the products of the various spheres must in some cases be sold above their value and in other cases more or less below their value. In other words, the total surplus value must be distributed among them not in the proportion in which it is made in the particular sphere of production, but in proportion to the magnitude of the capitals advanced. All must sell their product at £1,200, so that the excess of the value of the product over the capital advanced = \( \frac{1}{5} \) of the latter = 20%.

According to this apportionment:

<table>
<thead>
<tr>
<th>Value of product</th>
<th>Surplus value</th>
<th>Average price</th>
<th>Excess of average price over value</th>
<th>Excess of profit over surplus value</th>
<th>Calculated profit</th>
</tr>
</thead>
<tbody>
<tr>
<td>I 1,100</td>
<td>100</td>
<td>1,200</td>
<td>100 (Value=price)</td>
<td>100%</td>
<td>200</td>
</tr>
<tr>
<td>II 1,200</td>
<td>200</td>
<td>1,200</td>
<td>0 (Decrease in average price below value)</td>
<td>0</td>
<td>200</td>
</tr>
<tr>
<td>III 1,300</td>
<td>300</td>
<td>1,200</td>
<td>100 (Decrease in profit below surplus value)</td>
<td>33( 1/3 )%</td>
<td>200</td>
</tr>
</tbody>
</table>
This shows that only in one instance II) the average price = the value of the commodity, because by coincidence, the surplus value equals the normal average profit of 200. In all other instances a greater or a lesser amount of surplus value is taken away from one sphere and given to another, etc.

What Mr. Rodbertus had to explain was, why this is not the case in agriculture, hence why its commodities should be sold at their value and not their average price.

Competition brings about the equalisation of profits, i.e., the reduction of the values of the commodities to average prices. The individual capitalist, according to Mr. Malthus, expects an equal profit from every part of his capital— which, in other words, means only that he regards each part of his capital (apart from its organic function) as an independent source of profit, that is how it seems to him. Similarly, in relation to the class of capitalists, every capitalist regards his capital as a source of profit equal in volume to that which is being made by every other capital of equal size. This means that each capital in a particular sphere of production is only regarded as part of the aggregate capital which has been advanced to production as a whole and demands its share in the total surplus value, in the total amount of unpaid labour or labour products—in proportion to its size, its stock—in accordance to the proportion of the aggregate capital it constitutes. This illusion confirms for the capitalist—to whom everything in competition appears in reverse—and not only for him, but for some of his most devoted pharisees and scribes, that capital is a source of income independent of labour, since in fact the profit on capital in each particular sphere of production is by no means solely determined by the quantity of unpaid labour which it itself "produces"; it is thrown into the pot of aggregate profits, from which the individual capitalists draw their quota in proportion to their shares in the total capital.

Hence Rodbertus' nonsense. Incidentally, in some branches of agriculture—such as stock-raising—the variable capital, i.e., that

<table>
<thead>
<tr>
<th></th>
<th>IV</th>
<th></th>
<th>Excess of price over value</th>
<th>IV</th>
<th></th>
<th>Excess of profit over surplus value</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1,150</td>
<td>150</td>
<td>50</td>
<td></td>
<td></td>
<td>25% (50)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>200</td>
</tr>
<tr>
<td>V</td>
<td>1,250</td>
<td>250</td>
<td>50</td>
<td></td>
<td></td>
<td>[25%]</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>[200]</td>
</tr>
</tbody>
</table>
|   |      |   | Decrease in profit below surplus value | 1/5=20%
which is laid out in wages, is extraordinarily small compared with the constant part of capital.

"Rent, by its very nature, is always ground rent" (p. 113).

Wrong. Rent is always paid to the landlord; voilà tout. However, if, as so often occurs in practice, it is partially or wholly a deduction from normal profit or a deduction from normal wages //true surplus value, i.e., profit+rent, is never a deduction from wages, but is that part of the product of the worker which remains after deduction of the wage from this product//, then, from an economic point of view, it is not rent of land. In practice this is proved as soon as [X-473] competition restores the normal wage and the normal profit.

Average prices, to which competition constantly tends to reduce the values of commodities, are thus achieved by constant additions to the value of the product of one sphere of production and deductions from the value of the product of another sphere—except in case II in the above table—in order to arrive at the general rate of profit. With the commodities of the particular sphere of production where the ratio of variable capital to the total sum of capital advanced //assuming the rate of surplus labour to be given and equal// corresponds to the average ratio of social capital—value=average price: neither an addition to nor a deduction from value is therefore made. If, however, owing to special circumstances which we will not go into here, in certain spheres of production a deduction is not made from the value of the commodities (although it stands above the average price, not just temporarily but on an average) then this retention of the entire surplus value in a particular sphere of production—although the value of the commodity is above the average price and therefore yields a rate of profit higher than the average—is to be regarded as a privilege of that sphere of production. What we are concerned with here and have to explain as a peculiar feature, as an exception, is not that their average price is reduced below their value—this [would be] a general phenomenon and a necessary prerequisite for equalisation—but why, in contrast to other commodities, certain commodities are sold at their value, above the average price.

The average price of a commodity equals its production costs (the capital advanced in it, be it in wages, raw material, machinery or whatever else)+average profit. Hence if, as in the above case, average profit=20%=\(1/5\), then the average price of each

\(^a\) That's all.—Ed.
commodity = $C$ (the capital advanced) $+ \frac{P}{C}$ (the average rate of profit). If $\frac{C+P}{C}$ equals the value of this commodity, i.e., if $S$, the surplus value created in this sphere of production, $= P$, then the value of the commodity equals its average price. If $\frac{C+P}{C}$ is $< \text{than}$ the value of the commodity, i.e., if the surplus value $S$, created in this sphere, is $> \text{than}$ $P$, then the value of the commodity is reduced to its average price and part of its surplus value is added on to the value of other commodities. Finally, if $\frac{C+P}{C}$ is $> \text{than}$ the value of the commodity, i.e., $S$ is $< \text{than}$ $P$, then the value of the commodity is raised to its average price and surplus value created in other spheres of production is added to it.

Finally, should there be commodities which are sold at their value, although their value is $> \text{than}$ $C+\frac{P}{C}$, or whose value is at any rate not reduced to such an extent as to bring it down to the level of the normal average price $C+\frac{P}{C}$, then certain conditions must be operative, which put these commodities into an exceptional position. In this case the profit realised in these spheres of production stands above the general rate of profit. If the capitalist receives the general rate of profit here, the landlord can get the excess profit in the form of rent.

What I call rate of profit and rate of interest or rate of rent, Rodbertus calls “level of capital gain and of interest” (p. 113).

This level “depends on its ratio to capital... In all civilised nations a capital of 100 is taken as a unit, which provides the standard measurement for the level to be calculated. Thus, the larger the figure that expresses the relation between the gain or interest falling to the capital of 100, in other words, the ‘more per cent’ a capital yields, the higher are profit and interest” (pp. 113-14).

“The level of ground rent and of rental follows from their proportion to a particular piece of land” ([p.] 114).

This is bad. The rate of rent is, in the first place, to be calculated on the capital, i.e., as the excess of the price of a commodity over its production costs and over that part of the price which forms the profit. Because it helps him to understand certain phenomena Mr. Rodbertus makes the calculation with an acre or a morgen, [X-474] the apparent form of the thing, in which the intrinsic connection is lost. The rent yielded by an acre is the rental, the absolute amount of rent. It may rise if the rate of rent remains the same or is even lowered.
"The level of the value of land follows from the capitalisation of the rent of a particular piece of land. The greater the amount of capital derived from the capitalisation of the rent of a piece of land of a given area, the higher is the value of the land" (p. 114).

The word "level" is nonsense here. For to what does it express a relationship? That 10 per cent yields more than 20 is obvious; but the unit of measurement here is 100. Altogether the "level of the value of land" is the same general phrase as the high or low level of commodity prices in general.

Mr. Rodbertus now wants to investigate:

"What then determines the level of capital gain and of ground rent?" (p. 115).

First of all he examines: What determines the "level of rent in general", i.e., what regulates the rate of surplus value?

"1) With a given value of a product, or a product of a given quantity of labour or, which again amounts to the same thing, with a given national product, the level of rent in general bears an inverse relationship to the level of wages and a direct relationship to the level of productivity of labour in general. The lower the wages, the higher the rent; the higher the productivity of labour in general, the lower the wages and the higher the rent" (pp. 115-16).

The "level" of rent—the rate of surplus value—says Rodbertus, depends upon the "size of this portion left over for rent" ([p.] 117), i.e., after deducting wages from the total product, in which "that part of the value of the product which serves as replacement of capital ... can be disregarded" ([p.] 117).

This is good (I mean that in this consideration of surplus value the constant part of capital is "disregarded").

The following is a somewhat peculiar notion:

"when wages fall, i.e., from now on form a smaller share of the total value of the product, the aggregate capital on which the other part of rent" //i.e., the industrial profit// "is to be calculated as profit, becomes smaller. Now it is, however, solely the ratio between the value that becomes capital gain or ground rent, and the capital, or the land area on which it has to be calculated as such, which determines their level. Thus if wages allow a greater value to be left over for rent, a greater value is to be reckoned as profit and ground rent, even with a diminished capital and the same area of land. The resulting ratio of both increases and, therefore, the two together, or rent in general, has risen.... It is assumed that the value of the product in general remains the same.... Because the wage, which the labour costs, diminishes, the labour, which the product costs, does not necessarily diminish" ([pp.] 117-18).

The last bit is good. But it is incorrect to say that when the variable capital that is laid out in wages decreases, the constant capital must diminish. In other words, it is not true that the rate of profit //the quite inappropriate reference to area of land, etc., is omitted here// must rise because the rate of surplus value rises. For instance, wages fall because labour becomes more productive and in all cases this expresses itself in more raw material being worked up by the same worker in the same period of time; this part of
constant capital therefore grows, ditto machinery and its value. Hence the rate of profit can fall with the reduction in wages. The rate of profit is dependent on the amount of surplus value, which is determined not only by the rate of surplus value, but also [by] the number of workers employed.

Rodbertus correctly defines the necessary wage as equal to

"the amount of necessary subsistence, that is to a fairly stable definite quantity of material products for a particular country and a particular period" (p. 118).

[X-475] Mr. Rodbertus then puts forward in a most intricately confused, complicated and clumsy fashion, the propositions set up by Ricardo on the inverse relationship of profit and wages and the determination of this relationship by the productivity of labour. The confusion arises partly because, instead of taking labour time as his measure, he foolishly takes quantities of product and makes non-sensical differentiations between "level of the value of the product" and "magnitude of the value of the product".

By "level of the value of the product" this stripling means nothing other than the relation of the product to the labour time. If the same amount of labour time yields many products then the value of the product, i.e., the value of separate portions of the product is low, if the reverse, then the reverse. If one working day yielded 100 lbs yarn and later 200 lbs then in the 2nd case the value of the yarn would be half what it was in the first. In the first case its value = $\frac{1}{100}$ of a working day; in the second, the value of the lb. of yarn = $\frac{1}{200}$ of a working day. Since the worker receives the same amount of product, whether its value be high or low, i.e., whether it contains more or less labour, wages and profit move inversely, and wages take more or less of the total product, according to the productivity of labour. He expresses this in the following intricate sentences:

"...If the wage, as necessary subsistence, is a definite quantity of material products, then, if the value of the product is high, the wage must have a high value, if it is low, it must constitute a low value and, since the value of the product available for distribution is assumed as constant, the wage will absorb a large part if the value of the product is high, a small part of it, if its value is low and finally, it will therefore leave either a large or a small share of the value of the product for rent. But if one accepts the rule that the value of the product equals the quantity of labour which it cost, then the level of the value of the product is again determined purely by the productivity of labour or the relationship between the amount of product and the quantity of labour which is used for its production ... if the same quantity of labour brings forth more product, in other words, if productivity increases, then the same quantity of product contains less labour and conversely, if the same quantity of labour brings forth less product, in other words, if productivity decreases, then the same quantity of product contains more labour. But the quantity of labour determines the value of the product and the relative value of a particular
quantity of product determines the level of the value of the product...." Hence "the higher the productivity of labour in general, the higher" must "be rent in general" (pp. 119-20).

But this is only correct if the product, for whose production the worker is employed, belongs to that species—which—according to tradition or necessity—figures in his consumption as a means of subsistence. If this is not the case, then the productivity of this labour has no effect on the relative height of wages and of profit, or on the amount of surplus value in general. The same share in the value of the total product falls to the worker as wages, irrespective of the number of products or the quantity of the product in which this share is expressed. The division of the value of the product in this case is not altered by any change in the productivity of labour.

"II) If with a given value of the product, the level of rent in general is given, then the level of ground rent and of capital gain bear an inverse relationship to one another, and also to the productivity of extractive labour and manufacturing labour respectively. The higher or lower the rent, the lower or higher the capital gain and vice versa; the higher or lower the productivity of extractive labour or of manufacturing labour, the lower or higher the rent or capital gain, and alternately also the higher or lower is the capital gain or rent" (i.e., [p.] 116).

First [in thesis] I) we had the Ricardian [law] that wages and profit are related inversely.a

Now the second Ricardian [law]—differently evolved or, rather, "made involved"—that profit and rent have an inverse relation.

It is obvious, that when a given surplus value is divided between capitalist and landowner, then the larger the share of one, the smaller will be that of the other and vice versa. But Mr. Rodbertus adds something of his own which requires closer examination.

In the first place, Mr. Rodbertus regards it as a new discovery that surplus value in general //"the value of the product of labour which is in fact available for sharing out as rent"//, the entire surplus value filched by the capitalists, "consists of the value of the raw product+the value of the manufactured product" ([p.] 120).

Mr. Rodbertus first reiterates his "discovery" of the absence of "the value of the material" in [X-476] agriculture. This time in the following flood of words:

"That portion of rent which accrues to the manufactured product and determines the rate of capital gain is reckoned as profit not only on the capital which is actually used for the production of this product but also on the whole of the raw product value which figures as value of the material in the capital fund of the manufacturer. On the other hand, as regards that portion of rent which accrues to the raw product and from which the profit on the capital used in raw material production is calculated according to the given rate of profit in manufacture"

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a See this volume, p. 306.— Ed.
(yes! *given* rate of profit!) "leaving a remainder for ground rent, such a material value is missing" ([p.] 121).

We repeat: *quod non*!

Assume that a *ground rent exists*—which Mr. Rodbertus has *not proved* and cannot prove by his method—that is to say, a certain portion of the surplus value of the raw product falls to the landlord.

Further assume that:

"the level of rent in general" (the *rate of surplus value*) "in a particular value of the product is also given" ([p.] 121).

This amounts to the following: For instance, in a commodity of £100, say half, £50, is unpaid labour; this then forms the fund from which all categories of surplus value, rent, profit, etc., are paid. Then it is quite evident that one *shareholder* in the £50 will draw the more, the less is drawn by the other and vice versa, or that profit and rent are inversely proportional. Now the question is, what determines the apportionment between the two?

In any case it remains true that the revenue of the *manufacturer* (be he *agriculturist* or industrialist) = the surplus value which he draws from the sale of his manufactured product (which he has pillaged from the workers in his sphere of production), and that rent of land (where it does not, as with the *waterfall* which is sold to the industrialist, stem directly from the *manufactured product*, which is also the case with rent for *houses*, etc., since houses can hardly be termed *raw product*) only arises from the excess profit (that part of surplus raw product which does not enter into the general rate of profit) which is contained in the raw products and which the *farmer* pays over to the landlord.

It is quite true that when the value of the raw product rises [or falls], the rate of profit in those branches of industry which use raw material will rise or fall inversely to the value of the raw product. As I showed in a previous example,* if the value of cotton doubles, then with a given wage and a given rate of surplus value, the rate of profit will fall. The same applies however to agriculture. If the harvest is poor and production is to be continued on the same scale (we assume here that the commodities are sold at their value) then a greater part of the total product or of its value would have to be returned to the soil and after deducting wages, if these remain stationary, the *farmer's surplus value* would consist of a smaller quantity of product, hence also a smaller quantity of value would be available for sharing out

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*a* See this volume, pp. 60-65.—*Ed.*
between him and the landlord. Although the individual product would have a higher value than before, not only the amount of product but also the remaining **portion of value** would be smaller. It would be a different matter if, as a result of demand, the product rose *above* its value, and to such an extent that a smaller quantity of product had a higher *price* than a larger quantity of product did before. But this would be **contrary** to our stipulation that the products are sold at their value.

Let us assume the opposite. Supposing the cotton harvest is twice as rich and that that part of it which is returned direct to the soil, for instance as fertiliser and seed, costs less than before. In this case the portion of value which is left for the *cotton-grower* after deduction of wages is greater than before. The rate of profit would rise here just as in the cotton industry. True, in one yard of *calico*, the proportion of value formed by the raw product would now be smaller than before and that formed by the manufacturing process would be larger than before. Assume that *calico* costs 2s. a yard when the value of the cotton it contains = 1s. Now if cotton goes down from 1s. to 6d. (which, on the assumption that its *value* = its price, is only possible because its cultivation has become more productive), then the value of a yard of *calico* = 18d. It has decreased by \( \frac{1}{4} = 25\% \). But where the *cotton-grower* previously sold 100 lbs at 1s., he is now supposed to sell 400 at 6d. Previously the value = 100s.; now it is 200s. Although previously cotton formed a greater proportion of the value of the product—and the rate of surplus value in cotton growing itself decreased simultaneously—the *cotton-grower* obtained only 50 yds of *calico* for his 100s. cotton at 1s. per lb.; now that the lb. [is sold] at 6d., he receives \( 133\frac{1}{3} \) yds for his 200s.

On the assumption that the commodities are sold at their *value*, it is wrong to say that the revenue of the producers who take part in the production of the product is *necessarily* dependent on the portion of value [X-477] represented by their products in the *total value* of the product.

Let the value of the total product of all manufactured commodities, including machinery, be £300 in one branch, 900 in another and 1,800 in a third.

If it is true to say that the proportion in which the value of the whole product is divided between the value of the raw product and the value of the manufactured product determines the proportion in which the surplus value—the rent, as Rodbertus says—is divided into profit and ground rent, then this must also be true of different products in different spheres of production.
where raw material and manufactured products participate in varying proportions.

Suppose out of a value of £900, manufactured product accounts for £300 and raw material for £600, and that £1 = 1 working day. Furthermore, the rate of surplus value is given as, say, 2 hours on 10, with a normal working day of 12 hours, then the 300 [manufactured product] embody 300 working days, and the 600 [raw product] twice as much, 2×300. The amount of surplus value in the one = 600 hours, in the other = 1,200. This only means that, given the rate of surplus value, its volume depends on the number of workers or the number of workers employed simultaneously. Furthermore, since it has been assumed (not proved) that of the surplus value which enters into the value of the agricultural product a portion falls to the landlord as rent, it would follow that in fact the amount of ground rent grows in the same proportion as the value of the agricultural product compared with the “manufactured product”.

In the above example the ratio of the agricultural product to the manufactured product = 2:1, = 600:300. Suppose in another case it is as 300:600. Since the rent depends on the surplus value contained in the agricultural product, it is clear that if this [amounts to] 1,200 hours in the first case as against 600 in the 2nd, and if the rent constitutes a certain part of this surplus value, it must be greater in the first case than in the 2nd. Or—the larger the portion of value which the agricultural product forms in the value of the total product, the larger will be its share in the surplus value of the whole product, for every portion of the value of the product contains a certain portion of surplus value and the larger the share in the surplus value of the whole product which falls to the agricultural product, the larger will be the rent, since rent represents a definite proportion of the surplus value of the agricultural product.

Let the rent be \( \frac{1}{10} \) of the agricultural surplus value, then it is 120 hours if the value of the agricultural product is 600 out of the 900 and only 60 if it is 300. According to this, the volume of rent would in fact alter with the amount of the value of the agricultural product, hence also with the relative value of the agricultural product in relation to the manufactured product. But the “level” of the rent and of the profit—their rates—would have absolutely nothing to do with it whatsoever. In the first case the value of the product = 900 of which 300 is manufactured product and 600 agricultural product. Of this, 600 hours surplus value accrue to the manufactured product and 1,200 to the agricultural product.
Altogether 1,800 hours. Of these, 120 go to rent and 1,680 to profit. In the second case the value of the product = 900, of which 600 is manufactured product and 300 agricultural product. Thus 1,200 [hours] surplus value for manufacture and 600 for agriculture. Altogether 1,800. Of this 60 go to rent and 1,200 to profit for manufacture + 540 for agriculture. Altogether 1,740. In the second case, the manufactured product is twice as great as the agricultural product (in terms of value). In the first case the position is reversed. In the second case the rent = 60, in the first it = 120. It has simply grown in the same proportion as the value of the agricultural product. As the volume of the latter increased so the volume of the rent increased. If we consider the total surplus value, 1,800, then in the first case the rent is $\frac{1}{15}$ and in the second it is $\frac{1}{30}$.

If here with the increased portion of value that falls to agricultural product the volume of rent also rises and with this, its volume, increases its proportional share in the total surplus value—i.e., the rate at which surplus value accrues to rent also rises compared to that at which it accrues to profit—then this is only so, because Rodbertus assumes that rent participates in the surplus value of the agricultural product in a definite proportion. Indeed this must be so, if this fact is given or presupposed. But the fact itself by no means follows from the rubbish which Rodbertus pours forth about “the value of the material” and which I have already cited above at the beginning of page 476.a

But the level of the rent does not rise in proportion to the [surplus value in the] product in which it participates, because now, as before, this [proportion is] $\frac{1}{10}$; its volume grows because the product grows, and because it grows in volume, without a rise in its “level”, its “level” rises in comparison with the quantity of profit or the share of profit in the [X-478] value of the total product. Because it is presupposed that a greater part of the value of the total product yields rent, i.e., a greater part of surplus value is turned into rent, that part of surplus value which is converted into rent is of course greater. This has absolutely nothing to do with the “value of the material”. But that a

“greater rent” at the same time represents a “higher rent”, “because the area or number of morgen on which it is calculated remains the same and hence a greater amount of value falls to the individual morgen” ([p.] 122)b

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a See this volume, pp. 308-09.—Ed.
b Marx quotes Rodbertus with some alterations.—Ed.
is ridiculous. It amounts to measuring the “level” of rent by a “standard of measurement” that obviates the difficulty of the problem itself.

Since we do not know as yet what rent is, had we put the above example differently and had left the same rate of profit for the agricultural product as for the manufactured product, only adding on $\frac{1}{10}$ for rent, which is really necessary since the same rate of profit is assumed, then the whole business would look different and become clearer.

<table>
<thead>
<tr>
<th></th>
<th>Manufactured product</th>
<th>Agricultural product</th>
</tr>
</thead>
<tbody>
<tr>
<td>I</td>
<td>600</td>
<td>300</td>
</tr>
<tr>
<td></td>
<td>1,200 surplus value for manufacture, 600 for agriculture and 60 for rent. Altogether 1,860. 1,800 for profit.</td>
<td></td>
</tr>
</tbody>
</table>

| II             | 300                  | 600                  |
|                | 600 surplus value for manufacture, 1,200 for agriculture and 120 for rent. Altogether 1,920. 1,800 for profit. |

In case II the rent is twice that in I because the agricultural product, the share of the value of the product on which it sponges, has grown in proportion to the industrial product. The volume of profit remains the same in both cases, i.e., 1,800. In the first case [the rent is] $\frac{1}{31}$ of the total surplus value, in the second case it is $\frac{1}{16}$.

If Rodbertus wants to charge the “value of the material” exclusively to industry, then above all, it should have been his duty to burden agriculture alone with that part of constant capital which consists of machinery, etc. This part of capital enters into agriculture as a product supplied to it by industry—as a “manufactured product”, which forms the means of production for the “raw product”.

Since we are dealing here with an account between two firms, so far as industry is concerned, that part of the value of the machinery which consists of “raw material” is already debited to it under the heading of “raw material” or “value of the material”. We cannot therefore book this twice over. The other portion of the value of the machinery used in manufacture, consists of added “manufacturing labour” (past and present) and this resolves into
wages and profit (paid and unpaid labour). That part of capital which has been advanced here (apart from that contained in the raw material of the machines) therefore consists only of wages. Hence it increases not only the amount of capital advanced, but also the profit, the volume of surplus value to be calculated upon this capital.

(The error usually made in such calculations is that, for instance, the wear and tear of the machinery or of the tools used is embodied in the machine itself, in its value and although, in the last analysis, this wear and tear can be reduced to labour—either labour contained in the raw material or that which transformed the raw material into machine, etc.—this past labour never again enters into profit or wages, but only acts as a produced condition of production (in so far as the labour time necessary for reproduction does not alter) which, whatever its use value in the labour process, only figures as value of constant capital in the valorisation process. This is of great importance and has already been explained in the course of my examination of the exchange of constant capital and revenue. But apart from this, it needs to be further developed in the section on the accumulation of capital.)

So far as agriculture is concerned—i.e., purely the production of raw products or so-called primary production—in balancing the accounts between the firms "primary production" and "manufacture" that part of the value of constant capital which represents machinery, tools, etc., can on no account be regarded in any other way than as an item which enters into agricultural capital without increasing its surplus value. If, as a result of the employment of machinery, etc., agricultural labour becomes more productive, the higher the price of this machinery, etc., the smaller will be the increase in productivity. It is the use value of the machinery and not its value which increases the productivity of agricultural labour or of any other sort of labour. Otherwise one might also say that the productivity of industrial labour is, in the first place, due to the presence of raw material and its properties. But again it is the use value of the raw material, not its value, which constitutes a condition of production for industry. Its value, on the contrary, is a drawback. Thus what Mr. Rodbertus says about the "value of the material" in respect to the industrial capital, is literally, [X-479] mutatis mutandis, valid for machinery, etc.

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a See this volume, pp. 143-49.—Ed.
"For instance the labour costs of a particular product, such as wheat or cotton, cannot be affected by the labour costs of the plough or gin as machines" (or the labour costs of a drainage canal or stable buildings). "On the other hand, the value of the machine or the machine value does figure in the amount of capital on which the owner has to calculate his gain, the rent that falls to the raw product" (cf. Rodbertus, p. 97).113

In other words: That portion of the value of wheat and cotton representing the value of the wear and tear of the plough or gin, is not the result of the work of ploughing or of separating the cotton fibre from its seed, but the result of the labour which manufactured the plough and the gin. This component part of value goes into the agricultural product without being produced in agriculture. It only passes through agriculture, which uses it merely to replace ploughs and gins by buying new ones from the maker of machines.

The machines, tools, buildings and other manufactured products required in agriculture consist of 2 component parts: 1) the raw materials of these manufactured products. Although these raw materials are the product of agriculture, they are a part of its product which never enters into wages or into profit. Even if there were no capitalist, the farmer still could not chalk up this part of his product as wages for himself. He would in fact have to hand it over gratis to the machine manufacturer so that the latter would make him a machine from it and besides he would have to pay for the labour which is added to this raw material (=wages+profit). This happens in reality. The machine maker buys the raw material but in purchasing the machine, agricultural producer must buy back the raw material. It is just as if he had not sold it at all, but had lent it to the machine maker to give it the form of the machine. Thus that portion of the value of the machinery employed in agriculture which resolves into raw material, although it is the product of agricultural labour and forms part of its value, belongs to production and not to the producer, it therefore figures in his expenses, like seed. The other part, however, represents the manufacturing labour embodied in the machinery and is a "product of manufacture" which enters into agriculture as a means of production, just as raw material enters as a means of production into industry.

Thus, if it is true that the firm "primary production" supplies the firm "manufacturing industry" with the "value of the material" which enters as an item into the capital of the industrialist, then it is no less true that the firm "manufacturing industry" supplies the firm "primary production" with the value of the machine which enters wholly (including that part which consists of raw material) into the farmer's capital without this
“component part of value” yielding him any surplus value. This circumstance is a reason why the rate of profit appears to be smaller in high agriculture, as the English call it, than in primitive agriculture, although the rate of surplus value is greater.

At the same time this supplies Mr. Rodbertus with striking proof of how irrelevant it is to the nature of a capital advance, whether that portion of the product which is laid out in constant capital is replaced in natura and therefore only accounted for as a commodity—as money value—or whether it has really been alienated and has gone through the process of purchase and sale. Supposing the producer of raw materials handed over gratis to the machine builder the iron, copper, wood, etc., embodied in his machine, so that the machine builder in selling him the machine would charge him for the added labour and the wear and tear of his own machine, then this machine would cost the agriculturist just as much as it costs him now and the same component part of value would figure as constant capital, as an advance, in his production. Just as it amounts to the same thing whether a farmer sells the whole of his harvest and buys seed from elsewhere with that portion of its value which represents seed (raw material) perhaps to effect a desirable change in the type of seed and to prevent degeneration by inbreeding—or whether he deducts this component part of value directly from his product and returns it to the soil.

But in order to arrive at his results, Mr. Rodbertus misinterprets that part of constant capital which consists of machinery.

A second aspect that has to be examined in connection with [case] II of Mr. Rodbertus is this:

He speaks of the manufactured and agricultural products which make up the revenue, which is something quite different from those manufactured and agricultural products which make up the total annual product. Now supposing it were correct to say of the latter that after deducting the whole of that part of the agricultural capital which consists of machinery, etc., [X-480] and that part of the agricultural product which is returned direct to agricultural production, the proportion in which the surplus value is [distributed] between farmer and manufacturer—and therefore also the proportion in which the surplus value accruing to the farmer is distributed between himself and the landlord—must be determined by the share of manufacture and of agriculture in the total value of the products; then it is still highly questionable whether this is correct if we are speaking of those products which form the common fund of revenue. Revenue (we exclude here that
part which is reconverted into *new* capital) consists of products which go into individual consumption and the question is, how much do the *capitalists, farmers* and *landlords* draw out of this *pot*. Is this quota determined by the share of manufacture and raw production in the *value* of the product that constitutes revenue? Or by the quotas in which the value of the total revenue is divisible into agricultural labour and manufacturing labour?

The mass of products which make up revenue, as I have demonstrated earlier,\(^a\) does not contain any products that enter into production as instruments of labour (machinery), *matière instrumentale*, semi-finished goods and the raw material of semi-finished goods, which form a part of the annual product of labour. Not only the *constant capital* of primary production is excluded but also the constant capital of the machine makers and the entire constant capital of the *farmers* and the *capitalists* which does *not* enter into the valorisation process though it enters into the labour process. Furthermore, it excludes not only constant capital, but also the part of the unconsumable products that represents the *revenue* of their producers and enters into the capital of the producers of products consumable as revenue, for the replacement of their used up constant capital.

The *mass of products* on which the revenue is spent and which *in fact* represents that part of wealth which constitutes revenue, in terms of both *use value* and *exchange value*—this mass of products can, as I have demonstrated earlier,\(^b\) be regarded as consisting only of *newly added* (during the year) *labour*. Hence it can be resolved *only* into revenue, i.e., wages and profit (which again splits up into profit, rent, taxes, etc.), since not a single particle of it contains any of the value of the raw material which goes into production or of the wear and tear of the machinery which goes into production, in a word, it contains none of the value of the means of labour. Leaving aside the derivative forms of revenue because they merely show that the owner of the revenue relinquishes his proportional share of the said products to another, be it for *services*, etc. or debt, etc.—let us consider this revenue and assume that wages form \(\frac{1}{5}\) of it, profit \(\frac{1}{3}\) and rent \(\frac{1}{3}\) and that the value of the product=£90. Then each will be able to draw the equivalent of £30 worth of products from the whole amount.

Since the amount of products which forms the revenue consists

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\(^a\) See this volume, pp. 143-49.—Ed.

\(^b\) Ibid., pp. 134-43.—Ed.
only of newly added (i.e., added during the year) labour, it seems very simple that if the product contains 2/3 agricultural labour and 1/3 manufacturing labour, then manufacturers and agriculturists will share the value in this proportion. 1/3 of the value would fall to the manufacturers and 2/3 to the agriculturists and the proportional amount of the surplus value realised in manufacture and agriculture (the same rate of surplus value is assumed in both) would correspond to these shares of manufacture and agriculture in the value of the total product. But rent again [would] grow in proportion to the farmer's volume of profit since it sponges on it. And yet this is wrong. Because a part of the value which consists of agricultural labour forms the revenue of the manufacturers of that fixed capital, etc., which replaces the fixed capital worn out in agriculture. Thus the ratio between agricultural labour and manufacturing labour in the component parts of value of those products which constitute the revenue, in no way indicates the ratio in which the value of this mass of products or this mass of products itself is distributed between the manufacturers and the farmers, neither does it indicate the ratio in which manufacture and agriculture participate in total production.

Rodbertus goes on to say:

"But again it is only the productivity of labour in primary production or manufacture, which determines the relative level of the value of the raw product and manufactured product or their respective shares in the value of the total product. The value of the raw product will be the higher, the lower the productivity of labour in primary production and vice versa. In the same way, the value of the manufactured product will be the higher, the lower the productivity in manufacture and vice versa. Since a high value of the raw product effects a high ground rent and low capital gain, and a high value of the manufactured product effects a high capital gain and low ground rent, if the level of rent in general is given, the level of ground rent and of capital gain must not only bear an inverse relationship to one another, but also to the productivity of their respective labour, that in primary production and that in manufacture" ([p.] 129).

If the productivity of two different spheres of production is to be compared, this can only be done relatively. In other words, one starts at any arbitrary point, for instance, when the values of hemp and linen, i.e., the correlative quantities of labour time embodied in them, are as 1:3. If this ratio alters, then it is correct to say that the productivity of these different types of labour has altered. But it is wrong to say that because the labour time required for the production of an ounce of gold [X-481]=3 and that for a ton of iron also=3, gold production is "less productive" than iron production.

The relative value of two commodities shows that the one costs more labour time than the other; but one cannot say that because
of this one branch is "more productive" than the other. This would only be correct if the labour time were used for the production of the same use values in both instances.

It would be entirely wrong to say that manufacture is 3 times as productive as agriculture if the value of the raw product is to that of the manufactured product as 3:1. Only if the ratio changes say to 4:1 or 3:2 or 2:1, etc., when it rises or falls, could one say that the relative productivity in the two branches has altered.

III) "The level of capital gain is solely determined by the level of the value of the product in general and by the level of the value of the raw product and the manufactured product in particular; or by the productivity of labour in general and by the productivity of labour employed in the production of raw materials and of manufactured goods in particular. The level of ground rent is, apart from this, also dependent on the magnitude of the value of the product or the quantity of labour, or productive power, which, with a given state of productivity, is used for production" ([pp.] 116-17).

In other words: The rate of profit depends solely on the rate of surplus value and this is determined solely by the productivity of labour. On the other hand, given the productivity of labour, the rate of ground rent also depends on the amount of labour (the number of workers) employed.

This assertion contains almost as many falsehoods as words.

Firstly the rate of profit is by no means solely determined by the rate of surplus value. But more about this shortly. First of all, it is wrong to say that the rate of surplus value depends solely on the productivity of labour. Given the productivity of labour, the rate of surplus value alters according to the length of surplus labour time. Hence the rate of surplus value depends not only on the productivity of labour but also on the quantity of labour employed because the quantity of unpaid labour can grow (while productivity remains constant) without the quantity of paid labour, i.e., that part of capital laid out in wages, growing. Surplus value—absolute or relative (and Rodbertus only knows the latter from Ricardo)—cannot exist unless labour is at least sufficiently productive to leave over some surplus labour time apart from that required for the worker's own reproduction. But assuming this to be the case, with a given minimum productivity, then the rate of surplus value alters according to the length of surplus labour time.

Firstly, therefore, it is wrong to say that because the rate of surplus value, or the "level of capital gain", is solely determined by the productivity of the labour exploited by capital, the rate of profit is so determined. Secondly: The rate of surplus value—which, if the productivity of labour is given, alters with the length of the working day and, with a given normal working day,
alters with the *productivity of labour*—is assumed to be *given*. *Surplus value* itself will then vary according to the *number* of workers from whose every working day a certain quantity of surplus value is extorted, or according to the *volume* of variable capital expended on wages. The *rate of profit*, on the other hand, depends on the *ratio of this surplus value* [to] the variable capital+the constant capital. If the *rate of surplus value* is given, the *amount of surplus value* does indeed depend on the amount of variable capital, but the *level of profit*, the *rate of profit*, depends on the ratio of this surplus value to the total capital advanced. In this case the rate of profit will thus be determined by the price of the raw material (s’il y en a* in this branch of industry) and the value of machinery of a particular efficiency.

Hence what Rodbertus says is fundamentally wrong:

"Thus, as the amount of capital gain increases consequent upon the *increase in product value*, so also in the same proportion increases the amount of capital value on which the gain has to be reckoned, and the hitherto existing ratio between gain and capital is not altered at all by this increase in capital gain" ([p.] 125).

This is only valid if it [signifies] the *tautology* that: *given the rate of profit* //very different from the rate of surplus value and surplus value itself//, *the amount of capital employed is immaterial*, precisely because the rate of profit is assumed to be *constant*. But as a rule the rate of profit can increase although the *productivity of labour* remains *constant*, or it can *fall* even though the productivity of labour rises and rises moreover *in every department*.

And now again the silly remark (pp. 125-26) about ground rent, the assertion that the mere increase of rent raises its rate, because in every country it is calculated on the basis of an "unalterable number of morgen" ([p.] 126). If the volume of profit grows (given the rate of profit), then the *amount* of capital from which it is drawn, grows. On the other hand, if rent increases, then [according to Rodbertus] only one *factor* changes, namely rent itself, while its standard of measurement, "the number of morgen", remains unalterably fixed.

[X-482] "Hence rent can rise for a reason which enters into the economic development of society everywhere, namely the increase in labour used for production, in other words, the *increasing population*. This does not necessarily have to be followed by a *rise* in the raw product value since the drawing of rent from a greater quantity of raw product must already have this effect" ([p.] 127).

On *p.* 128, Rodbertus makes the strange discovery that even if the value of the raw product fell *below* its normal level, causing rent to disappear completely, it would be impossible

a If such exists.—*Ed.*
Theories of Surplus Value. Mr. Rodbertus

“for capital gain ever to amount to 100 per cent” (i.e., if the commodity is sold at its value) “however high it may be, it must always amount to considerably less” ([p.] 128).

AND why?

“Because it” (the capital gain) “is merely the result of the division of the value of the product. It must, accordingly, always be a fraction of this unit” ([pp.] 127-28).

This, Mr. Rodbertus, depends entirely upon the nature of your calculation.

Let the constant capital advanced be 100, the wages advanced 50 and let the product of labour over and above this 50 be 150. We would then have the following calculation:

<table>
<thead>
<tr>
<th>Constant capital</th>
<th>Variable capital</th>
<th>Surplus value</th>
<th>Value</th>
<th>Production costs</th>
<th>Profit</th>
</tr>
</thead>
<tbody>
<tr>
<td>100</td>
<td>50</td>
<td>150</td>
<td>300</td>
<td>150</td>
<td>150=100%</td>
</tr>
</tbody>
</table>

The only requirement to produce this situation is that the worker should work for his master 9/4 of his working day, it is therefore assumed that 1/4 of his labour time suffices for his own reproduction. Of course, if Mr. Rodbertus takes the total value of the product, which =300, and does not consider the excess it contains over the production costs, but says that this product is to be divided between the capitalist and the worker, then in fact the capitalist’s portion can only amount to a part of this product, even if it came to 999/1,000. But the calculation is incorrect, or at least useless in almost every respect. If a person lays out 150 and makes 300 he is not in the habit of saying that he has made a profit of 50% on the basis of reckoning the 150 on 300 instead of 150.

Assume, in the above example, that the worker has worked 12 hours, 3 for himself and 9 for the capitalist. Now let him work 15 hours, i.e., 3 for himself and 12 for the capitalist. Then, according to the former production ratio, an outlay of 25 on constant capital would have to be added (less in fact, because the outlay on machinery would not grow to the same degree as the quantity of labour). Thus:

<table>
<thead>
<tr>
<th>Constant capital</th>
<th>Variable capital</th>
<th>Surplus value</th>
<th>Value</th>
<th>Production costs</th>
<th>Profit</th>
<th>Per cent</th>
</tr>
</thead>
<tbody>
<tr>
<td>125</td>
<td>50</td>
<td>200</td>
<td>375</td>
<td>175</td>
<td>200</td>
<td>114 2/7</td>
</tr>
</tbody>
</table>

Then Rodbertus comes up again with the growth of “rent to infinity”, firstly because he interprets its mere increase in volume as a rise, and therefore speaks of its rise when the same rate of
rent is paid on a larger amount of produce. Secondly because he calculates on “a morgen” as his standard of measurement. Two things which have nothing in common.

The following points can be dealt with quite briefly, since they have nothing to do with my purpose.

The “value of land” is the “capitalised ground rent”. Hence this, its expression in terms of money, depends on the level of the prevailing rate of interest. Capitalised at 4%, it would have to be multiplied by 25, since $4\% = \frac{1}{25}$ of 100; at 5% by 20, since $5\% = \frac{1}{20}$ of 100. This would amount to a difference in land value of 20% ([p.] 131). Even with a fall in the value of money, ground rent and hence the value of land would rise nominally, since—unlike the increase in interest or profit (expressed in money)—the monetary expression of capital does not rise evenly. The rent, however, which has risen in terms of money has to be related “to the unchanged number of morgen of the piece of land” ([p.] 132).

Mr. Rodbertus sums up his wisdom as applied to Europe in this way:

1) “...with the European nations, the productivity of labour in general—labour employed in primary production and manufacturing—has risen ... as a result of which the part of the national product used for wages has diminished, the part left over for rent has increased ... so rent in general has risen” ([pp.] 138-39).

2) “...the increase in productivity is relatively greater in manufacture than in primary production ... an equal value of national product will therefore at present yield a larger rent share to the raw product than to the manufactured product. Therefore notwithstanding the rise in rent in general, in fact only ground rent has risen while capital gain has fallen” ([p.] 139).

Here Mr. Rodbertus, just like Ricardo, explains the rise of rent and the fall of the rate of profit one by the other; the fall of one=the rise of the other and the rise of the latter is explained by the relative unproductiveness [X-483] of agriculture. Indeed, Ricardo says somewhere quite expressly that it is not a matter of absolute but of “relative” unproductiveness. But even if he had said the opposite, it would not comply with the principle he establishes since Anderson, the original author of the Ricardian concept, expressly declares that every piece of land is capable of absolute improvement.

If “surplus value” (profit and rent) in general has risen then it is not merely possible that the rate of the total rent has fallen in proportion to constant capital, but it will have fallen because

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a Rent.—Ed.
b See this volume, p. 546.—Ed.
c J. Anderson, An Inquiry into the Causes that Have Hitherto Retarded the Advancement of Agriculture in Europe..., Edinburgh, 1779, p. 5.—Ed.
productivity has risen. Although the number of workers employed has grown, as has the rate at which they are exploited, the amount of capital expended on wages as a whole has fallen relatively, although it has risen absolutely; because the capital which is set in motion by these workers as an advance, a product of the past, entering production as a prerequisite, forms an ever growing share of the total capital. Hence the rate of profit + rent taken together has fallen, although not only its volume (its absolute amount) has grown, but also the rate at which labour is being exploited has risen. This Mr. Rodbertus cannot see, because for him constant capital is an invention of industry of which agriculture is ignorant.

But so far as the relative magnitude of profit and rent is concerned, it does not by any means follow that, because agriculture is relatively less productive than industry, the rate of profit has fallen absolutely. If, for instance, its relationship to rent was as 2:3 and is now as 1:3, then whereas previously it formed 2/3 of rent, it now forms only 1/3, or previously [profit] formed 2/5 of the total surplus value and now only 1/4, [or] previously 8/20 and now only 9/20; it would have fallen by 3/20 or [by] 15%.

Assume that the value of 1 lb. of cotton was 2s. It falls to 1s. 100 workers who previously span 100 lbs in one day, now spin 300. Assume finally that since the product becomes cheaper, the outlay for 300 lbs amounted previously to 600s.; now it is only 300s. Further, assume that in both cases machinery = 1/10 = 60s. Finally, previously 300 lbs cost 300s. as an outlay for 300 workers, now only 100s. for 100 [workers]. Since the productivity of the workers "has increased", and we must suppose that they are paid here in their own product, assume that whereas previously the surplus value = 20% of wages, now it = 40.

Thus the cost of the 300 lbs is:

in the first case:
600 raw material, 60 machinery, 300 wages, 60 surplus value, altogether = 1,020s.

in the second case:
300 raw material, 60 machinery, 100 wages, 40 surplus value, altogether = 500s.

The production costs in the first case 960. Profit 60. Per cent 61/2%. In the second case: 460. Profit 40. 816/23%.

Suppose the rent was 1/3 of 1 lb., then in the first case it = 200s. = £10; in the second it = 100s. = £5. The rent has fallen here because the raw product has become cheaper by 50%. But the whole of the product has become cheaper by more than 50%. The industrial labour added in I [is to the value of the raw material] as 360:600 = 6/10 = 1:1 2/3; in II, as 140:300 = 1:2 1/7. Indus-
trial labour has become relatively more productive than agricultural labour; yet in the first case the rate of profit is lower and the rent higher than in the 2nd. In both cases rent amounts to \( \frac{1}{3} \) of raw materials.

Assume that the amount of raw materials in II doubles so that 600 lbs are spun and the ratio would be:

II) 600 lbs—600 raw material, 120 machinery, 200 wages, 80 surplus value. Altogether 920 production costs, 80 profit, per cent \( 8\frac{16}{23}\% \).

The rate of profit has risen compared with I. Rent would be just the same as in I. The 600 lbs would cost only 1,000, whereas before they cost 2,040.

[X-484] It does not by any means follow from the relative dearness of the agricultural product that it yields a [higher] rent. However, if one assumes—as Rodbertus can be said to assume, since his so-called proof is absurd—that rent clings as a percentage on to every particle of value of the agricultural product, then indeed it follows that rent rises with the increasing dearness of agricultural produce.

"...As a result of the increased population, the value of the total national product has also grown to an extraordinary extent ... today, therefore, the nation draws more wages, more profit, more ground rent ... furthermore, this increased amount of ground rent has raised it, whereas the increased amount of wages and profit could not have a similar effect" ([p.] 139).

Let us strip Mr. Rodbertus of all nonsense (not to speak of such defective conceptions as I have detailed more fully above, for instance that the rate of surplus value ("level of the product") can only rise when labour becomes more productive, i.e., the overlooking of absolute surplus value, etc.);

namely the absurd conception that the "value of the material" does not form part of the expenditure in (capitalist) agriculture in the strict sense.

The second piece of nonsense: that he does not regard the machinery, etc., the second part of the constant capital of agriculture and manufacture, as a "component part of value", which—just as the "value of the material"—does not arise from the labour of the sphere of production into which it enters as machinery, and upon which the profit made in each sphere of production is also calculated, even though the value of the machinery does not add a farthing to the profit, as little as the "value" of the material although both are means of production and as such enter into the labour process.

The third piece of nonsense: that he does not charge to agriculture the entire "component part of value" of the "machin-
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ery", etc., which enters into it as an item of expenditure and that he does not regard that element of it which does not consist of raw material as a debit of agriculture to industry, which does not therefore belong to the expenditure of industry as a whole and in payment for which, a part of the raw material of agriculture must be supplied gratis to industry.

The fourth piece of nonsense: his belief that in addition to machinery and its matière instrumentale the "value of the material" enters into all branches of industry, whereas this is not the case in the entire transport industry any more than it is in the extractive industry.

The fifth piece of nonsense: that he does not see that although, besides variable capital, "raw material" does enter into many branches of manufacture (and this the more they supply finished produce for consumption), the other component part of constant capital disappears almost completely or is very small, incomparably smaller than in large-scale industry or agriculture.

The sixth piece of nonsense: that he confuses the average prices of commodities with their values.

Stripped of all this, which has allowed him to derive his explanation of rent from the farmer's wrong calculation and his own wrong calculation, so that rent would have to disappear to the extent to which the farmer accurately calculates the outlay he makes, then only the following assertion remains as the real kernel:

When the raw products are sold at their values, their value stands above the average prices of the other commodities or above their own average price, this means their value is greater than the production costs + average profit, thus leaving an excess profit which constitutes rent. Furthermore, assuming the same rate of surplus value, this means that the ratio of variable capital to constant capital is greater in primary production than it is, on an average, in those spheres of production which belong to industry (which does not prevent it from being higher in some branches of industry than it is in agriculture). Or, putting it into even more general terms: agriculture belongs to that class of industries, whose variable capital is greater proportionately to constant capital than in industry, on an average. Hence its surplus value, calculated on its production costs, must be higher than the average in the industrial spheres. Which means again, that its particular rate of profit stands above the average rate of profit or the general rate of profit. Which means again: when the rate of surplus value is the same and the surplus value itself is given, then the particular rate of profit in each sphere of production depends on the
The proportion of variable capital to constant capital in that particular sphere.
This would therefore only be an application of the law developed by me in a *general* form to a particular branch of industry.\(^a\)

[X-485] Consequently:

1) One has to prove that agriculture belongs to those particular spheres of production whose *commodity values* are above their *average prices*, whose profit, so long as they appropriate it themselves and do not hand it over for the equalisation of the general rate of profit, thus stands above the *average profit*, yielding them, therefore, in addition to this, an *excess profit*. This point 1) appears certain to apply to agriculture on an average, because manual labour is still relatively dominant in it and it is characteristic of the bourgeois mode of production to develop manufacture more rapidly than agriculture. This is, however, a *historical* difference which can disappear. At the same time this implies that, on the whole, the means of production supplied by industry to agriculture fall in value, while the raw material which agriculture supplies to industry generally rises in value, the constant capital in a large part of manufacture has consequently a proportionately greater value than that in agriculture. In the main, this will probably not apply to the extractive industry.

2) It is wrong to say, as Rodbertus does: If—according to the general law—the agricultural product is sold on an average at its *value* then it must yield an excess profit, *alias* rent; as though this selling of the commodity at its *value, above* its average price, were the general law of capitalist production. On the contrary, it must be shown why in primary production—by way of exception and in contrast to the *class of industrial products whose value similarly stands above their average price*—the values are *not* reduced to the average prices and therefore yield an excess profit, *alias* rent. This is to be explained simply by *property in land*. The equalisation takes place only between capitals, because only the action of capitals on one another has the force to assert the inherent laws of capital. In this respect, those who derive rent from *monopoly* are right. Just as it is the *monopoly* of capital alone that enables the capitalist to squeeze surplus labour out of the worker, so the monopoly of landownership enables the landed proprietor to squeeze that part of surplus labour from the capitalist which would form a constant *excess profit*. But those who derive rent from monopoly are

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\(^a\) See this volume, pp. 298, 301-05.—*Ed.*
mistaken when they imagine that monopoly enables the landed proprietor to force the price of the commodity above its value. On the contrary, it makes it possible to maintain the value of the commodity above its average price; to sell the commodity not above, but at its value.

Modified in this way, the proposition is correct. It explains the existence of rent, whereas Ricardo only explains the existence of different rents and actually does not credit the ownership of land with any economic effect. Furthermore, it does away with the superstructure, which with Ricardo himself was anyhow only arbitrary and not necessary for his presentation, namely, that the agricultural industry becomes gradually less productive; it admits on the contrary that it becomes more productive. Only on the bourgeois basis agriculture is relatively less productive, or slower to develop the productive forces of labour, than industry. Ricardo is right when he derives his “surplus value” not from greater productivity but from smaller productivity.

So far as the difference in rents is concerned, provided equal capital is invested in land areas of equal size, it is due to the difference in natural fertility, in the first place, specifically with regard to those products which supply bread, the chief nutriment; provided the land is of equal size and fertility, differences in rent arise from unequal capital investment. The first, natural, difference causes not only the difference in the size but also in the level or rate of rent, relatively to the capital which has been laid out. The second, industrial, difference only effects a greater rent in proportion to the volume of capital which has been laid out. Successive capital investments on the same land may also have different results. The existence of different excess profits or different rents on land of varying fertility does not distinguish agriculture from industry. What does distinguish it is that those excess profits in agriculture become permanent fixtures, because here they rest on a natural basis (which, it is true, can be plus ou moins levelled out). In industry, on the other hand—given the same average profit—these excess profits can only turn up fleetingly and they only appear because of a change-over to more productive machines and combinations of labour. In industry it is always the most recently added, most productive capital that yields an excess profit by reducing average prices. In agriculture excess profit may be the result, and very often must be the result, not of the absolute increase in fertility of the best fields, but the relative increase in

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*a* Marx means “excess surplus value”.—*Ed.*
their fertility, because less productive land is being cultivated. In industry the higher relative productiveness, the excess profit (which disappears), must always be due to the absolute increase in productiveness, or productivity, of the newly invested capital compared with the old. No capital can yield an excess profit in industry (we are not concerned here with a momentary rise in demand) because less productive capitals are newly entering into the branch of industry.

[X-486] It can, however, also happen in agriculture (and Ricardo admits this) that more fertile land—land which is either naturally more fertile or which becomes more fertile due to advanced farming techniques than the old land under the old [conditions]—comes into use at a later stage and even throws a part of the old land out of cultivation (as in the mining industry and with colonial products), or forces it to turn to another species of agriculture which supplies a different product.

The fact that the differences in rents (excess profits) become more or less fixed distinguishes agriculture from industry. But the fact that the market price is determined by the average conditions of production, thus raising the price of the product which is below this average, above its price and even above its value, this fact by no means arises from the land, but from competition, from capitalist production. Hence this is not a law of nature, but a social law.

This theory neither demands the payment of rent for the worst land, nor the non-payment of rent. Similarly, it is possible that a lease rent is paid where no rent is yielded, where only the ordinary profit is made, or where not even this is made. Here the landowner draws a rent although economically none is available.

First. Rent (excess profit) is paid only for the better (more fertile) land. Here rent "as such" does not exist. In such cases excess profit—just as the excess profit in industry—rarely becomes fixed in the form of rent (as in the West of the United States of North America).*

This is the case where, on the one hand, relatively great areas of disposable land have not become private property and, on the other, the natural fertility is so great that the values of the agricultural products are equal to (sometimes below) their average prices, despite the scant development of capitalist production and therefore the high proportion of variable capital to constant capital. If their values were higher, competition would reduce them to this level. It

* // As Opdyke calls landed property "THE LEGALISED REFLEXION OF THE VALUE OF CAPITAL", so "CAPITAL is THE LEGALISED REFLEXION OF OTHER PEOPLE'S LABOUR".//
is however absurd to say, as for example Rodbertus does, that the State levies, for instance, a dollar or so per acre, a low, almost nominal price. One could just as well say that the State imposes a "trade tax" on the pursuit of every branch of industry. In this case Ricardo's law exists. Rent exists only for relatively fertile land—although mostly not in a fixed but in a fluid state, like the excess profit in industry. The land that pays no rent does so, not because of its low fertility, but because of its high fertility. The better kinds of land pay rent, because they possess more than average fertility, as a result of their relatively higher fertility.

But in countries where landed property exists, the same situation, namely that the last cultivated land pays no rent, may also occur for the reverse reasons. Supposing, for instance, that the value of the grain crops was so low (and that its low value was in no way connected with the payment of rent), that owing to the relatively low fertility of the last cultivated land the value of its crop were only equal to the average price, this means that, if the same amount of labour were expended here as on the land which carried a rent, the number of quarters would be so small (on the capital laid out), that with the average value of bread products, only the average price of wheat would be obtained.

[X-487] Supposing for example, that the last land which carries rent (and the land which carries the smallest rent represents pure rent; the others already differential rent) produces,[with] a capital investment of £100, [a product] equal to £120 or 360 qrs of wheat at £1/3. In this case 3 qrs=£1. Let £1 equal one week’s labour. £100=100 weeks’ labour and £120=120 weeks’ labour. 1 qr=1/3 of a week=2 days and of these 2 days or 24 hours (if the normal working day=12 hours) 1/5, or 4 4/5 hours, are unpaid labour=the surplus value embodied in the qr. 1 qr=£1/5=6 2/5s. or 6 6/5s. If the qr is sold at its value and the average profit=10% then the average price of the 360 qrs=£110 and the average price per qr 6 1/5s. The value would be £10 above the average price. And since the average profit=10% the rent would be equal to half the surplus value,=£10 or 5 1/5s. per qr. Better types of land, which would yield more qrs for the same outlay of 120 weeks’ labour (of which, however, only 100 are paid labour, be it objectified or living), would, at the price of 6 6/5s. per qr, yield a higher rent. But the worst cultivated land would yield a rent of £10 on a capital of £100, or of 5 1/5s. per qr of wheat.

Assume that a new piece of land is cultivated, which only yields

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a See this volume, p. 382.—Ed.

b In the manuscript: “high”.—Ed.
330 qrs with 120 weeks' labour. If the value of 3 qrs=£1, then that of 330 qrs=£110. But 1 qr would now be=2 days, 2\(\frac{2}{11}\) hours, while before it was=to only 2 days. Previously, 1 qr=6\(\frac{6}{9s}\). or 1 qr=6s. 8d.; now, since £1=6 days=7s. 3d. 1\(\frac{1}{11}\) farthing. To be sold at its value the qr would now have to be sold at 7d. 1\(\frac{1}{11}\) farthing more, at this price it would also yield the rent of 5\(\frac{1}{9s}\). per qr. The value of the wheat produced on the better land is here below the value of that produced on the worst land. If this worst land sells at the price per qr of the next best or rent-yielding land then it sells below its value but at the average price of the better land, i.e., the price at which it yields the normal profit of 10%. It can therefore be cultivated and yield the normal average profit to the capitalist.

There are two situations in which the worst land would here yield a rent apart from profit.

Firstly if the value of the qr of wheat were above 6\(\frac{6}{9s}\). (its price could be above 6\(\frac{6}{9s}\), i.e., above its value, as a result of demand; but this does not concern us here. The 6\(\frac{6}{9s}\), the price per qr, which yielded a rent of £10 on the worst land cultivated previously, was equal to the value of the wheat grown on this land, which yields a non-differential rent), that is [if] the worst land previously cultivated and all others, while yielding the same rent, were proportionately less fertile, so that their value were higher above their average price and the average price of the other commodities. That the new worst land does not yield a rent is thus not due to its low fertility but to the relatively high fertility of the other land. As against the new type of land with the new capital investment, the worst, [previously] cultivated, rent-yielding land represents rent in general, the non-differential rent. And that its rent is not higher is due to the [high] fertility of the rent-yielding land.

Assume that there are 3 other classes of land besides the last rent-yielding land. Class II (that above I, the last rent-yielding land) carries a rent of \(\frac{1}{5}\) more because this land is \(\frac{1}{5}\) more fertile than class I; class III again \(\frac{1}{5}\) more because it is \(\frac{1}{5}\) more fertile than class II, and the same again in class IV because it is \(\frac{1}{5}\) more fertile than class III. Since the rent in class I=£10, it=10+\(\frac{1}{5}\)=£12 in class II, 12+\(\frac{1}{5}\)=£14\(\frac{2}{5}\) in class III and 14\(\frac{2}{5}\)+\(\frac{1}{5}\)=£17\(\frac{7}{25}\) in class IV.

If IV's fertility were less, the rent of III-I inclusive [X-488] would be greater and that of IV also greater absolutely (but would the proportion be the same?). This can be taken in two ways. If I were more fertile then the rent of II, III, IV would be proportionately smaller. On the other hand, I is to II, II is to III and III is to IV.
as the newly added, non-rent-yielding type of land is to I. The new type of land does not carry a rent because the value of the wheat from I is not above the average price [of that] from the new land. It would be above it if I were less fertile. Then the new land would likewise yield a rent. But the same applies to I. If II were more fertile then I would yield no rent or a smaller rent. And it is the same with II and III and with III and IV. Finally we have the reverse: The absolute fertility of IV determines the rent of III. If IV were yet more fertile, III, II, I would yield a smaller rent or no rent at all. Thus the rent yielded by I, the undifferentiated rent, is determined by the fertility of IV, just as the circumstance that the new land yields no rent is determined by the fertility of I. Accordingly, Storch's law is valid here, namely, that the rent of the most fertile land determines the rent of the last land to yield any rent at all,¹¹⁶ and therefore also the difference between the land which yields the undifferentiated rent and that which yields no rent at all.

Hence the phenomenon that here the 5th class, the newly cultivated land I' (as opposed to I) yields no rent, is not to be ascribed to its own lack of fertility, but to its relative lack of fertility compared with I, therefore, to the relative fertility of I as compared with I'.

[Secondly.] The value [of the product] of the rent-yielding types of land I, II, III, IV, that is 6s. 8d. per quarter (to make it more realistic, one could say bushel instead of quarter¹¹⁷), equals the average price of I' and is below its own value. Now many intermediary stages are in fact possible. Supposing on a capital investment of £100, I' yielded any quantity of qrs between its real return of 330 bushels and the return of I which is 360 bushels, say 333, 340, 350 up to 360 – x bushels. Then the value of the qr at 6s. 8d. would be above the average price of I' (per bushel) and the last cultivated land would yield a rent. That it yields the average profit at all, it owes to the relatively low fertility of I, and therefore of I-IV. That it yields no rent, is due to the relatively high fertility of I and to its own relatively low fertility. The last cultivated land I' could yield a rent if the value of the bushel were above 6s. 8d., that is, if I, II, III, IV were less fertile, for then the value of the wheat would be greater. It could however also yield a rent if the value were given at 6s. 8d., i.e. the fertility of I, II, III and IV were the same. This would be the case if it were more fertile itself, yielded more than 330 bushels and if the value of 6s. 8d. per qr were thus above its average price; in other words, its average price would then be below 6s. 8d., and therefore below the value of the wheat.
grown on I, II, III, IV. If the value is above the average price, then there is an excess profit above the average profit, hence the possibility of a rent.

This shows: When comparing different spheres of production—for instance industry and agriculture—the fact that value is above average price indicates lower productivity in the sphere of production that yields the excess profit, the excess of value over the average price. In the same sphere, on the other hand, [it indicates] greater productivity of one capital in comparison with other capitals in the same sphere of production. In the above example, I yields a rent in general, only because in agriculture the proportion of variable capital to constant capital is greater than in industry, i.e., more new labour has to be added to the objectified labour—and because of the existence of landed property this excess of value over average price is not levelled out by competition between capitals. But that I yields a rent at all is due to the fact that the value of 6s. 8d. per bushel is not below its average price, and that its fertility is not so low that its own value rises above 6s. 8d. per bushel. Its price moreover is not determined by its own value but by the value of the wheat grown on II, III, IV or, to be precise, by that grown on II. Whether the market price is merely equal to its own average price or stands above it, and whether its value is above its average price, depends on its own productivity.

Hence Rodbertus' view that in agriculture every capital which yields the average profit must yield rent is wrong. This false conclusion follows from his [X-489] false basis. He reasons like this: The capital in agriculture, for instance, yields £10. But because, in contrast to industry, raw materials do not enter into it, the £10 are reckoned on a smaller sum. They represent therefore more than 10%, for instance. But the point is this: It is not the absence of raw materials (on the contrary, they do enter into agriculture proper; it wouldn't matter a straw if they didn't enter into it, provided machinery, etc., increased proportionally) which raises the value of the agricultural products above the average price (their own and that of other commodities). Rather is this due to the higher proportion of variable to constant capital compared with that existing, not in particular spheres of industrial production, but on an average in industry as a whole. The magnitude of this general difference determines the amount and the existence of rent on No. I, the absolute, non-differential rent and hence the smallest rent. The price of wheat from I', the newly cultivated land which does not yield a rent, is, however, not determined by the value of its own product, but by the value of I, and consequently
Theories of Surplus Value. Mr. Rodbertus

by the average market price of the wheat supplied by I, II, III and IV.

The privilege of agricultural product (resulting from landed property), that it sells its product not at the average price but at its value if this value is above the average price, is by no means valid for products grown on different types of land as against one another, for products of different values produced within the same sphere of production. As against industrial products, they can only claim to be sold at their average prices. As against the other products of the same sphere, they are determined by the market price, and it depends on the fertility of I whether the value—which=the average market price here—is sufficiently high or low, i.e., whether the fertility of I is sufficiently high or low, for I', if it is sold at this value, to participate little, much or [not] at all in the general difference between the value and the average price of wheat. But, since Mr. Rodbertus makes no distinction at all between values and average prices, and since he considers it to be a general law for all commodities, and not a privilege of agricultural products, that they are sold at their values—he must of course believe that the product of the least fertile land has also to be sold at its individual value. But it loses this privilege in competition with products of the same type.

Now it is possible for the value of I' to be below 6s. 8d. per bushel, the average price of I. It can be assumed (although this is not quite correct), that for land I' to be cultivated at all, demand must increase. The price of wheat from I must therefore rise above its value, above 6s. 8d., and indeed persistently so. In this case land I' will be cultivated. If it can make the average profit at 6s. 8d. although its value is above 6s. 8d. and if it can satisfy demand, then the price will be reduced to 6s. 8d., since demand now again corresponds to supply, and so I must sell at 6s. 8d. again, ditto II, III, IV; hence also I'. If, on the other hand, the average price in I' amounted to 7s. 8d. so that it could make the usual profit at this price only (which would be far below its individual value) and if the demand could not be otherwise satisfied, then the value of the bushel would have to consolidate itself at 7s. 8d. and the price of wheat of I would rise above its value. That of II, III, IV, which is already above their individual value, would rise even higher. If, on the other hand, there were prospects of grain imports which would by no means permit of such a stabilisation, then I' could nevertheless be cultivated if small farmers were prepared to be satisfied with less than the average profit. This is constantly happening in both agriculture and
industry. Rent could be paid in this case just as when I' yields the average profit, but it would merely be a deduction from the farmer's profit. If this could not be done either, then the landlord could lease the land to cottiers whose main concern, like that of the hand-loom weaver, is to get their wages out of it and to pay the surplus, large or small, to the landlord in the form of rent. As in the case of the hand-loom weaver, this surplus could even be a mere deduction, not from the product of labour, but from the wages of labour. In all these instances rent could be paid. In one case it would be a deduction from the capitalist's profit. In the other case, the landlord would appropriate the surplus labour of the worker which would otherwise be appropriated by the capitalist. And in the final case he would live off the worker's wage as the capitalists are also often wont to do. But large-scale capitalist production is only possible where the last cultivated land yields at least the average profit, that is where the value of I enables I' to realise at least the average price.

One can see how the differentiation between value and average price surprisingly solves the question and shows that Ricardo and his opponents are right.\textsuperscript{119}

[XI-490] If I, the land which yields absolute rent, were the only cultivated land, then it would sell the bushel of wheat at its value, at 6s. 8d., or \(6^{6}/_{98}\). and not reduce it to the average price of \(6^{1}/_{98}\), or 6s. 1\(^{1}/_{98}\). If all land were of the same type and if the cultivated area increased tenfold, because demand grew, then since I yields a rent of £10 per £100, the rent would grow to £100, although only a single type of land existed. But its rate or level would not grow, neither compared with the capital advanced nor compared with the area of land cultivated. Ten times as many acres would be cultivated and ten times as much capital advanced. This would therefore merely be an augmentation of the rental, of the volume of rent, not of its level. The rate of profit would not fall; for the value and price of the agricultural products would remain the same. A capital which is ten times as large can naturally hand over a rent which is ten times larger than a capital which is \(1/_{10}\) its size. On the other hand, if ten times as much capital were employed on the same area of land with the same result, then the rate of rent compared with the capital laid out would have remained the same; it would have risen in proportion to the area of land, but would not have altered the rate of profit in any way.

Now supposing the cultivation of I became more productive, not because the land had altered but because more constant capital and less variable capital is being laid out, that is more capital is
being spent on machinery, horses, mineral fertilisers, etc., and less on wages; then the value of wheat would approach its average price and the average price of the industrial products, because the excess in the ratio of variable to constant capital would have decreased. In this case rent would fall and the rate of profit would remain unaltered. If the mode of production changed in such a way that the ratio of variable to constant capital became the same as the average ratio in industry, then the excess of value over the average price of wheat would disappear and with it rent, excess profit. [Category] I would no longer pay a rent, and landed property would have become nominal (in so far as the altered mode of production is not in fact accompanied by additional capital being embodied in the land, so that, on the termination of the lease, the owner might draw interest on a capital which he himself had not advanced; this is indeed a principal means by which landowners enrich themselves, and the dispute about tenantry right in Ireland revolves around this very point). Now if, besides I, there also existed II, III, IV, in all of which this mode of production were applied, then they would still yield rents because of their greater natural fertility and the rent would be in proportion to the degree of their fertility. [Category] I would in this case have ceased to yield a rent and the rents of II, III, IV would have fallen accordingly, because the general ratio of productivity in agriculture had become equal to that prevailing in industry. The rent of II, III, IV would correspond with the Ricardian law; it would merely be equivalent to, and would exist only as an excess profit of more fertile compared to less fertile land, like similar excess profits in industry, except in the latter they lack the natural basis for consolidation.

The Ricardian law would prevail just the same, even if landed property were non-existent. With the abolition of landed property and the retention of capitalist production, this excess profit arising from the difference in fertility would remain. If the State appropriated the land and capitalist production continued, then rent from II, III, IV would be paid to the State, but rent as such would remain. If landed property became people's property then the whole basis of capitalist production would go, the foundation on which the conditions of labour become independent vis-à-vis the worker.

A question which is to be later examined in connection with rent: How is it possible for rent to rise in value and in amount, with more intensive cultivation, although the rate of rent falls in relation to the capital advanced? This is obviously only possible
because the amount of capital advanced rises. If rent is \( \frac{1}{5} \) and it becomes \( \frac{1}{10} \), then \( 20 \times \frac{1}{5} = 4 \) and \( 50 \times \frac{1}{10} = 5 \). That’s all. But if conditions of production in intensive cultivation became the same as those prevailing on an average in industry, instead of only approximating to them, then rent for the least fertile land would disappear and for the most fertile it would be reduced merely to the difference in the land. Absolute rent would no longer exist.

Now let us assume that, as a result of increasing demand, the movement is from I to II. [Category] I pays the absolute rent, II would pay a differential rent, but the price of wheat (value for I, excess value for II) remains the same. The rate of profit, too, [is supposed] not to be affected. And so on till we come to IV. Thus the level, the rate of rent is also rising if we take the total capital laid out in I, II, III, IV. But the average rate of profit from II, III, IV would remain the same as that from I, which equals that in industry, the general rate of profit. Thus if [XI-491] we go on to more fertile land, the amount and rate of rent can grow, although the rate of profit remains unchanged and the price of wheat constant. The rise in level and amount of rent would be due to the growing productivity of the capital in II, III, IV, not to the diminishing productivity in I. But the growing productivity would not cause a rise in profits and a fall both in the price of the commodity and in wages, as happens necessarily in industry.

Supposing, however, the reverse process took place: from IV to III, II, I. Then the price would rise to 6s. 8d. at which it would still yield a rent of £10 on £100 on I. For the rent of wheat on IV [amounts to] £17\(\frac{7}{25}\) on £100, of which, however, £7\(\frac{7}{25}\) are the excess of its price over the value of I. [Category] I gave 360 qrs at £100 (with a rent of £10 and the value of the bushel at 6s. 8d.). II—432 qrs. III—518\(\frac{2}{5}\) qrs and IV—622\(\frac{2}{25}\) qrs. But the price per qr of 6s. 8d. yielded IV an excess rent of £7\(\frac{7}{25}\) per 100. IV sells 3 qrs for £1 or 622\(\frac{2}{25}\) qrs at £207\(\frac{9}{25}\). But its value is only £120, as in I; whatever is above this amount is excess of its price over its value. IV would sell the qr at its value, or rather the bushel, if he sold it at 3s. 10\(\frac{6}{25}\)d. and at this price he would have a rent of £10 on 100. The movement from IV to III, III to II and II to I, causes the price per qr (and with it the rent) to rise until it eventually reaches 6s. 8d. with I, where this price now yields the same rent that it previously yielded with IV. The rate of profit would fall with the rise in price, partly owing to the rise in value of the means of subsistence or raw materials. The transition from

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\(^a\) See this volume, p. 330.—Ed.
IV to III could happen like this: Due to demand, the price of IV rises above its value, hence it yields not only rent but excess rent. Consequently III is cultivated which, with the normal average profit, is not supposed to yield a rent at this price. If the rate of profit has not fallen as a result of the rise in price of IV, but wages have, then III will yield the average profit. But due to the supply from III, wages should rise to their normal level again; [then] the rate of profit in III falls, etc.

Thus the rate of profit falls with this downward movement on the assumptions which we have made, namely, that III cannot yield a rent at the price of IV and that III can only be cultivated at the old rate of profit because wages have momentarily fallen below their level.

Under these conditions [it is again possible for] the Ricardian law [to apply]. But not necessarily, even according to his interpretation. It is merely possible in certain circumstances. In reality the movements are contradictory.

This has disposed of the essence of the theory of rent.

With Mr. Rodbertus, rent arises from eternal nature, at least of capitalist production, because of his "value of the material". In our view rent arises from an historical difference in the organic component parts of capital which may be partially ironed out and indeed disappear completely, with the development of agriculture. True, the difference in so far as it is merely due to variation in actual fertility of the land remains even if the absolute rent disappeared. But—quite apart from the possible ironing out of natural variations—differential rent is linked with the regulation of the market price and therefore disappears along with the price and with capitalist production. There would remain only the fact that land of varying fertility is cultivated by social labour and, despite the difference in the labour employed, labour can become more productive on all types of land. But the amount of labour used on the worse land would by no means result in more labour being paid for [the product] of the better land as now with the bourgeois. Rather would the labour saved on IV be used for the improvement of III and that saved from III for the improvement of II and finally that saved on II would be used to improve I. Thus the whole of the capital eaten up by the landowners would serve to equalise the labour used for the cultivation of the soil and to reduce the amount of labour in agriculture as a whole.

[XI-492] //Adam Smith, as we saw above,\(^a\) first correctly

\(^a\) See present edition, Vol. 30, pp. 376-91, 398-403.—Ed.
interprets value and the relation existing between profit, wages, etc. as component parts of this value, and then he proceeds the other way round, regards the prices of wages, profit and rent as antecedent factors and seeks to determine them independently, in order then to compose the price of the commodity out of them. The meaning of this change of approach is that first he grasps the problem in its inner relationships, and then in the reverse form, as it appears in competition. These two concepts of his run counter to one another in his work, naively, without his being aware of the contradiction. Ricardo, on the other hand, consciously abstracts from the form of competition, from the appearance of competition, in order to comprehend the laws as such. On the one hand he must be reproached for not going far enough, for not carrying his abstraction to completion, for instance, when he analyses the value of the commodity, he at once allows himself to be influenced by consideration of all kinds of concrete conditions. On the other hand one must reproach him for regarding the phenomenal form as immediate and direct proof or exposition of the general laws, and for failing to interpret it. In regard to the first, his abstraction is too incomplete; in regard to the 2nd, it is formal abstraction which in itself is wrong. //

Now to return briefly to the remainder of Rodbertus.

"The increase in wages, capital gain and ground rent respectively, which arises from the increase in the value of the national product can raise neither the wages nor the capital gain of the nation, since more wages are now distributed among more workers and a greater amount of capital gain accrues to capital increased in the same proportion; ground rent, on the other hand, must rise since this always accrues to land whose area has remained the same. It is thus possible to explain satisfactorily the great rise in land value, which is nothing other than ground rent capitalised at the normal rate of interest, without having to resort to a fall in productivity of agricultural labour, which is diametrically opposed to the idea of the perfectibility of human society and to all agricultural and statistical facts" ([pp.] 160-61).

D'abord it should be noted that Ricardo nowhere seeks to explain the "great rise in land value". This is no problem at all for him. He says further, and Ricardo even noted this explicitly (see later in connection with Ricardo), that—given the rate of rent—rent can increase with a constant value of corn or agricultural produce. This increase again presents no problem for him. The rise in the rental while the rate of rent remains the same, is no problem for him either. His problem lies in the rise in

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a First of all.— Ed.

b See this volume, p. 529.— Ed.
the *rate of rent*, i.e., rent in proportion to the *agricultural capital* advanced, and hence the rise in value not of the *amount* of *agricultural produce*, but the rise in the value, for example, of the quarter of wheat, i.e., of the same quantity of *agricultural produce*; in consequence of this the excess of its value over the average price increases and thereby also the excess of rent over the rate of profit. Mr. Rodbertus here begs the Ricardian problem (to say nothing of his erroneous "value of the material").

The *rate of rent* can indeed rise relatively to the capital advanced, in other words, the relative value of the agricultural product can rise in proportion to the industrial product, even though agriculture is constantly becoming *more productive*. And this can happen for 2 reasons.

Firstly take the *above example*, the transition from I to II, III, IV, i.e., to ever more fertile land (but where the additional supply is not so great as to throw I out of cultivation or to reduce the difference between value and average price to such an extent that IV, III, II pay relatively lower rents and I no rent at all). If I's rent amounts to 10, II's to 20, III's to 30 and IV's to 40 and if £100 are invested in all 4 types of land, then I's rent would be $\frac{1}{10}$ or 10% on the capital advanced, II's would be $\frac{2}{10}$ or 20%, III's would be $\frac{3}{10}$ or 30% and IV's rent would be $\frac{4}{10}$ or 40%. Altogether 100 on 400 capital advanced, which gives an average rate of rent of $\frac{100}{4}=25\%$. Taking the entire capital invested in agriculture, the rent amounts now to 25%. Had only the cultivation of land I (the least fertile land) been extended, then the rent would be 40 on 400, 10% just as before, and it would not have risen by 15%. But in the first case (if 330 bushels resulted from an outlay of £100 on I) only 1,320 bushels would have been produced at the price of 6s. 8d. per bushel. In the second case, 1,518 bushels have been produced at the same price. The same capital has been advanced in both cases. 120

But the rise in the *level* of the rent here is only apparent. 121 For if we calculate the capital outlay in relation to the product, then 100 [would have been] needed in I to produce 330 and 400 to produce *1,320 bushels*. But now only 100+90+80+70, i.e., £340 122 are needed to produce *1,320 bushels*. £90 in II produce as much as 100 in I, 80 in III as much as 90 in II and 70 in IV as much as 80 in III. The rate of rent [has] risen in II, III, IV, compared with I.

If we take society as a whole, it means that a capital of 340 [was] employed to raise the *same* product, instead of a capital of 400, that is 85% [of] capital [advanced].
The 1,320 bushels [would] only be distributed in a different way from those in the first case. The farmer must hand over as much on 90 as previously on 100, as much on 80 as previously on 90 and as much on 70 as previously on 80. But the capital outlay of 90, 80, 70 gives him just the same amount of product as he previously obtained on 100. He hands over more, not because he must employ more capital in order to supply the same product, but because he employs less capital; not because his capital has become less productive, but because it has become more productive and he is still selling at the price of 1, as though he still required the same capital as before in order to produce the same quantity of product.

Apart from this rise in the rate of rent—which corresponds to the uneven rise in excess profit in individual branches of industry, though here it does not become fixed—there is only one other possibility of the rate of rent rising although the value of the product remains the same, that is, labour does not become less productive. It occurs either when productivity in agriculture remains the same as before but productivity in industry rises and this rise expresses itself in a fall in the rate of profit, in other words when the ratio of variable to constant capital diminishes. Or, alternatively, when productivity is rising in agriculture as well though not at the same rate as in industry but at a lower rate. If productivity in agriculture rises as 1:2 and in industry as 1:4, then it is relatively the same as if it had remained at one in agriculture and had doubled in industry. In this case the ratio of variable capital to constant capital would be decreasing in industry twice as fast as in agriculture.

In both cases the rate of profit in industry would fall, and because it fell the rate of rent would rise. In the other instances the rate of profit does not fall absolutely (rather it remains constant) but it falls relatively to rent. It does so not because it itself is decreasing but because rent, the rate of rent in relation to the capital advanced, is rising.

Ricardo does not differentiate between these cases. Except in these cases (that is where the general ratio of constant to variable capital alters as a result of the increased productivity of industry and hence increases the excess of value of agricultural [products] above their average price or where the rate of profit, although constant, falls relatively because of the differential rents of the capital employed on the more fertile types of land) the rate of rent can only rise if the rate of profit falls without industry becoming more productive. This is, however, only possible if wages rise or if
raw material rises in value as a result of the lower productivity of agriculture. In this case both the fall in the rate of profit and the rise in the level of rent are brought about by the same cause—the decrease in the productivity of agriculture and of the capital employed in agriculture. This is how Ricardo sees it. With the value of money remaining the same, this must then show itself in a rise in the \textit{prices} of the raw products. If, as above, the rise is relative, then no change in the value of money can raise the money prices of agricultural products absolutely as compared with industrial products. If money fell by 50\% then 1 qr which was previously worth £3 would now be worth £6, but 1 lb. yarn which was previously worth 1s. would now be worth 2s. The \textit{absolute} rise in the money prices of agricultural \textit{[products]} compared with industrial products can therefore never be explained by changes in [the value of] money.

On the whole it can be assumed that under the cruder, pre-capitalist mode of production, agriculture is \textit{more productive} than industry, because nature assists here as a machine and an organism, whereas in industry the powers of nature are still almost entirely replaced by human action (as in the craft type of industry, etc.). In the period of the stormy growth of capitalist production, productivity in industry develops rapidly as compared with agriculture, although its development \textit{presupposes} that a significant change as between constant and variable capital \textit{has} already taken place in agriculture, that is, a large number of people have been driven off the land. Later, productivity advances in both, although at an uneven pace. But when industry reaches a certain level the disproportion must diminish, in other words, productivity in agriculture must increase relatively more rapidly than in industry. This requires: 1) The replacement of the easy-going \textit{farmer} by the \textit{businessman}, the \textit{farming} capitalist; transformation of the husbandman into a pure wage labourer; large-scale agriculture, i.e., with concentrated capitals. 2) In particular however: Mechanics, the really scientific basis of large-scale industry, had reached a certain degree of perfection during the eighteenth century. The development of chemistry, geology and physiology, the sciences that \textit{directly} form the specific basis of agriculture rather than of industry, \textit{[XI-494]} does not take place till the nineteenth century and especially the later decades.\footnote{I.e., the 1840s and 1850s.—\textit{Ed.}}

It is nonsense to talk of the greater or lesser productivity of two \textit{different} branches of industry when merely comparing the values
of their commodities. If, in 1800, the pound of cotton was 2s. and of yarn 4s., and if, in 1830, the value of cotton was 2s. or 18d. and that of yarn 3s. or 1s. 8d. then one might compare the proportion in which the productivity in both branches had grown—but only because the rate of 1800 is taken as the starting-point. On the other hand, because the pound of cotton is 2s. and that of yarn 3, and hence the labour which produces the cotton is as great again as that of spinning, it would be absurd to say that the one is twice as productive as the other. Just as absurd as it would be to say that because canvas can be made more cheaply than the artist's painting on the canvas, the labour of the latter is less productive than that of the former. Only the following is correct, even if it comprises the capitalist meaning of productive—productive of surplus value along with the relative amounts of the product:

If, on an average, according to the conditions of production, £500 is needed in the form of raw material and machinery, etc. at given values in order to employ 100 workers [whose wages] amount to £100, in the cotton industry, and, on the other hand, £150 is needed for raw materials and machinery in order to employ 100 workers [whose wages] amount to £100, in the cultivation of wheat, then the variable capital in I would form 1/6 of the total capital of £600, and 1/5 of the constant capital; in II, the variable capital would constitute 2/5 of the total capital of £250 and 2/3 of constant capital. Thus every £100 which is laid out in I can only contain £16 2/3 variable capital and must contain £83 1/3 constant capital; whereas in II it comprises £40 of variable capital and £60 of constant. In I, variable capital forms 1/6 or 16 2/3% and in II, 40%. Clearly the histories of prices are at present quite wretched. And they can be nothing but wretched until theory shows what needs to be examined. If the rate of surplus value were given at, say, 20% then the surplus value in I would amount to £3 1/3 (hence profit 3 1/3%). In II, however, £8 (hence profit 8%). Labour in I would not be so productive as in II because it would be more productive (in other words, not so productive of surplus value, because it is more productive of produce). Incidentally, it is clearly only possible to have a ratio of 1:1/6, for example, in the cotton industry, if a constant capital (this depends on the machines, etc.) amounting to say £10,000 has been laid out, hence wages amounting to 2,000, making a total capital of 12,000. If only 6,000 were laid out, of which wages would be 1,000, then the machinery would be less productive, etc. At 100 it could not be done at all. On the other hand it is possible that if £23,000 is laid
out, the resulting increase in the efficiency of the machinery and other economies, etc., are so great that the £19,166\(^{2/3}\) is not entirely allocated to constant capital, but that more raw material and the same amount of labour require less machinery, etc. ([in terms of] value); on which £1,000 are assumed to have been saved. Then the ratio of variable to constant capital grows again, but only because the absolute [amount of] capital has grown. This is a check against the fall in the rate of profit. Two capitals of 12,000 would produce the same quantity of commodities as the one of 23,000, but firstly the commodities would be dearer since they required an outlay of £1,000 more, and secondly the rate of profit would be smaller because within the capital of 23,000, the variable capital is > than \(1/6\) of the total capital, i.e., more than in the sum of the two capitals of 12,000.

Already Petty tells us that the landlords of his time feared improvements in agriculture because they would cause the price of agricultural products and *hinc* (the level of) rent to fall; ditto the *extension of the land* and the cultivation of previously unused land which is equivalent to an extension of the land. (In Holland this extension of the land is to be understood in an even more direct way.) He says:

"...that the draining of fens, improving of woods, inclosing of commons, sowing of St. Foyne and clovergrass, be grumbled against by landlords, as the way to depress the price of victuals" (*Political Arithmetick*, London, 1699, p. 230).

("The rent of all England, Wales, and the Low-Lands of Scotland, be about nine millions per annum) (l.c., p. 231).

(On the one hand, with the advance of industry, machinery becomes more effective and cheaper; hence, if only the same quantity of machinery were employed as in the past, this part of constant capital in agriculture would diminish; but the quantity of machinery grows faster than the reduction in its price, since this element is as yet little developed in agriculture. On the other hand, with the greater productivity of agriculture, the price of raw material—see cotton—falls, so that raw material does not increase as a component part of the valorisation process to the same degree as it increases as a component part of the labour process.)

Petty fights this view and D'Avenant goes [XI-495] even further and shows how the *level of rent* may decrease while the amount of rent or the *rental* increases. He says:

"Rent may fall in some places, and some counties, and yet the land of the nation" (he means value of the land) "improve all the while: As for example, when parks are disparked, and forests, and commons are taken in, and enclosed; when fen-lands are drained, and when many parts" (of the country) "are meliorated by industry and manuring, it must certainly depreciate that ground
WHICH HAS BEEN IMPROVED TO THE FULL BEFORE, and was capable of no farther improvement. The income from rent of private men does thereby sink, yet the GENERAL RENT of the KINGDOM by such IMPROVEMENTS, at the same time rises” ([pp.] 26-27). “Fall in PRIVATE RENTS from 1666 to 1688 but the RISE IN THE KINGDOM’s GENERAL RENTAL was greater IN PROPORTION during that time, than in the preceding years, because THE IMPROVEMENTS UPON LAND WERE GREATER AND MORE UNIVERSAL, BETWEEN THOSE TWO PERIODS, THAN AT ANY TIME BEFORE” (D'Avenant, Discourses on the Publick Revenues etc., PART II, London, 1698, [p.] 28).

It is also evident here, that the Englishman always regards the level of rent as rent related to capital and never to the total land in the kingdom (or to the acre in general, like Mr. Rodbertus).

NOTES ON THE HISTORY OF THE DISCOVERY
OF THE SO-CALLED RICARDIAN LAW

Anderson was a practical farmer. His first work, in which the nature of rent is discussed in passing, appeared in 1777, at a time when, for a large section of the public, Sir James Steuart was still the leading economist, and while everyone’s attention was focused on the Wealth of Nations, which had appeared a year earlier. As against this, the work of the Scottish farmer, which had been occasioned by an immediate practical controversy and which did not ex professo deal with rent but only incidentally elucidated its nature, could not attract any attention. In this work, Anderson only dealt with rent accidentally, not ex professo. This theory of his appears again, in the same incidental fashion, in one or two of his collected essays which he himself published in three volumes under the title of: Essays Relating to Agriculture and Rural Affairs, 1775-1796, 3 vols, Edinburgh. Similarly in his Recreations in Agriculture, Natural-History, Arts etc., London, 1797 (to be looked up in the British Museum). All these writings are directly intended for farmers and agriculturists. [It would have been] different if Anderson had had an inkling of the importance of his find and had put it before the public separately, as an Inquiry into the Nature of Rent, or if he had had the least bit of talent in trading his own ideas, as his fellow countryman, McCulloch, did so successfully with other people’s. The reproductions of his theory

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a Marx quotes D'Avenant with some alterations.—Ed.
b [J. Anderson,] An Enquiry into the Nature of the Corn Laws..., Edinburgh, 1777.—Ed.
d The reference is to the edition of 1799-1802.—Ed.
which appeared in 1815 were published forthwith as independent theoretical inquiries into the nature of rent, as the very titles of the respective works of West and Malthus show: Malthus: *An Inquiry into the Nature and Progress of Rent*; West: *Essay on the Application of Capital to Land.*

Furthermore, Malthus used the Andersonian theory of rent to give his population law, for the first time, both an economic and a real (natural-historical) basis, while the nonsense about geometrical and arithmetical progression borrowed from earlier writers, was a purely imaginary hypothesis. Mr. Malthus at once "improved" the matter. Ricardo even made this doctrine of rent, as he himself says in his preface,

Ricardo evidently did not know Anderson since, in the preface to his political economy, he treats West and Malthus as the originators. Judging by the original manner in which he presents the law, *West* was possibly as little acquainted with Anderson as Tooke was with Steuart. With Mr. Malthus it is different. A close comparison of his writings shows that he knows and uses Anderson. He was in fact plagiarist by [XI-496] profession. One need only compare the first edition of his work on population with the work of the Reverend Townsend which I have quoted previously,

The manner in which Malthus used Anderson is characteristic. Anderson had defended premiums on exports of corn and duties on corn imports, not out of any interest for the landlords, but because he believed that this type of legislation "would reduce the average price of corn" and ensure an even development of the productive forces in agriculture. Malthus accepted this practical application of Anderson's because—being a staunch member of the Established Church of England—he was a professional sycophant of the landed aristocracy, whose rents, sinecures, squandering, heartlessness, etc. he justified economically. Malthus advocates the interests of the industrial bourgeoisie only in so far as these are identical with the interests of landed property, of the aristocracy, i.e., against the mass of the people, the proletariat. But where

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a *To On the Principles of Political Economy...,* p. VI.—Ed.
these interests diverge and are antagonistic to each other, he sides with the aristocracy against the bourgeoisie. Hence his defence of the "unproductive worker", over-consumption, etc.

Anderson, on the other hand, explained the difference between land which pays rent and that which does not, or between lands which pay varying rents, by the relatively low fertility of the land which bears no rent or a smaller rent compared with that which bears a rent or a greater rent. But he stated expressly that these degrees of relative productivity of different types of land, i.e., also the relatively low productivity of the worse types of land compared with the better, had absolutely nothing to do with the absolute productivity of agriculture. On the contrary, he stressed not only that the absolute productivity of all types of land could be constantly improved and must be improved with the progress in population, but he went further and asserted that the differences in productivity of various types of land can be progressively reduced. He said that the present degree of development of agriculture in England gives no indication at all of its possibilities. That is why he said that in one country the prices of corn may be high and rent low, while in another country the prices of corn may be low and rent may be high, and this is in accordance with his principle, since the level and the existence of rents is in both countries determined by the difference between the fertile and the unfertile land, in neither of them by the absolute fertility; in each only by the degree of difference in fertility of the existing types of land, and not by the average fertility of these types of land. From this he concluded that the absolute fertility of agriculture has nothing to do with rent. Hence later, as we shall see below,\(^a\) he declared himself a decided adversary of the Malthusian theory of population and it never dawned on him that his own theory of rent was to serve as the basis of this monstrosity. Anderson reasoned that the rise in corn prices in England between 1750 and 1801 as compared with the years 1700 to 1750 was by no means due to the cultivation of progressively less fertile types of land, but to the influence of legislation on agriculture during these two periods.

What then did Malthus do?

Instead of his (also plagiarised) chimera of the geometrical and arithmetical progression, which he retained as a "phrase", he made Anderson's theory the confirmation of his population theory. He retained Anderson's practical application of the theory in so far as it was in the interests of the landlords—this fact alone

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\(^a\) See this volume, p. 372.—Ed.
proves that he understood as little of the connection of this theory with the system of bourgeois economy as Anderson himself. Without going into the counter-evidence which the discoverer of the theory put forward, he turned it against the proletariat. The theoretical and practical advance which could have been made from this theory was: theoretical—for the determination of the value of the commodity, etc., and gaining an insight into the nature of landownership; practical—against the necessity of private ownership of the land, on the basis of bourgeois production and, more immediately, against all State regulations such as corn laws, which enhanced this ownership of land. These advances from Anderson’s theory, Malthus left to Ricardo. The only practical use he made of it was a defence of the protective tariffs which the landlords demanded in 1815—a sycophantic service for the aristocracy—and a new justification for the poverty of the producers of wealth, a new apology for the exploiters of labour. In this respect it was a sycophantic service for the industrial capitalists.

Utter baseness of mind is a distinctive trait of Malthus—a baseness which can only be indulged in by a parson [XI-497] who sees human suffering as the punishment for sin and who, in any case, needs a “vale of tears on earth”, but who, at the same time, in view of the benefice he enjoys, and aided by the dogma of predestination, finds it altogether advantageous to “sweeten” the ruling classes’ sojourn in the vale of tears. The “baseness” of this mind is also evident in his scientific work. Firstly, in the shameless way he makes plagiarism into a profession. Secondly in the cautious, not radical, conclusions which he draws from scientific premises.

Ricardo, rightly for his time, regards the capitalist mode of production as the most advantageous for production in general, as the most advantageous for the creation of wealth. He wants production for the sake of production and this with good reason. To assert, as sentimental opponents of Ricardo’s did, that production as such is not the object, is to forget that production for its own sake means nothing but the development of human productive forces, in other words the development of the richness of human nature as an end in itself. To oppose the welfare of the individual to this end, as Sismondi does, is to assert that the development of the species must be arrested in order to safeguard the welfare of the individual, so that, for instance, no war may be waged in which all events some individuals perish. Sismondi is only right as against the economists who conceal or deny this contradiction. Apart from the barrenness of such edifying reflections, they reveal a failure to
understand the fact that, although at first the development of the capacities of the *human* species takes place at the cost of the majority of human individuals and whole human classes, in the end it breaks through this contradiction and coincides with the development of the individual; the higher development of individuality is thus only achieved by a historical process during which individuals are sacrificed, for the interests of the species in the human kingdom, as in the animal and plant kingdoms, always assert themselves at the cost of the interests of individuals, because these interests of the species coincide with the *interests of certain individuals*, and it is this coincidence which constitutes the strength of these privileged individuals.

Thus Ricardo's ruthlessness was not only *scientifically honest* but also a *scientific necessity* from his point of view. But because of this it is also quite immaterial to him whether the advance of the productive forces slays landed property or workers. If this progress devalues the capital of the industrial bourgeoisie it is equally welcome to him. If the development of the productive power of labour halves the value of the *existing* fixed capital, what does it matter, says Ricardo. The productivity of human labour has doubled. Thus here is *scientific honesty*. Ricardo's conception is, on the whole, in the interests of the *industrial bourgeoisie*, only *because*, and *in so far as*, its interests coincide with those of production or the productive development of human labour. Where the bourgeoisie comes into conflict with this, he is just as *ruthless* towards it as he is at other times towards the proletariat and the aristocracy.

But *Malthus!* *Ce misérable*\(^a\) only draws such conclusions from the given scientific premisses (which he invariably *steals*) as will be "*agreeable*" (useful) to the aristocracy against the bourgeoisie and to both *against* the proletariat. Hence he does not want *production for the sake of production*, but only in so far as it maintains or extends the *status quo*, and serves the interests of the ruling classes.

Already his first work,\(^b\) one of the most remarkable literary examples of the success of plagiarism at the cost of the original work, had the *practical* purpose to provide "economic" proof, in the interests of the *existing* English government and the *landed aristocracy*, that the tendency of the French Revolution and its *adherents in England* to perfect matters was utopian. In other words, it was a panegyrical pamphlet for the existing conditions,

\(^a\) This wretch.—*Ed.*

against historical development and, furthermore, a justification of the war against revolutionary France.

His writings of 1815, on protective tariffs and rent, were partly means to confirm the earlier apology of the poverty of the producers, in particular, however, to defend reactionary landed property against "enlightened", "liberal" and "progressive" capital, and especially to justify an intended retrogressive step in English legislation in the interests of the aristocracy against the industrial bourgeoisie. Finally, [XI-498] his "PRINCIPLES OF POLITICAL ECONOMY" directed against Ricardo had essentially the purpose of reducing the absolute demands of "industrial capital" and the laws under which its productivity develops, to the "desirable limits" "favourable" to the existing interests of the landed aristocracy, the "ESTABLISHED CHURCH" (to which Malthus belonged), government pensioners and consumers of taxes. But when a man seeks to accommodate science to a viewpoint which is derived not from science itself (however erroneous it may be) but from outside, from alien, external interests, then I call him "base".

It is not a base action when Ricardo puts the proletariat on the same level as machinery or beasts of burden or commodities, because (from his point of view) their being purely machinery or beasts of burden is conducive to "production" or because they really are mere commodities in bourgeois production. This is stoic, objective, scientific. In so far as it does not involve sinning against his science, Ricardo is always a philanthropist, just as he was in practice too.

The parson Malthus, on the other hand, reduces the worker to a beast of burden "for the sake of production" and even condemns him to death from starvation and to celibacy. But when these same demands of production curtail the LANDLORD's "rent" or threaten to encroach on the "tithe" of the ESTABLISHED CHURCH, or on the interests of the "consumers of taxes"; and also when that part of the industrial bourgeoisie whose interests stand in the way of progress is being sacrificed to that part which represents the advance of production—and therefore whenever it is a question of the interests of the aristocracy against the bourgeoisie or of the conservative and stagnant bourgeoisie against the progressive—in all these instances "parson" Malthus does not sacrifice the particular interests to production but seeks, as far as he can, to

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sacrifice the demands of production to the particular interests of existing ruling classes or sections of classes. And to this end he falsifies his scientific conclusions. This is his scientific baseness, his sin against science, quite apart from the shameless way he makes plagiarism into a profession. The scientific conclusions of Malthus are "considerate" towards the ruling classes in general and towards the reactionary elements of the ruling classes in particular; in other words he falsifies science for these interests. But his conclusions are ruthless as far as they concern the subjugated classes. He is not only ruthless; he affects ruthlessness; he takes a cynical pleasure in it and exaggerates his conclusions in so far as they are directed against the miseries, even beyond the point which would be scientifically justified from his point of view.

The hatred of the English working classes for Malthus—the "MOUNTEBANK-PARSON" as Cobbett rudely called him (Cobbett, though England's greatest political writer of this century, lacked the Leipzig professorial scholarship and was a pronounced enemy of the "LEARNED LANGUAGE")—was thus fully justified and the people's instinct was correct here, in that they felt he was no homme de science, but a bought advocate of their opponents, a shameless sycophant of the ruling classes.

The inventor of an idea may exaggerate it in all honesty; when the plagiarist exaggerates it, he always makes "a business" of such an exaggeration.

Because the first edition of Malthus' work On Population contains not a single new scientific word, it is to be regarded purely as an obtrusive Capuchin's sermon, an Abraham a Santa Clara version of the discoveries of Townsend, Steuart, Wallace, Herbert, etc. Since in fact it only wants to impress by its popular form, popular hatred rightly turns against it. As compared to the wretched bourgeois economists who preach harmony, Malthus' only merit lies in his pointed emphasis on the disharmonies, which, though none of them were discovered by him, were all emphasised, amplified and publicised by him with complacent sacerdotal cynicism.

[X1-499] Charles Darwin, in the introduction to his On the Origin of Species by Means of Natural Selection, or the Preservation of Favoured Races in the Struggle for Life, London, 1860 (5TH ED.), says the following:

"In the next chapter the Struggle for Existence amongst all organic beings throughout the world, which inevitably follows from the high geometrical ratio of
their increase, will be treated of. This is the doctrine of *Malthus*, applied to the whole animal and vegetable kingdoms* [pp. 4-5].

In his splendid work, *Darwin* did not realise that by discovering the "geometrical" progression in the animal and plant kingdom, he *overthrew* Malthus' theory. Malthus' theory is based on the fact that he set Wallace's geometrical progression of man against the chimerical "arithmetical" progression of animals and plants. In Darwin's work, for instance on the extinction of species, we also find (quite apart from his fundamental principle) the detailed refutation, based on natural history, of the Malthusian theory. But in so far as Malthus' theory rests upon Anderson's theory of rent, it was refuted by *Anderson himself*.

For instance, when Ricardo's theory (see above) convinces him that a rise in wages above their minimum does not raise the *value* of the commodities, he says so in a straightforward manner. Malthus wants to hold down wages so that the bourgeois may profit.

Anderson's first publication, in which he develops the theory of rent incidentally, was a *practical* polemic, not on rent but on protection. It appeared in 1777 and its very title, *An Enquiry into the Nature of the Corn Laws, with a View to the New Corn Bill Proposed for Scotland*, Edinburgh, 1777, shows, firstly, that it pursues a practical purpose, secondly, that it is related to an imminent act of legislation, in which the interests of the manufacturers and the landlords are diametrically opposed.

The law of 1773 (in England; to be looked up in McCulloch's *Catalogue*) was due (so it appears) to be introduced into Scotland in 1777 (see in the Museum).

"The law of 1773 was constructed," says Anderson, "with the *avowed intention* of lowering the price of corn to our manufacturers, by encouragement of foreign importation to place our own people at a cheaper rate" (*A Calm Investigation of the Circumstances that Have Led to the Present Scarcity of Grain in Britain*, London, 1801, p. 50).

Thus Anderson's publication was a polemic on behalf of the interests of the agriculturists (protection) (inclusive of the landlords) against the interests of the manufacturers. And he published it "*avowedly*" as such a partisan piece of writing. The theory of rent comes in here only incidentally. In his later writings which are to a greater or lesser degree continuously concerned with this *battle of interests* he merely repeats the theory of rent once or twice.

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in passing. He never pretends to a scientific interest in it and it
does not even become an independent subject in his presentation.
Accordingly one may judge the correctness of the following
remarks of Wilhelm Thucydides Roscher\textsuperscript{127} who was evidently not
acquainted with Anderson's writings:

"Remarkable, how a doctrine, which in 1777 remained almost unnoticed, was
immediately defended and attacked with the greatest interest in 1815 and the
following years because it touched upon the contradiction between monied and
landed interest which had meanwhile so sharply developed" (Die Grundlagen der

This sentence contains as many falsehoods as words. Firstly,
unlike West, Malthus and Ricardo, Anderson did not put forward
his opinion as a "doctrine". Secondly, it remained not "almost", but
"entirely" unnoticed. Thirdly, it first came in incidentally in a work
whose sole purpose it was to deal with the contradiction between
manufacturers and landlords—a contradiction which was considera-
ibly developed in 1777—and the work only "touched upon" this
practical battle of interests and left "untouched" the general
theory of political economy. Fourthly, in 1815 one of the
reproducers of this theory, Malthus, expounded it just as much in
support of the corn laws as Anderson had done. The same doctrine
was used in support of landed property by its discoverer and [by]
Malthus, but was turned against landed property by Ricardo.
Thus, at most, one might say that some of those who put it
forward were defending the interests of landed property while
others who put it forward fought those same interests, but one
could not say that this theory was attacked by the defenders of
landed property in 1815 (for Malthus defended it before Ricardo),
or that it was defended by the attackers of landed property (for
Ricardo did not have to "defend" this theory against Malthus,
since he himself regarded Malthus as one of its discoverers and as
his own forerunner. He only had to "combatt" the practical
conclusions that were drawn by Malthus). Fifthly, the contradiction
between "monied" and "landed interest", "touched upon" by
Wilhelm Thucydides Roscher, had, up to that moment, absolutely
nothing to do either with Anderson's theory of rent or with its
reproduction, defence and attack. As Wilhelm Thucydides could
have gathered from John Stuart Mill (Essays on Some Unsettled
Questions of Political Economy, London, 1844, pp. 109-10), by
"monied class" the Englishman understands 1) the money-lenders;
and 2) these money-lenders are people who either live altogether
on interest or are money-lenders by profession, such as bankers,
bill-brokers, etc. Mill also observes that all these people who form the "MONIED CLASS" are opposed to, or at any rate are distinct from, the "PRODUCING CLASS" (by which Mill understands "industrial capitalists" besides the working men). Hence Wilhelm Thucydides should see that the interests of the "PRODUCING CLASS", including the manufacturers, the industrial capitalists, and the interests of the MONIED CLASS are two very different matters and that these classes are different classes. Furthermore, Wilhelm Thucydides should see that a battle between the INDUSTRIAL CAPITALISTS and the LANDLORDS was thus by no means a battle between the "MONIED INTEREST" and the "LANDED INTEREST". If Wilhelm Thucydides knew the history of the corn laws of 1815 and the struggle over these, then he would already have known from Cobbett that the BOROUGH-MONGERS (LANDED INTEREST) and the LOAN-MONGERS (MONIED INTEREST) combined against the INDUSTRIAL INTEREST. But Cobbett is "crude". Furthermore, Wilhelm Thucydides should know from the history of 1815 to 1847 that in the battle over the corn laws, the majority of the MONIED INTEREST and some even of the COMMERCIAL INTEREST (Liverpool for instance) were to be found amongst the allies of the LANDED INTEREST against the MANUFACTURING INTEREST.a

If I were to elucidate in equal detail all similar gross falsifications of history which Wilhelm Thucydides commits in his literary historical notes, then I would have to write as fat a volume as his Grundlagen, and indeed, such a work would "NOT be worth the paper it was written upon". But the harmful effects which such learned ignorance as that of a Wilhelm Thucydides can have on researchers in other fields of knowledge, can be seen in the example of Mr. Adolf Bastian. In his work Der Mensch in der Geschichte, Vol. I, 1860, p. 374, note, he quotes the above sentence of Wilhelm Thucydides as documentary proof for a "psychological" assertion. Incidentally, one cannot say of Bastian that "materiam superabat opus".b Rather, in this case, the "opus" does not master its own raw material. Besides, I have found out through the few sciences which I "know", that Mr. Bastian who knows "all" sciences, very often relies on such authorities à la Wilhelm Thucydides, which is in any case unavoidable in a "pantologist".128

[XI-501] I hope I shall not be accused of "unkindness" towards Wilhelm Thucydides. Note the "unkindness" with which this pedant himself treats science! Anyhow, I have the same right to speak of his "total untruths" as he has to speak in his self-satisfied

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a See this volume, p. 356.— Ed.
b "The work surpasses the material" (Ovid, Metamorphoses, II. 5).— Ed.
and condescending manner of Ricardo's "half-truths".\textsuperscript{a} Furthermore, Wilhelm Thucydides is by no means "honest" in his research and cataloguing. Anyone who is not "respectable" does not exist for him historically either. For instance, Rodbertus does not exist for [him as] a theoretician of rent because he is a "communist". Besides, Wilhelm Thucydides is also inaccurate when it comes to "respectable writers". For instance, Bailey exists for McCulloch, who even regards his work as epoch-making. For Wilhelm Thucydides he does not exist. If the science \textsuperscript{[XI-502]} of political economy is to be furthered and popularised in Germany, people like Rodbertus should found a journal which would be open to all scholars (not pedants, prigs and vulgarisers) and whose main purpose it would be to demonstrate the ignorance of the specialists in the science itself as well as in its history. \textsuperscript{[XI-502]}

\textsuperscript{[XI-501]} Anderson was in no way concerned with any inquiry into the relationship of his theory of rent to the system of political economy. This is not in the least surprising, since his first book appeared a year after Adam Smith's \textit{Wealth of Nations}, i.e., at a moment when the "system of political economy" in general was only first being consolidated, for Steuart's system too had only appeared a few years before. But so far as the material is concerned, which Anderson examined, within the confines of the specific subject he was considering, this was decidedly more extensive than Ricardo's. Just as in his theory of money, the reproduction of Hume's theory, Ricardo specifically only took into account the events from 1797 to 1809, so in the theory of rent, the reproduction of Anderson's theory, he considered only the economic phenomena relating to the rise in corn prices between 1800 and 1815.

The following two paragraphs are very important because they clearly reflect Ricardo's character:

\textsuperscript{*} "I shall greatly regret that considerations for any particular class, are allowed to check the progress of the wealth and population of the country"* (Ricardo, \textit{An Essay on the Influence of a Low Price of Corn on the Profits of Stock}, 2\textsuperscript{nd} ed., London, 1815. [p.] 49).

With free import of corn, "\textit{Land is abandoned}" (l.c., [p.] 46). In other words landed property is sacrificed to the development of production.

With the same free import of corn however:

\textsuperscript{*} "That some capital would be lost cannot be disputed, but, is the possession or preservation of capital the end, or the means? The means, undoubtedly. What we

\textsuperscript{a} W. Roscher, \textit{Die Grundlagen der Nationalökonomie: System der Volkswirtschaft}, 3\textsuperscript{rd} ed., Vol. I, Stuttgart and Augsburg, 1858, p. 191.—Ed.
want is an abundance of commodities”* (wealth in general) *“and if it could be proved that by the sacrifice of a part of our capital we should augment the annual produce* of those objects which contribute to our enjoyment and happiness, we ought not to repine at the loss of a part of our capital”* (On Protection to Agriculture, 4th Ed., London, 1822, [p.] 60).

Ricardo terms as “OUR CAPITAL” that capital which belongs neither to us nor to him, but which has been permanently invested in the land by the capitalists. But we signifies a cross-section of the nation. The increase in “our” wealth is the increase in social wealth, which is an end as such, irrespective of who are the participants in this wealth!

*“To an individual with a capital of £20,000, whose profits were £2,000 per annum, it would be a matter quite indifferent whether his capital would employ a hundred or a thousand men, whether the commodity produced, sold for £10,000, or for £20,000, provided, in all cases, his profits were not diminished below £2,000. 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”* (Principles of Political Economy, 3rd Ed., p. 416).

Here the “proletariat” is sacrificed to wealth. In so far as it is a matter of indifference to the existence of wealth, wealth finds its existence a matter of indifference. Here mass—mass of human beings—is WORTH NOTHING.

These 3 instances [XI-502] EXEMPLIFY Ricardo’s scientific IMPARTIALITY.

//The element in which the capital employed in agriculture is invested, is the soil (nature), etc. Hence rent is here equal to the excess of the value of the product of labour created in this element, over its average price. If, on the other hand, an element of nature (or material) which is privately owned by an individual, is employed in another sphere of production whose (physical) basis it does not form, then the rent, if it only comes into being through the employment of this element, cannot consist in the excess of the value of this product over the average price, but only in the excess of the general average price of this product over its own average price. For instance, a waterfall may replace the steam-engine for a manufacturer and save him consumption of coal. While in possession of this waterfall, he would, for instance, constantly be selling yarn above its average price and making an excess profit. If the waterfall belongs to a landowner, this excess profit accrues to him as rent. In his book on rent, Mr. Hopkins observes that in Lancashire the waterfalls not only yield rent but, according to the degree of the natural motive power, they yield

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a Here Marx gives a German equivalent in parentheses.—Ed.
differential rent. Here rent is purely the excess of the *average market price* of the product over its *individual average price*.

(At most Mr. Roscher might have been surprised that the same "doctrine" served in favour of "LANDED INTEREST" in 1777 and against it in 1815 and that it caused a stir only then.\textsuperscript{129})

//In competition there are two distinct movements towards equalisation. Capitals within the same sphere of production equalise the prices of the commodities produced within this sphere to the same *market price*, irrespective of the relationship of the value of these commodities to this price. The *average market price* should equal the *value* of the commodity, [were] it not for the equalisation between different spheres of production. As between these different spheres, competition equalises the values to the *average prices*, in so far as the reciprocal interaction of the capitals is not hampered, disrupted by a third element—landownership, etc.//

Rodbertus is altogether mistaken when he thinks that because one commodity is *dearer* than another, thus realising more labour time, it must therefore—given the same *rate of surplus value* or the *equal exploitation of the workers in the different spheres*—also contain more *unpaid labour time, surplus labour time*.

If *the same* labour yields 1 qr on unfertile land and 3 on fertile (in a good or a bad year alike); if the same labour yields 1 oz of gold in land very rich in gold whereas in less rich or exhausted land it yields only $1/3$ oz; if the same labour time which produces 1 lb. of wool spins 3 lbs of wool, then, *d'abord*, the values of the 1 qr and the 3 qrs, of the 1 oz of gold and the $1/3$ oz, of the 1 lb. of wool and the 3 lbs of woollen yarn (minus the value of the wool it contains) are of equal magnitude. They contain equal quantities of labour time, therefore, according to the assumption, *equal quantities* of surplus labour time. True, the quantity of surplus labour embodied in the 1 qr is greater, but then it is only 1 qr whereas in the other case it is 3 qrs, or 1 lb. of wool whereas in the other case it is 3 lbs of woollen yarn (minus the value of the material). The *volume* is therefore the same, and the *proportional quantity of surplus value*, comparing the individual commodities one with another, [is] also equal. According to the assumption, the amount of labour contained in the 1 qr or the 1 lb. of wool, is the same as that contained in the 3 qrs or the 3 lbs of yarn. The capital laid out in wages is therefore greater to exactly the same

\textsuperscript{a} See Th. Hopkins, *Economical Enquiries Relative to the Laws which Regulate Rent, Profit, Wages, and the Value of Money*, London, 1822, pp. 37, 38, and also this volume, p. 368.—Ed.
Theories of Surplus Value. Mr. Rodbertus

Rodbertus calculates quite wrongly here, or wrongly compares the capital laid out in wages with the greater or lesser quantity of commodities which these wages represent. But this calculation is completely wrong, if, as he presupposes, wages or the rate of surplus value are given. The same quantity of labour, say, 12 hours, may result in x or 3x commodities. In one case, 1x commodities contain as much labour and surplus labour as 3x in the other; but in no case would more than 1 working day be spent and in no case would the rate of surplus value be more than, say, \(1/5\). In the first instance \(1/5\) of the one x would be to x as in the 2nd \(1/5\) of the 3x would be to 3x. And if we were to call each of the three x: x', x'', x''', then there would be \(4/5\) paid and \(1/5\) unpaid labour in each x', x'', x'''. It is quite right, on the other hand, that if just as much commodity were to be produced under the unproductive conditions as under more productive, the commodity would contain more labour and so also more surplus labour. But then, proportionately, a greater capital would also have to be laid out. In order to produce 3x, three times as much capital would have to be laid out (in wages) as is required to produce 1x.

Now it is true that manufacture cannot work up more raw material than agriculture supplies. Thus, for instance, it cannot spin more pounds of wool than have been produced. If the productivity in wool spinning is trebled, then, provided the conditions of the production of wool remained the same, three times as much time as previously would have to be spent, three times as much capital would have to be expended on labour in wool production, whereas only the same amount of the spinners' labour time would be required to spin up this trebled quantity of wool. But the rate [of surplus value] would remain the same. The same spinning labour would have the same value as before and contain the same surplus value. The wool-producing labour would have a trebled surplus value but the labour embodied in it, or the capital advanced in wages, would accordingly have trebled as well. The 3 times greater surplus value would thus be calculated on a 3 times greater capital. But this is no reason for saying that the rate of surplus value is lower in spinning than in wool production. One would only say that the capital laid out in wages is 3 times as great in one as in the other (since it is assumed here that the changes in
the spinning and in the production of wool are not due to any change in their constant capital).

It is necessary to make a distinction here. The same labour + constant capital gives a smaller output in an unfavourable than a favourable season, in unproductive than in productive soil, in a poorer than in a richer mine. In the former case the product is thus dearer, contains more labour and more surplus labour in the same number of products. But in the latter case, the number of these products is the greater. Furthermore, the ratio between paid and unpaid labour in each individual product in the two categories is not affected by this, for though the individual product contains less unpaid labour, according to the assumption, it also contains less paid labour in the same proportion. For it has been assumed here that there is no change in the proportions of the organic component parts of capital—of variable and constant capital. It is assumed that the same amount of variable and constant capital supplies varying, greater or smaller, quantities of product under varying conditions.

Mr. Rodbertus appears to confuse this all the time, and as a matter of course to conclude from the mere increase in the price of the product that it contains a greater surplus value. As to the rate, this is wrong even according to the assumption. As to the total, however, it is only right if more capital is advanced in one case than in the other, that means if as much is produced now of the dearer product as previously of the cheaper or if the increased quantity of the cheaper product (as above with spinning) presupposes a correspondingly increased quantity of the dearer product.

[XI-504] That rent, hence also the value of land, can rise, although the rate of rent, hence also the productivity of agriculture, remains the same or even increases, is something Ricardo occasionally forgets, although he is well aware of it. Anyhow, Anderson knows it and Petty and D'Avenant already knew it. That is not the question.

Ricardo abstracts from the question of absolute rent which he denies on theoretical grounds because he starts out from the false assumption that if the value of commodities is determined by labour time, the average prices of commodities must equal their values (which is why he comes to the wrong practical conclusion, that
competition of more fertile types of land must throw the less fertile out of cultivation, even if they bore rent previously). If _values_ of commodities and _average prices_ of commodities were identical then absolute rent—i.e., rent on the worst cultivated land or on that _originally_ cultivated—would be equally impossible. What is the _average price_ of the commodity? The total capital (constant+variable) laid out in its production + the labour time contained in the average profit, say 10%. Supposing that a capital produced a _higher value_ than the _average price_, just because it was operating in a _particular_ element, an element of nature, say land, then the value of this commodity would be _above_ its value and this _excess value_ would contradict the concept of value being equal to a certain quantity of labour time. An element of nature, something heterogeneous from social labour time would be _creating_ value. But this cannot be. Hence capital invested in land pure and simple _cannot_ bear a rent. The worst land is land _pure and simple_. If the _better_ land bears a rent, then this only shows that the difference between the _individually necessary_ labour and that which is _socially necessary_ becomes permanently established in agriculture because it has a natural basis, whereas in industry it is constantly disappearing.

_Absolute rent_ cannot be permitted to exist, but only _differential rent_. To admit the existence of absolute rent would be to admit that _the same quantity of labour_ (objectified, laid out in constant capital and bought with wages) creates _varying values_ according to the element in which [the labour is expended] or according to the material which it works up. But if one admits this _diversity in value_ although in each sphere of production _the same_ amount of labour time materialises itself in the product, then one admits that _value is not determined by labour time_ but by something heterogeneous. These different _magnitudes of value_ would invalidate the concept of value, they would invalidate the proposition that the substance of value is social labour time, hence its differences can only be quantitative and these quantitative differences can only be equal to the differences in the amounts of social labour time applied.

The maintenance of _value_—the determination not only of the amount of value by the varying amount of labour time, but also of the substance of value by social labour—thus requires the _denial of absolute rent_. The denial of absolute rent can, however, be expressed in two ways.

_Firstly_. The _worst_ land cannot bear a rent. The rent from the better types of land can be explained as arising from the market price which is the same for products which have been produced
on more favourable types of land as for those which have been produced on less favourable. But the worst land is land pure and simple. It is not differentiated in itself. It differs from industrial capital investment only in that it is a special sphere of capital investment. If it bore a rent then this would arise from the fact that the same quantity of labour would produce different values, if applied in different spheres of production; this means that the quantity of labour in itself does not determine the value, and products which contain the same amount of labour are [not] equal.

[XI-505] [Secondly.] Or one might say that the land which was cultivated originally must not bear rent. For what is the originally cultivated land? The land which is “originally” cultivated is neither better nor worse land; it is land pure and simple. Undifferentiated land. Originally, capital investment in agriculture can only differ from investment in industry because of the spheres in which these capitals are invested. But since equal quantities of labour are represented in equal values, there is absolutely no reason why the capital invested in land should yield a rent in addition to profit, unless the same quantity of labour applied in this sphere produced a higher value, so that the excess of this value over the value yielded in manufacture would produce an excess profit, equal to rent. But this would amount to saying that the land as such creates value, thus invalidating the concept of value itself.

The land which is cultivated originally therefore cannot originally bear a rent, if the whole theory of value is not to be discarded. Furthermore, this ties up very easily (although not necessarily, as Anderson shows) with the idea that originally people of course chose not the worst but rather the best land for cultivation. With the advance of civilisation and population, the land which originally bears no rent, does so at a later stage, because people are forced to descend to worse types of land and thus in this descent to Avernus, to ever worse land, rent must arise on the originally cultivated, most fertile land. And then, step by step, on the land which follows it, while the worst land which always represents simply land—the particular sphere of capital investment—never bears a rent. All this has a more or less logical coherence.

If, on the other hand, one knows that average prices and values are not identical, that the average price of a commodity may be either=to its value or > or <, then the question, the problem itself, disappears and with it also the hypotheses for its solution. The only remaining question is why, in agriculture, the value of the commodity, or at any rate its price, is above its average price though
not above its value. But this question no longer bears any relation to the fundamentals of the theory, the determination of value as such.

Ricardo knows of course that the "relative values" of commodities are modified according to the varying proportion of fixed capital and capital laid out in wages, which enter into their production. But these are not opposites; fixed capital and circulating capital are opposites, and circulating capital comprises not only wages but also raw materials and *matières instrumentales*. For example, the same ratio may exist between capital laid out in labour and fixed capital in the mining and fishing industries, as between that laid out in wages and in raw materials in tailoring. But Ricardo also knows that these relative values are equalised by competition. In fact he only makes the differentiation, so that the same average profit should result from these different capital investments. In other words these relative values of which he speaks are only the *average prices*. It does not even occur to him that value and average price are different. He only gets as far as their identity. Since however this identity does not exist when the ratio of the organic component parts of capital varies, he accepts it as an unexplained fact brought about by competition. Hence too, he does not come up against the question: Why do the values of agricultural products not equalise in average [XI-506] prices? On the contrary he assumes that they do so and poses the problem from that point of view.

It is quite incomprehensible why fellows *à la* Wilhelm Thucydides should be so ardently for Ricardo's theory of rent. From their point of view, Ricardo's "half truths", as Thucydides condescendingly calls them, lose their whole value.

For Ricardo the problem only exists because value is determined by labour time. With those fellows this is not the case. According to Roscher, nature as such has value. See later. In other words, he has absolutely no idea what value is. What prevents him therefore from allowing the *value of land* to enter into production costs from the outset and to form the rent; what prevents him from presupposing the value of land, i.e., rent, as an explanation for rent?

With these fellows, the phrase "production costs" is meaningless. We see this with Say. The value of the commodity is determined by the production costs, capital, land, labour. But these are determined by demand and supply. In other words, no determination is taking place. Since the land performs "productive services", why should not the price of these "services" be
The Production Process of Capital
determined by demand and supply, just as the services performed by labour or capital? And since the “land services” are in the possession of certain sellers, why should their article not have a market price, in other words why should not rent exist as an element of price?

One can see how little reason Wilhelm Thucydides had for getting so well-meaningly “vexed” over the Ricardian theory. But apart from absolute rent, the following question remains for Ricardo:

The population grows and with it the demand for agricultural products. Therewith their price rises, as happens in similar cases in industry. But in industry, this rise in price ceases as soon as demand has become effective and brought about an increased supply of commodities. The product now falls to the old, or rather below the old, level of value. But in agriculture this additional product is thrown on to the market neither at the same price nor at a lower price. *It costs more* and effects a constant rise in market prices and along with that, a raising of rent. How is this to be explained if not by the fact that ever less fertile types of land are being used, that ever more labour is required in order to produce the same product, that agriculture becomes progressively more sterile? Why, apart from the influence of the depreciation [of money], did agricultural products rise in England from 1797 to 1815 with the rapid development of the population? That they fell again later proves nothing. That supplies from foreign markets were cut off proves nothing. On the contrary. This in fact created the right conditions for demonstrating the effect of the law of rent as such. For it was the very cutting off of foreign supplies which forced the country to have recourse to ever less fertile land. This cannot be explained by an absolute increase in rent, because not only did the rental rise but also the rate of rent. The quarter of wheat, etc. rose in price. It cannot be explained by depreciation because although this might well explain why, with greater productivity in industry, industrial products fell, hence why the relative price of agricultural products rose, it would not explain why, in addition to this relative rise, the prices of agricultural products were continuously rising absolutely.

Similarly, it cannot be explained as a consequence of the fall in the rate of profit. This would never explain a change in prices, but only a change in the distribution of value or of price between landlord, manufacturer and worker.

So far as depreciation is concerned, assume that £1 now=£2. A qr of wheat which was previously equal to £2 is now equal to
£4. If the industrial product fell to $\frac{1}{10}$, and previously its value was 20s., then it would be now 2s. But these 2s. are now equal to 4s. True, depreciation could have something to do with this, the poor harvests as well.

[XI-507] But quite apart from all this it can be assumed that, considering the state of agriculture at that time, unfertile land (for wheat) was being cultivated. The same land was later fertile, in that the rate of differential rents decreased, as is proved by the best barometer, namely, wheat prices.

The highest prices [occur in the years] 1800 and 1801 and 1811 and 1812; the first were years of poor growth, the second, [years] of the peak of depreciation. Similarly 1817 and 1818 were years of depreciation. But if these years are omitted, probably (to be checked up later) what was left would give the average price.

In comparing wheat prices, etc., in different periods, it is at the same time important to compare the amounts produced at so much per qr, because this shows to what extent the additional production of corn influences the price.

I) Average wheat prices

<table>
<thead>
<tr>
<th>Year</th>
<th>Yearly Average Price</th>
<th>Highest Price</th>
<th>Lowest Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>1641-49</td>
<td>60s. 52/3d.</td>
<td>68s. 1d. (1650)</td>
<td>23s. 1d. (1659)</td>
</tr>
<tr>
<td>1650-59</td>
<td>45s. 89/10d.</td>
<td>65s. 9d. (1662)</td>
<td>32s. 0d. (1666 &amp; 1667)</td>
</tr>
<tr>
<td>1660-69</td>
<td>44s. 9d.</td>
<td>61s. 0d. (1674)</td>
<td>33s. 0d. (1676)</td>
</tr>
<tr>
<td>1670-79</td>
<td>44s. 89/10d.</td>
<td>41s. 5d. (1681)</td>
<td>22s. 4d. (1687)</td>
</tr>
<tr>
<td>1680-89</td>
<td>50s. 4/10d.</td>
<td>63s. 1d. (1695)</td>
<td>30s. 2d. (1691)</td>
</tr>
</tbody>
</table>

If we take the period 1650 to 1699 then the (yearly) average price for these 50 years is 44s. 2½d.

During the period (9 years) from 1641 to 1649, the highest yearly average price is 75s. 6d. For 1645, year of the revolution, then 71s. 1d. for 1649, 65s. 5d. for 1647 and the lowest price, 42s. 8d., for 1646.

II) The highest and lowest prices in each decennial period

<table>
<thead>
<tr>
<th>Year</th>
<th>Highest</th>
<th>Lowest</th>
</tr>
</thead>
<tbody>
<tr>
<td>1700-1709</td>
<td>69s. 9d. (1709)</td>
<td>25s. 4d. (1707)</td>
</tr>
<tr>
<td>1710-1719</td>
<td>69s. 4d. (1710)</td>
<td>31s. 1d. (1719)</td>
</tr>
<tr>
<td>1720-1729</td>
<td>48s. 5d. (1728)</td>
<td>30s. 10d. (1723)</td>
</tr>
<tr>
<td>1730-1739</td>
<td>58s. 2d. (1735)</td>
<td>23s. 8d. (1732)</td>
</tr>
<tr>
<td>1740-1749</td>
<td>45s. 1d. (1740)</td>
<td>22s. 1d. (1743 &amp; 1744)</td>
</tr>
</tbody>
</table>

Average price (yearly) for the 50 years [from] 1700 to 1749: 35s. 99½/50d.
The Production Process of Capital

[XI-508] III) The highest and lowest prices in each decennial period

<table>
<thead>
<tr>
<th>Period</th>
<th>Highest</th>
<th>Lowest</th>
</tr>
</thead>
<tbody>
<tr>
<td>1750-1759</td>
<td>36s. 4½/10d.</td>
<td>28s. 10d.</td>
</tr>
<tr>
<td>1760-1769</td>
<td>40s. 4¾/10d.</td>
<td>26s. 9d.</td>
</tr>
<tr>
<td>1770-1779</td>
<td>45s. 3½/10d.</td>
<td>33s. 8d.</td>
</tr>
<tr>
<td>1780-1789</td>
<td>46s. 9½/10d.</td>
<td>35s. 8d.</td>
</tr>
<tr>
<td>1790-1799</td>
<td>57s. 6½/10d.</td>
<td>43s. 0d.</td>
</tr>
</tbody>
</table>

Yearly average for the 50 years [from] 1750 to 1799: 45s. 3½/50d.

IV) The highest and lowest yearly average prices in each decennial period

<table>
<thead>
<tr>
<th>Period</th>
<th>Highest</th>
<th>Lowest</th>
</tr>
</thead>
<tbody>
<tr>
<td>1800-1809</td>
<td>84s. 8½/10d.</td>
<td>58s. 10d.</td>
</tr>
<tr>
<td>1810-1819</td>
<td>91s. 4½/10d.</td>
<td>65s. 7d.</td>
</tr>
<tr>
<td>1820-1829</td>
<td>58s. 9½/10d.</td>
<td>44s. 7d.</td>
</tr>
<tr>
<td>1830-1839</td>
<td>56s. 8½/10d.</td>
<td>39s. 4d.</td>
</tr>
<tr>
<td>1840-1849</td>
<td>55s. 11½/10d.</td>
<td>44s. 6d.</td>
</tr>
<tr>
<td>1850-1859</td>
<td>53s. 4½/10d.</td>
<td>40s. 4d.</td>
</tr>
</tbody>
</table>

Yearly average for the 50 years [from] 1800 to 1849: 69s. 6½/50d.
Yearly average for the 60 years [from] 1800 to 1859: 66s. 9½/15d.

Hence yearly averages:

<table>
<thead>
<tr>
<th>Period</th>
<th>Highest</th>
<th>Lowest</th>
</tr>
</thead>
<tbody>
<tr>
<td>1641-1649</td>
<td>60s. 5½/10d.</td>
<td>44s. 2½/5d.</td>
</tr>
<tr>
<td>1650-1699</td>
<td>44s. 2¹/5d.</td>
<td>35s. 9½/50d.</td>
</tr>
<tr>
<td>1700-1749</td>
<td>35s. 9½/50d.</td>
<td>45s. 3½/50d.</td>
</tr>
<tr>
<td>1750-1799</td>
<td>45s. 3½/50d.</td>
<td>69s. 6½/50d.</td>
</tr>
<tr>
<td>1800-1849</td>
<td>69s. 6½/50d.</td>
<td>53s. 4½/10d.</td>
</tr>
</tbody>
</table>

West says himself:

*"In an improved state of agriculture produce may be raised on the second or third quality of land at as little cost as it could under the old system upon the first quality"* (Sir Edward West, Price of Corn and Wages of Labour, London, 1826, p. 98).

Hopkins grasps correctly the difference between absolute and differential rent:

"The principle of competition renders impossible 2 rates of profit in the same country, and this determines the relative rents but not the general
Theories of Surplus Value. Mr. Rodbertus

AVERAGE OF RENT” (Thomas Hopkins, On Rent of Land, and Its Influence on Subsistence and Population, London, 1828, p. 30).\textsuperscript{131}

[XI-508a]\textsuperscript{a} Hopkins makes the following distinction between productive and unproductive labour or, as he says, between primary and secondary:

* “If all labourers were employed for the same end, or object, as the diamond cutter and the opera singer, in a short time there would be no wealth to subsist them; because none of the wealth produced would then become capital. If a considerable proportion were so employed, wages would be low; because but a comparatively small part of what was produced would be used as capital;—but if only a few of the labourers were so employed, and, of course, nearly all were ploughmen, shoemakers, weavers, etc., then much capital would be produced, and wages could be proportionally high”* (l.c., pp. 84-85). * “With the diamond cutter and the singer, must be classed all those who labour for the landlords, or annuitants, and who receive a part of their income as wages: all, in fact, whose labours terminate merely in producing those things which gratify landlords and annuitants, and who receive in return for their labours, a part of the rent of the landlord, or of the income of the annuitant. These are all productive labourers, but all their labours are for the purpose of converting the wealth which exists, in the shape of rents and annuities, [into some other form,] that shall, in that other form, more gratify the landlord and annuitant, and therefore they are \textit{secondary} producers. All other labourers are \textit{primary} producers”* (l.c., [p.] 85).

Diamonds and song are both realised labour and can—like all commodities—be converted into money and as money into capital. But in this transformation of money into capital we must distinguish two things. All commodities can be converted into money and as money into capital, because in the form of money their use value and its particular natural form become extinct. They are objectified labour in that social form in which it is exchangeable for any real labour, therefore convertible into any form of real labour. On the other hand, whether the commodities which are the product of labour can as such become elements of productive capital once again, depends on whether the nature of their use values permits them to re-enter the process of production—be it as objective conditions of labour (tools and material) or as subjective conditions of labour (means of subsistence of the worker) (in other words [as] elements of constant or of variable capital).

“In Ireland, according to a moderate estimate and the census of 1821, the whole net produce which goes to the landlords, the government and the tithe-owners, amounts to £208\textfrac{3}{4} million, the whole wages, however, only to £14,114.000” (Hopkins, l.c., [p.] 94).\textsuperscript{b}

\textsuperscript{a} Marx mistakenly wrote “508” on two pages; later he added “a” on the second page.—\textit{Ed.}

\textsuperscript{b} Marx quotes Hopkins with some alterations.—\textit{Ed.}
“The cultivators in Italy generally paying from $\frac{1}{2}$ to more than $\frac{1}{2}$ of the produce as rent to the landlord, with moderate skill in agriculture, and a scanty supply of fixed capital. The greater part of the population is composed of secondary producers and landlords and generally the primary producers are a poor and degraded class” (p. 101-02).

“The same was the case in France under Louis XIV. According to Young, rent, tithes and taxes amounted to £140,905,304. Cultivation moreover was very poor. The population of France, at that time, is stated to have been 26,368,074. Now if there had been 6 millions of labouring population (which is too high a figure), each family would have had to furnish annually, either directly or indirectly, an average of about £23 of net wealth to the landlords, the church and the government. According to Young, and taking into account various other factors, the labouring family produced annually £42 10s.; £23 of which were paid away to others, and £19 10s. remained to subsist itself” (l.c., [p.] 102-04).

The dependence of population on capital.

*“The error of Mr. Malthus and his followers is to be found in the assumption, that a reduction of the labouring population would not be followed by a correspondent reduction of capital!”* (l.c., [p. 118].) “Mr. Malthus forgets that the demand [for labourers is] limited by the means of paying wages and that these means do not arise spontaneously, but are always previously created by labour” (l.c., [p. 122). This conception of the accumulation of capital is correct. But the means can grow, i.e., the quantity of surplus produce or surplus labour can grow, without a proportionate growth in the quantity of labour.

“Strange that [there is] a *strong inclination to represent net wealth as beneficial to the labouring class, because it gives employment though it is evidently [XI-509] not on account of being net, that it has that power, but because it is wealth,—that which has been brought into existence by labour: while, simultaneously, an additional quantity of labour is represented as injurious to the labouring classes, though that labour produces 3 times as much as it consumes”* (l.c., [p.] 126).

*“If by the use of superior machinery, the whole primary produce could be raised from 200 to 250 or 300, while net wealth and profit took only 140,* it is clear *that there would remain as a fund for the wages of the primary producers 110 or 160 instead of 60”* (l.c., [p.] 128).

*“The condition of labourers is rendered bad either by crippling their productive power, or by taking from them what they have produced”* ([p.] 129).

*“No, says Mr. Malthus, the weight of your burthen has nothing whatever to do with your distress; that arises solely from there being too many persons carrying it”* (l.c., [p.] 134).

*“In the general principle, that cost of production regulates the exchangeable value of all commodities, original materials are not included; but the claim which the owners of these have upon produce, causes rent to enter into value”* (Thomas Hopkins, Economical Enquiries Relative to the Laws which Regulate Rent, Profit, Wages, and the Value of Money, London, 1822, [p.] 11).

*“Rent, or a charge for use, arises naturally out of ownership, or the establishment of a right of property”* (l.c., [p.] 13).

*“Any thing may yield a rent if it is possessed of the following qualities:—

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a Here Marx summarises Hopkins' ideas.—Ed.
First,—It must exist in a degree of scarcity; Secondly,—It must have the power to aid labour in the great work of production* (l.c., [p.] 14).

"Of course one must not take the case where land so plentiful, compared with the labour and stock to be employed upon it, abundance or scarcity of land are of course relative, and are related to the disposable quantity of labour and capital; that no charge for rent could be made, because it was not scarce" (l.c., [p.] 21).

"The Lord may obtain in some countries 50%, in others not 10. In the fertile regions of the East, man can subsist upon 1/9 of the produce of his labour employed upon the land; but in parts of Switzerland and Norway, an exactation of 10% might depopulate the country... we see no natural bounds to the rent that may be exacted, but in the limited abilities of the payers" ([p.] 31), and "where inferior soils exist, the competition of those inferior soils against the superior" ([pp.] 33-34).

"There is much common land in England, the natural fertility of which is equal to what a large part of the land now cultivated was prior to its being taken into cultivation; and yet the expense of bringing such common lands into cultivation is so great, as to cause them not to yield the ordinary interest for the money expended in improving them, leaving nothing as rent for the natural fertility of the soil: and this with all the advantages of an immediate application of labour, aided by stock skilfully applied, and furnished with manufactures cheaply produced; in addition good roads* in the neighbourhood, etc.... *The present land proprietors may be considered the owners of all the accumulated labour which has for ages been expended, in bringing the country to its present productive state"* (l.c., [p.] 35).

This is a very important circumstance in relation to rent, especially when the population suddenly grows significantly, as it did from 1780 to 1815, consequent upon the advance in industry, and hence a large portion of hitherto uncultivated land is suddenly brought into cultivation. The newly cultivated land may be as fertile as or even more fertile than old land was, before centuries of cultivation had accumulated in it. But what is demanded of the new land—if it [this product] is not to be sold at a dearer price—is that its fertility must be equal firstly to the natural fertility of the cultivated land+secondly to the artificial fertility which has been engendered by cultivation, but which has now become its natural fertility. The newly cultivated land would thus have to be much more fertile than the old had been before its cultivation.

But it will be said:

The fertility of the cultivated land originates in the first place from its natural fertility. Thus it depends on the natural condition of the newly cultivated land whether or not it possesses this fertility arising from and owing to nature. In either case it costs nothing. The other part of the fertility of cultivated land is an artificial product, owing to cultivation, the investment of capital. But this part of productivity involves production costs which are

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* Hopkins has: "in others 10 per cent".—Ed.
repaid as interest on the fixed capital which has been sunk into the land. This part of rent is merely interest on the fixed capital tied up in the land. Hence it enters into the production costs of the product of the previously cultivated land. Hence only the same capital needs to be thrown into the uncultivated land for it to obtain this second part of fertility; and as with the first, the interest on the capital which has been employed to bring forth this fertility will enter into the price of the product. Why then should it not be possible to cultivate new land—unless it is more fertile—without the price of the product rising? If the natural fertility is the same, then the difference is brought about only by the capital invested and, in both cases alike, the interest on this capital enters into production costs to the same extent.

However, this reasoning is wrong. A portion of the costs of bringing the land into cultivation, etc., is no longer liable to be paid for, because, as Ricardo has already observed, the fertility thus created has partly coalesced with the natural quality of the soil (this applies to the costs of clearing, draining, levelling, the chemical change of the soil resulting from continued chemical processes, etc.). Thus if [the product of] the newly cultivated land is to sell at the same price as [that of] the last cultivated land—the land must be sufficiently fertile for this price to cover that part of the costs of bringing it into cultivation which enters into its own production costs but which has ceased to enter into the costs of the previously cultivated land, because it has coalesced with the natural fertility of the land.

*"A stream, favourably situated, furnishes an instance of a rent being paid for an appropriated gift of nature, of as exclusive a kind as any that can be named. This is well understood in manufacturing districts, where considerable rents are paid for small streams of water, particularly if the fall is considerable. The power obtained from such streams being equal to that afforded by large steam-engines, it is as advantageous to use them, though subject to the payment of a heavy rent, as it is to expend large sums in the erection and working of steam-engines. Of streams, too, there are some larger, some smaller. Contiguity to the seat of manufacture is also an advantage which commands a higher rent. In the counties of York and Lancaster there is probably a much greater difference between the rents paid for the smallest and the largest streams of water, than there is between the rents paid for 50 of the least and 50 of the most fertile acres that are in common cultivation"* (Hopkins, i.e., [pp.] 37-38).

If we compare the average prices given earlier and deduct firstly what is due to depreciation (1809-13) and secondly what is due to particularly bad seasons such as 1800 and 1801, then [we shall find that] a very important element is the amount of new land

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\[a\] See this volume, pp. 363-64.—Ed.
cultivated at a given moment or during a given period. A rise in price on
the cultivated land here indicates a growth in population and hence
an excess in price; on the other hand, the same increase in
demand brings about the cultivation of fresh soil. If proportionately
the amount [of cultivated land] has greatly increased, then the
rising price, and the higher price than in the early period merely
shows that a large part of the costs of bringing land into cultivation
enters into the additional quantity of food created. If the price had
not risen, this creation would not have taken place. Its effect, a fall
in price, can only come into evidence later, because the price of
the recently created food comprises *an element of the cost of
production or price, that has long become extinct in the older
applications of capital to land, or in the older portions of
cultivated soil. The difference would be even greater if, con-
sequent upon the increased productivity of labour, the cost of
appropriating soil to cultivation, had not greatly fallen, as
compared to the costs of cultivation in former, bygone periods.

[XI-511] The transformation of new land, whether more or
equally or less fertile than old land, into such a state (and this state
is given by the general rate of adaptation to culture prevailing
on the existing land under cultivation) as to enable it for ap-
lication of capital and labour—under the same conditions under
which capital and labour is employed on the average quantity of
cultivated soil—this adaptation must be paid for by the costs of
converting waste land into cultivated land. This difference of cost
must be borne by the newly cultivated land. If it enters not into
the price of its produce, there are only two cases possible, un-
der which such a result can be realised. Either the produce of
the newly cultivated land is not sold at its real value. Its price
stands below its value, as is in fact the case with most of the land
bearing no rent, because its price is not constituted by its own
value, but by the value of the produce derived from more fertile
soils. Or the newly cultivated land must be so fertile, that, if it was
sold at its immanent, own value, according to the quantity of
labour realised in it, it would be sold at a less price than the price
of produce grown on the formerly cultivated soil.

If the difference between the inherent value of its product and
the market price settled by the value of the cultivated soil is such,
that it amounted for instance to 5%, and if on the other hand the
interest, entering into its costs of production on the part of the
capital employed to bring it up to the level of productive ability,
common to the old soils, amounted also to 5%, then the newly
cultivated land would grow produce able to pay at the old market
price the usual wages, profits and rents. If the interest of the capital employed amounted to 4% only while its degree of fertility exceeded 4%, as compared to the older soils, the market price, after the deduction of the 4% interest for the capital employed to bring the new land into a "cultivable" state would leave a surplus, or it might be sold at a lower price than the market price settled by the value of the least fruitful soil. Rents consequently would generally be lowered, together with the market price of the produce.

*Absolute rent* is the excess of value over the average price of raw produce. *Differential rent* is the excess of the market price of the produce grown on favoured soils over the value of their own produce.

If, therefore, the *price of raw produce* rises or remains constant in periods in which a relatively large part of the additional food, required by the increase of population, is produced on soil which from a state of wasteness has been converted into a state of cultivation, this constancy or rise of prices does not prove that the fertility of the land has decreased, but only that it has not increased to such a degree as to counteract the fresh element of production—formed by the interest of capital applied with a view to bringing the uncultivated land to a level of the common conditions of production, under which the old soils—in a given state of development—are cultivated.*

If the relative quantity of the newly cultivated soil is different in different periods, then even a *constant or rising price* does not prove that the new soil is unfertile or yields less produce, but only that an element of cost—which has become extinct in the old cultivated soils enters into the value of the products of the newly cultivated land. This new element of cost moreover remains, although under the new conditions of production, the costs of bringing new soil into cultivation have fallen considerably, compared with the costs of bringing the old soil from its original, natural state of fertility to its present state. It is therefore necessary to establish the *relative proportion* of enclosures during the different [X1-512] periods.132

The above list (pp. 507-08) moreover shows:

That of the *decennial periods* examined, the *period 1641-49* reaches a higher level than any other *decennial period* up to 1860, with the exception of the *decennial periods 1800-1809* and 1810-1819.

So far as the *fifty-year periods* are concerned, that of 1650-1699

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a See this volume, pp. 363-64.—Ed.
is at a considerably higher level than that of 1700-1749 and that of 1750-1799. The latter is higher than that of 1700-1749 and lower than that of 1800-1849 (or 1859).

Prices constantly fall in the period from 1810 to 1859, whereas in the period from 1750 to 1799, despite the lower average price over the 50 years, an upward movement [takes place]; the upward movement is just as consistent as the downward movement between 1810 and 1859.

In fact, compared with the decennial period of 1641-1649, there is, on the whole, a continuous fall in decennial average prices, until this fall reaches its peak (lowest point) in the last two decennial periods of the first half of the 18th century.

From the middle of the 18th century onwards, an upward movement takes place. It commences from a price (56s. 4⁹⁄₁₀d. 1750-1759), which is lower than the 50 years' average price of the second half of the 17th century and approximately corresponds [to or is] a little higher than the average price of the 50 year period 1700-1749 (35s. 9⁹⁄₅₀d.), the first half of the 18th century. This upward movement continues at an increasing pace in the 2 decennial periods 1800-1809 and 1810-1819. In the latter it reaches its acme. From that point on, the consistent downward movement begins again. If we take the average of the period of rise from 1750 to 1819, then its average price (a little over 57s. per qr) [is] equal to the starting-point of the period of fall from 1820 (namely a little over 58s. for the decennial period 1820-1829); just as the starting-point for the 2nd half of the 18th century [equals] the average price of its first half.

Any mathematical example will show how individual circumstances, a poor harvest, depreciation of money, etc. can affect the average figure. For instance, 30, 20, 5, 5, 5=65. Average is 13, although the last 3 numbers here [are] always only equal to 5. As against this, 12, 11, 10, 9, 8, average=10, although, if one struck off the exceptional 30 and 20 in the first series, the average of any three years in [the] second [series] would be greater.

If one deducts the differential costs for the capital successively employed in bringing new land into cultivation, which for a certain period enters as an item into cost, then perhaps the prices of 1820-1859 [would be] lower than any of the earlier ones. And this to some extent may well be the notion of those blockheads who explain rent as interest for fixed capital sunk into the soil.a

Anderson says in:

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a Marx has in mind Carey first of all.—Ed.
A Calm Investigation of the Circumstances that Have Led to the Present Scarcity of Grain in Britain, London, 1801:

"From 1700 to 1750, there has been a regular fall of price from £2 18s. 1d. to £1 12s. 6d. per quarter of wheat; from 1750 to 1800 proportional rise from £1 12s. 6d. to £5 10s. per quarter of wheat" (p. 11).

Thus, unlike West, Malthus, Ricardo, he did not one-sidedly consider the phenomenon of a rising scale of corn prices (from 1750 to 1813), but rather the double phenomenon, a whole century, of which the first half shows a constantly falling and the second half a constantly rising scale of corn prices. He says very definitely:

"The population was on the increase during the first half of the 18th century as well as the second" (l.c., p. 12).

He is a decided enemy of the theory of population and says explicitly that the land is capable of increasing and perennial improvement.

"The soil can be continuously improved by chemical influences and cultivation” (l.c., [p.] 38).133

[XI-513] “Under a *judicious system of management,* the productivity of the soil may *be made to augment, from year to year, for a succession of time to which no limit can be assigned, till at last it may be made to attain a degree of productiveness, of which we cannot, perhaps, at this time conceive an idea”* (pp. 35-36).

“IT may be with certainty said, that the PRESENT POPULATION is such a trifle compared to that which this island can maintain, as to be much BELOW ANY DEGREE OF SERIOUS CONSIDERATION” ([p.] 37).

*“Wherever population increases, the produce of the country must be augmented along with it, unless some moral influence is permitted to derange the economy of nature”* ([p.] 41).

The “theory of population” represents “the most pernicious prejudice” ([p.] 54).134 Anderson seeks to prove historically that the productivity of agriculture rises with a growing and falls with a declining population (pp. 55, 56, 60, 61 sqq.).

With a correct conception of rent, the first point to arise was of course that it does not originate from the land but from the product of agriculture, that is, from labour, from the price of the product of labour, for instance of wheat; from the value of the agricultural product, from the labour applied to the land, not from the land, and Anderson quite correctly emphasises this.

*“It is not the rent of the land that determines the price of its produce, but it is the price of that produce which determines the rent of the land, although the price of that produce is often highest in those countries where the rent of the land is lowest.”*

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* A reference to the Malthusian theory of population.—*Ed.
Rent has thus nothing to do with the absolute productivity of agriculture.\\

*"This seems to be a paradox that deserves to be explained.

"In every country there is a variety of soils, differing considerably from one another in point of fertility. These we shall at present suppose arranged into different classes, which we shall denote by the letters A, B, C, D, E, F, etc.; the class A comprehending the soils of the greatest fertility, and the other letters expressing different classes of soils, gradually decreasing in fertility as you recede from the first. Now, as the expense of cultivating the least fertile soil is as great or greater than that of the most fertile field, it necessarily follows, that if an equal quantity of corn, the produce of each field, can be sold at the same price, the profit on cultivating the most fertile soil must be much greater than that of cultivating the others"*\\

//namely the EXCESS OF PRICE OVER THE EXPENSES OR THE PRICE OF THE CAPITAL ADVANCED://

*"and as this"* /i.e., the PROFIT// *"continues to decrease as the sterility increases, it must at length happen that the expense of cultivating some of the inferior classes will equal the value of the whole produce"* (pp. 45-48).

The last field pays no rent. (This is cited from McCulloch, The Literature of Political Economy, London, 1845.) (Does McCulloch quote here from An Enquiry into the Nature of the Corn Laws or from Recreations in Agriculture, Natural-History, Arts etc., London, 1797? This to be looked up at the Museum.)

What Anderson calls "VALUE OF THE WHOLE PRODUCE" is evidently nothing other than his conception of the *market price* at which the product is sold, whether it grows on better or on worse land. With the more fertile types of land, this "price" (VALUE) leaves a greater or lesser excess over the EXPENSES. This does not apply to the last product. Here the *average price*—i.e., that [formed] by the production costs + the average profit—coincides with the market price of the product. Hence it does not yield an excess profit, which alone can constitute rent. With Anderson, rent = the excess of the *market price* of the product over its *average price*. (The theory of value as yet does not worry Anderson at all.) Thus if, as a result of the particularly low fertility of the land, the *average price* of the product of this land coincides with the *market price* of the product, then there is no excess and therefore no fund FOR THE FORMATION OF RENT. Anderson does not say the last cultivated land cannot bear a rent. He only says that if it "happens" that the EXPENSES (the production costs + the average profit) are so great that the difference between the market price of the product and its average price disappears, then rent also disappears and that this must be the case if one descends ever further down the scale.

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a The reference is to the edition of 1799-1802.—Ed.

b McCulloch quotes from An Enquiry into the Nature of the Corn Laws....—Ed.
Anderson says expressly that a definite *market price equal* for equal quantities of produce that have been produced under more favourable or less favourable conditions of production, is the prerequisite for this formation of rent. He says that a surplus profit or excess of profit from the better types of soil over that from the worse, necessarily follows "*If an equal quantity of corn, the produce of each field, can be sold at the same price*", i.e., if a general market price is presupposed.

[XI-514] Anderson by no means assumes, as might have appeared from the preceding passage, that different *degrees of fertility* are merely the product of nature. On the contrary the

*“infinite diversity of soils”* arises partly from the fact that these *“soils may be so much altered from their original state by the modes of culture they have been formerly subjected to, by the manures”*, etc. (An Inquiry into the Causes etc., Edinburgh, 1779, p. 5).

On the one hand, the progress in the productivity of *general labour* makes it easier to bring land into cultivation; on the other hand, cultivation increases the diversity of soils, in that the *original fertility* of land A which is cultivated and land B which is not, may have been the same if we deduct from A's *fertility* that part which, though it is now inherent in it, had previously been added *artificially*. Thus cultivation itself increases the *diversity of natural fertility* between cultivated and waste lands.

Anderson says expressly that that land for whose produce average price and market price coincide, can pay *no* rent:

"Where there are two fields, the produce of which is nearly as above stated, namely the one yielding 12 bushels remunerating the expense, the other 20, without requiring any *immediate outlay for their improvement*, the farmer would pay even more rent than 6 bushels for instance for the latter while [he would pay] none for the former. If 12 bushels are *just sufficient for the expense of cultivating*, no rent whatever can be afforded for cultivated land that yields only 12 bushels" (Essays Relating to Agriculture and Rural Affairs, Vol. III, Edinburgh and London, 1775-1796, pp. 107-09), a

Then he immediately goes on to say:

*“Yet it cannot be expected that, if the superior produce has been *immediately occasioned* by his own outlay of capital, and exertions of industry, he can pay nearly the same *proportion* of it as rent; but after the land has been for *some time in a permanent state of fertility to that degree*, though it even *originally derived that fertility from his own industry*, he will be content to pay such a proportion of rent as is here stated”* (L.c., [pp.] 109-10).

Supposing therefore the produce of the best *cultivated* land is 20 bushels per acre. Of this, according to the assumption, 12 bushels

a This is Marx's summary of pages 107-09 of Anderson's book; some passages are quoted word for word.—*Ed.*
pay the expenses (Advances + average profit). Then it can pay 8 bushels as rent. Assume that the bushel = 5s., then 8 bushels or 1 qr = 40s. or £2 and 20 bushels = £5 (2½ qr). Of these £5, 12 bushels or 60s., which = £3, is expenses. Then it pays a rent of £2 or 8 bushels. If the rate of profit = 10%, then of the £3 expenses the outlay = \(5\frac{6}{11}\)s. and the profit = \(5\frac{5}{11}\)s. (\(5\frac{6}{11} : 5\frac{5}{11} = 100:10\)). Now supposing, the farmer had to carry out various improvements on waste land, which is just as fertile as that yielding 20 bushels had been originally, in order to bring it into such a state of cultivation as appropriate to the general state of agriculture. Apart from the outlay of \(5\frac{6}{11}\)s., or, if we reckon the profit in with the expenses, apart from 60s., this may involve a further outlay of \(3\frac{6}{11}\); then 10% on this would = \(3\frac{7}{11}\), and if the farmer always sold 20 bushels at 5s. he could pay a rent only after 10 years, only after the reproduction of his capital. From then on the artificially created fertility of the land would be reckoned as original and would fall to the landlord.

Although the newly cultivated land is as fertile as the best cultivated land was originally, the market price and the average price for its product do nevertheless coincide, because it contains an item of costs which is extinct in the best land, whose artificially created fertility and whose natural fertility coincide to a certain extent. But with the newly cultivated land, that part of fertility which is created artificially, by the application of capital, is still entirely distinct from the natural fertility of the land. The newly cultivated land can therefore pay no rent although its original fertility may be the same as that of the best cultivated land. After 10 years, however, it could pay not only rent, but as much rent as the best type which was cultivated earlier. Thus Anderson comprehends both phenomena:

1) That the differential rent of the landlord is partly the result of the fertility which the farmer has given the land artificially.

2) That after a certain lapse of time, this artificial fertility appears as the original productivity of the soil itself, in that the soil itself has been transformed and the process by which this transformation has been accomplished, has disappeared and is no longer visible.

[XI-515] If today I build a cotton mill for £100,000, I get a more efficient mill than my predecessor who set one up 10 years ago. I do not pay for the difference between productivity in machine-building, building in general, etc., of today and of 10 years ago; on the contrary. It enables me to pay less for a mill of the same efficiency of only the same for a mill of higher efficiency. In agriculture it is different. The difference between the original fertilities of [the] soils is magnified by that part of the so-called natural
FERTILITY OF THE SOIL WHICH, IN FACT, HAS BEEN ONCE PRODUCED BY MEN, BUT HAS NOW BECOME INCORPORATED IN THE SOIL AND IS NO LONGER TO BE DISTINGUISHED FROM ITS ORIGINAL FERTILITY. Owing to the development of the productive power of general labour, it costs less to raise uncultivated soil of the same original fertility to the improved level of fertility, than it costs to bring the original fertility of the cultivated soil to its now apparently original fertility, but some expenditure is still required to bring that equalisation about. The average price of the new product is consequently higher than that of the old, the difference between market price and average price is thus smaller and may disappear completely. But supposing, in the above case, the newly cultivated soil is so fertile, that after the additional expense of 40s. (including profit) it yields 28 bushels instead of 20. In this case the farmer could pay a rent of 8 bushels or £2. And why? Because the newly cultivated soil yields 8 bushels more than the old, so that despite the higher average price, with the same market price, it yields just as much in excess of the price. If it had involved no extra expense, its fertility would be double that of the old land. With this expense it is the same as that of the old land.

NOW BACK TO RODBERTUS, DEFINITIVELY AND FOR THE LAST TIME

"It" (Rodbertus' theory of rent) "explains ... all phenomena of wages and rent, etc. ... by a division of the labour product, which necessarily occurs if two prerequisites, adequate productivity of labour and property in land and capital, are given. It explains that the adequate productivity of labour alone constitutes the economic possibility of such a division, in that this productivity gives to the value of the product so much actual content that in addition other people who do not work, can also live from it. And it explains that landed property and capital property alone constitute the legal reality of such a division, in that it forces the workers to share their product with the non-working proprietors of land and capital and, what is more, in such a proportion that they, the workers, only get so much of it as to enable them to live" (Rodbertus, l.c., [pp.] 156-57).

Adam Smith sets forth this problem in two ways. Division of the product of labour where this is regarded as given and he is in fact concerned with the distribution of use value. This is also Mr. Rodbertus' conception. It is also to be found with Ricardo who is all the more to be reproached on this account because he does not merely confine himself to general phrases but seriously tries to determine the value by labour time. This conception is plus ou moins, mutatis mutandis,\(^a\) applicable to all modes of production where the workers and the owners of the objective conditions of labour form different classes.

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\(^a\) More or less, with the necessary alterations.— Ed.
Smith's second conception, on the other hand, is characteristic of the capitalist mode of production. Hence it alone is a theoretically fruitful formula. For Smith here conceives of profit and rent as springing from the surplus labour which the worker adds to the object of labour, apart from that portion of labour by which he only reproduces his own wage. This is the only correct standpoint where production rests solely on exchange value. This concept comprises the process of development, whereas the first concept presupposes that labour time is constant.

With Ricardo the one-sidedness arises also from the fact that in general he wants to show that the various economic categories or relationships do not contradict the theory of value, instead of on the contrary developing them together with their apparent contradictions out of this basis or presenting the development of this basis itself.

[XI-516] "You know, that all economists, already from Adam Smith onwards, split up the value of the product into wages, ground-rent and capital gain and that therefore the idea of basing the incomes of the different classes and particularly also portions of rent on a division of the product is nothing new." (CERTAINLY NOT!) "Only the economists immediately go astray. All of them—not even excepting the Ricardian School—first of all commit the error of not regarding the whole product, the entire wealth, the total national product as the unit in which the workers, the landowners and the capitalists participate. On the contrary they regard the division of the raw product as a particular division in which three participants share, and the division of the manufactured product again as a particular division in which only two participants share. So these systems consider that the mere raw product and the mere manufactured product, each in itself, is a special kind of wealth which constitutes income" (p. 162).

First of all, by breaking down the "whole value of the product into wages, ground-rent and capital gain" and thus forgetting about constant capital which also forms a part of value, Adam Smith has in fact led "astray" all the later economists, including Ricardo and including Mr. Rodbertus. As my exposition has shown, the lack of this differentiation made any scientific presentation quite impossible. In this respect the Physiocrats were further advanced. Their "avances primitives and annuelles" are defined as a part of the value of the annual product or as a part of the annual product itself, which is not resolved into wages, profit or rent, just as little for the nation as for the individual. According to the Physiocrats, the raw material of the agriculturists

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a Julius Hermann von Kirchmann.—Ed.
d See this volume, pp. 204-40.—Ed.
e Original and annual advances.—Ed.
replaces the advances of the sterile class (the transformation of this raw material into machines of course devolves on the sterile class), while, on the other hand, the agriculturists replace a part of their own advances (seeds, cattle for breeding and draught animals, fertiliser, etc.) from their product and get a part, machinery, etc., replaced by the sterile class in exchange for raw material.

Secondly Mr. Rodbertus errs in that he identifies division of value with division of product. The "wealth which constitutes income" has nothing directly to do with this division of the value of the product. That the portions of value which accrue, for instance, to the producers of yarn, and which are represented in certain quantities of gold, exist as agricultural and manufactured products of all kinds is equally well known to the economists as to Rodbertus. This is taken for granted because commodities are produced and not products for the immediate consumption of the producers themselves. Since the value which becomes available for distribution, i.e., the part of value which forms revenue, is created within each individual sphere of production, independently of the others—although, on account of the division of labour, it presupposes the others—Rodbertus takes a step backward and creates confusion, by not examining this creation of value on its own, but confusing it right from the start by asking what share of the available total product of the nation these component parts secure for their owners. With Rodbertus, division of the value of the product immediately becomes division of use values. Because he foists this confusion upon the other economists, there arises the need for his corrective, i.e., the consideration of manufactured and raw products en bloc—a mode of procedure which is irrelevant to the creation of value, and hence wrong if it is to explain the latter.

The only participants in the value of the manufactured product, in so far as it comprises revenue and in so far as the manufacturer does not pay a rent, be it for land on which the buildings stand or for waterfalls, etc., are the capitalist and the wage labourer. The value of the agricultural produce is generally divided between three. This Mr. Rodbertus also admits. The manner in which he explains this phenomenon does not in any way alter this fact. It is entirely in accord with the standpoint of capitalist production that the other economists, especially Ricardo, start from a division into two, between capitalist and wage labourer, and only bring in the landowner who draws rent at a later stage, as a special superfetation. Capitalist production is based on the antithesis of two factors, objectified labour and living labour. Capitalist
and wage labourer are the sole functionaries and factors of production whose relationship and confrontation arise from the nature of the capitalist mode of production.

The circumstances under which the capitalist has in turn to share a part of the surplus labour or surplus value, which he has captured, with a third, non-working person, are only of secondary importance. It is also a fact of production that, after the part of the value which is equal to constant capital is deducted, the entire surplus value passes straight from the hands of the worker to those of the capitalist, with the exception of that part of the value of the product which is paid out as wages. The capitalist confronts the worker as the direct owner of the entire surplus value, in whatever manner he may later be sharing it with the money-lending capitalist, landowner, etc. As James Mill observes, production could therefore continue undisturbed if the landowner who draws rent disappeared and the State took his place. He—the private landowner—is not a necessary agent for capitalist production, although it does require that the land should belong to someone, so long as it is not the worker, but, for instance, the State. Far from being an error on the part of Ricardo, etc., this reduction of the classes participating directly in production, hence also in the value produced and then in the products in which this value is embodied, to capitalists and wage labourers, and the exclusion of the landowners (who only enter post festum, as a result of conditions of ownership of natural forces that have not grown out of the capitalist mode of production but have been passed on to it), is rooted in the nature of the capitalist mode of production—as distinct from the feudal, ancient, etc. This reduction is an adequate theoretical expression of the capitalist mode of production, and reveals its differentia specifica. Mr. Rodbertus is still too much of an old Prussian "landed proprietor" to understand this. Furthermore, it can only be grasped and become self-evident when the capitalist has seized agriculture, and everywhere, as is generally the case in England, has taken charge of agriculture just as he has of industry, and has excluded the landowner from any direct participation in the production process. What Rodbertus regards as a "deviation", is, therefore, the right path, which however he does not understand because he is still engrossed in views that originated from the pre-capitalist mode of production.

"He too" (Ricardo) "does not divide the finished product among the parties concerned, but, like the other economists, regards the agricultural product as well

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as the manufactured product—as a separate product, which has to be divided” (l.c., [p.] 167).

Not the product, Mr. Rodbertus, but the value of the product, and this is quite correct. Your “finished” product and its division have absolutely nothing to do with this division of value.

“He” (Ricardo) “regards capital property as given and that even earlier than landed property... Thus he does not begin with the reasons for, but with the fact of the division of the product, and his entire theory is limited to the causes which determine and modify the proportions of the shares... The division of the product purely into wages and capital gain is for him the original one and originally also the only one” (l.c., [p.] 167).

This you fail to understand again, Mr. Rodbertus. From the standpoint of capitalist production, capital property does in fact appear as the “original” because capitalist production is based on this sort of property and it is a factor of and fulfils a function in capitalist production; this does not hold good of landed property. The latter appears as derivative, because modern landed property is in fact feudal property, but transformed by the action of capital upon it; in its form as modern landed property it is therefore derived from, and the result of capitalist production. That Ricardo considers the position as it is and appears in modern society to be also the historically original situation (whereas you, instead of keeping to the modern form, cannot rid yourself of your memories of landownership) is a delusion from which the bourgeois economists suffer in respect of all bourgeois economic laws. They appear to them as “natural laws” and hence also as historically “primary”.

[XI-518] But Mr. Rodbertus could already see from the very first sentence of his preface, that Ricardo, where it is not a question of the value of the product, but of the product itself, permits the whole of the “finished” product to be shared out.

* “The produce of the earth—all that is derived from its surface by the united application of labour, machinery, and capital, is divided among three classes of the community; namely, the proprietor of the land, the owner of the stock or capital necessary for its cultivation, and the labourers by whose industry it is cultivated”* (Principles of Political Economy, Preface, 3rd Ed., London, 1821).

He continues forthwith:

* “But in different stages of society, the proportions of the whole produce of the earth which will be allotted to each of these classes, under the names of rent, profit, and wages, will be essentially different”* (l.c.).

He is concerned here with the distribution of the “WHOLE PRODUCE”, not the manufactured product or the raw product. If this “WHOLE PRODUCE” is taken as given, these shares in the “WHOLE
Theories of Surplus Value. Mr. Rodbertus

PRODUCE” are solely determined within each sphere of production by the share which each SHAREHOLDER has in the “value” of his own product. This “value” is convertible into and can be expressed in a certain aliquot part of the “WHOLE PRODUCE”. Ricardo only errs here, following Adam Smith, in that he forgets that “THE WHOLE PRODUCE” is not divided into RENT, PROFIT and WAGES, but THAT PART OF IT “WILL BE ALLOTTED” IN THE SHAPE OF CAPITAL TO ONE OR SOME OF THESE 3 CLASSES.

“You might want to assert, that, just as originally the law of the equalisation of capital gains would have had to depress raw product prices so far that ground-rent would have to disappear only to be re-created as a result of a rise in prices due to the difference between the yield of more fertile and less fertile land—so, today the advantages of drawing rent besides the usual capital gain, would induce the capitalist to spend capital on new cultivation and improvements until, due to the flooding of markets brought forth by this, prices would fall sufficiently in order to make rents on the least favourable capital investments disappear again. In other words, this would be to assert that, so far as the raw product is concerned, the law of the equalisation of capital gains invalidates the other law, that the value of the products is governed by labour costs, while it is just Ricardo, who, in the 1st chapter of his work, uses the former to prove the latter” ([Rodbertus,] l.c., [p.] 174).

Indeed, Mr. Rodbertus! The law of the “equalisation of capital gains” does not invalidate the law that the “value” of the products is governed by “labour costs”. But it does invalidate Ricardo’s assumption that the average price of the products=their “value”. But there again, it is not the “raw product” whose value is reduced to the average price, but the other way about. Due to landed property, the “raw product” is distinguished by the privilege that its value is not reduced to the average price. If, indeed, its value did decrease, which would be possible despite your “value of the material”, to the level of the average price of the commodities, then rent would disappear. The types of land which possibly pay no rent today, pay none, because the market price of raw products is for them equal to their own average price, and because the competition of more fertile types of land deprives them of the privilege of selling their product at its “value”.

“Could it be true that before any cultivation takes place at all, capitalists already exist who receive a profit and invest their capital according to the law of profit equalisation?” (HOW VERY SILLY!) “...I admit, that if today an expedition from the civilised countries set out to a [XI-519] new, uncultivated land, an expedition in which the wealthier participants were equipped with supplies and tools—capital—from an old established culture and the poorer ones came along with a view to winning a high wage in the service of the former, then the capitalists would regard as their gain that which remains to them over and above the wages of the workers for they bring with them from their mother country things and ideas which have long been in existence there” ([pp.] 174-75).
Well, here you have it, Mr. Rodbertus. Ricardo's whole conception is only appropriate to the presupposition that the capitalist mode of production is the predominant one. How he expresses this presupposition, whether he commits a historical hysteron proteron, a is irrelevant to the theory. The presupposition must be made, and it is therefore impossible to introduce, as you are doing, the peasant, who does not understand capitalist bookkeeping and hence does not reckon seeds, etc., as part of the capital advanced! The "absurdity" is introduced not by Ricardo but by Rodbertus, who assumes that capitalists and workers exist "before cultivation of the land" ([p.] 176).

"According to the Ricardian concept, cultivation of the land is supposed to begin ... only when ... capital has been created in a society and capital gain is known and paid" ([p.] 178).

What utter nonsense! Only when a capitalist has squeezed himself as farmer between the husbandman and the landed proprietor—be it that the old tenant has swindled his way into becoming a capitalist farmer, or that an industrialist has invested his capital in agriculture rather than in manufacture—only then begins, by no means "the cultivation of the land", but "capitalist" land cultivation which is very different, both in form and content, from the previous forms of cultivation.

"In every country the greater part of the land is already owned by someone long before it is cultivated; and certainly, long before a rate of capital gain has been established in industry" ([p.] 179).

To comprehend Ricardo's conception Rodbertus would have to be an Englishman instead of a Pomeranian landowner and would have to understand the history of the ENCLOSURE OF COMMONS and WASTE LAND. Mr. Rodbertus cites America. There the State sells the land "in lots, first to the cultivators at a low price, it is true, but one which must at all events already represent a rent" ([pp.] 179-80).

By no means. This price does not constitute a ground-rent, any more than, say, a general trade tax constitutes a trade rent or in fact any tax constitutes a "rent".

"With regard to the cause of the rise under point b" //the increase in population or the increase in the quantity of labour employed// "I maintain, however, that rent has precedence over capital gain. The latter can never rise because, as a result of the increased national product—if productivity remains the same but productive power increases (increased population)—more capital gain accrues to the nation, for this greater capital gain always accrues to a capital which is greater in the same proportion, the rate of profit therefore remains the same" ([pp.] 184-85).

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a Inversion of natural order.—Ed.
This is wrong. The quantity of unpaid surplus labour rises, for instance, if 3, 4, 5 hours surplus labour time are worked instead of 2 hours. The volume of capital advanced does not grow [to the same extent] as the volume of this unpaid surplus labour, d'abord, because this further excess of surplus labour is not paid for and so does not occasion a capital outlay; secondly, because the capital outlay for fixed capital does not grow in the same proportion as its utilisation in this instance. No more spindles, etc., are required. True, they are used up more quickly but not in the same proportion in which their use increases. Thus, given the same productivity, profit grows here, because not only the surplus value grows, but also the rate of surplus value. In agriculture this is impracticable because of the natural conditions. On the other hand, productivity is easily altered with the increased outlay of capital. Although an absolutely large amount of capital is laid out, it is relatively not so big, due to economies in the conditions of production, quite apart from the division of labour and machinery. Thus the rate of profit could grow even if the surplus value (not only its rate) remained the same.

[XI-520] Rodbertus is positively wrong, and typically the Pomeranian landowner when he says:

"It is possible that in the course of these 30 years" (1800-1830) "more properties came into being through the parcelling out of land or even through the cultivation [of new land] and the increased rent was thus also divided among more landowners, but it was not distributed over more acres in 1830 than in 1800. Previously the older properties comprised the whole of the acreage of those newly separated or newly cultivated properties and the lower rent of 1800 was assessed on them as well, and this influenced the level of English rent in general at that time just as much as the higher rent in 1830" ([p.] 186).

Worthy Pomeranian! Why do you always transfer your Prussian situation to England in a disparaging manner? The Englishman does not reckon that, if, as was the case (this to be looked up), 3 to 4 million acres were "enclosed" between 1800 and 1830, the rent on these 4 million acres was calculated before 1830 as well and also in 1800. Rather they were waste land or commons which bore no rent and did not belong to anybody.

It has nothing to do with Ricardo if Rodbertus, like Carey (but in a different way), seeks to prove to Ricardo that for physical and other reasons, the "most fertile" land is usually not the first to be cultivated. The "most fertile" land is always the "most fertile" under the existing conditions of production.

A very large number of the objections which Rodbertus raises against Ricardo arise from the naïve manner in which he identifies the "Pomeranian" conditions of production with the "English".
Ricardo presupposes capitalist production to which, where it is in fact carried out, as in England, corresponds the separation of the farming capitalist from the landlord. Rodbertus introduces circumstances which are in themselves alien to the capitalist mode of production, which has merely been built upon them. For instance, what Mr. Rodbertus says about the position of economic centres in economic complexes applies perfectly to Pomerania but not to England, where the capitalist mode of production has become increasingly pre- eminent since the last third of the 16th century, where it has assimilated all the conditions and in different periods has progressively sent historical preconditions, villages, buildings and people, to the devil, in order to secure the "most productive" investment for capital.

What Rodbertus says about "capital investment" is equally wrong.

"Ricardo limits ground-rent to that which the landowner is paid for the use of the original, natural and indestructible qualities of the land. He thus wants to ensure that everything which would have to be ascribed to capital in the land which is already being cultivated, is deducted from rent. But it is clear that out of the yield from a piece of land he must never allot more to capital than the full interest customary in a country. For otherwise he would have to assume that there are two different rates of gain in the economic development of a country, one agricultural, which is greater than that prevailing in manufacture, and this latter. This assumption would overthrow his very system, which is based on the equality of the rate of gain" ([pp.] 215-16).

Again the notion of the Pomeranian landowner who gets money on tick in order to improve his property and who, for theoretical and practical reasons, only wants to pay the money-lender the "customary interest". But in England things are different. It is the farmer, the farming capitalist, who lays out capital in order to improve the land. From this capital, just as from that which he lays out directly in production, he does not demand the customary interest but the customary profit. He does not lend the landowner any capital on which the latter is to pay the "customary" interest. He may borrow capital himself, or else he uses his own surplus capital so that it yields him the "customary" industrial profit, at least double the customary interest.

Incidentally, Ricardo knows what Anderson already knew and, into the bargain, expressly says that [XI-521] the productive power of the land thus engendered by capital, later coincides with its "natural" productive power, hence swells the rent. Rodbertus knows nothing of all this and therefore babbles away at random.

I have already given a correct explanation of modern landed property:
“Rent, in the Ricardian sense, is property in land in its bourgeois state, that is, feudal property which has become subject to the conditions of bourgeois production” (Misère de la Philosophie, Paris, 1847, [p.] 156.)

Similarly I have already correctly observed:

“Ricardo, after postulating bourgeois production as necessary for determining rent, applies the conception of rent, nevertheless, to the landed property of all ages and all countries. This is an error common to all the economists, who represent the bourgeois relations of production as eternal categories” (l.c., [p.] 160).

I also pointed out correctly that “land as capital” could be increased like all other capitals:

“Land as capital can be increased just as much as all the other instruments of production. Nothing is added to its matter, to use M. Proudhon’s language, but the lands which serve as instruments of production are multiplied. The very fact of applying further outlays of capital to land already transformed into means of production increases land as capital without adding anything to land as matter, that is, to the extent of the land” (l.c., [p.] 165).

The difference between manufacture and agriculture which I pointed out at that time still remains correct:

“In the first place, one cannot, as in manufacturing industry, multiply at will the instruments of production possessing the same degree of productivity, that is, plots of land with the same degree of fertility. Then, as population increases, land of an inferior quality begins to be exploited, or new outlays of capital, proportionately less productive than before, are made upon the same plot of land” (l.c., [p.] 157).

Rodbertus says:

“But I must draw attention to yet another circumstance which, admittedly, much more gradually, but also far more generally, turns worse agricultural machines into better ones. This is the continued management of a piece of land merely in accordance with a rational system, without making any special capital investment” ([p.] 222.)

Anderson already said cultivation improves the land.

“You would have to prove that the working population engaged in agriculture had, in the course of time, increased to a greater degree than the production of the means of subsistence or even just compared with the rest of the population of a
country. Only this could irrefutably show that increasing agricultural production also demands that progressively more labour is expended upon it. But it is just here that statistics contradict you" ([Rodbertus, p. 274]). "Indeed, you will find that, [pretty well] as a rule, the denser the population of a country, the smaller will be the proportion of people engaged in agriculture.... The same phenomenon can be observed when the population of a country increases: that section which is not engaged in agriculture will almost everywhere increase to a greater degree" ([p.] 275).

But this is partly because more arable land is turned over to cattle and sheep grazing, partly because with the higher stage of production—large-scale agriculture—labour becomes more productive. But also, and this is a circumstance which Mr. Rodbertus overlooks entirely, because a greater part of the non-agricultural population assist in agriculture, supplying constant capital—which grows with the advance in cultivation—such as mineral fertilisers, seeds from other countries, machinery of every sort.

According to Mr. Rodbertus (p. 78):

"At present the agriculturist" (in Pomerania) "does not" (regard) "the feeding-stuffs for his draught animals as capital, if he has grown these in his own establishment...."

[XI-522] "Capital in itself, or from an economic point of view, is a product which continues to be used for production.... But in respect of a particular 'gain' which it is to yield, or from the point of view of today's entrepreneurs, it must appear as an 'outlay' in order to be capital" ([p.] 77).

This concept of "outlay" however does not, as Rodbertus thinks, require that it is bought as a commodity. If instead of being sold as a commodity, a part of the product re-enters production, it does so as a commodity. It has previously been estimated as "money", and this is easily done, since simultaneously all these "outlays", in agriculture too, are available on the market as "commodities": cattle, feeding-stuffs, fertilisers, corn for sowing, seeds of all kinds. But it seems that in "Pomerania" this is not reckoned as "outlay".

"The value of the particular results of these different sorts of work" (manufacture and primary production) "is not the income itself which accrues to their owner, but only the measure for its conversion into money. This particular income itself is a part of the social income, which is only produced by the combined labour in agriculture and manufacture, and its elements too are thus only produced by this combined effort" (p. 36).

This is quite irrelevant. The realisation of this value can only be its realisation in use value. But we are not concerned with that. Furthermore, the necessary wage already implies how much value in the shape of agricultural and industrial products is contained in the means of subsistence the worker requires.

Done with.
h) RICARDO

With Anderson’s thesis (partly also in Adam Smith): “It is not the rent of the land that determines the price of its produce, but it is the price of that produce which determines the rent of the land”\(^a\) the doctrine of the Physiocrats was overthrown. The price of the agricultural produce, and neither this produce itself nor the land, had thus become the source of rent. This finished the notion that rent was the offspring of the exceptional productivity of agriculture, which again was supposed to be the offspring of the special fertility of the soil. For, if the same quantity of labour was exerted in a particularly productive element and hence was itself exceptionally productive, then the result could only be that this labour manifested itself in a relatively large quantity of products and that the price of the individual product was therefore relatively low; but it could never have the opposite result, namely, that the price of its product was higher than that of other products in which the same quantity of labour was realised and that this price, as distinct from that of other commodities, thus yielded a rent, in addition to profit and wages. (In his treatment of rent, Adam Smith to some extent returns to the Physiocratic view, having previously refuted or at least rejected it by his original conception of rent as part of surplus labour.)

Buchanan sums up this discarding of the Physiocratic view in the following words:

*“The notion of agriculture yielding a produce, and a rent in consequence, because nature concurs with human industry in the process of cultivation, is a mere fancy. It is not from the produce, but from the price at which the produce is sold, that the rent is derived; and this price is got not because nature assists in the production, but because it is the price which suits the consumption to the supply.”*\(^*137\)

After the rejection of this notion of the Physiocrats—which, however, was fully justified in its deeper sense, because they regarded rent as the only surplus, and capitalists and labourers together merely as the salariés\(^b\) of the landlord—only the following viewpoints were possible.

[XI-523] The view that rent arises from the monopoly price of agricultural products, the monopoly price being due to the landowners possessing the monopoly of the land.\(^c\) According to this

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\(^a\) See this volume, p. 372.—Ed

\(^b\) Paid employees.—Ed

\(^c\) See this volume, p. 268.—Ed
concept, the *price* of the agricultural product is constantly *above* its *value*. There is a *surcharge of price* and the law of the value of commodities is breached by the *monopoly* of landed property.

Rent arises out of the *monopoly price* of agricultural products, because supply is constantly *below* the level of demand or demand is constantly *above* the level of supply. But why does supply not rise to the *level* of demand? Why does not an *additional* supply equalise this relationship and thus, according to this theory, abolish *all* rent? In order to explain this, Malthus on the one hand takes refuge in the fiction that agricultural products directly create consumers for themselves (about which more later, in connection with his row with Ricardo); on the other hand, in the Andersonian theory, that agriculture becomes less productive because the *additional supply* costs more labour. Hence, in so far as this view is not based on mere fiction, it coincides with the Ricardian theory. Here too, *price* stands *above* *value*, *surcharge*.

The *Ricardian theory*: *Absolute rent does not exist*, only a *differential rent*. Here too, the *price* of the agricultural products that bear rent is *above* their individual value, and in so far as rent exists at all, it does so through the *excess of the price of agricultural products over their value*. Only here this excess of price over value does not contradict the general theory of value (although the *fact* remains) because within each sphere of production the *value* of the commodities belonging to it is not determined by the individual value of the commodity but by *its value* as modified by the *general conditions* of production of that sphere. Here too, the price of the rent-bearing products is a *monopoly price*, a monopoly however as it occurs in all spheres of industry and only becomes permanent in this one, hence assuming the form of rent as distinct from excess profit. Here too, it is an excess of *demand over supply*, or, what amounts to the same thing, that the *additional demand* cannot be satisfied by an *additional supply* at *prices* corresponding to those of the *original supply*, before its prices were forced up by the excess of demand over supply. Here too, *rent* (differential rent) *comes into being* because of *excess of price over value*, the rise of prices on the better land *above* the value of the product, and this leads to the *additional supply*.

*Rent is merely interest on the capital sunk in the land.* This view has the following in common with the Ricardian, namely, that it denies the existence of *absolute rent*. It must admit the existence of *differential rent* when pieces of land in which equal amounts of

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3 See this volume, pp. 268, 367-68, 371.— *Ed.*
capital have been invested, yield rents of varying size. Hence in fact, it amounts to the Ricardian view, that certain land yields no rent and that where actual rent is yielded, this is differential rent. But it is absolutely incapable of explaining the rent of land in which no capital has been invested, of waterfalls, mines, etc. It was, in fact, nothing but an attempt from a capitalist point of view to save rent despite Ricardo—under the name of interest.

Finally: Ricardo assumes that on the land which does not bear a rent, the price of the product = its value because it equals the average price, i.e., capital outlay + average profit. He thus wrongly assumes that the value of the commodity = the average price of the commodity. If this wrong assumption is dropped, then absolute rent becomes possible because the value of agricultural products, like that of a whole large category of other commodities, stands above their average price, but owing to landed property, the value of the agricultural products, unlike that of these other commodities, is not levelled out at the average price. Hence this view assumes, like the monopoly theory, that property in land, as such, has something to do with rent; it assumes differential rent along with Ricardo, and finally it assumes that absolute rent by no means infringes the law of value.

Ricardo starts out from the determination of the relative values (or exchangeable values) of commodities by "the quantity of labour". (We can examine later the various senses in which Ricardo uses the term value. This is the basis of Bailey's criticism and, at the same time, of Ricardo's shortcomings.) The character of this "labour" is not further examined. If two commodities are equivalents—or bear a definite proportion to each other or, which is the same thing, if their magnitude differs according to the quantity of "labour" which they contain—then it is obvious that regarded as exchange values, their substance must be the same. Their substance is labour. That is why they are "values". Their magnitude varies, according to whether they contain more or less of this substance. But Ricardo does not examine the form—the peculiar characteristic of labour that creates exchange value or manifests itself in exchange values—the nature of this labour. Hence he does not grasp the connection of this labour with money or that it must

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*See this volume, pp. 397-99.—Ed.*
assume the form of money. Hence he completely fails to grasp the connection between the determination of the exchange value of the commodity by labour time and the fact that the development of commodities necessarily leads to the formation of money. Hence his erroneous theory of money. Right from the start he is only concerned with the magnitude of value, i.e., the fact that the magnitudes of the values of the commodities are proportionate to the quantities of labour which are required for their production. Ricardo proceeds from here and he expressly names Adam Smith as his starting-point (Chapter I, Section I).

Ricardo's method is as follows: He begins with the determination of the magnitude of the value of the commodity by labour time and then examines whether the other economic relations\(^a\) contradict this determination of value or to what extent they modify it. The historical justification of this method of procedure, its scientific necessity in the history of political economy, are evident at first sight, but so is, at the same time, its scientific inadequacy. This inadequacy not only shows itself in the method of presentation (in a formal sense) but leads to erroneous results because it omits some essential links and directly seeks to prove the congruity of the economic categories with one another.

Historically, this method of investigation was justified and necessary. Political economy had achieved a certain comprehensiveness with Adam Smith; to a certain extent he had covered the whole of its territory, so that Say was able to summarise it all in one textbook, superficially but quite systematically. The only investigations that were made in the period between Smith and Ricardo were ones of detail, on productive and unproductive labour, finance, theory of population, landed property and taxes. Smith himself moves with great naïveté in a perpetual contradiction. On the one hand, he traces the intrinsic connection existing between economic categories or the obscure structure of the bourgeois economic system. On the other, he simultaneously sets forth the connection as it appears in the phenomena of competition and thus as it presents itself to the unscientific observer just as to him who is actually involved and interested in the process of bourgeois production. One of these conceptions fathoms the inner connection, the physiology, so to speak, of the bourgeois system, whereas the other takes the external phenomena of life process as they seem and appear and merely describes, catalogues, recounts and arranges them under formal definitions.

\(^a\) In the manuscript the word "categories" is written above this word.—Ed.
With Smith both these methods of approach not only merrily run alongside one another, but also intermingle and constantly contradict one another. With him this is justifiable (with the exception of a few special investigations, [such as] that into money) since his task was indeed a twofold one. On the one hand he attempted to penetrate the inner physiology of bourgeois society but on the other, he partly tried to describe its externally apparent forms of life for the first time, to show its relations as they appear outwardly and partly he had even to find a nomenclature and corresponding mental concepts for these phenomena, i.e., to reproduce them for the first time in the language and [in the] thought process. The one task interests him as much as the other and since both proceed independently of one another, this results in completely contradictory ways of presentation: the one expresses the intrinsic connections more or less correctly, the other, with the same justification—and without any connection to the other method of approach—expresses the apparent connections without any internal relation.

Adam Smith’s successors, in so far as they do not represent the reaction against him of older and obsolete methods of approach, can pursue their particular investigations and observations undisturbedly and can always regard Adam Smith as their base, whether they follow the esoteric or the exoteric part of his work or whether, as is almost always the case, they jumble up the two. But at last Ricardo steps in and calls to science: Halt! The basis, the starting-point for the physiology of the bourgeois system—for the understanding of its internal organic coherence and life process—is the determination of value by labour time. Ricardo starts with this and forces science to get out of the rut, to render an account of the extent to which the other categories—the relations of production and commerce, forms of this basis—evolved and described by it, correspond to or contradict this basis, this starting-point; to elucidate how far a science which in fact only reflects and reproduces the manifest forms of the process (therefore also these manifestations themselves) corresponds to the basis on which the inner coherence, the actual physiology of bourgeois society rests or the basis which forms its starting-point; and in general, to examine how matters stand with the contradiction between the apparent and the actual movement of the system. This then is Ricardo’s great [XI-525] historical significance for science. This is why the inane Say, Ricardo having cut the ground from right under his feet, gave vent to his anger in the phrase that
“under the pretext of expanding it” (science) “it had been pushed into a vacuum”.

Closely bound up with this scientific merit is the fact that Ricardo exposes and describes the economic antagonism of classes—as shown by the intrinsic nexus—and that consequently political economy perceives, discovers the root of the historical struggle and development. Carey (the passage to be looked up later) therefore denounces him as the father of communism.

* “Mr. Ricardo’s system is one of discords ... its whole tends to the production of hostility among classes and nations. ... His book is the true manual of the demagogue, who seeks power by means of agrarianism, war, and plunder”* (H. Carey, The Past, the Present, and the Future, Philadelphia, 1848, pp. 74-75).

Thus it follows on the one hand that the Ricardian method of investigation is scientifically justified and has great historical value, on the other hand the scientific deficiencies of his procedure are clearly visible and will become more evident in what follows later.

Hence also the very peculiar and necessarily faulty architectonics of his work. The whole consists of 32 chapters (in the 3rd edition). Of this, 14 chapters deal with taxes, thus dealing only with the application of the theoretical principles. The 20th chapter, “Value and Riches, Their Distinctive Properties”, is nothing but an examination of the difference between use value and exchange value, i.e., a supplement to the first chapter, “On Value”. The 24th chapter “Doctrines of A. Smith Concerning the Rent of Land”, like the 28th chapter “On the Comparative Value of Gold, Corn and Labour etc.” and the 32nd chapter “Mr. Malthus’s Opinions on Rent”, are mere supplements, and in part a vindication of, Ricardo’s rent theory, thus forming mere appendices to chapters II and III which deal with rent. The 30th chapter, “On the Influence of Demand and Supply on Prices”, is simply an appendix to the 4th chapter “On Natural and Market Price”. The 19th chapter, “On Sudden Changes in the Channels of Trade”, forms a second appendix to this chapter. The 31st chapter, “On Machinery”, is purely an appendix to the 5th and 6th chapters “On Wages” and “On Profits”. The 7th chapter, “On Foreign Trade”, and [Chapter] XXV, “On Colonial Trade”—like the chapters on taxes—are mere applications of previously established principles. The 21st chapter, “Effects of Accumulation on Profits and Interest”, is an appendix to the

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chapters on rent, profits and wages. The 26th chapter, “On Gross and Net Revenue”, is an appendix to the chapters on wages, profits and rent. Finally, the 27th chapter “On Currency and Banks” stands quite apart from the rest of the work and merely consists of further explanations and in part modifications of views put forward in his earlier writings on money.

The Ricardian theory is therefore contained exclusively in the first 6 chapters of the work. It is in respect of this part of the work that I use the term faulty architeconics. The other part (with the exception of the section on money) consists of applications, elucidations and addenda which, by their very nature, are jumbled together and make no claim to being systematically arranged. But the faulty architeconics of the theoretical part (the first 6 chapters) is not accidental, rather it is the result of Ricardo’s method of investigation itself and of the definite task which he set himself in his work. It expresses the scientific deficiencies of this method of investigation itself.

CHAPTER I is “On Value”. It is subdivided into 7 sections. The first section actually examines whether wages contradict the determination of the values of commodities by the labour time they contain. In the third section Ricardo demonstrates that the entry of what I call constant capital into the value of the commodity does not contradict the determination of value and that the values of commodities are equally unaffected by the rise or fall in wages. The 4th section examines to what extent the determination of exchangeable values by labour time is altered by the application of machinery and other fixed and durable capital, in so far as it enters into the total capital in varying proportions in different spheres of production. The 5th section examines how far a rise or fall in wages modifies the determination of values by labour time, if capitals of unequal durability and varying periods of turnover are employed in different spheres of production. Thus one can see that in this first chapter not only are commodities assumed to exist—and when considering value as such, nothing further is required—but also wages, capital, profit and even, as we shall see, the general rate of profit, the various forms of capital as they arise from the process of circulation, and also the difference between “natural and market price”. This latter, moreover, plays a decisive role in the following chapters, II and III: “On Rent” and “On the Rent of Mines”.

In accordance with his method of investigation, the second chapter, “On Rent” [XI-526]—the 3rd “On the Rent of Mines” is only a supplement to this—again opens with the question: Do
landed property, and rent, *contradict* the determination of the value of commodities by labour time?

This is how he opens the 2nd chapter "On Rent":

*"It remains however to be considered, whether the appropriation of land, and the consequent creation of rent, will occasion any variation in the relative value of commodities, independently of the quantity of labour necessary to production"* (Principles of Political Economy, 3rd ed., London, 1821, p. 53).

In order to carry out this investigation, he introduces not only, *en passant*, the relationship of "market price" and "real price" (monetary expression of value) but postulates the whole of capitalist production and his entire conception of the relationship between wages and profit. The 4th chapter "On Natural and Market Price", the 5th "On Wages" and the 6th "On Profits" are thus not only taken for granted, but fully developed in the first two chapters "On Value" and "On Rent" (and in Chapter III as an appendix to II). The later 3 chapters, in so far as they bring any new *theoretical* points, fill in gaps here and there, and provide closer definitions, which for the most part should by rights have found their place in I or II.

Thus the entire Ricardian contribution is contained in the first two chapters of his work. In these chapters, the developed relations of bourgeois production, and therefore also the developed categories of political economy, are confronted with their principle—the determination of value—and examined in order to determine the degree to which they directly correspond to this principle and the position regarding the apparent discrepancies which they introduce into the value relations of commodities. They contain the whole of his critique of hitherto existing political economy, the determined break with the contradiction that pervades Adam Smith's work with its esoteric and exoteric method of approach, and, at the same time, because of this critique, they produce some quite new and startling results. Hence the great theoretical satisfaction afforded by these first two chapters; for they provide with concise brevity a critique of the diffuse and meandering old conceptions, present the whole bourgeois system of economy as subject to one fundamental law, and extract the quintessence out of the divergency and diversity of the various phenomena. But this theoretical satisfaction afforded by these first two chapters because of their originality, unity of fundamental approach, *simplicity*, concentration, depth, novelty and *comprehensiveness*, is of necessity lost as the work proceeds. Here too, we are at times captivated by the originality of certain arguments. But as a whole, it gives rise to weariness and boredom. As the work
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proceeds, there is no further development. Where it does not consist of monotonous formal application of the same principles to various extraneous matters, or of polemical vindication of these principles, there is only repetition or amplification; at most one can occasionally find a striking chain of reasoning in the final sections.

In the critique of Ricardo, we have to separate what he himself failed to separate. His theory of surplus value, which of course exists in his work, although he does not define surplus value as distinct from its particular forms, profit, rent, interest. Secondly, his theory of profit. We shall begin with the latter, although it does not belong into this section, but into the historical appendix to Section III.29

Before we go on, just a few comments on how Ricardo confuses the definitions of "value". Bailey's polemic against him is based on this; it is however also important for us.a

First of all Ricardo speaks of "value in exchange" and, like Adam Smith, defines it as "the power of purchasing other goods" (Principles, p. 1). This is exchange value as it appears at first. Then, however, he proceeds to the real determination of value:

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

"Relative value" here means nothing other than the exchangeable value as determined by labour time. But relative value can also have another meaning, namely, if I express the exchange value of a commodity in terms of the use value of another, for instance the exchange value of sugar in terms of the use value of coffee.

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

Which variation? Ricardo later also calls this "relative value" "comparative value" (p. 448 et seq.). We want to know in which commodity "the variation" has taken place. This means the variation of the "value" which was called "relative value" above. For instance, 1 lb. sugar = 2 lbs coffee. Later 1 lb. sugar = 4 lbs coffee. The "variation" which we want to know about is: whether the "necessary labour time" has altered for sugar or for coffee, whether sugar costs twice as much labour time as before or whether coffee costs half as much labour time as before and which of these "variations" in the labour time required for their respective production has called forth this variation in their exchange relation. This "relative of comparative value" of sugar and

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a See this volume, p. 399.— Ed.
coffee—the ratio in which they exchange—is thus different from relative value in the first sense. In the first sense, the relative value of sugar is determined by the quantity of sugar which can be produced by a certain amount of labour time [XI-527]. In the second case, the relative value of sugar [and coffee] expresses the ratio in which they are exchanged for one another and changes in this ratio can be the result of a change in the "relative value" in the first sense, in coffee or in sugar. The proportion in which they exchange for one another can remain the same, although their "relative values" in the first sense have altered. 1 lb. sugar can=2 lbs coffee, as before, even though the labour time for the production of sugar and of coffee has risen to double or has fallen to a half. Variations in their comparative value, that is, if the exchange value of sugar is expressed in coffee, and vice versa, will only appear when the variations in their relative value in the first sense, i.e., the values determined by the quantity of labour, have altered to a different extent, when therefore comparative changes have occurred. Absolute changes, when they do not alter the original ratio, but are of equal magnitude and move in the same direction, will not call forth any variation in the comparative values—not in the money prices of these commodities, since, if the value of money should change, it would do so equally for both [commodities]. Hence, whether the values of two commodities are expressed in their own reciprocal use values or in their money price—representing both values in the form of the use value of a third commodity—these relative or comparative values or prices are the same, and the changes in them must be distinguished from their relative values in the first sense of the term, i.e., in so far as they only express the change in the labour time required for their own production, and thus realised in themselves. The latter relative value thus appears as "absolute value" compared with relative values in the second sense, i.e., in the sense of actually representing the exchange value of one commodity in terms of the use value of the other or in money. That is why the term "absolute value" occurs in Ricardo's work to denote "relative value" in the first sense.

If, in the above example, 1 lb. sugar costs the same amount of labour time as before, then its "relative value" in the first sense has not altered. If, however, the labour cost of coffee has halved, then the value of sugar expressed in terms of coffee has altered, because the "relative value" of coffee, in the first sense, has altered. The relative values of sugar and coffee thus appear to be different from their "absolute values" and this difference becomes evident because the comparative value of sugar, for instance, has not
altered in comparison with commodities whose **absolute values** have remained **unchanged**.

*"The inquiry to which I wish to draw the reader’s attention, relates to the effect of the variations in the **relative value** of commodities, and not in their **absolute value**"* (p. 15).

At times Ricardo also calls this "**absolute**" value "**real value**" or simply **value** (for instance on p. 16).

(See the whole of Bailey’s polemic against Ricardo in:

A Critical Dissertation on the Nature, Measures, and Causes of Value; chiefly in reference to the Writings of Mr. Ricardo and his Followers. By the Author of Essays on the Formation and Publication of Opinions, London, 1825.) (See also his A Letter to a Political Economist; occasioned by an article in the Westminster Review etc., London, 1826. [Bailey’s polemic] partially revolves around these different instances of definitions of value, which are not explained by Ricardo but only **occur de facto** and are confused with one another, and Bailey sees in this only “contradictions”.)

Secondly, [it is directed] against "**absolute value**" or "**real value**" as distinct from **comparative value** (or **relative value** in the second sense).

In the first of the above-mentioned works, Bailey says:

*"Instead of regarding value as a relation between two objects, they” (Ricardo and his followers) "consider it as a positive result produced by a definite quantity of labour"* (l.c., p. 30).

They regard *"value as something intrinsic and absolute"* (l.c., p. 8).

The latter reproach arises from Ricardo’s inadequate presentation, because he does not even examine the form of value—the particular form which labour assumes as the substance of value. He only examines the magnitudes of value, the quantities of this abstract, general and, in this form, social labour which engender differences in the **magnitudes of value** of commodities. Otherwise Bailey would have recognised that the relativity of the concept of value is by no means negated by the fact that all commodities, in so far as they are exchange values, are only **relative** expressions of social labour time and their relativity consists by no means solely of the ratio in which they exchange for one another, but of the ratio of all of them to this social labour which is their substance.

On the contrary, as we shall see, Ricardo is rather to be reproached for very often losing sight of this "**real**" or "**absolute value**" and only retaining "**relative**" or "**comparative values**".

[X1-528] Thus:
1) Ricardo's Description of Profit, Rate of Profit, Average Prices, etc.

In Section III of the first chapter Ricardo explains that the statement: the value of the commodity is determined by labour time, includes not only the labour directly employed on the commodity in the final labour process but also the labour time contained in the raw material and the means of labour that are required for the production of the commodity. Thus it applies not only to the labour time contained in the newly added labour which has been bought, paid for by wages, but also to the labour time contained in that part of the commodity which is called constant capital. Even the very heading of this Section III of Chapter I shows the deficiency of his exposition. It runs like that:

*“Not only the labour applied immediately to commodities affect their value, but the labour also which is bestowed on the implements, tools, and buildings, with which such labour is assisted”* (p. 16).

Raw material has been omitted here, yet the labour bestowed on raw material is surely just as different from “labour applied immediately to commodities” as the labour bestowed on means of labour, “implements, tools, and buildings”. But Ricardo is already thinking of the next section. In Section III he assumes that equal component parts of value comprised in the means of labour employed enter into the production of the various commodities. In the next section he examines the modifications arising from the varying proportions in which fixed capital enters [into the commodities]. Hence Ricardo does not arrive at the concept of constant capital, one part of which consists of fixed capital and the other of circulating capital—raw material and matières instrumentales—just as circulating capital not only includes variable capital but also raw material, etc., and all means of subsistence which enter into consumption in general (not only into the consumption of the workers).

The proportion in which constant capital enters into a commodity does not affect the values of the commodities, the relative quantities of labour contained in the commodities, but it does directly affect the different quantities of surplus value or surplus labour contained in commodities embodying equal amounts of labour time. Hence this varying proportion gives rise to average prices that differ from values.

With regard to sections IV and V of Chapter I we have to note, first of all, that Ricardo does not examine a highly important matter which affects the direct production of surplus value, namely, that in different spheres of production the same volume of capital
contains different proportions of constant and variable capital. Instead, Ricardo concerns himself exclusively with the different forms of capital and the varying proportions in which the same capital assumes these various forms, in other words, with different forms arising out of the process of the circulation of capital, that is, fixed and circulating capital, capital which is fixed to a greater or lesser degree (i.e., fixed capital of varying durability) and unequal velocity of circulation or rates of turnover of capital. And the manner in which Ricardo carries out this investigation is the following: He presupposes a general rate of profit or an average profit of equal magnitude for different capital investments of equal magnitude, or for different spheres of production in which capitals of equal size are employed—or, which is the same thing, profit in proportion to the size of the capitals employed in the various spheres of production. Instead of postulating this general rate of profit, Ricardo should rather have examined in how far its existence is in fact consistent with the determination of value by labour time, and he would have found that instead of being consistent with it, prima facie, it contradicts it, and that its existence would therefore have to be explained through a number of intermediary stages, a procedure which is very different from merely including it under the law of value. He would then have gained an altogether different insight into the nature of profit and would not have identified it directly with surplus value.

Having made this presupposition Ricardo then asks himself how will the rise or fall of wages affect the "relative values", when fixed and circulating capitals are employed in different proportions? Or rather, he imagines that this is how he handles the question. In fact he deals with it quite differently, namely, as follows: He asks himself what effect the rise or fall of wages will have on the respective profits on capitals with different periods of turnover and containing different proportions of the various forms of capital. And here of course he finds that depending on the amount of fixed capital, etc., a rise or fall of wages must have a very different effect on capitals, according to whether they contain a greater or lesser proportion of variable capital, i.e., capital which is laid out directly in wages. Thus in order to equalise again the profits in the different [XI-529] spheres of production, alias, to re-establish the general rate of profit, the prices of the commodities—as distinct from their values—must be regulated in a different way. Therefore, he further concludes, these differences affect the "relative values" when wages rise or fall. He should have said on the contrary: Although these differences have nothing to do with the values as
such, they do, through their varying effects on profits in the different spheres, give rise to average prices or, as we shall call them, cost prices which are different from the values themselves and are not directly determined by the values of the commodities but by the capital advanced for their production and the average profit. Hence he should have said: These average cost prices are different from the values of the commodities. Instead, he concludes that they are identical and with this erroneous premise he goes on to the consideration of rent.

Ricardo is also mistaken in thinking that it is through the three cases he examines that he first comes upon the "variations" in the "relative values" which occur independently of the labour time contained in the commodities, that is in fact the difference between the cost prices and the values of the commodities. He has already assumed this difference in postulating a general rate of profit, thus presupposing that despite the varying ratios of the organic component parts of capitals, these yield a profit proportional to their size, whereas the surplus value they yield is determined absolutely by the quantity of unpaid labour time they absorb, and with a given wage this is entirely dependent on the volume of that part of capital which is laid out in wages, and not on the absolute size of the capital.

What he does in fact examine is this: Supposing that cost prices differ from the values of commodities—and the assumption of a general rate of profit presupposes this difference—how in turn are these cost prices (which are now, for a change, called "relative values") themselves reciprocally modified, proportionately modified by the rise or fall of wages, taking also into account the varying proportions of the organic component parts of capital? If Ricardo had gone into this more deeply, he would have found that—owing to the diversity in the organic component parts of capital which first manifests itself in the immediate production process as the difference between variable and constant capital and is later enlarged by differences arising from the circulation process—the mere existence of a general rate of profit necessitates cost prices that differ from values. He would have found that, even if wages are assumed to remain constant, the difference exists and therefore is quite independent of the rise or fall in wages, thus he would have arrived at a new definition. He would also have seen how incomparably more important and decisive the understanding of this difference is for the whole theory than his observations on the variation in cost prices of commodities brought about by the rise or fall of wages. The result with which he contents
himself—and that he is content accords with the whole manner in which he carries out his investigation—is as follows: Once the variations in the cost prices (or, as he says, "relative values") of the commodities—in so far as they are due to changes, rises or falls, in wages when capital of different organic composition is invested in different spheres—are admitted and taken into consideration the law remains valid; this does not contradict the law that "relative values" of the commodities are determined by labour time; for all other variations—variations that are not merely transitory—in the cost prices of the commodities can only be explained by a change in the necessary labour time required for their respective production.

On the other hand, it must be regarded as a great merit that Ricardo associates the differences in fixed and circulating capital with the varying periods of turnover of capital and that he deduces all these differences from the varying periods of circulation, i.e., in fact from the circulation or reproduction period of capital.

First of all, let us consider these differences themselves, as he presents them in Section IV (Chapter I) and then examine his views on how they act or bring about variations in the "relative values".

*"In every state of society, the tools, implements, buildings, and machinery employed in different trades may be of various degrees of durability, and may require different portions of labour to produce them"* (i.e., p. 25).

So far as the "different portions of labour to produce them" are concerned, this can imply—and here it seems to be Ricardo's sole point—that the less durable ones require more labour (recurring, directly applied labour), partly for their repair and partly for their reproduction; or it can also mean that machinery, etc., of the same degree of durability may be more or less expensive, the product of more or less labour. This latter aspect, important for the proportion of variable to constant capital, is not relevant to Ricardo's consideration and therefore he does not take it up anywhere as a separate point.

[XI:530] 2. *"The proportions, too, in which the capital that is to support labour"* (the variable capital), *"and the capital that is invested in tools, machinery and buildings"* (fixed capital), *"may be variously combined"* (p. 25). Thus we have a *"difference in the degree of durability of fixed capital, and this variety in the proportions in which the two sorts of capital may be combined"* (p. 25).

It is at once evident why he is not interested in that part of constant capital which exists as raw material. The latter is itself part of circulating capital. A rise in wages does not cause increased expenditure on that part of capital which consists of machinery and
does not need to be replaced but remains available; the rise, however, causes an increased outlay for that part which consists of raw material, since this has to be constantly replenished, hence also constantly reproduced.

*“The food and clothing consumed by the labourer, the buildings in which he works, the implements with which his labour is assisted, are all of a perishable nature. There is however a vast difference in the time for which these different capitals will endure... According as capital is rapidly perishable, and requires to be frequently reproduced, or is of slow consumption, it is classed under the heads of circulating, or of fixed capital”* (p. 26).

Thus the difference between fixed and circulating capital is here reduced to the difference in the time of reproduction (which coincides with the period of circulation).

3. *“It is also to be observed that the circulating capital may circulate, or be returned to its employer, in very unequal times. The wheat bought by a farmer to sow”* (Here Mr. Rodbertus can see that in England seeds are “bought”.) *“is comparatively a fixed capital to the wheat purchased by a baker to make into loaves. One leaves it in the ground, and can obtain no return for a year; the other can get it ground into flour; sell it as bread to his customers, and have his capital free to renew the same, or commence any other employment in a week”* (pp. 26-27).

On what does this difference in the circulation periods of different circulating capitals depend? [On the fact] that in one case, the same capital remains for a longer time in the actual sphere of production, though the labour process does not continue. This applies, for instance, to wine which lies in the cellar to attain maturity, or to certain chemical processes in tanning, dyeing, etc.

*“Two trades then may employ the same amount of capital; but it may be very differently divided with respect to the portion which is fixed, and that which is circulating”* (p. 27).

4. “Again two manufacturers may employ the same amount of fixed, and the same amount of circulating capital; but the durability of their fixed capitals”* (therefore also their period of reproduction) *“may be very unequal. One may have steam-engines of the value of £10,000, the other, ships of the same value”* (pp. 27-28).

“Different degrees of durability of ... capitals, or, which is the same thing, ... of the time which must elapse before one set of commodities can be brought to market” (p. 30).

5. “It is hardly necessary to say, that commodities which have the same quantity of labour bestowed upon their production, will differ in exchangeable value, if they cannot be brought to market in the same time”* (p. 34).

[Thus we have:] 1. A difference in the proportion of fixed to circulating capital. 2. A difference in the period of turnover of circulating capital as a result of a break in the labour process while the production process continues. 3. A difference in the durability of fixed capital. 4. A difference in the relative period during which
a commodity is altogether subjected to the labour process (without any break in the period of labour and with no distinction between the period of production and the period of labour\(^{104}\)) before it can enter the actual circulation process. The last case is described by Ricardo as follows:

*"Suppose I employ twenty men at an expense of £1,000 for a year in the production of a commodity, and at the end of the year I employ twenty men again for another year, at a further expense of £1,000 in finishing or perfecting the same commodity, and that I bring it to market at the end of two years, if \textit{profits be 10 per cent}, my commodity must sell for £2,310; for I have employed £1,000 capital for one year, and £2,100 capital for one year more. Another man employs precisely the same quantity of labour, but he employs it all in the first year; he employs forty men at an expense of £2,000, and at the end of the first year he sells it with 10 per cent profit, or for £2,200. Here then are two commodities \textit{having precisely the same quantity of labour bestowed on them}, one of which sells for £2,310—the other for £2,200"* (p. 34).

[XI-531] But how is a \textbf{difference in the relative values} of these commodities brought about by this difference—whether in the \textit{degree of durability of fixed capital}, or the \textit{time of revolution of circulating capital}, or a \textit{variety in the proportions} in which the two sorts of capital may be combined or, finally, the \textit{different time}, in which commodities, upon which the same quantity of labour is bestowed [come on to the market]. Ricardo says \textit{d'abord} that

*"this difference ..." and *variety in the proportions", etc., "introduce another cause, besides the greater or less quantity of labour necessary to produce commodities, for the variations in their relative value—this cause is the rise or fall in the value of labour"* (pp. 25-26).

And how is this proved?

*"A rise in the wages of labour cannot fail to affect unequally, \textit{commodities produced under such different circumstances}"* (p. 27).

Namely when capitals of \textit{equal size} are employed in \textit{different trades} and one capital consists chiefly of fixed capital and contains only a small amount of capital \textit{employed in the support of labour}, whereas in the other capital the proportions are exactly the reverse. To begin with, it is nonsense to say that the \textit{"commodities"} are affected. He means their \textit{values}. But how far are the values affected by these circumstances? \textbf{Not at all}. In both cases it is the profit which is affected. The man who, for instance, lays out only \(\frac{1}{5}\) of his capital in variable capital—provided wages and the rate of surplus labour are constant—can only produce [a surplus value of] 4 on 100, if the rate of surplus value=20%. On the other hand, another man, who lays out \(\frac{4}{5}\) in variable capital, would produce a surplus value of 16. For in the first example the capital laid out in wages=\(\frac{100}{5}=20\) and \(\frac{1}{5}\) of 20 or 20%=4. And in
the second example, the capital laid out in wages = $\frac{4}{5} \times 100 = 80$. And $\frac{1}{5}$ of 80 or [20]% = 16. In the first example the profit = 4, in the second = 16. The average profit for both would be $\frac{16+4}{2}$ or $\frac{20}{2} = 10\%$. This is actually the case to which Ricardo refers. Thus if they both sold at cost prices—and this Ricardo assumes—then they would each sell their commodity at 110. Supposing wages rose, for example, by 20%. Where previously a worker cost £1, he now costs £1 4s. or 24s. As before, the first man still has to lay out £80 in constant capital (since Ricardo leaves raw materials out of account here, we can do the same) and for the 20 workers whom he employs, he has to lay out 80s., that is £4 in addition to the £20. His capital therefore now amounts to £104 and, since the workers are producing a smaller surplus value instead of a larger one, he is only left with £6 profit out of his £110. £6 on £104 is $\frac{6}{104} = 5\frac{10}{15}\%$. The other man, however, who employs 80 workers, would have to pay out an additional 320s., i.e., £16. Thus he would have to lay out £116. If he were to sell at £110, he would consequently make a loss of £6 instead of a gain. This, however, is only the case because the average profit has already modified the relation between the labour he has laid out and the surplus value which he himself produces.

Instead therefore of investigating the important problem: what variations have to take place in order that the one who lays out 80 of his capital of £100 in wages does not make 4 times as much profit as the other who only lays out 20 of his £100 in wages, Ricardo examines the subsidiary question of how it is that after this great difference has been levelled out, i.e., with a given rate of profit, any alteration of that rate of profit, due to rising wages for instance, would affect the man who employs many workers with his £100 far more than the man who employs few workers with his £100, and hence—provided the rate of profit is the same—the commodity prices—or the cost prices—of the one must rise and of the other must fall, if the rate of profit is to remain the same.

Ricardo’s first illustration has absolutely nothing to do with “any rise in the value of labour” although he originally stated that the whole of the variation in “the relative values” were to arise from this cause. This is the example:

*“Suppose two men employ one hundred men each for a year in the construction of two machines, and another man employs the same number of men in cultivating corn, each of the machines at the end of the year will be of the same value as the corn, for they will each be produced by the same quantity of labour. Suppose one of the owners of one of the machines to employ it, with the assistance of one hundred men, the following year in making cloth, and the owner of the
other machine to employ his also, with the assistance likewise of one hundred men, in making cotton goods, while the farmer continues to employ one hundred men as before in the cultivation of corn. During the second year they will all have employed the same quantity of labour;"* 

//in other words they will have laid out the same capital in wages, but they will by no means have employed the same quantity of labour//

*"but the goods and machine together [XI-532] of the clothier, and also of the cotton-manufacturer, will be the result of the labour of two hundred men, employed for a year; or, rather, of the labour of one hundred men for two years; whereas the corn will be produced by the labour of one hundred men for one year; consequently if corn be of the value of £500 the machine and cloth of the clothier together, ought to be of the value of £1,000 and the machine and cotton goods of the cotton-manufacturer, ought to be also of twice the value of the corn. But they will be of more than twice the value of the corn, for the profit on the clothier's and cotton-manufacturer's capital for the first year has been added to their capitals, while that of the farmer has been expended and enjoyed. On account then of the different degrees of durability of their capitals, or, which is the same thing, on account of the time which must elapse before one set of commodities can be brought to market, they will be valuable, not exactly in proportion to the quantity of labour bestowed on them,—they will not be as two to one, but something more, to compensate for the greater length of time which must elapse before the most valuable can be brought to market. Suppose that for the labour of each workman £50 per annum were paid, or that £5,000 capital were employed and profits were 10 per cent, the value of each of the machines as well as of the corn, at the end of the first year, would be £5,500. The second year the manufacturers and farmers will again employ £5,000 each in support of labour, and will therefore again sell their goods for £5,500, but the men using the machines, to be on a par with the farmer, must not only obtain £5,500 for the equal capitals of £5,000 employed on labour, but they must obtain a further sum of £550; for the profit on £5,500 which they have invested in machinery, and consequently"* (because actually, an equal annual rate of profit of 10 per cent is assumed as a necessity and a law) *"their goods must sell for £6,050."* 

//That is, average prices or cost prices different from the values of the commodities come into being as a result of the average profit—the general rate of profit presupposed by Ricardo.//

*"Here then are capitalists employing precisely the same quantity of labour annually on the production of their commodities, and yet the goods they produce differ in value on account of the different quantities of fixed capital, or accumulated labour, employed by each respectively."

//Not on account of that, but on account of both those ragamuffins having the fixed idea that both of them must draw the same spoils from "the support they have given to labour"; or that, whatever the respective values of their commodities, those commodities must be sold at average prices, giving each of them the same rate of profit.//

"The cloth and cotton goods are of the same value, because they are the
produce of equal quantities of labour, and equal quantities of fixed capital; but corn is not of the same value* should read COST PRICE*/ as these commodities, because it is produced, as far as regards fixed capital, under different circumstances* (pp. 29-31).

This exceedingly clumsy illustration of an exceedingly simple matter is so complicated in order to avoid saying simply: Since capitals of equal size, whatever the ratio of their organic components or their period of circulation, yield profits of equal size—which would be impossible if the commodities were sold at their values, etc.—there exist cost prices which differ from the values of commodities. And this is indeed implied in the concept of a general rate of profit.

Let us examine this complicated example and reduce it to its genuine dimensions, which are hardly “complicated”. And for this purpose let us begin from the end and note at the outset, in order to reach simultaneously a clearer understanding that Ricardo “presupposes” that the farmer and the cotton fellow spend nothing on raw material, that, furthermore, the farmer does not lay out any capital for instruments of labour and, finally, that no part of the fixed capital laid out by the cotton fellow enters into his product as wear and tear. Though all these assumptions are absurd, they do not in themselves affect the illustration.

Having made these assumptions, and starting Ricardo’s example from the end, it runs as follows: The farmer lays out £5,000 in wages; the cotton fellow lays out 5,000 in wages and 5,500 in machinery. The first therefore spends £5,000 and the 2nd 10,500; the 2nd [XI-533] thus spends as much again as the first. If therefore both are to make a profit of 10%, the farmer must sell his commodity at 5,500 and the cotton fellow his at £6,050. (Since it has been assumed that no part of the 5,500 expended in machinery forms part of the value of the product as wear and tear.) One absolutely cannot conceive what Ricardo intended to elucidate in this example, apart from the fact that the cost prices of commodities—it so far as they are determined by the value of the outlay embodied in the commodities—the same annual percent of profit—differ from the values of the commodities and that this difference arises because the commodities are sold at prices that will yield the same rate of profit on the capital advanced; in short, that this difference between COST PRICES and VALUES is identical with a general rate of profit. Even the difference between fixed capital and circulating capital which he introduces here is, in this example, sheer humbug. Since if, for instance, the additional £5,500, which the cotton spinner employs, consisted of raw materials,
while the farmer did not require any seeds, etc., the result would be exactly the same.

Neither does the example show, as Ricardo asserts, that

*"the goods they" (the cotton-manufacturer and the farmer) "produce differ in value on account of the different quantities of fixed capital, or accumulated labour, employed by each respectively"* (p. 31).

For according to his assumption, the cotton-manufacturer employs a fixed capital of £5,500 and the farmer nil; the one employs fixed capital, the other does not. By no means do they, therefore, employ it "in different quantities", any more than one could say that, if one person eats meat and the other eats no meat, they consume meat "in different quantities". On the other hand it is correct (though very wrong to introduce the term surreptitiously with an "or") that they employ "accumulated labour", i.e., objectified labour, in "different quantities", namely, one to the amount of £10,500 and the other only 5,000. However, the fact that they employ "different quantities of accumulated labour" only means that they lay out "different quantities of capital" in their respective trades, that the amount of profit is proportionate to this difference in the size of the capitals they employ, because the same rate of profit is assumed, and that, finally, this difference in the amount of profit, proportionate to the size of the capitals, is expressed, represented, in the respective cost prices of the commodities.

But whence the clumsiness in Ricardo's illustration?

*"Here then are two capitalists employing precisely the same quantity of labour annually in the production of their commodities, and yet the goods they produce differ in value"* (pp. 30-31).

This means that they do not employ the same quantity of labour—immediate and accumulated labour taken together—but they do employ the same quantity of variable capital, capital laid out in wages, the same quantity of living labour. And since money exchanges for accumulated labour, i.e., commodities existing in the form of machines, etc., only according to the law of commodities, since surplus value comes into being only as the result of the appropriation without payment of a part of the living labour employed—it is clear (since, according to the assumption, no part of the machinery enters into the commodity as wear and tear) that both can only make the same profit if profit and surplus value are identical. The cotton-manufacturer would have to sell his commodity for 5,500, like the farmer, although he lays out more than twice as much capital. And even if the whole of his machinery passed into the commodity, he could only sell his commodity for £11,000; he would make a profit of less than 5%, while the farmer makes 10.
But with these unequal profits, the farmer and the manufacturer would have sold the commodities at their values, provided that the 10% made by the farmer represented actual unpaid labour embodied in his commodity. If, therefore, they sell their commodities at an equal profit, then this must be due to one of two things: either the manufacturer arbitrarily adds 5% on to his commodities and then the commodities of the manufacturer and the farmer, taken together, are sold above their value; or the actual surplus value which the farmer makes is about 15% and both add the average of 10% on to their commodity. In this case, although the cost price of the respective commodity is either above or below its value, both commodities taken together are sold at their value and the equalisation of the profits is itself determined by the total surplus values they contain. Here, in Ricardo's above proposition, when correctly modified, lies the truth, that capitals of equal size, containing [different] proportions of variable to constant capital, must result in commodities of unequal values and thus yield different profit; the levelling out of these profits must therefore result in cost prices which differ from the values of the commodities.

*"Here then are capitalists employing precisely the same quantity of" (immediate, living) "labour annually on the production of their commodities, and yet the goods they produce differ in value" (i.e., have cost prices different from their values) "on account of the different quantities of ... accumulated labour employed by each respectively"* [p. 31].

But the idea foreshadowed in this passage is never clearly stated by Ricardo. It only explains the meanderings and obvious fallaciousness of the illustration, which up to this point had nothing to do with the "DIFFERENT QUANTITIES OF FIXED CAPITAL EMPLOYED".

Let us now go further back in the analysis. In the first year, the manufacturer builds a machine with 100 men; the farmer, meanwhile, produces corn, also with 100 men. In the second year, the manufacturer uses the machine to manufacture cotton, for which he again employs 100 men. The farmer, on the other hand, again employs 100 men for the cultivation of corn. Suppose, says Ricardo, the value of corn is £500 per annum. Let us assume that the unpaid labour contained therein = 25%, i.e., on 400—100. Then at the end of the first year, the machine would also be worth £500, of which £400 would be paid labour and £100 the value of the unpaid labour. Let us [XI-534] assume that by the end of the 2nd year, the whole of the machine has been used up, has passed into the value of the cotton. In fact Ricardo assumes this, in that, at the end of the 2nd year, he compares not only the value of the
COTTON GOODS, BUT THE "VALUE OF THE COTTON GOODS AND THE MACHINE" with "THE VALUE OF THE CORN".

Well then. At the end of the second year, the value of the cotton must be = to £1,000, namely, 500 the value of the machine, and 500 the value of the newly added labour. The value of the corn, on the other hand, is 500, namely, 400 the value of the wages and 100 unpaid labour. So far, there is nothing in this case which contradicts the law of values. The cotton-manufacturer makes a profit of 25% just as the corn-manufacturer does. But the commodities of the former = 1,000 and those of the latter = 500, because the former commodity embodies the labour of 200 [men] and the latter the labour of only 100 in each year. Furthermore, the 100 profit (surplus value) which the cotton-manufacturer has made on the machine in the first year — by absorbing 1/5 of the labour time of the workers who constructed it, without paying for it — is only realised for him in the 2nd year, since it is only then that he realises in the value of the cotton simultaneously the value of the machine. But now we come to the point. The cotton-manufacturer sells for more than £1,000, i.e., at a higher value than his commodity has, while the farmer sells his corn at 500, thus, according to our assumption, at its value. If, therefore, there were only these two people to exchange with one another, the manufacturer obtaining corn from the farmer and the farmer cotton from the manufacturer, then it would amount to the same as if the farmer sold his commodity below its value, making less than 25%, and the manufacturer sold his cotton above its value. Let us do without the 2 capitalists (the cloth-man and the cotton-man) whom Ricardo introduces here quite superfluously, and let us modify his example by only referring to the cotton-man. The double calculation is of no value at all to the illustration at this point. Thus:

*"But they" (the cottons) "will be of more than twice the value of the corn, for the profit ... on the cotton-manufacturer's capital for the first year has been added to his capital, while that of the farmer has been expended and enjoyed."*

(This latter bourgeois extenuating phrase is here quite meaningless from a theoretical standpoint. Moral considerations have nothing to do with the matter.)

*"On account then of the different degrees of durability of their capitals, or, which is the same thing, on account of the time which must elapse before one set of commodities can be brought to market, they will be valuable, not exactly in proportion to the quantity of labour bestowed on them,—they will not be as two to one, but something more, to compensate for the greater length of time which must elapse before the most valuable can be brought to market"* (p. 30).

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a Marx wrote "100" in the manuscript. Presumably Engels changed it in pencil to "500". — Ed.
If the manufacturer sold the commodity at its value, then he would sell it at £1,000, twice the price of corn, because it embodies twice as much labour, £500 of accumulated labour in the machinery (£100 of which he has not paid for) and 500 labour employed in the production of cotton, 100 of which again he has not paid for. But he calculates like this: the first year I laid out 400 and by exploiting the workers, I produced a machine with this, which is worth £500. I thus made a profit of 25%. The second year I laid out £900, namely, 500 in the said machine and again 400 in labour. If I am again [to make] 25% I must sell the cotton at 1,125, i.e., £125 above its value. For this £125 does not represent any labour contained in the cotton, neither labour accumulated in the first year nor labour added in the second. The aggregate amount of labour contained in the cotton only amounts to £1,000. On the other hand, suppose the two exchange with one another, or that half the capitalists find themselves in the position of the cotton-manufacturer and the other half in the position of the farmer. How are the first half to be paid £125? From what fund? Obviously only from the 2nd half. But then it is clear that this second half does not make a profit of 25%. Thus the first half would cheat the second under the pretext of a general rate of profit, while, in fact, the rate of profit would be 25% for the manufacturer and below 25% for the farmer. It must, therefore, come about in a different way.

In order to make the illustration clearer and more accurate, let us suppose the farmer uses £900 in the 2nd year. Then, with a profit of 25%, he has made £100 on the 400 laid out in the first year, and 225 in the 2nd, altogether £325. As against this, the manufacturer makes 25% on the £400 in the first year, but in the 2nd only 100 on 900, i.e., only 11 1/9% (since only the 400 laid out in wages yield surplus value, whereas the 500 in machinery yield none). Or let us suppose the farmer lays out 400 again, then he has made 25% in the first year as well as in the 2nd; which taken together is 25% or £200 on an outlay of £800 in two years. As against this, the manufacturer will have made 25% in the first year and 11 1/9% in the second; i.e., £200 on an outlay of 1,300 in 2 years which = 15 5/13%. If this were levelled out, the manufacturer would receive 20 5/26% and so would the farmer. In other words, this would be the average profit. This would result [in the second year] in [a price of] less than £500 for the farmer's commodity and more than £1,000 for the manufacturer’s commodity.

[XI-535] At all events, the manufacturer here lays out £400 in the first year and 900 in the 2nd, while the farmer lays out only £400
Theories of Surplus Value. Ricardo

on each occasion. If the manufacturer instead of producing cottons had built a house (if he were a builder) then at the end of the 1st year, the unfinished house would embody £500 and he would have to spend a further £400 on labour in order to complete it. The farmer, however, whose capital turned over within the year, can recapitalise a part, say 50, of his £100 profit and spend it again on labour, which the manufacturer, in the supposed case, cannot do. If the rate of profit is to be the same in both cases, then the commodity of one must be sold above its value and that of the other below its value. Since competition strives to level out values into cost prices, this is what happens.

But it is incorrect to say, as Ricardo does, that here a variation in the relative values takes place “on account of the different degrees of durability of capitals” or “on account of the time which must elapse before one set of commodities can be brought to market”. It is, rather, the adoption of a general rate of profit, which despite the different values brought about by the circulation process, gives rise to equal cost prices which are different from values, for values are determined only by labour time.

Ricardo’s illustration consists of two examples. The durability of capital, or the character of capital as fixed capital, does not enter into the second example at all. It only deals with capitals of different size, but of which the same amount is laid out in wages, as variable capital, and where profits are to be equal, although the surplus values and values must be different.

Neither does durability enter into the first example. It is concerned with the longer labour process—the longer period during which the commodity has to remain within the sphere of production before it becomes a finished commodity and can enter into circulation. In this example of Ricardo the manufacturer also employs more capital in the second year than the farmer although he employs the same amount of variable capital in both years. The farmer, however, could employ a greater variable capital in the 2nd year, because his commodity remains within the labour process for a shorter period and is converted more quickly into money. Besides, that part of profit which is consumed as revenue, is already available to the farmer at the end of the first year, but to the manufacturer only at the end of the 2nd. The latter must therefore spend an additional amount of capital for his keep which he advances to himself. Incidentally, whether in case II a compensation can take place and profits can be equalised depends here entirely on the degree to which the profits of the capitals which are turned over in one year are recapitalised, in other
words, on the actual amount of profits produced. Where there is nothing, there is nothing to equalise. Here the capitals again produce values, hence surplus values, hence profits not in proportion to the size of the capital. If profits are to be proportionate to their size, then there must be cost prices different from the values.

Ricardo gives a third illustration, which, however, is again exactly the same as the first example of the first illustration and contains nothing new at all.

* "Suppose I employ twenty men at an expense of £1,000 for a year in the production of a commodity, and at the end of the year I employ twenty men again for another year, at a further expense of £1,000 in finishing or perfecting the same commodity, and that I bring it to market at the end of two years, if profits be 10 per cent, my commodity must sell for £2,310; for I have employed £1,000 capital for one year, and £2,100 capital for one year more. Another man employs precisely the same quantity of labour, but he employs it all in the first year; he employs forty men at an expense of £2,000, and at the end of the first year he sells it with 10 per cent profit, or for £2,200. Here then are two commodities having precisely the same quantity of labour bestowed on them, one of which sells for £2,310—the other for £2,200. This case appears to differ from the last, but is, in fact, the same" * (pp. 34-35).

It is not only the same "in fact", but "in appearance" too, except that in the one case the commodity is called "machine" and here simply "commodity". In the first example, the manufacturer laid out 400 in the first year and 900 in the 2nd. This time he lays out 1,000 in the first and 2,100 in the second. The farmer laid out 400 in the first and 400 in the 2nd. This time, the second man lays out 2,000 in the first year and nothing in the second. That is the whole difference. In both cases, however, fabula docet a applies to the fact that one of the men lays out in the second year the whole of the product of the first (including surplus value) + an additional sum.

The clumsiness of these examples shows that Ricardo is wrestling with a difficulty which he does not understand and succeeds even less in overcoming. The clumsiness consists in this: The first example of the first illustration is meant to bring in the durability of capital; it does nothing of the sort; Ricardo himself has made this impossible because he does not let any part of fixed capital enter into the commodity as wear and tear, thus excluding the very factor through which the peculiar mode of circulation of fixed capital becomes evident. He merely demonstrates that as a consequence of the longer duration of the labour process, a greater capital is employed than where the labour process takes a shorter time. The

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a Lit. the fable teaches; fig.: maxim of the fable.—Ed.
3rd example is supposed to illustrate something different, but in reality illustrates the same thing. The second example of the first [XI-536] illustration, however, is intended to show what differences arise as a result of different ratios of fixed capital. Instead it only shows the difference brought about by two capitals of unequal size, although the same amount of capital is laid out in wages. And, furthermore, the manufacturer operates without cotton and yarn and the farmer without seeds or implements! The complete inconsistency, even absurdity, of this illustration necessarily arises from the underlying lack of clarity.

Finally he states the practical conclusions to be drawn from all these illustrations:

*“The difference in value arises in both cases from the profits being accumulated as capital, and is only a just compensation”* (as though it were a question of justice here) *“for the time that the profits were withheld”* (p. 35).

What does this mean, other than that in a definite period of circulation, for instance a year, a capital must yield 10% whatever its specific period of circulation may be and quite independently of the various surplus values which, according to the proportion of their organic component parts, capitals of equal size must produce in different trades, irrespective of the circulation process.

Ricardo should have drawn the following conclusions:

[Firstly:] Capitals of equal size produce commodities of unequal values and therefore yield unequal surplus values or profits, because value is determined by labour time, and the amount of labour time realised by a capital does not depend on its absolute size but on the size of the variable capital, the capital laid out in wages. Secondly: Even assuming that capitals of equal size produce equal values (although the inequality in the sphere of production usually coincides with that in the sphere of circulation), the period within which they can appropriate equal quantities of unpaid labour and convert these into money, still varies in accordance with their circulation period. Thus arises a second difference in the values, surplus values and profits which capitals of equal size must yield in different trades in a given period of time.

Hence, if profits as a percentage of capital are to be equal over a period, say, of a year, so that capitals of equal size yield equal profits in the same period of time, then the prices of the commodities must be different from their values. The sum total of these cost prices of all the commodities taken together will be equal to their value. Similarly the total profit will be = to the total surplus value which all these capitals yield, for instance, during one year. If one did not take the definition of value as the basis, the average
profit, and therefore also the cost prices, would be purely imaginary and untenable. The equalisation of the surplus values in different trades does not affect the absolute size of this total surplus value; but merely alters its distribution in the different trades. The determination of this surplus value itself, however, only arises out of the determination of value by labour time. Without this, the average profit is the average of nothing, pure fancy. And it could then equally well be 1,000% or 10%.

All Ricardo's illustrations only serve him as a means to smuggle in the presupposition of a general rate of profit. And this happens in the first chapter "On Value", while wages are supposed to be dealt with only in the 5th chapter and profits in the 6th. How from the mere determination of the "value" of the commodities their surplus value, the profit and even a general rate of profit are derived remains obscure with Ricardo. In fact the only thing which he proves in the above illustrations is that the prices of the commodities, in so far as they are determined by the general rate of profit, are entirely different from their values. And he arrives at this difference by postulating the rate of profit to be law. One can see that though Ricardo is accused of being too abstract, one would be justified in accusing him of the opposite: lack of the power of abstraction, inability, when dealing with the values of commodities, to forget profits, a fact which confounds him as a result of competition.

Because Ricardo, instead of deriving the difference between cost prices and values from the determination of value itself, admits that "values" themselves (here it would have been appropriate to define the concept of "absolute" or "real value" or "value" as such) are determined by influences that are independent of labour time and that the law of value is sporadically invalidated by these influences, this was used by his opponents, such as Malthus, in order to attack his whole [XI-537] theory of values. Malthus correctly remarks that the differences between the organic component parts of capital and the turnover periods of capitals in different trades develop simultaneously with the progress of production, so that one would arrive at Adam Smith's standpoint, that the determination of value by labour time was no longer applicable to "civilised" times. (See also Torrens.) On the other hand his disciples have resorted to the most pitiful scholastic inventions, to make these phenomena consistent with the fundamental principle (see [James] Mill and the miserable McCulloch).\footnote{See present edition, Vol. 32; pp. XIII—759-64, XIV—782-88, 791-93, 840-50 of Marx's manuscript.—Ed.}
Ricardo does not dwell on the conclusion which follows from his own illustrations, namely, that—quite apart from the rise or fall of wages—on the assumption of constant wages, the cost prices of commodities must differ from their values, if cost prices are determined by the same percentage of profit. But he passes on, in this section, to the influence which the rise or fall of wages exerts on cost prices to which the values have already been levelled out.

The matter is in itself extraordinarily simple.

The farmer lays out £5,000 at 10%; his commodity = £5,500. If the profit falls by 1% from 10 to 9, because wages have risen and the rise in wages has brought about this reduction, then he continues to sell at 5,500 (since it is assumed that he lays out the whole of his capital in wages). But of these 5,500 only \( \frac{454}{109} \) belong to him and not 500. The capital of the manufacturer consists of £5,500 for machinery and 5,000 for labour. As before, the latter 5,000 results in a product of 5,500, except that now the manufacturer does not lay out 5,000 but \( \frac{5,045}{109} \) and on this he makes a profit of only \( \frac{454}{109} \), like the farmer. On the other hand he can no longer reckon 10% or 550 on his fixed capital of 5,500 but only 9% or 495. He will therefore sell his commodity at £5,995 instead of 6,050. Thus, as a result of the rise in wages, the money price of the farmer's commodity has remained the same, while that of the manufacturer has fallen, the value of the farmer's commodity compared with that of the manufacturer has therefore risen. The whole point of the matter is that if the manufacturer sold his commodity at the same value as before, he would make a higher profit than the average, because only the part of his capital that has been laid out in wages is directly affected by the rise in wages. This illustration in itself already assumes cost prices regulated by an average profit of 10% and differing from the values of the commodities. The question is, how are these cost prices affected by the rise or fall in profit, when the capitals employed contain different proportion of fixed and circulating capital? This illustration (Ricardo, pp. 31-32) has nothing to do with the essential question of the transformation of values into cost prices. But it is a nice point because Ricardo in fact demonstrates here that, if the composition of the capitals were the same, a rise in wages—contrary to the vulgar view—would only bring about a lowering of profits without affecting the values of the commodities; if the composition of the capitals is unequal, then it will only bring about a fall in the price of some commodities instead of—as vulgar opinion maintains—a rise in the price of all commodities. Here the fall in the prices of commodities results from
a fall in the rate of profit or, which amounts to the same thing, a rise in wages. In the case of the manufacturer a large part of the cost price of the commodity is determined by the average profit which he reckons on his fixed capital. If, therefore, this rate of profit falls or rises as a result of the rise or fall in wages, then the price of these commodities will fall or rise correspondingly—that is in accordance with that part of the price which results from the profit calculated upon the fixed capital. The same applies to "circulating capitals returnable at distant periods, and vice versa" (McCulloch). If the capitalists who employ less variable capital were to continue to chalk up their fixed capital at the same rate of profit, and add it to the price of the commodity then their rate of profit would rise and it would rise in the proportion in which they employ more fixed capital than those whose capital consists to a greater extent of variable capital. This would be levelled out by competition.

"Ricardo," says Mac, "was the first who analysed the effects of fluctuations in wages on the value of commodities, when the capitals employed in their production were not of the same degree of durability" (pp. 298-99). "Ricardo has not only shown that it is impossible for any rise of wages to raise the price of all commodities; but that in many cases a rise of wages necessarily leads to a fall of prices, and a fall of wages to a rise of prices" (McCulloch, The Principles of Political Economy, Edinburgh and London, 1825, p. 299).

Ricardo proves his point by firstly postulating cost prices regulated by a general rate of profit.

Secondly: "There can be no rise in the value of labour without a fall of profits" (p. 31).

Thus already in Chapter I on value, those laws are presupposed, which in chapters V and VI "On Wages" and "On Profits" should be deduced from the Chapter "On Value". Incidentally, [XI-538] Ricardo concludes quite wrongly, that because "there can be no rise in the value of labour without a fall of profits", there can be no rise of profits without a fall in the value of labour. The first law refers to surplus value. But since profit—the proportion of surplus value to the total capital advanced, profit can rise though the value of labour remains the same, if the value of constant capital falls. Altogether Ricardo mixes up surplus value and profit. Hence he arrives at erroneous laws on profit and the rate of profit.

The general fabula docet of the last illustration is as follows:

* "The degree of alteration in the relative value of goods on account of a rise or fall of labour"* (or, which amounts to the same thing, rise or fall in the rate of

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profit), *“would depend on the proportion which the fixed capital bore to the whole capital employed. All commodities which are produced by very valuable machinery, or in very valuable buildings, or which require a great length of time before they can be brought to market, would fall in relative value, while all those which were chiefly produced by labour, or which would be speedily brought to market would rise in relative value”* (p. 32).

Again Ricardo comes to the one point with which he is really concerned in his investigation. These variations in the cost prices of commodities resulting from a rise or fall in wages are insignificant compared with those variations in the same cost prices which are brought about by variations in the values of commodities // Ricardo is far from expressing this truth in these adequate terms //, in the quantity of labour employed in their production. One can therefore, by and large, “abstract” from this and, accordingly, the law of values remains virtually correct. (He should have added that the cost prices themselves remain unintelligible without values, as determined by the time of labour.) This is the true course of his investigation. In fact it is clear that despite the transformation of the values of commodities into cost prices, the latter having been assumed, a change in cost prices // and these cost prices must not be confused with market prices: they are the average market prices of the commodities in the different trades. Market price itself already includes an average in so far as commodities of the same sphere are determined by the prices of those commodities which are produced under the mean, average conditions of production of this sphere. By no means under the worst conditions, as Ricardo assumes with rent, because the average demand is related to a certain price, even with corn. A certain amount of the supply is therefore not sold above this price. Otherwise the demand would fall. Those whose conditions of production are not average but below average, must therefore often sell their commodity not only below its value but below its cost price //, in so far as it does not arise from a permanent fall or rise, a permanent alteration, in the rate of profit which can only establish itself in the course of many years—can only and solely be caused by a change in the values of commodities, in the labour time necessary for their production.

*“The reader, however, should remark, that this cause of the variations of commodities” (this should read variations of cost prices or, as he calls them, relative values of commodities) “is comparatively slight in its effects. ... Not so with the other great cause of the variation in the value of commodities, namely, the increase or diminution in the quantity of labour necessary to produce them... An alteration in the permanent rate of profits, to any great amount, is the effect of

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*a In the manuscript, this English word is given in parenthesis after its German equivalent.— Ed.*
causes which do not operate but in the course of years; whereas alterations in the quantity of labour necessary to produce commodities, are of daily occurrence. Every improvement in machinery, in tools, in buildings, in raising the raw material, saves labour, and enables us to produce the commodity to which the improvement is applied with more facility, and consequently its value alters. In estimating, then, the causes of the variations in the value of commodities, although it would be wrong wholly to omit the consideration of the effect produced by a rise or fall of labour, it would be equally incorrect to attach much importance to it”* (pp. 32-33).

He therefore takes no further account of this.

The whole of this Section IV of Chapter I “On Value” is so extraordinarily confused, that, although Ricardo announces at the start that he intends to consider the influence of the variations in the values of commodities brought about by the rise or fall in wages which results from differences in the composition of capital, he actually does this only occasionally. In fact, he fills the major part of Section IV with illustrations which prove that, quite independently of the rise or fall of wages—he himself assumes that wages remain constant—the postulation [XI-539] of a general rate of profit must result in cost prices which differ from the values of the commodities and, moreover, that this does not even depend on the difference [in the proportion] of fixed and circulating capital. He forgets this again at the end of the section.

He announces the subject of his inquiry in Section IV with the words:

*“This difference in the degree of durability of fixed capital, and this variety in the proportions in which the two sorts of capital may be combined, introduce another cause, besides the greater or less quantity of labour necessary to produce commodities, for the variations in their relative value—this cause is the rise or fall in the value of labour”* (pp. 25-26).

In fact, he shows by his illustrations, d’abord, that it is only the general rate of profit which enables the different combinations of sorts of capital (namely variable and constant, etc.) to differentiate the prices of commodities from their values, that therefore the cause of those variations is the general rate of profit and not the value of labour, which is assumed to be constant. Then—only in the second place—he assumes cost prices already differentiated from values as a result of the general rate of profit and he examines how variations in the value of labour affect these. Number 1, the main point, he does not investigate; he loses sight of it altogether and closes the section as he began it:

*“it being shown in this section that without any variation in the quantity of labour, the rise of its value merely will occasion a fall in the exchangeable value of those goods, in the production of which fixed capital is employed; the larger the amount of fixed capital, the greater will be the fall”* (p. 35).
And in the following Section V (Chapter I) he continues on the same lines, in other words, he only investigates how the cost prices of commodities can be altered by a variation in the value of labour, or wages, not when the proportion of fixed and circulating capitals is different in two equal capitals in two different occupations, but when there is "unequal durability of fixed capital" or "unequal rapidity in the return of the capitals to their owners". The correct surmise implied in Section IV, regarding the difference between cost prices and values brought about by the general rate of profit, is here no longer noticeable. Only a secondary question is examined here, namely, the variation in the cost prices themselves. This section, therefore, is in fact of hardly any theoretical interest, apart from the occasional mention of differences in the form of capitals arising from the circulation process.

* "In proportion as fixed capital is less durable, it approaches to the nature of circulating capital. It will be consumed and its value reproduced in a shorter time, in order to preserve the capital of the manufacturer" * (p. 36).

Thus the lesser durability and the difference between fixed and circulating capital in general, are reduced to the difference in the period of reproduction. This is certainly a determination of decisive importance. But by no means the only one. Fixed capital enters wholly into the labour process and only in successive stages and by instalments into the valorisation process. This is another major distinction in their form of circulation. Furthermore: fixed capital enters— necessarily enters—only as exchange value into the process of circulation, while its use value is consumed in the labour process and never goes outside it. This is another important distinction in the form of circulation. Both distinctions in the form of circulation also concern the period of circulation; but they are not identical with the degrees [of durability of capitals] and the differences [in the period of circulation].

Less durable capital constantly requires a greater quantity of labour,

* "to keep [it] in its original state of efficiency; but the labour so bestowed may be considered as really expended on the commodity manufactured, which must bear a value in proportion to such labour" (pp. 36-37). "If the wear and tear of the machine were great, if the quantity of labour requisite to keep it in an efficient state were that of fifty men annually, I should require an additional price for my goods, equal to that which would be obtained by any other manufacturer who employed fifty men in the production of other goods, and who used no machinery at all. But a rise in the wages of labour would not equally affect commodities produced with machinery quickly consumed, and commodities produced with machinery slowly consumed. In the production of the one, a great deal of labour would be continually transferred to the commodity produced" *
but he is so occupied with his general rate of profit, that he does not see that thereby a relatively great deal of surplus labour would be continually transferred to the commodity/

"in the other very little would be so transferred"

/hence very little surplus labour, hence much less value, if the commodities exchanged according to their values/.

"Every rise of wages, therefore, or, which is the same thing, [XI-540] every fall of profits, would lower the relative value of those commodities which were produced with a capital of a durable nature, and would proportionally elevate those which were produced with capital more perishable. A fall of wages would have precisely the contrary effect"* (pp. 37-38).

In other words: The manufacturer who employs fixed capital of less durability employs relatively less fixed capital and more capital expended in wages, than the one who employs capital of greater durability. This case is therefore identical with the previous one, illustrating how a variation in wages affects capitals, one of which consists of relatively, proportionately, more fixed capital than the other. There is nothing new [here].

What Ricardo further says about machinery on pp. 38-40 should be held over until we come to chapter XXXI "On Machinery". a

It is curious how Ricardo, at the end, almost expresses the correct idea in a passing phrase only to let it go again and after touching upon it, returns again to his dominating idea of the effect of an alteration in the value of labour on cost prices and finally concludes the investigation with this secondary consideration.

The passage containing the allusion is the following:

*"It will be seen, then, that in the early stages of society, before much machinery or durable capital is used, the commodities produced by equal capitals will be nearly of equal value, and will rise or fall only relatively to each other on account of more or less labour being required for their production;"*

/the final clause is badly worded; it refers moreover not to value but to commodities, and is meaningless, unless it refers to their prices; for to say that values fall in proportion to labour time means that values fall or rise as they rise or fall/.

*"but after the introduction of these expensive and durable instruments, the commodities produced by the employment of equal capitals will be of very unequal value; and although they will still be liable to rise or fall relatively to each other, as more or less labour becomes necessary to their production, they will be subject to another, though a minor variation, also, from the rise or fall of wages and profits. Since goods which sell for £5,000 may be the produce of a capital equal in amount to that from which are produced other goods which sell for £10,000, the profits on

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a See present edition, Vol. 32; XIII—734-35 of Marx's manuscript.—Ed.
their manufacture will be the same; but those profits would be unequal, if the prices of the goods did not vary with a rise or fall in the rate of profits"* (pp. 40-41).

In fact Ricardo says:

Capitals of equal size produce commodities of equal values, if the ratio of their organic component parts is the same; if equally large portions of them are expended on wages and on the conditions of labour. The same quantities of labour, therefore equal values // apart from the difference which might arise through the circulation process // are then embodied in their commodities. On the other hand, capitals of equal size produce commodities of very unequal value, when their organic composition is different, namely, when the proportion between the part existing as fixed capital and the part laid out in wages differs considerably. Firstly, only a part of the fixed capital enters into the commodity as a component part of value, consequently the magnitude of their values will greatly vary according to whether much or little fixed capital is employed in the production of the commodity. Secondly, the part laid out in wages — calculated as a percentage on capital of equal size — is much smaller, therefore also the total labour embodied in the commodity, and consequently the surplus labour // given a working day of equal length // which constitutes the surplus value. If, therefore, these capitals of equal size — whose commodities are of unequal values and these unequal values contain unequal surplus values, and therefore unequal profits — if these capitals because of their equal size are to yield equal profits, then the prices of the goods (as determined by the general rate of profit on a given outlay) must be very different from the values of the goods. Hence it follows, not that the values have altered their nature, but that the prices are different from the values. It is all the more surprising that Ricardo did not arrive at this conclusion, for he sees that even if one presupposes cost prices determined by the general rate of profit, a change in the rate of profit (or rate of wages) must change these cost prices, so that the rate of profit [XI-541] in the different trades may remain the same. How much more therefore must the establishment of a general rate of profit change unequal values since this general rate of profit is in fact nothing other than the levelling out of the different rates of surplus value in different commodities produced by equal capitals.

Having thus, if not set forth and comprehended, at any rate virtually demonstrated, the difference between cost and value, cost prices and values of commodities, Ricardo ends with the following sentence:

* "Mr. Malthus appears to think that it is a part of my doctrine, that the cost and
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value of a thing should be the same; — it is, if he means by cost 'cost of production including profits'*(p. 46, note). (That is, outlay+profit as determined by the general rate of profit.)

With this erroneous confusion of cost prices and values, which he has himself refuted, he then proceeds to consider rent.

With regard to the influence of the variations in the value of labour upon the cost price of gold, Ricardo says the following in Section VI, Chapter I:

* "May not gold be considered as a commodity produced with such proportions of the two kinds of capital as approach nearest to the average quantity employed in the production of most commodities? May not these proportions be so nearly equally distant from the two extremes, the one where little fixed capital is used, the other where little labour is employed, as to form a just mean between them?" *(l.c., p. 44).

This is far more applicable to those commodities into whose composition the various organic constituents enter in the average proportion, and whose period of circulation and reproduction is also of average length. For these, cost price and value coincide, because for them, and only for them, average profit coincides with their actual surplus value.

As inadequate as Sections IV and V of Chapter I appear in their consideration of the influence of the variations in the value of labour on "relative values", theoretically a secondary matter compared with the transformation of values into cost prices through the average rate of profit, so important is the conclusion which Ricardo draws from this, thereby demolishing one of the major errors that had persisted since Adam Smith, namely, that the raising of wages, instead of reducing profits, raises the prices of commodities. This is indeed already implied in the very concept of values and is in no way altered by the transformation of values into cost prices, since this, in any case, only affects the distribution of the surplus value made by the total capital among the various trades or different capitals in different spheres of production. But it was important that Ricardo stressed this point and even proved the opposite to be the case. He is therefore justified in saying in Section VI, Chapter I:

* "Before I quit this subject, it may be proper to observe, that Adam Smith, and all the writers who have followed him, have, without one exception that I know of, maintained that a rise in the price of labour would be uniformly followed by a rise in the price of all commodities."*

//This corresponds to Adam Smith's 2nd explanation of value, according to which it is equal to the quantity of labour a commodity can purchase.//^

^ See present edition, Vol. 30, pp. 376-84.— Ed.
*"I hope I have succeeded in showing, that there are no grounds for such an opinion, and that only those commodities would rise which had less fixed capital employed upon them than the medium in which price was estimated," * (here relative value is =to the expression of the value in money), *"and that all those which had more, would precisely fall in price when wages rose. On the contrary, if wages fell, those commodities only would fall, which had a less proportion of fixed capital employed on them, than the medium in which price was estimated; all those which had more, would positively rise in price" * (p. 45).

With regard to money prices this seems wrong. When gold rises or falls in value, from whatever causes, then it does so to the same extent for all commodities which are assessed in it. Since it thus represents a relatively unchangeable medium despite its changeability, it is not at all clear how any relative combination of fixed capital and circulating capital in gold, compared with commodities, can bring about a difference. But this is due to Ricardo's false assumption that money, in so far as it serves as a medium of circulation, exchanges as a commodity for commodities. Commodities are assessed in money before it circulates them. Supposing wheat were the medium instead of gold. If, for example, consequent upon a rise in wages, wheat as a commodity into which enters more than the average variable instead of constant capital, were to rise relatively in its price of production, then all commodities would be assessed in wheat of higher "relative value". The commodities into which more fixed capital entered, would be expressed in less wheat than before, not because their specific price had fallen compared with wheat but because their price had fallen in general. A commodity which contained just as much labour—as against accumulated labour—as wheat, would show its rise [in price] by being expressed in more wheat [XI-542] than a commodity whose price had fallen as compared with wheat. If the same causes which raised the price of wheat, raised, for example, the price of clothes, then although the clothes would not be expressed in more wheat than previously, those [commodities], whose price had fallen compared with wheat, for instance cotton, would be expressed in less. Wheat would be the medium in which the difference in the price of cotton and clothes would be expressed.

But what Ricardo means is something different. He means that: because of a rise in wages, wheat would rise as against cotton but not as against clothes. Thus clothes would exchange for wheat at the old price, whereas cottons would exchange against wheat at the higher price. In itself, the assumption that variations in the price of wages in England, for instance, would alter the cost price of gold in California where wages have not risen, is utterly absurd.
The levelling out of values by labour time and even less the levelling out of cost prices by a general rate of profit does not take place in this direct form between different countries. But take even wheat, a home product. Say that the qr of wheat has risen from 40s. to 50s., i.e., by 25%. If the dress has also risen by 25%, then it is worth 1 qr of wheat as before. If the cotton has risen by 25%, then the same amount of cotton which was previously worth 1 qr is now only worth 6 bushels of wheat. And this expression in wheat represents exactly the ratio of the prices of cotton and clothes, because they are being measured in the same medium, in 1 qr of wheat.

Moreover, this notion is absurd in another way too. The price of the commodity which serves as a measure of value and hence as money, does not exist at all, because otherwise, apart from the commodity which serves as money I would need a second commodity to serve as money—a double measure of values. The relative value of money is expressed in the innumerable prices of all commodities; for in each of these prices in which the exchange value of the commodity is expressed in money, the exchange value of money is expressed in the use value of the commodity. There can therefore be no talk of a rise or fall in the price of money. I can say: the price of money in terms of wheat or of clothes has remained the same; its price in terms of cotton has risen, or, which is the same, that the money price of cotton has fallen. But I cannot say that the price of money has risen or fallen. But Ricardo actually maintains that, for instance, the price of money in terms of cotton has risen or the price of cotton in terms of money has fallen, because the relative value of money has risen as against that of cotton while it has retained the same value as against clothes or wheat. Thus the two are measured with an unequal measure.

This Section VI “On an Invariable Measure of Value” deals with the “measure of value” but contains nothing important. The connection between value, its immanent measure—i.e., labour time—and the necessity for an external measure of the values of commodities is not understood or even raised as a problem.

The very opening of this section shows the superficial manner in which it is handled.

* "When commodities varied in relative value, it would be desirable to have the means of ascertaining which of them fell and which rose in real value, and this could be effected only by comparing them one after another with some invariable standard measure, which should itself be subject to none of the fluctuations to which other commodities are exposed" * (pp. 41-42). But * "there is no commodity

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*Ricardo has “standard measure of value”.—Ed.*
which is not itself exposed to the same variations ... that is, there is none which is not subject to require more or less labour for its production"* (p. 42).

Even if there were such a commodity, the influence of the rise or fall of wages, the different combinations of fixed and circulating capital, the different degrees of durability of the fixed capital employed and the [different] length of time before the commodity can be brought to market, etc., would prevent it from being:

"a perfect measure of value, by which we could accurately ascertain the variations in all other things" (p. 43). "It would be a perfect measure of value for all things produced under the same circumstances precisely as itself, but for no others"* (l.c.).

That is to say, if these "other things" varied, we could say (provided the value of money did not rise or fall) that the variation was caused by the rise or fall in their values, in the labour time necessary for their production. With regard to the other things, we could not know whether the "variations" in their money prices were due to other reasons, etc. Later we shall have to come back to this matter which is quite unsatisfactory. (During a subsequent revision of the theory of money.)

CHAPTER I, SECTION VII. Apart from the important doctrine on "relative" wages, profits and rents, to which we shall return later, this section contains nothing but the theory that a fall or rise in the value of money accompanied by a corresponding rise or fall in wages, etc., does not alter the relations but only their monetary expression. If the same commodity is expressed in double the number of pounds sterling, so also is that part of it which resolves into profit, wages or rent. But the ratio of these three to one another and the real values they represent, remain the same. Ditto when the profit is expressed by double the number of pounds, £100 is then however represented by £200 so that the relation between profit and capital, the rate of profit, remains unaltered. The changes in the monetary expression affect profit and capital simultaneously, ditto profit, wages and rent. This applies to rent as well in so far as it is not calculated on the acre but on the capital advanced in agriculture, etc. In short, in this case the variation is not in the commodities, etc.

"A rise of wages from this cause will, indeed, be invariably accompanied by a rise in the price of commodities; but in such cases, it will be found that labour and all commodities have not varied in regard to each other, and that the variation has been confined to money"* (p. 47).

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*a See present edition, Vol. 32; pp. XIV—817-22 of Marx's manuscript.—Ed.

*b Ibid.; pp. XII—637-50 and 662-65 of Marx's manuscript.—Ed.
In developing his theory of differential rent, in Chapter II, "On Rent", Ricardo puts forward the following thesis:

*"The exchangeable value of all commodities, whether they be manufactured, or the produce of the mines, or the produce of the land, is always regulated, not by the less quantity of labour that will suffice for their production under circumstances highly favourable, and exclusively enjoyed by those who have peculiar facilities of production; but by the greater quantity of labour necessarily bestowed on their production by those who have no such facilities; by those who continue to produce them under the most unfavourable circumstances; meaning—by the most unfavourable circumstances, the most unfavourable under which the quantity of produce required, renders it necessary to carry on the production"* (pp. 60-61).

The last sentence is not entirely correct. The "quantity of produce required" [is] not a fixed magnitude. [It would be correct to say:] A certain quantity of produce required within certain limits of price. If the latter rises above these limits then the "quantity required" falls with the demand.

The thesis set out above can be expressed in general terms as follows: The value of the commodity—which is the product of a particular sphere of production—is determined by the labour which is required in order to produce the whole amount, the total sum of the commodities appertaining to this sphere of production and not by the particular labour time that each individual capitalist or employer within this sphere of production requires. The general conditions of production and the general productivity of labour in this particular sphere of production, for example in cotton manufacture, are the average conditions of production and the average productivity in this sphere, in cotton manufacture. The quantity of labour by which, for example, [the value of] a yard of cotton is determined is therefore not the quantity of labour it contains, the quantity the manufacturer has expended upon it, but the average quantity with which all the cotton-manufacturers produce one yard of cotton for the market. Now the particular conditions under which the individual capitalists produce, for example, in cotton manufacture, necessarily fall into 3 categories. Some produce under medium conditions, i.e., the individual conditions of production under which they produce coincide with the general conditions of production in the sphere. The average conditions are their actual conditions. The productivity of their labour is at the average level. The individual value of their commodities coincides with the general value of these commodities. If, for example, they sell the yard of cotton at 2s.—the average value—then they sell it at the value which the yards they produce represent in natura. Another
category produces under better than average conditions. The individual value of their commodities is below their general value. If they sell their commodities at this general value, they sell them above their individual value. Finally, a third category produces under conditions of production that are below the average.

Now the "quantity of produce required" from this particular sphere of production is not a fixed magnitude. If the rise of the value of the commodities above the average value exceeds certain limits, the "quantity of produce required" falls or this quantity is only required at a given price—or at least within certain limits of price. Hence it is just as possible that the last-mentioned category has to sell below the individual value of its commodities as the better placed category always sells its products above their individual value. Which of the categories has a decisive effect on the average value, will in particular depend on the numerical ratio or the proportional size of the categories. If numerically the middle category greatly outweighs the others, it will settle [the average value]. If this group is numerically weak and that which works below the average conditions is numerically strong and predominant, then the latter settles the general value of the produce of that sphere, although this by no means implies and it is even very unlikely, that the individual capitalist who is the most unfavourably placed in the last group, is the determining factor (see Corbet).143

Mais laissons ça à part. The general result is that: The general value of the products of this group is the same for all, whatever may be its relation to the particular value of each individual commodity. This common value is the market value of these commodities, the value at which they appear on the market. Expressed in money, this market value is the market price, just as in general, value expressed in money is price. The actual market price is now above, now below this market value and coincides with it only by chance. Over a certain period, however, the fluctuations equal each other out and it can be said that the average of the actual market prices is the market price which represents the market value. Whether, at a given moment, the actual market price corresponds to this market value in magnitude, i.e., quantitatively or not, at any rate it shares the qualitative characteristic with it, that all commodities of the same sphere of production available on the market have the same price (assuming of course that they are of the same quality), that is, in practice, they represent the general value of the commodities of this sphere.

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a But let us leave this aside.—Ed.
The above thesis put forward by Ricardo for the purpose of his theory of rent has therefore been interpreted by his disciples to mean that two different market prices cannot exist simultaneously on the same market or: products of the same kind found on the market simultaneously have the same price or—since we can leave out of account here the accidental features of this price—the same market value.

Thus competition, partly among the capitalists themselves, partly between them and the buyers of the commodity and partly among the latter themselves, brings it about here that the value of each individual commodity in a particular sphere of production is determined by the total mass of social labour time required by the total mass of the commodities of this particular sphere of social production and not by the individual values of the separate commodities or the labour time the individual commodity has cost its particular producer and seller.

It obviously follows from this, however, that, whatever the circumstances, the capitalists belonging to the first group—whose conditions of production are more favourable than the average—make an excess profit, in other words their profit is above the general rate of profit of this sphere. Competition, therefore, does not bring about the market value or market price by the equalisation of profits within a particular sphere of production. (For the purpose of this investigation, this distinction is irrelevant since the differences in the conditions of production—hence the different rates of profit for the individual capitalists—in the same sphere, remain, whatever may be the relationship of market price to market value.) On the contrary, competition here equalises the different individual values to the same, equal, undifferentiated market value, by permitting differences between individual profits, profits of individual capitalists, and their deviations from the average rate of profit in the sphere. It even creates differences by establishing the same market value for commodities produced under unequal conditions of production, therefore with unequal productivity of labour, the commodities thus representing individual unequal quantities of labour time. The commodity produced under more favourable conditions, contains less labour time than that produced under less favourable conditions, but it sells at the same price, and has the same value, as if it contained the same labour time though this is not the case.

For the establishment of his theory of rent, Ricardo needs two propositions which express not only different but contradictory effects of competition. According to the first, the products of the
same sphere sell at one and the same market value, competition therefore enforces different rates of profit, deviations from the general rate of profit. According to the second, the rate of profit must be the same for each capital investment, that is, competition brings about a general rate of profit. The first law applies to the various independent capitals invested in the same sphere of production. The second applies to capitals in so far as they are invested in different spheres of production. By the first action, competition creates the market value, that is, the same value for commodities of the same sphere of production, although this identical value must result in different profits; it thus creates the same value despite of, or rather by means of, different rates of profit. The second action (which, incidentally, is brought about in a different way; namely, the competition between capitalists of different spheres throws the capital from one sphere into another, while the other competition, in so far as it is not competition between buyers, occurs between capitals of the same sphere) enables competition to create the cost price, in other words the same rate of profit in the various spheres of production, although this identical rate of profit is contrary to the inequality of values, and can hence only be enforced by prices which are different from values.

Since Ricardo needs both these propositions—equal value or price with unequal rate of profit, and equal rate of profit with unequal values,—for his theory of rent, it is most remarkable that he does not sense this twofold determination and that even in the section where he deals ex professo with market price, in Chapter IV "On Natural and Market Price", he does not deal with market price or market value at all, although in the above-quoted passage he uses it as a basis to explain differential rent, the excess profit crystallised in the form of rent. [X1-545] But he deals here merely with the reduction of the prices in the different spheres of production to cost prices or average prices, i.e., with the relationship between the market values of the different spheres of production and not with the establishment of the market value in each particular sphere, and unless this is established market values do not exist at all.

The market values of each particular sphere, therefore the market prices of each particular sphere (if the market price corresponds to the "natural price", in other words if it merely represents the value in the form of money) would yield very different rates of profit, for capitals of equal size in different spheres—quite apart from the

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a See this volume, p. 428.—Ed.
differences arising from their different processes of circulation—employ very unequal proportions of constant and variable capital and therefore yield very unequal surplus values, hence [very unequal] profits. The levelling out of the various market values, so that the same rate of profit is produced in different spheres and capitals of equal size yield equal average profits, is therefore only possible by the transformation of market values into cost prices which are different from the actual values.

It is possible that the rate of surplus value is not equalised in the different spheres of production (for instance because of unequal length of labour time). This is not necessary because the surplus values themselves are equalised.

What competition within the same sphere of production brings about, is the determination of the value of the commodity in a given sphere by the average labour time required in it, i.e., the creation of the market value. What competition between the different spheres of production brings about, is the creation of the same general rate of profit in the different spheres through the levelling out of the different market values into market prices, which are cost prices that are different from the actual market values. Competition in this 2nd instance by no means tends to assimilate the prices of the commodities to their values, but on the contrary, to reduce their values to cost prices that differ from these values, to abolish the differences between their values and cost prices.

It is only this latter process which Ricardo considers in Chapter IV and, oddly enough, he regards it as the reduction of the prices of commodities—through competition—to their values, the reduction of the market price (a price which is different from value) to the natural price (the value expressed in terms of money). This blunder, however, arises from the error he committed already in Chapter I "On Value", where he identified cost price and value, this in turn was due to the fact that at a point where as yet he was only concerned with explaining "value", where he, therefore, as yet, only had to deal with "commodity", he plunged in with the general rate of profit and all the conditions arising from the more developed capitalist relations of production.

Ricardo's whole procedure in Chapter IV is therefore quite superficial. He starts out from the "accidental and temporary variations of [the] price" (p. 80) of commodities resulting from the fluctuating relations between demand and supply.

* "With the rise or fall of price, profits are elevated above, or depressed below their general level, and capital is either encouraged to enter into, or is warned to

a See this volume, 423-24.—Ed.
depart from the particular employment in which the variation has taken place"* (p. 80).

Here the general level of profit prevailing between the different spheres of production, between "the particular employments" is already presupposed. But he should have considered first, how the general level of price in the same employment and the general level of profit between different employments is brought about. Ricardo would then have seen that the latter operation already presupposes movements of capital in all directions—or a distribution, determined by competition, of the whole social capital between its different spheres of employment. Once it is assumed that the market values or average market prices in the different spheres are reduced to cost prices yielding the same average rate of profit //this is however only the case in spheres where landed property does not interfere; where it interferes, competition—within the same sphere—can convert the price to the value and the value to the market value, but it cannot reduce the market value to the cost price //, persistent deviations of the market price from the cost price, when it rises above or falls below it in particular spheres, will bring about new migrations and a new distribution of social capital. The first migration occurs in order to establish cost prices which differ from values. The second migration occurs in order to equalise the actual market prices with the cost prices—as soon as they rise above or fall below the latter. The first is a transformation of the values into cost prices. The second is a rotation of the actual [XI-546] market prices of the moment in the various spheres around the cost price, which now appears as the natural price, although it is different from the value and only the result of social action.

It is this latter, more superficial movement which Ricardo examines and at times unconsciously confuses with the other. Both are of course brought about by "the same principle", namely, the principle that while

* "every man [is] free to employ his capital where he pleases ... [he] will naturally seek for it that employment which is most advantageous; he will naturally be dissatisfied with a profit of 10 per cent, if by removing his capital he can obtain a profit of 15 per cent. This restless desire on the part of all the employers of stock, to quit a less profitable for a more advantageous business, has a strong tendency to equalise the rate of profits of all, or to fix them in such proportions, as may, in the estimation of the parties, compensate for any advantage which one may have, or may appear to have over the other"* (p. 81).

This tendency has the effect of distributing the total mass of social labour time among the various spheres of production according to the social need. In this way, the values in the different spheres are at the same time transformed into cost prices, and on the
other hand, the variations of the actual prices in particular spheres from the cost prices are levelled out.

All this is [contained in] Adam Smith's work. Ricardo himself says:

* "No writer has more satisfactorily and ably shewn than Dr. Smith, the tendency of capital to move from employments in which the goods produced do not repay by their price the whole expenses, including the ordinary profits," *(that is to say, the cost prices)* "of producing and bringing them to market" *(p. 342, note).*

The achievement of Ricardo, whose blunder is on the whole caused by his lack of criticism of Adam Smith in this respect, consists in his more precise exposition of this migration of capital from one sphere to the other, or rather of the manner in which this occurs. He was, however, only able to do this because the credit system was more highly developed in his time than in the time of Adam Smith. Ricardo says:

* "It is perhaps very difficult to trace the steps by which this change is effected: it is probably effected, by a manufacturer not absolutely changing his employment, but only lessening the quantity of capital he has in that employment. In all rich countries, there is a number of men forming what is called the monied class;" *(Here Roscher could have seen once again what the Englishman understands by the term "monied class". The "monied class" is here diametrically opposed to the "industrious part of the community.").* a * "these men are engaged in no trade, but live on the interest of their money, which is employed in discounting bills, or in loans to the more industrious part of the community. The bankers too employ a large capital on the same objects. The capital so employed forms a circulating capital of a large amount, and is employed, in larger or smaller proportions, by all the different trades of a country. There is perhaps no manufacturer, however rich, who limits his business to the extent that his own funds alone will allow: he has always some portion of this floating capital, increasing or diminishing according to the activity of the demand for his commodities. When the demand for silks increases, and that for cloth diminishes, the clothier does not remove with his capital to the silk trade, but he dismisses some of his workmen, he discontinues his demand for the loan from bankers and monied men; while the case of the silk manufacturer is the reverse: he borrows more, and thus capital is transferred from one employment to another, without the necessity of a manufacturer discontinuing his usual occupation. When we look to the markets of a large town, and observe how regularly they are supplied both with home and foreign commodities, in the quantity in which they are required, under all the circumstances of varying demand, arising from the caprice of taste, or a change in the amount of population, without often producing either the effects of a glut from a too abundant supply, or an enormously high price from the supply being unequal to the demand, we must confess that the principle which apportions capital to each trade in the precise amount that is required, is more active than is generally supposed." *(p. [p. 81-] 82).*

Credit therefore is the means by which the capital of the whole capitalist class is placed at the disposal of each sphere of production, not in proportion to the capital belonging to the

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a Cf. this volume, p. 352.— Ed.
capitalists in a given sphere but in proportion to their production requirements—whereas in competition the individual capitals appear to be independent of each other. Credit is both the result and the condition of capitalist production and this provides us with a convenient transition from the competition between capitals to capital as credit.

At the beginning of Chapter IV, Ricardo says that by natural price he understands the value of the commodities, that is, the price as determined by their relative labour time, and that by market price he understands the accidental and temporary deviations from this natural price = value. [XI-547] Throughout the chapter—and he is quite explicit in this—he understands something quite different by natural price, namely, cost price which is different from value. Thus, instead of showing how competition transforms values into cost prices, i.e., creates permanent deviations from values, he shows, following Adam Smith, how competition reduces the market prices in different trades to cost prices.

Thus Chapter IV opens like this:

*"In making labour the foundation of the value of commodities, and the comparative quantity of labour which is necessary to their production, the rule which determines the respective quantities of goods which shall be given in exchange for each other, we must not be supposed to deny the accidental and temporary deviations of the actual or market price of commodities from this, their primary and natural price"* (p. 80).

Here therefore natural price = value and market price is nothing but the deviation of actual price from value.

As against this:

*"Let us suppose that all commodities are at their natural price, and consequently that the profits of capital in all employments are exactly at the same rate, or differ only so much as, in the estimation of the parties, is equivalent to any real or fancied advantage which they possess or forego"* (p. 83).

Here, therefore, natural price = cost price, that is, equals the price at which the relation between the profit and the advances embodied in the commodity is the same, although equal values of commodities produced by capitals in different trades contain very unequal surplus values, and thus unequal profits. If the price is to yield the same profit, it must therefore be different from the value of the commodity. On the other hand, capitals of equal size produce commodities of very unequal value, according to whether a larger or a smaller portion of the fixed capital enters into the commodity. But more about this when dealing with the circulation of capitals.

By equalisation through competition, Ricardo therefore understands only the rotation of the actual prices or actual market prices
around the *cost prices* or the *natural price* as distinct from the *value*, the levelling out of the *market prices in different trades to general cost prices*, i.e., precisely to prices which are different from the *real values in the different trades*:

*"It is then the desire, which every capitalist has, of diverting his funds from a less to a more profitable employment, that prevents the market price of commodities from continuing for any length of time either much above, or much below their natural price. It is this competition which so adjusts the changeable values"*/ and also the *different real values*/* of commodities, that after paying the wages for the labour necessary to their production, and all other expenses required to put the capital employed in its original state of efficiency, the remaining value or overplus will in *each trade* be in proportion to the *value of the capital employed"*/ (p. 84).

This is exactly the case. Competition adjusts the prices in the different trades so that the *remaining value or overplus*, the profit, corresponds to the *value of the capital employed*, but not to the *real value* of the commodity, not to the *real overplus of value which it contains after the deduction of expenses*. To bring this adjustment about the *price of one commodity must be raised above, and [that of] the other [must] be depressed below their respective real values*. It is not the value of the commodities but their cost price, i.e., the expenses they contain + the *general rate of profit*, around which competition forces the market prices in the different trades to rotate.

Ricardo continues:

*"In the 7th chapter of the *Wealth of Nations*, all that concerns this question is most ably treated"*/ (p. 84).

It is in fact it is his uncritical belief in the Smithian tradition, which here leads Ricardo astray.

As usual, Ricardo closes the chapter by saying that in the following investigations, he wants to "*leave entirely out of consideration*" (p. 85) the *accidental deviations of market prices from the cost price*; but he overlooks the fact that he has paid no regard at all to the *constant deviations of market prices*, in so far as they correspond to cost prices, from the *real values of the commodities* and that he has substituted *cost price for value*.

*Chapter XXX* "On the Influence of Demand and Supply on Prices*.

Here Ricardo defends the proposition that the permanent price is determined by the *cost price*, and not by *supply or demand*; that, therefore, the permanent price is determined by the *value* of the commodities only in so far as this value determines the *cost price*. Provided that the prices of the commodities are so adjusted that they all yield a profit of 10%, then every lasting *change* in these prices will be determined by a *change* in their *values*, in the labour
time required for their production. As this value continues to determine the general rate of profit, so the changes in it continue to determine the variations in cost prices, although of course the difference between cost prices and values is thereby not superseded. What is superseded is only that the difference between value and actual price should not [XI-548] be greater than the difference between cost prices and values, a difference that is brought about by the general rate of profit. With the changes in the values of commodities, their cost prices also change. A "new natural price" (p. 460) is formed. If, for example, the worker can now produce 20 hats in the same period of time which it previously took him to produce 10 hats, and if wages accounted for \( \frac{1}{2} \) the expense of the hat, then the expenses, the costs of production, of the 20 hats, in so far as they consist of wages, have fallen by half. For the same wages are now paid for the production of 20 hats as previously for 10. Thus each hat now contains only \( \frac{1}{2} \) the expenses incurred in wages. If the hat manufacturer were to sell the hats at the same price he would sell them above the cost price. If the profit had previously been 10% then it would now be \( 46\frac{2}{3}\% \), assuming the outlay for the manufacture of a certain quantity of hats was originally 50 for raw material, etc., and 50 for labour. [The outlay] would now be 50 for raw material, etc. and 25 for wages. If the commodity is sold at the old price, then the profit = \( \frac{7}{15} \) or \( 46\frac{2}{3}\% \). As a result of the fall in value, the new natural price will therefore fall to such an extent that the price only yields 10% profit. The fall in the value or in the labour time necessary for the production of the commodity reveals itself in the fact that less labour time is used for the same amount of commodity, hence also less paid labour time, less wages and, consequently, the costs, the wages paid (i.e., the amount of wages; this does not presuppose a fall in the rate of wages) proportionately decline for the production of each individual commodity.

This is the case if the change in value has taken place in the hat making itself. Had it occurred in the production of the raw material or of the instrument of labour, then this would have been similarly expressed as a diminution of expense of wages for the production of a certain given quantity of produce in these spheres; but to the hat manufacturer it would denote that his constant capital had cost him less.

The cost prices or "natural prices" (which have nothing to do with "nature") can fall in two ways as a result of a change—here a fall—in the values of commodities:

[Firstly] because the wages laid out in the production of a given quantity of commodities fall, owing to a fall in the aggregate absolute
Secondly. If, as a result of the increased or diminished productivity of labour (both can occur, the one when the proportion of variable capital to constant capital falls, the other when wages rise owing to the means of subsistence becoming dearer), the ratio of surplus value to the value of the commodity or to the value of the labour contained in it changes, then the rate of profit rises or falls, and the amount of labour is differently divided up.

In the latter case, the prices of production or cost prices could change only in so far as they are affected by variations in the value of labour. In the first case, the value of labour remains the same. In the second case, however, it is not the values of the commodities which alter, but only the division between [necessary] labour and surplus labour. A change in the productivity and therefore in the value of the individual commodity would nevertheless take place in this case. The same capital will produce more commodities than previously in the one case and less in the other. The aggregate volume of the commodities in which it is materialised would have the same value, but the individual commodity would have a different value. Although the value of the wage does not determine the value of the commodities, the value of the commodities (which enter into the consumption of the worker) determines the value of the wage.

Once the cost prices of the commodities in the different trades are established, they rise or fall relatively to each other with any change in the values of the commodities. If the productivity of labour rises, the labour time required for the production of a particular commodity decreases and therefore its value falls; whether this change in productivity occurs in the labour used in the final process or in the constant capital, the cost price of this commodity must also fall correspondingly. The absolute amount of labour employed on it has been reduced, hence also the amount of paid labour it contains and the amount of wages expended on it, even though the rate of wages has remained the same. If the commodity were sold at its former cost price, then it would yield a higher profit than the general rate of profit, since formerly, this profit was to 10% on the higher outlay. It would therefore be now more than 10% on the diminished outlay. If on the contrary the productivity of labour decreases, the real values of the commodities rise. When the rate of profit is given—or, which is the same thing, the cost prices are given—the relative rise or fall...
of the cost prices is dependent on the rise or fall, the variation, in the real values of the commodities. As a result of this variation, new cost prices or, as Ricardo says, following Smith, "new natural prices" take the place of the old.

In Chapter XXX, from which we have just been quoting, Ricardo expressly identifies natural price, i.e., cost price, with natural value, i.e., value as determined by labour time.

* "Their price" (of monopolised commodities) "has no necessary connexion with their natural value: but the prices of commodities, which are subject to competition, ... will ultimately depend ... on [the] ... cost of their production"* (p. 465).

Here therefore are cost prices or natural prices directly [XI-549] identified with "natural value", i.e., with "value".

This confusion explains why later a whole lot of fellows post Ricardum, like Say himself, could accept "the cost of production" as the ultimate regulator of prices, without having the slightest inkling of the determination of value by labour time, indeed they directly deny the latter while maintaining the former.144

This whole blunder of Ricardo's and the consequent erroneous exposition of rent, etc., as well as the erroneous laws about the rate of profit, etc., spring from his failure to distinguish between surplus value and profit; and in general his treatment of definitions of form is crude and uncomprehending, just as that of the other economists. The following will show how he allowed himself to be ensnared by Smith.

It must first be noted that according to Adam Smith as well,

"there are always a few commodities of which the price resolves itself into two parts only, the wages of labour and the profits of stock" ([Garnier,] I, I, ch. VI, v. I, p. 103) [Vol. I, p. 88].14

This difference between Ricardo's and Smith's views can therefore be ignored here.

Adam Smith first explains that exchange value resolves itself into a certain quantity of labour and that after deducting raw materials, etc., the value contained in exchange value is resolved into that part of labour for which the labourer is paid and that part for which he is not paid, the latter part consists of profit and rent (the profit in turn may be resolved into profit and interest). Having shown this, he suddenly turns about and instead of resolving exchange value into wages, profit and rent, he declares these to be the elements forming exchange value, he makes them into independent exchange values that form the exchange value of the product; he constructs the exchange value of the commodity from the values of wages, profit and rent, which are determined
independently and separately. Instead of having their source in value, they become the source of value.

"Wages, profit, and rent, are the three original sources of all revenue as well as of all exchangeable value" ([Garnier,] t. I, I, ch. VI, p. 105) [Vol. I, p. 89].

Having revealed the intrinsic connection, he suddenly again comes under the sway of the mere appearance of the thing, the connection as it appears in competition, and in competition everything always appears in inverted form, always standing on its head.

Now it is from this latter inverted starting-point that Smith develops the distinction between the "natural price of the commodities" and their "market price". Ricardo accepts this from him, but forgets that Adam Smith's "natural price" is, according to Smith's premisses, nothing other than the cost price resulting from competition and that for Smith himself, this cost price is only identical with the "value" of the commodity, in so far as he forgets his more profound conception and sticks to the false concept derived from the external appearance, namely that the exchange value of commodities is formed by putting together the independently determined values of wages, profit and rent. While Ricardo contests this concept throughout, he accepts Smith's confusion or identification of exchange value with cost price of natural price, which is based on that very concept. In the case of Adam Smith this confusion is legitimate, because his whole examination of natural price starts out from his second, false conception of value. But in Ricardo's case, it is wholly unjustifiable, because he nowhere accepts this wrong conception of Adam Smith's, but contests it ex professo as an inconsistency. Adam Smith, however, succeeded in ensnaring him again with his natural price.

Having compounded the value of the commodity from the separate and independently determined values of wages, profit and rent, Adam Smith now asks himself how these primary values are determined. And here he starts out from the phenomenon as it appears in competition.

[In] Chapter VII, Book I, "Of the Natural and Market Price of Commodities" [he says:]

"There is in every society or neighbourhood an ordinary or average rate of wages—profit—rent" ([Garnier,] I.e., t. I, p. 110) [Vol. I, p. 93]. These "average rates may be called the natural rates of wages, profit, and rent, at the time and place in which they commonly prevail" ([Garnier,] pp. 110, 111) [Vol. I, p. 93]. "When the price of any commodity is neither more nor less than what is sufficient to pay the rent, [...] the wages [...] and the profits [...] according to their natural
rates, the commodity is then sold for [...] its natural price" (Garnier, p. 111) [Vol. I, pp. 93-94].

This natural price is then the cost price of the commodity and the cost price coincides with the value of the commodity, since it is presupposed that the value of the latter is compounded of the values of wages, profit and rent.

"The commodity is [XI-550] then sold precisely for what it is worth" (the commodity is then sold at its value) "or for what it really costs the person who brings it to market" (at its value or at the cost price for the person who brings it to market) "for though in common language what is called the prime cost of any commodity does not comprehend the profit of the person who is to sell it again, yet if he sells it at a price which does not allow him the ordinary rate of profit in his neighbourhood, he is evidently a loser by the trade; since by employing his stock in some other way he might have made that profit" (Garnier, p. 111) [Vol. I, p. 94].

Here we have the whole genesis of natural price and, besides, set out in quite appropriate language and logic, since the value of the commodity is composed of the prices of wages, profit and rent, while the true value of profit and rent is, in turn, constituted by their natural level; thus it is clear that the value of the commodity is identical with its cost price and the latter with the natural price of the commodity. The level of profit, i.e., the rate of profit, as of wages, is presupposed. They are indeed given for formation of the cost price. They are antecedent to the cost price. To the individual capitalist therefore they also appear as given. The hows, whys and wherefores do not concern him. Adam Smith here adopts the standpoint of the individual capitalist, the agent of capitalist production, who fixes the cost price of his commodity. So much for wages, etc., so much for the general rate of profit. Ergo: This is how this capitalist sees the operation by which the cost price of the commodity is fixed or, as it further seems to him, the value of the commodity, for he also knows that the market price is now above, now below this cost price, which therefore appears to him as the ideal price of the commodity, its absolute price as distinct from its price fluctuations, in short as its value, in so far as he has any time at all to reflect on matters of this sort. And since Smith transports himself right into the midst of competition, he immediately reasons and argues with the peculiar logic of the capitalist caught up in this sphere. He interjects: In common language, costs do not include the profit made by the seller (which necessarily forms a surplus above his expenses). Why then do you

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a Marx quotes Smith in German. The English term "natural price" is followed by its German equivalent.— Ed.

b In the manuscript, this French word is followed by the German word in parenthesis.— Ed.
include profit in the cost price? Adam Smith answers like the profound capitalist to whom this question is put:

*Profit in general* must enter into cost price, because I would be cheated if *only* a profit of 9 instead of 10% were to enter into cost price.¹⁴⁵

The naïve way in which Adam Smith on the one hand expresses the thoughts of the agent of capitalist production and presents things boldly and comprehensively, as they appear to and are thought of by the latter, as they influence him in practice, and as, indeed, they appear on the surface, while, on the other hand, he sporadically reveals their more profound relationships, gives his book its great charm.

One can see here too why Adam Smith—despite his considerable scruples on this point—resolves the entire value of the commodity only into rent, profit and wages and omits constant capital, although of course he admits its existence for each "individual" capitalist. For otherwise he would have to say: The value of a commodity consists of wages, profit, rent and that part of the value of the commodity which does not consist of wages, profit, rent. It would therefore be necessary to determine value independently of wages, profit and rent.

If, besides the outlay on average wages, etc., the price of the commodity also covers the average profit and—if rent enters into the commodity—the average rent, then the commodity is sold at its *natural* or *cost price*, and this cost price is equal to its *value*, for its value is nothing but the sum of the natural values of wages, profit and rent.

[XI-551] Having taken his stand in competition and assumed the rate of profit, etc., as *given*, Adam Smith for the rest interprets correctly *natural price* or *cost price*, namely, the cost price as distinct from the market price.

"The *natural price* [of the commodity], or the whole *value* of the rent, profit, and wages, which must be paid in order to bring it" (the commodity) "to market" ([Garnier,] I.e., p. 112) [Vol. I, p. 95].

This cost price of the commodity is different from the *actual price* or *market price* of the commodity. ([Garnier,] p. 112) [Vol. I, p. 95]. The latter is dependent on demand and supply.

The *production costs* of the commodity or the *cost price* of the commodity is precisely "the whole *value* of the rent, wages, and profit, which must be paid in order to bring it" to market [Garnier, l.c., t. I, p. 113] [Vol. I, p. 95]. If demand corresponds to supply, then the market price is equal to the natural price.
When the quantity brought to market is just sufficient to supply the effectual demand and no more, the *market price* naturally comes to be exactly ... the same with the *natural price*" ([Garnier,] I.e., t. I, p. 114) [Vol. I, p. 96]. "The *natural* price, therefore, is, as it were, the central point, to which the prices of all commodities are continually gravitating. Different accidents may sometimes keep them suspended a good deal above it, and sometimes force them down even somewhat below it" ([Garnier,] I.e., t. I, p. 116) [Vol. I, p. 98].

Hence Adam Smith concludes that in general, the

"whole quantity of industry annually employed in order to bring any commodity to market" will correspond to the needs of society or the "effectual demand" ([Garnier,] p. 117) [Vol. I, p. 98].

What Ricardo conceives as the distribution of total capital among the different trades appears here in the as yet more naïve form of the industry needed in order to produce "a particular commodity". The levelling out of prices among the sellers of the same commodity to the market price and the levelling out of the market prices of the various commodities to the cost price are here as yet jumbled up in complete confusion.

At this point Smith, only quite incidentally, touches upon the influence of the variation in the real values of commodities on the natural prices or cost prices.

Namely in agriculture

...the same quantity of industry will in different years produce very different quantities of commodities; while in others it will produce always the same, or very nearly the same. The same number of labourers in husbandry will, in different years, produce very different quantities of corn, wine, oil, hops, etc. But the same number of spinners and weavers will every year produce the same or very nearly the same quantity of linen and woollen cloth. ... In the other" (the non-agricultural) "species of industry, the *produce of equal quantities of labour being always the same*, or very nearly the same" (i.e., so long as the conditions of production remain the same), "it can be more exactly suited to the effectual demand" ([Garnier,] pp. 117-18) [Vol. I, pp. 98, 99].

Adam Smith sees here that a mere change in the productivity of "equal quantities of labour", therefore, in the actual values of commodities, alters cost prices. But he makes this again more shallow by reducing it to the relation between supply and demand. According to his own arguments, the proposition as he presents it, is wrong. For, while in agriculture, as a result of varying seasons, etc., "equal quantities of labour" yield different quantities of products, he himself has demonstrated that as a result of machinery, division of labour, etc., "equal quantities of labour" yield very different amounts of product in manufacture, etc. It is therefore not this difference which distinguishes agriculture from the other branches of industry; but the fact that in one case the "degree of productive power" applied is "determined be-
forehand", while in the other, it depends on accidents of nature. But the result remains the same: the value of the commodities or the quantity of labour which, depending on its productivity, has to be expended on a given commodity, affects cost prices.

In the following passage Adam Smith has also [shown] how the migration of capitals from one trade to another establishes cost prices in the various trades. But he is not so clear on this as Ricardo. For if the [XI-552] price of the commodity falls below its natural price, then, according to his argument, this is due to one of the elements of this price falling below the natural tax or rate. Thus it is not due to the withdrawal of capitals alone or to the migration of capitals, but to the migration of labour, capital or land from one branch to another. In this respect his view is more consistent than Ricardo's, but it is wrong.

"Whatever part of it" (the natural price) "was paid below the natural rate, the persons whose interest it affected would immediately feel the loss, and would immediately withdraw either so much land, or so much labour, or so much stock, from being employed about it, that the quantity brought to market would soon be no more than sufficient to supply the effectual demand. Its market price, therefore, would soon rise to the natural price. This at least would be the case where there was perfect liberty" ([Garnier,] I.e., p. 125) [Vol. I, pp. 104-05].

This represents an essential difference between Smith's and Ricardo's conceptions of the levelling out to the natural price. Smith's [conception] is based on his false assumption, that the 3 elements independently determine the value of the commodity, while Ricardo's is based on the correct assumption that it is the average rate of profit (at a given level of wages), which alone determines the cost prices.

"The natural price itself varies with the natural rate of each of its component parts, of wages, profit, and rent" ([Garnier,] I.e., p. 127) [Vol. I, p. 106].

In Chapters VIII, IX, X and XI of Book I, Adam Smith then seeks to determine the natural rate of these "component parts", wages, rent and profit, and the variations in this rate.

Chapter VIII: "Of the Wages of Labour".

At the start of the chapter on wages, Smith—forsaking the illusory standpoint of competition—in the first place shows the true nature of surplus value and [regards] profit and rent as mere forms of surplus value.

The basis from which he determines the natural rate of wages is the value of labour capacity itself, the necessary wage.

"A man must always live by his work, and his wages must at least be sufficient to maintain him. They must even upon most occasions be somewhat more; otherwise it would be impossible for him to bring up a family, and the race of such workmen could not last beyond the first generation" ([Garnier,] I.e., p. 136) [Vol. I, pp. 113-14].
This, however, becomes meaningless again because he never asks himself how the value of the necessary means of subsistence, i.e., of the commodity in general is determined. And here, since he has moved away from his main conception, Adam Smith would have to say: The price of wages is determined by the price of the means of subsistence and the price of the means of subsistence is determined by the price of wages. Having once assumed that the value of wages is fixed, he gives an exact description of its fluctuations, as they appear in competition, and the circumstances that cause these fluctuations. This belongs to the exoteric part [of his work] and does not concern us here. (In particular [he deals with] the accumulation of capital, but he does not tell us what determines it, since this accumulation can only be rapid either if the rate of wages is relatively low and the productivity of labour high (in this case a rise in wages is always the result of a permanently low level of wages during the preceding period) or if the rate of accumulation is low but the productivity of labour is high. From his standpoint, he would have to deduce the rate of wages in the first case from the rate of profit (i.e., from the rate of wages), and in the second case from the gross amount of profit, but this would in turn necessitate his investigating the value of the commodity.)

He tries to derive the value of the commodity from the value of labour which is one of its constitutional elements. And on the other hand he explains the level of wages by saying that

"the wages of labour do not ... fluctuate with the price of provisions" ([Garnier,] p. 149) [Vol. I, p. 123] and that "the wages of labour vary more from place to place than the price of provisions" ([Garnier,] l.c., p. 150) [Vol. I, p. 123].

In fact the chapter contains nothing relevant to the question except the definition of the minimum wage, alias the value of labour capacity. Here Adam Smith instinctively resumes the thread of his more profound argument, only to lose it again, so that even the above-cited definition [signifies] nothing. For how [does he propose to] determine the value of the necessary means of subsistence—and therefore of commodities in general? Partly by the natural price of labour. And how is this to be determined? By the value of necessities, or commodities in general. A vicious circle. As to the rest, the chapter contains not a word on the issue, the natural price of labour, [XI-553] but only investigations into the rise of wages above the level of the natural rate, demonstrating that the rise of wages is proportionate to the rapidity with which capital accumulates, that is, to the progressive accumulation of capital. Then he examines the various conditions of society in which this takes
place, and finally he gives a slap in the face to the determination of the value of the commodity by wages and of wages by the value of the necessaries, by showing that this does [not] appear to be the case in England. In between comes a piece of Malthusian population theory—because wages are determined by the means of subsistence necessary, not only for maintaining the life [of the worker], but also for the reproduction of the population.

Namely after attempting to prove that wages rose during the 18th century, especially in England, Adam Smith raises the question whether this is to be regarded “as an advantage or as an inconveniency to the society” ([Garnier,] l.c., p. 159) [Vol. I, p. 130]. In this connection he returns temporarily to his more profound approach, according to which profit and rent are merely parts of the product of the worker. The workmen, he says:

“firstly, make up the far greater part of society. But what improves the circumstances of the greater part can never be regarded as any inconveniency to the whole. No society can surely be flourishing and happy, of which the far greater part of the members are poor and miserable. It is but equity, besides, that they who feed, clothe, and lodge the whole body of the people, should have such a share of the produce of their own labour as to be themselves tolerably well fed, clothed, and lodged” ([Garnier,] pp. 159-60) [Vol. I, pp. 130-31].

In this connection he touches upon the theory of population:

“Poverty, though it no doubt discourages, does not always prevent marriage. It seems even to be favourable to generation. ... Barrenness, so frequent among women of fashion, is very rare among those of inferior station. ... But poverty, though it does not prevent the generation, is extremely unfavourable to the rearing of children. The tender plant is produced, but in so cold a soil and so severe a climate, soon withers and dies. ... Every species of animals naturally multiplies in proportion to the means of their subsistence, and no species can ever multiply beyond it. But in civilised society it is only among the inferior ranks of people that the scantiness of subsistence can set limits to the further multiplication of the human species. ... The demand for men, like that for any other commodity, necessarily regulates the production of men; quickens it when it goes on too slowly, and stops it when it advances too fast...” ([Garnier,] l.c., pp. 160-63 passim) [Vol. I, pp. 131-33].

The connection between the wages minimum and the varying conditions of society is as follows:

“The wages paid to journeymen and servants of every kind must be such as may enable them, one with another, to continue the race of journeymen and servants, according as the increasing, diminishing, or stationary demand of the society may happen to require” ([Garnier,] l.c., p. 164) [Vol. I, p. 134]. (Of the society! That is to say—of capital.)

He then shows that the slave is “dearer” than the free labourer, because the latter himself looks after his “wear and tear” whereas that of the former is [controlled] “by a negligent master or careless

\[\text{Here Marx quotes Smith in German.— Ed.}\]
overseer” ([Garnier,] p. 164 et seq.) [Vol. I, p. 134 et seq.]. The “fund” for replacing the “wear and tear” is frugally used by the free labourer whereas for the slave it is wastefully and disorderly administered.

“The fund destined for replacing or repairing, if I may say so, the wear and tear of the slave, a result of his long service,* is commonly managed by a negligent master or careless overseer. That destined for performing the same office with regard to the free man, is managed by the free man himself. The disorders which generally prevail in the economy of the rich, naturally introduce themselves into the management of the former; the strict frugality and parsimonious attention of the poor as naturally establish themselves in that of the latter” ([Garnier,] p. 164) [Vol. I, p. 134].

It is characteristic in the determination of the minimum wage or the natural price of labour, that it is lower for the free wage labourer than for the slave. This occurs also to Adam Smith:

“The work done by freemen comes cheaper in the end than that performed by slaves” ([Garnier,] p. 165) [Vol. I, p. 134]. “The liberal reward of labour, therefore, as it is the effect of increasing national wealth, so it is the cause of increasing population. To complain of it is [XI-554] to lament over the necessary effect and cause of the greatest public prosperity” ([Garnier,] p. 165) [Vol. I, p. 135].

Adam Smith continues to plead for a high wage.

It not only “encourages the propagation”, but also “increases the industry of the common people. The wages of labour are the encouragement of industry, which, like every other human quality, improves in proportion to the encouragement it receives. A plentiful subsistence increases the bodily strength of the labourer, and the comfortable hope of bettering his condition ... animates him to exert that strength to the utmost. Where wages are high, accordingly, we shall always find the workmen more active, diligent, and expeditious, than where they are low” ([Garnier,] I.e., p. 166) [Vol. I, p. 135].

But high wages spur the workmen on to over-exertion and to precocious destruction of their labour capacity.

“Workmen [...] when they are liberally paid by the piece, are very apt to overwork themselves, and to ruin their health and constitution in a few years” ([Garnier,] pp. 166-67) [Vol. I, p. 136]. “If masters would always listen to the dictates of reason and humanity, they have frequently occasion rather to moderate, than to animate the application of many of their workmen” ([Garnier,] p. 168) [Vol. I, p. 137]. He goes on to argue against the view that “a little more plenty than ordinary may render some workmen idle” ([Garnier,] p. 169) [Vol. I, p. 137].

Then he examines whether it is true that the workmen are more idle in years of plenty than in years of scarcity and what is the general relation between wages and the price of the means of subsistence. Here again comes the inconsistency.

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*The words “a result of his long service” are inserted by Garnier in the French translation.— Ed.
“The money price of labour is necessarily regulated by two circumstances; the demand for labour, and the price of the necessaries and conveniences of life. ...the money price of labour is determined by what is requisite for purchasing this quantity" (of the necessaries and conveniences of life) ([Garnier,] l.c., p. 175) [Vol. I, p. 144].

[He then examines] why—because of the demand for labour—wages can rise in years of plenty and fall in years of scarcity ([Garnier,] p. 176 et seq.) [Vol. I, p. 144 et seq.].

The causes in good and bad years counterbalance one another.

“The scarcity of a dear year, by diminishing the demand for labour, tends to lower its price, as the high price of provisions tends to raise it. The plenty of a cheap year, on the contrary, by increasing the demand, tends to raise the price of labour, as the cheapness of provisions tends to lower it. In the ordinary variations of the price of provisions, those two opposite causes seem to counterbalance one another; which is probably in part the reason why the wages of labour are everywhere so much more steady and permanent than the price of provisions” ([Garnier,] p. 177) [Vol. I, p. 145].

As against the concept of wages as the source of the value of commodities, he finally, after all this zigzagging, again advances his original, more profound view, that the value of commodities is determined by the quantity of labour; and if in good years, or with the growth of capital, the worker receives more commodities, then he also produces far more commodities, that is to say the individual commodity contains a smaller quantity of labour. He can therefore receive a greater quantity of commodities of less value and thus—this is the implied conclusion—profit can grow, despite rising absolute wages.

“The increase in the wages of labour necessarily increases the price of many commodities, by increasing that part of it which resolves itself into wages, and so far tends to diminish their consumption both at home and abroad. The same cause, however, which raises the wages of labour, the increase of stock, tends to increase its productive powers, and to make a smaller quantity of labour produce a greater quantity of work.” [This is due to] the division of labour, the use of machinery, inventions, etc. ... “There are many commodities, therefore, which, in consequence of these improvements, come to be produced by so much less labour than before, that the increase of its price is more than compensated by the diminution of its quantity” ([Garnier,] pp. 177-78) [Vol. I, pp. 145, 146].

The labour is better paid, but less labour is contained in the individual commodity, hence a smaller amount has to be paid out. He thus allows his false theory, according to which the value of the commodity is determined by the wage as a constituent element of the value, to be annulled, or rather paralysed, counterbalanced by his correct theory, according to which the value of the commodity is determined by the quantity of labour it contains.

[XI-555] Chapter IX: “Of the Profits of Stock”.
Here accordingly the natural rate of the second element that determines and constitutes the natural price or value of the commodities is to be ascertained. What Adam Smith says about the cause of the fall in the rate of profit ([Garnier,] pp. 179, 189, 190, 193, 196, 197, etc.) [Vol. I, pp. 146, 147, 155, 156, 158, 160, 161] will be considered at a later stage. 

Adam Smith is confronted here by considerable difficulties. He says that even the determination of "average rate" of wages amounts merely to ascertaining the "usual rate of wages" ([Garnier,] p. 179) [Vol. I, p. 147], the actually given rate of wages.

"But even this can seldom be done with regard to the profits of stock" ([Garnier,] p. 179) [Vol. I, p. 147]. Apart from the good or bad fortune of the entrepreneur, this profit "is affected ... by every variation of price in the commodities" ([Garnier,] p. 180) [Vol. I, p. 147], although it is precisely through the natural rate of profit, as one of the constituent elements of "value", that we are supposed to determine the natural price of these commodities. This is already difficult for a single capitalist in a single trade.

"To ascertain what is the average profit of all the different trades carried on in a great kingdom, must be much more difficult" ([Garnier,] p. 180) [Vol. I, pp. 147-48].

But one may form some notion of the "average profits of stock" "from the interest of money. It may be laid down as a maxim, that wherever a great deal can be made by the use of money, a great deal will commonly be given for the use of it; and that wherever little can be made by it, less will commonly be given for it" ([Garnier,] pp. 180-81) [Vol. I, p. 148].

Adam Smith does not say the rate of interest determines the rate of profit. He expressly states the reverse. But there are records of the rate of interest for different epochs, etc.; such records do not exist for the rate of profit. The rates of interest are therefore indices from which the approximate level of the rate of profit can be judged. But the task set was not to compare the levels of given different rates of profit, but to determine the natural level of the rate of profit. Adam Smith seeks refuge in a subsidiary investigation into the level of the rate of interest in different periods, which in no way touches upon the problem he has set himself. He makes a cursory examination of various periods in England and then compares these with Scotland, France and Holland and finds that—with the exception of the American colonies—

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\[a\] See present edition, Vol. 32; pp. XIII—673, 693 of Marx's manuscript.—Ed.
"high wages of labour and high profits of stock are naturally things, which scarce ever go together, except in the peculiar circumstances of new colonies" ([Garnier,] p. 187) [Vol. I, pp. 153-54].

Here Adam Smith tries, like Ricardo—but to a certain point with more success—to give some approximate explanation of high profits:

"A new colony must always for some time be more under-stocked in proportion to the extent of its territory, and more under-peopled in proportion to the extent of its stock, than the greater part of other countries. They have more land than they have stock to cultivate. What they have, therefore, is applied to the cultivation only of what is most fertile and most favourably situated, the land near the sea shore and along the banks of navigable rivers. Such land too is frequently purchased at a price below the value even of its natural produce." (In fact, therefore, it costs nothing.) "Stock employed in the purchase and improvement of such lands must yield a very large profit, and consequently afford to pay a very large interest. Its rapid accumulation in so profitable an employment enables the planter to increase the number of his hands faster than he can find them in a new settlement. Those whom he can find, therefore, are very liberally rewarded. As the colony increases, the profits of stock gradually diminish. When the most fertile and best situated lands have been all occupied, less profit can be made by the cultivation of what is inferior both in soil and situation, and less interest can be afforded for the stock which is so employed. In the greater part of our colonies, accordingly, [...] the ... rate of interest has been considerably reduced during the course of the present century" ([Garnier,] pp. 187-89) [Vol. I, p. 154].

This is one of the foundations of the Ricardian explanation of why profits fall, although it is presented in a different way. On the whole, Smith explains everything here by the competition between capitals; as capitals grow, profit falls and as they diminish, profit grows, and accordingly wages rise or fall conversely.

[XI-556] "The diminution of the capital stock of the society, or of the funds destined for the maintenance of industry, however, as it lowers the wages of labour, so it raises the profits of stock, and consequently the rate of interest." By the wages of labour being lowered, the owners of what stock remains in the society can bring their goods at less expense to market than before, and less stock being employed in supplying the market than before, they can sell them dearer" ([Garnier,] pp. 191-92) [Vol. I, pp. 156-57].

Then he talks about the highest possible and the lowest possible rates [of profit].

The "highest rate" is that which, "in the price of the greater part of commodities, eats up the whole of what should go to the rent of the land, and leaves only what is sufficient to pay the labour of preparing and bringing them to market, according to the lowest rate at which labour can anywhere be paid, the bare subsistence of the labourer" ([Garnier,] pp. 197-98) [Vol. I, p. 161].

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a In the manuscript: "as capitals grow, profit grows and as they diminish, profit falls".— Ed.
b Smith has "the interest of money".— Ed.
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"The lowest ordinary rate of profit must always be something more than what is sufficient to compensate the occasional losses to which every employment of stock is exposed. It is this surplus only which is neat or clear profit" ([Garnier,] p. 196) [Vol. I, p. 160].

Adam Smith himself in fact characterises what he says about the NATURAL RATE OF PROFIT:

"Double interest is in Great Britain reckoned, what the merchants call a good, moderate, reasonable profit; terms which I apprehend mean no more than a common and usual profit" ([Garnier,] p. 198) [Vol. I, p. 162].

And indeed, Smith calls this "common and usual profit" neither moderate nor good, but his term for it is "the NATURAL RATE OF PROFIT". However, he does not tell us at all what it is or how it is determined although we are supposed to determine the "NATURAL PRICE" of the commodity by means of this "NATURAL RATE OF PROFIT".

"In countries which are fast advancing to riches, the low rate of profit may, in the price of many commodities, compensate the high wages of labour, and enable those countries to sell as cheap as their less thriving neighbours, among whom the wages of labour may be lower" ([Garnier,] p. 199) [Vol. I, p. 162].

Low profits and high wages are not reciprocally opposed here, but the same cause—the quick growth or accumulation of capital—produces both. Both enter into the price; they constitute it. If therefore one is high while the other is low, the price remains the same, etc.

Adam Smith here regards profit purely as a surcharge, for at the end of the chapter he says:

"In reality high profits tend much more to raise the price of work than high wages" ([Garnier,] p. 199) [Vol. I, p. 162]. If, for example, the wages of all the working people in linen manufacture were to rise by twopence a day, this would only raise the price of the "piece of linen" by the number of twopences equal to the number of people employed, "multiplied by the number of days during which they had been so employed. That part of the price of the commodity which resolved itself into wages would, through all the different stages of the manufacture, rise only in arithmetical proportion to this rise of wages. But if the profits of all the different employers of those working people should be raised 5 per cent, that part of the price of the commodity which resolved itself into profit, would, through all the different stages of the manufacture, rise in geometrical proportion to this rise of the rate of profit... In raising the price of commodities the rise of wages operates in the same manner as simple interest does in the accumulation of debt. The rise of profit operates like compound interest" ([Garnier,] pp. 199-201) [Vol. I, pp. 162-64].

At the end of this chapter Adam Smith also tells us the source of the whole notion, that the price of the commodity, or its value, is

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a Smith has "rise of profit".—Ed.
made up out of the values of wages and profits—namely, the *amis du commerce,* the faithful practitioners of competition:

“Our merchants and master-manufacturers complain much of the bad effects of high wages in raising the price, and thereby lessening the sale of their goods both at home and abroad. They say nothing concerning the bad effects of high profits. They are silent [XI-557] with regard to the pernicious effects of their own gains. They complain only of those of other people” ([Garnier,] p. 201) [Vol. I, p. 164].

Chapter X [is entitled] “Of Wages and Profit in the Different Employments of Labour and Stock”. This is only concerned with detail and therefore belongs into the chapter on competition. In its way, it is very good. It is completely exoteric.  

(*Productive and unproductive labour:*

“The lottery of the law [...] is very far from being a perfectly fair lottery; and that, as well as many other liberal and honourable professions, are, in point of pecuniary gain, evidently under-recompensed” ([Garnier,] t. I, l. I, ch. X, pp. 216-17) [Vol. I, p. 175].

Similarly he says of *soldiers:*

“Their pay is less than that of common labourers, and in actual service their fatigues are much greater” ([Garnier,] t. I, l. I, ch. X, p. 223) [Vol. I, p. 180].

And of sailors in the navy:

“Though their skill and dexterity are much superior to that of almost any artificers, and though their whole life is one continual scene of hardship and danger ... their wages are not greater than those of common labourers at the port which regulates the rate of seamen’s wages” ([Garnier,] t. I, l. I, ch. X, p. 224) [Vol. I, p. 181].

Ironically:

“It would be indecent, no doubt, to compare either a curate or a chaplain with a journeyman in any common trade. The pay of a curate or chaplain, however, may very properly be considered as of the same nature with the wages of a journeyman” ([Garnier,] t. I, l. I, ch. X, p. 271) [Vol. I, p. 217].

He expressly says of “*men of letters*” that they are underpaid because of their too great numbers and he recalls that before the invention of printing, “*a scholar and a beggar*” ([Garnier,] t. I, l. I, ch. X, [p]p. 275[-277]) [Vol. I, pp. 220-21] were synonymous, and seems to apply this, in a certain sense, to men of letters.)

The chapter is full of acute observations and important comments.

“In the same society or neighbourhood, the average and ordinary rates of profit in the different employments of stock should be more nearly upon a level than the pecuniary wages of the different sorts of labour” ([Garnier,] l.c., p. 228) [Vol. I, p. 184].

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a Friends of commerce (an expression used by Fourier).—*Ed.*
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"The extent of the market, by giving employment to greater stocks, diminishes apparent profit; but by requiring supplies from a greater distance, it increases prime cost. This diminution of the one and increase of the other seem, in most cases, nearly to counterbalance one another" (in the case of such articles as bread, meat, etc.) ([Garnier, I.e., p. 232) [Vol. I, p. 187].

"In small towns and country villages, on account of the narrowness of the market, trade cannot always be extended as stock extends. In such places, therefore, though the rate of a particular person's profits may be very high, the sum or amount of them can never be very great, nor consequently that of his annual accumulation. In great towns, on the contrary, trade can be extended as stock increases, and the credit of a frugal and thriving man increases much faster than his stock. His trade is extended in proportion to the amount of both" ([Garnier,] I.e., p. 233) [Vol. I, pp. 187-88].

Regarding the false statistical presentation of wages, for instance in the 16th, 17th, etc., centuries, Adam Smith quite rightly observes that the wages here were only, for example, the wages of cottiers, who, when not occupied around their cottages or working for their masters (who gave them a house, "a small garden for pot-herbs, as much grass as will feed a cow, and, perhaps, an acre or two of bad arable land", and, when they employed them, a very poor wage)

"are said to have been willing to give their spare time for a very small recompense to anybody, and to have wrought for less wages than other labourers" ([Garnier,] p. 241) [Vol. I, p. 192]. "The daily or weekly recompense, however, seems to have been considered as the whole of it, by many writers who have collected the prices of labour and provisions in ancient times, and who have taken pleasure in representing both as wonderfully low" ([Garnier,] p. 242) [Vol. I, pp. 193-94].

He makes the altogether true observation that:

"this equality in the whole of the advantages and disadvantages of the different employments of labour and stock, can take place only in such as are the sole or principal employments of those who occupy them" ([Garnier,] p. 240) [Vol. I, p. 192].

This point, incidentally, has already been quite well set forth by Steuart, particularly in relation to agricultural wages—as soon as time becomes precious.146

[XI-558] With regard to the accumulation of capital in the towns during the Middle Ages, Adam Smith very correctly notes in this chapter that it was principally due to the exploitation of the country (by trade as well as by manufacture). (There were in addition the usurers and even haute finance; in short, the money merchants.)

"In consequence of such regulations" [i.e., regulations made by the guilds], "indeed, each class" (within the town corporate) "was obliged to buy the goods they had occasion for from every other within the town, somewhat dearer than they otherwise might have done. But in recompense, they were enabled to sell their own just as much dearer; so that so far it was as broad as long, as they say; and in the
dealing of the different classes within the town with one another, none of them were losers by these regulations. But in their dealings with the country they were all great gainers; and in these latter dealings consists the whole trade which supports and enriches every town. Every town draws its whole subsistence, and all the materials of its industry, from the country. It pays for these chiefly in two ways: first, by sending back to the country a part of those materials wrought up and manufactured; in which case their price is augmented by the wages of the workmen, and the profits of their masters or immediate employers; secondly, by sending to it a part both of the rude and manufactured produce, either of other countries, or of distant parts of the same country, imported into the town; in which case too the original price of those goods is augmented by the wages of the carriers or sailors, and by the profits of the merchants who employ them. In what is gained upon the first of those two branches of commerce, consists the advantage which the town makes by its manufactures; in what is gained upon the second, the advantage of its inland and foreign trade. The wages of the workmen, and the profits of their different employers, make up the whole of what is gained upon both. Whatever regulations, therefore, tend to increase those wages and profits beyond what they otherwise would be, tend to enable the town to purchase, with a smaller quantity of its labour, the produce of a greater quantity of the labour of the country."

//Here, therefore,—[Garnier,] t. I, 1. I, ch. X, p[p. 258-]259 [Vol. I, pp. 206-07]—Adam Smith returns to the correct determination of value, the determination of value by the quantity of labour. This should be quoted as an example when dealing with his theory of surplus value. If the prices of the commodities which are exchanged between town and country are such that they represent equal quantities of labour, then they are equal to their values. Profit and wages on both sides of the exchange cannot, therefore, determine these values, but the division of these values determines profit and wages. That is why Adam Smith finds that the town, which exchanges a smaller quantity of labour against a greater quantity of labour from the countryside, draws excess profit and excess wages compared with the country. This would not be the case if it did not sell its commodities to the country for more than their value. In that case "profits and wages" would not increase "beyond what they otherwise would be". If, therefore, profits and wages are at their natural level, then they do not determine the value of the commodity, but are determined by it. Profit and wages can then only arise from a division of the given value of the commodity which is posited in advance of them; but this value cannot be posited by, cannot result from, profits and wages which are themselves posited in advance of the value.//

"They give the traders and artificers in the town an advantage over the landlords, farmers, and labourers in the country, and break down that natural equality which would otherwise take place in the commerce which is carried on between them. The whole annual produce of the labour of the society is annually divided between those two different sets of people. By means of those" (town) "regulations a greater share of it is given to the inhabitants of the town than would otherwise fall
The price which the town really pays for the provisions and materials annually imported into it, is the quantity of manufactures and other goods annually exported from it. *The dearer the latter are sold, the cheaper the former are bought.* The industry of the town becomes more, and that of the country less advantageous" ([Garnier,] pp. 258-60) [Vol. I, p. 207].

Thus, according to Smith's presentation of the matter, if the commodities of the town and those of the country were sold in proportion to the *quantity of labour* which they each contain, then they would be sold at their *values*, and consequently the profit and wages on both sides of the exchange could not determine *these values*, but would be determined by them. The levelling out of profits—which vary because of the varying organic composition of capitals—does not concern us here, since it does not lead to differences between profits, but equalises them.

[XI-559] "The inhabitants of a town, being *collected into one place*, can easily combine together. The most insignificant trades carried on in towns have accordingly, in some place or other, *been incorporated*" ([Garnier,] p. 261) [Vol. I, p. 208]. "The inhabitants of the country, dispersed in distant places, cannot easily combine together. They have not only never been incorporated, but the corporation spirit never has prevailed among them. No apprenticeship has ever been thought necessary to qualify for husbandry, the great trade of the country" ([Garnier,] p. 262) [Vol. I, p. 209].

*In this connection* Smith comes to speak of the disadvantages of the "division of labour". The farmer practises a trade requiring more intelligence than the manufacturing worker, who is subject to the division of labour.

"The direction of operations, besides, which must be varied with every change of the weather, as well as with many other accidents, requires much more judgment and discretion than that of those which are always the same or very nearly the same" ([Garnier,] p. 263) [Vol. I, p. 210].

The division of labour develops the *social* productive power of labour or the productive power of *social* labour, but at the expense of the *general productive ability* of the worker. This increase in *social productive power* confronts the worker therefore as an increased productive power, not of *his* labour, but of *capital*, the force that dominates his labour. If the town labourer is more developed than the country labourer, this is only due to the circumstance that his mode of work causes him to live in *society*, whereas that of the agricultural labourer makes him live directly with *nature*.

"The superiority which the industry of the towns has everywhere in Europe over that of the country, is not altogether owing to corporations and corporation laws. It is supported by many other regulations. *The high duties* upon foreign manufactures and upon all goods imported by alien merchants, all tend to the same purpose" ([Garnier,] p. 265) [Vol. I, p. 212]. These "regulations secure..."
This is an act, no longer of the town bourgeoisie, but of the bourgeoisie already legislating on a national scale as the *corps de nation* or as the Third Estate of the State Assembly or the Lower House. The specific acts of the town bourgeoisie—directed against the country—are the excise and duties levied at the gates, and, in general, the indirect taxes, which have their origin in the towns (see Hüllmann*), while the direct taxes are of country origin. It might appear that the excise, for example, is a tax which the town imposes indirectly upon itself. The countryman must advance it, but reimburses himself in the price of the product. But this was not the case in the Middle Ages. The demand for his products—in so far as he converted these into commodities and money at all—[was, in so far as it came] from the town, mostly compulsorily restricted to the area under the jurisdiction of the town, so that he did not have the power to raise the price of his product by the full amount of the town tax.

"In Great Britain the superiority of the industry of the towns over that of the country, seems to have been greater formerly than in the present times. The wages of country labour approach nearer to those of manufacturing labour, and the profits of stock employed in agriculture to those of trading and manufacturing stock, than they are said to have done in the last century" (the 17th), "or in the beginning of the present" (the 18th). "This change may be regarded as the necessary, though very late consequence of the extraordinary encouragement given to the industry of the towns. The stock accumulated in them comes in time to be so great, that it can no longer be employed with the ancient profit in that species of industry which is peculiar to them. That industry has its limits like every other; and the increase of stock, by increasing the competition, necessarily reduces the profit. The lowering of profit in the town forces out stock to the country, where, by creating a new demand for country labour, it necessarily raises its wages. It then spreads itself, if I may say so, over the face of the land, and by being employed in agriculture is in part restored to the country, at the expense of which, in a great measure, it had originally been accumulated in the town" ([Garnier,] pp. 266-67) [Vol. I, pp. 213-14].

In *Chapter XI* of *Book I*, Smith then seeks to determine the *natural rate of rent*, the 3rd element which constitutes the value of the commodity. We shall postpone consideration of this and first return again to Ricardo.\(^a\)

This much is clear from the foregoing: When Adam Smith identifies the *natural price* or *cost price of the commodity with its value*, he does so after first abandoning his correct conception of *value*, and substituting for it the view which is evoked by and arises from


\(^b\) See this volume, p. 551 et seq.—Ed.
the phenomena of competition. In competition, the *cost price* and not the *value* appears as the regulator of the *market prices*—so to speak, as the *immanent price*, the value of the commodity. But in competition this cost price appears to be represented by the given average rate of wages, profit and rent. Hence Adam Smith tries to establish these separately and independently of the *value* of the commodity—rather as elements of the *natural price*. Ricardo, whose main concern has been the refutation of this Smithian [XI-560] **aberration**, accepts the result that *necessarily* follows from it—namely the *identity of values and cost prices*—although with Ricardo this result is logically *impossible*.

**RICARDO'S THEORY OF RENT**

The main points were dealt with when discussing Rodbertus. Just a few more gleanings here.

Firstly, some comments on the historical aspect:

Ricardo was first of all concerned with the period 1770-1815, which came approximately within his own experience, and during which wheat prices were constantly rising. Anderson [on the other hand] was concerned with the 18th century, at the close of which he was writing. During the first half of that century [wheat prices] were falling and during the second half they were rising. Hence for Anderson, the law he discovered was in no way connected with a diminishing *productivity of agriculture* or a normal // for Anderson an unnatural// rise in the price of the product. For Ricardo however such a connection existed. Anderson believed that the abolition of the corn laws (at that time export premiums) caused the rise in prices during the 2nd half of the 18th century.147 Ricardo knew that the introduction of corn laws (1815) was intended to prevent the fall in prices, and *to a certain degree was bound to do so*. With regard to the latter [it was] therefore necessary to point out that, if left to itself, the law of rent—within *a definite territory*—was bound to result in recourse to less fertile land, thus leading to dearer agricultural products and increased rent at the cost of industry and the mass of the population. And here Ricardo was right, both historically and in practice. Anderson on the other hand [maintained] that corn laws (and he also favours a **duty on imports**) must further the even development of agriculture within a *definite territory* and that for this even development agriculture needs security. Consequently he [maintained] that this *progressive development in itself*—through the law of
rent he discovered—would lead to increased productivity in agriculture and thereby to a fall in the average prices of agricultural produce.

Both of them, however, start out from the viewpoint which, on the Continent, seems so strange: 1. That there is no landed property to shackle any desired investment of capital in land. 2. That expansion takes place from better land to worse (this process is absolute for Ricardo, provided one leaves out of account the interruptions caused by the response of science and industry; for Anderson the worse land is in turn transformed into better land and so it is relative). 3. That a sufficient amount of capital is always available for investment in agriculture.

Now so far as 1. and 2. are concerned, it must seem very odd to the continentals, that in the country in which, according to their conception, feudal landed property has maintained itself most stubbornly, the economists, Anderson as well as Ricardo, start out from the conception that no landed property exists. The explanation for this is:

firstly: the peculiarity of the English "Law of Enclosures", which is in no way analogous with the continental portioning out of common land;

secondly: nowhere in the world has capitalist production, since Henry VII, dealt so ruthlessly with the traditional relations of agriculture, adapting and subordinating the conditions to its own requirements. In this respect England is the most revolutionary country in the world. Wherever the conditions handed down from history were at variance with, or did not correspond to, the requirements of capitalist production on the land, they were ruthlessly swept away; this applies not only to the position of the village communities but to the village communities themselves, not only to the habitats of the agricultural population but to the agricultural population itself, not only to the original centres of cultivation, but to cultivation itself. The German, for example, meets with economic relations that are determined by traditional circumstances such as land boundaries, the position of the economic centres, given conglomerations of the population. The Englishman meets with historical conditions of agriculture which have been progressively created by capital since the end of the 15th century. "Clearing of estates", a technical term [well known] in the United Kingdom, will not be found in any continental country. But what is the meaning of this "clearing of estates"? It means that without any consideration for the local inhabitants, who are driven away, for existing village communities, which are obliterated, for
agricultural buildings, which are torn down, for the type of agriculture, which is transformed in one fell swoop, for instance, arable land converted into grazing pasture—none of the conditions of production are accepted as they have traditionally existed but are historically transformed in such a way that, under the circumstances, they will provide the most profitable investment for capital. To that extent, therefore, no landed property exists; it gives capital—i.e., the farmer—full scope, since it is only concerned with monetary income. A Pomeranian landowner, therefore, with his head full of ancestral land boundaries, economic centres and boards of agriculture, etc., may well be amazed by Ricardo's "unhistorical" view of the development of conditions in agriculture. This shows merely that he naively confuses Pomeranian conditions with those prevailing in England. But it cannot be said that Ricardo, who in this case starts from the conditions in England, is just as narrow-minded as the Pomeranian landowner, who can think only in terms of Pomeranian conditions. English conditions are the only ones in which modern landownership, i.e., landownership which has been modified by capitalist production, has been adequately developed. For the modern—the capitalist—mode of production, the English view is here the classical view. The Pomeranian, on the other hand, judges the developed relations from a historically lower and as yet inadequate form.

Indeed, most of Ricardo's continental critics even take as their starting-point conditions in which the capitalist mode of production, adequate or inadequate, does not as yet exist at all. It is as if a guild-master wanted, lock, stock and barrel, to apply Adam Smith's laws—which presuppose free competition—to his guild economy.

The presupposition of the movement from better to worse land—relatively to the particular stage in the development of the productive power of labour as with Anderson, and not absolutely as with Ricardo—could only arise in a country such as England, where within a relatively very small territory capital has farmed so ruthlessly and has for centuries mercilessly sought to adapt to its own needs all traditional relationships of agriculture. Thus it [the presupposition] could only arise where, unlike the Continent, capitalist production in agriculture does not date from yesterday and does not have to fight against old traditions.

A second factor influencing the English was the knowledge they

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*a* An allusion to Rodbertus.—*Ed.*

*b* Marx presumably meant Bastiat, Rodbertus, Say, List, Cherbuliez and others.—*Ed.*
gained through their colonies. We have seen that Adam Smith's work— with direct reference to the colonies— already contains the basis for the entire Ricardian viewpoint. In these colonies, and especially in those which produced only merchandise such as tobacco, cotton, sugar, etc., and not the usual foodstuffs, where, right from the start, the colonists did not seek subsistence but set up a business, fertility was of course decisive, given the situation [of the land], and given the fertility, the situation of the land was decisive. They did not act like the Teutons, who settled in Germany in order to make their home there, but like people who, driven by motives of bourgeois production, wanted to produce commodities, and their point of view was, from the outset, determined not by the product but by the sale of the product. That Ricardo and other English writers transferred this point of view—which emanated from people who were themselves already the product of the capitalist mode of production—from the colonies to the course of world history and that they took the capitalist mode of production as a priori for agriculture in general, as it was for their colonists, is due to the fact that they saw in these colonies, only in a more obvious form, without the fight against traditional relations, and therefore untempered, the same domination of capitalist production in agriculture as hits the eye everywhere in their own country. Hence, if a German professor or landowner— belonging to a country which differs from all others in its complete lack of colonies—considers such a view to be "false", then this is quite understandable.

Finally the presupposition of a continuous flow of capital from one trade into another, this basic assumption of Ricardo's, amounts to nothing more than the assumption that developed capitalist production predominates. Where this domination is not yet established, this presupposition does not exist. For instance, a Pomeranian landowner will find it strange that neither Ricardo nor indeed any English writer ever suspects that agriculture might lack capital. The Englishman does, indeed, complain of lack of land in proportion to capital, but jamais of a lack of capital in proportion to the land. Wakefield, Chalmers, etc., try to explain the fall in the rate of profit from the former circumstance. The latter does not exist for any English writer; Corbet notes as a self-explanatory fact that capital is always redundant in all trades. On the other hand, bearing in mind the situation in Germany, the

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a See this volume, pp. 449-50.—Ed.
b Premiss.—Ed.
c Never.—Ed.
landowner’s difficulties in borrowing money—because mostly it is the landowner himself who cultivates the land and not a capitalist class which is quite independent of him—it is understandable that Mr. Rodbertus, for example (p. 211), is surprised at “the Ricardo fiction, that the supply of capital is regulated by the desire to invest it.” What the Englishman lacks is a “field of action”, opportunity for investment of the available stock of capital. But a “desire for capital” to “invest”, on the part of the only class which has capital to invest—the capitalist class—this does not exist in England.

[XI-562] This “desire for capital” is Pomeranian.

The objection made by English writers against Ricardo was not that capital was not available in any desired quantity for particular investments, but that the return flow of capital from agriculture encountered specific technical, etc., obstacles.

This kind of critical-continental censoriousness of Ricardo, therefore, only shows the lower stage in the conditions of production from which these “sages” start out.

Now to the matter in hand.

In the first place, in order to isolate the problem, we must leave aside entirely differential rent, which alone exists for Ricardo. By differential rent I understand the difference in the magnitude of rent—the greater or smaller rent which is due to the different fertility of the various types of land. (Given equal fertility, differential rent can only arise from differences in the amounts of capital invested. This case does not exist for our problem and does not affect it.) This differential rent merely corresponds to the excess profits which, given the market price or, more correctly, the market value, will be made in every branch of industry, for example cotton spinning, by that capitalist whose conditions of production are better than the average conditions of this particular trade. For the value of the commodity of a particular sphere of production is determined, not by the quantity of labour which the individual commodity costs, but by the quantity which the commodity costs that is produced under the average conditions of the sphere. Manufacture and agriculture only differ from one another here in that in the one, the excess profits fall into the pocket of the capitalist himself, whereas in the other they are pocketed by the landowner, and furthermore, that in the former they are fluid, they are not lasting, are made by this capitalist or that, and always

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disappear again, while in the latter they become fixed because of their enduring (at least for a long period) natural basis in the variations in the land.

This differential rent must therefore be left out of account, but it should be noted that it may exist not only when a movement from better to inferior land takes place but also from inferior to better land. In both cases the only requirement is that the newly cultivated land is necessary but at the same time only just sufficient to satisfy the additional demand. If the newly cultivated, better land were more than sufficient to satisfy the additional demand then, according to the volume of the additional demand, part or all of the inferior land would be thrown out of cultivation or, at any rate, out of cultivation of that product which forms the basis of the agricultural rent, i.e., in England of wheat and in India of rice. Thus differential rent does not presuppose a progressive deterioration of agriculture, but can equally well spring from a progressive improvement in it. Even where it presupposes the descent to worse types of land, firstly this descent may be due to an improvement in the productive forces of agriculture, in that the cultivation of the worse land, at the price which is set by demand, is only made possible by greater productive power. Secondly, the worse land can be improved; the differences will nevertheless remain, although they will become smaller, so that as a result there is only a relative, comparative decrease in productivity—whereas absolute productivity increases. This was in fact the presupposition made by Anderson, the original author of the Ricardian law.

Then, in the second instance, only the agricultural rent in the strict sense should be considered here, in other words the rent of the land which supplies the chief vegetable foods. Smith has already explained that the rents of land which supplies the other products, such as stock-raising, etc., are determined by that rent; that they are themselves derived, determined by the law of rent and not determining it. In themselves therefore these rents do not furnish any useful material for the understanding of the law of rent in its original, pure condition: There is nothing primary about them.

This settled, the question is reduced to the following: Does an absolute rent exist? That is, a rent which arises from the fact that capital is invested in agriculture rather than manufacture; a rent which is quite independent of differential rent or excess profits which are yielded by capital invested in better land?

It is clear that Ricardo correctly answers this question in the negative, since he starts from the false assumption that values and average prices of commodities are identical. If this were the case, it
would be a tautology to say that the price of agricultural products is *above* their *cost price*—when [XI-563] the constant price of agricultural products yields, beyond the average profits, also an *extra rent*, a constant surplus over and above the average profit—for this cost price equals the advances + the average profit and nothing else. Were the prices of agricultural products to stand *above* their cost prices, and always to yield an excess profit, they would consequently stand *above* their value. There would be no alternative but to assume that agricultural products are perpetually sold *above* their value, which, however, equally presupposes that all other products are sold *below* their value, or that value in general is something quite different from that which the theory requires it to be. Taking into account all compensations which take place between the different capitals owing to differences arising from the process of circulation, *the same quantity of labour* (immediate and accumulated) would produce a *higher* value in agriculture than in manufacture. The value of the commodity would therefore *not* be determined by the quantity of labour contained in it. The whole foundation of political economy would thus be thrown overboard. *Ergo*, Ricardo rightly concludes: *No absolute rents*. Only differential rent is possible; in other words the price of the agricultural product grown on the worst land equals the *cost price* of the product, as [with] every other commodity, [this is equal to its] value. The capital invested in the worst land differs from capital invested in manufacture only by *the type of investment*, by its being a particular species of investment. Here therefore the universal validity of the law of value becomes apparent. *Differential rent*—and this is the sole rent—on better land—is nothing but the excess profit yielded by capitals employed in above-average conditions owing to the [establishment of] *one identical market value* in *every* sphere of production. This excess profit consolidates itself only in agriculture because of its *natural basis* and, furthermore, the excess profit flows not into the pocket of the capitalist but into that of the landowner since it is the *landowner* who represents this natural basis.

The entire argument collapses together with Ricardo's assumption, that *cost price=value*. The *theoretical interest* which forces him into a denial of absolute rent disappears. If the value of the commodities differs from their cost price, then they necessarily fall into 3 categories. In the first category, cost price=the value of the commodity, in the second, the value is *below* its cost price and in the 3rd, it is *above* its cost price. The fact, therefore, that the *price* of the agricultural product yields a rent, only shows that the
agricultural product belongs to that group of commodities whose value is above their cost price. The only remaining problem requiring solution would be: why, in contrast to other commodities whose value is also above their cost price, competition between capitals does not reduce the value of agricultural products to their cost price. The question already contains the answer. Because, according to the presupposition, this can only happen in so far as the competition between capitals is able to effect such an equalisation, and this in turn can only occur to the extent that all the conditions of production are either directly created by capital or are equally—elementally—at its disposal as if it had created them. With land this is not the case, because landed property exists and capitalist production starts its career on the presupposition of landed property, which is not its own creation, but which was there before it. The mere existence of landed property thus answers the question. All that capital can do is to subject agriculture to the conditions of capitalist production. But the latter cannot deprive landed property of its hold on that part of the agricultural product which capital could appropriate—not through its own action—but only on the assumption of the non-existence of landed property. Since landed property exists, capital must however leave the excess of value over cost price to the landowner. But this difference [between value and cost price] itself only arises from a difference in the composition of the organic component parts of capital. All commodities whose value, in accordance with this organic composition, is above the cost price, thereby show that [the labour expended on them is] relatively less productive than that expended on the commodities whose value is the cost price and even less productive than that expended on the commodities whose value is below the cost price; for they require a greater quantity of immediate labour in proportion to the past labour contained in the constant capital; they require more labour in order to set in motion a definite capital. This is a historical difference and can therefore disappear. The same chain of reasoning which demonstrates the possibility of the existence of absolute rent, shows its reality, its existence, as a purely historical fact, which belongs to a certain stage of development of agriculture and which may disappear at a higher stage.

Ricardo explained differential rent from an absolute decrease in productivity in agriculture. Differential rent does not presuppose this, nor does Anderson make this assumption. On the other hand Ricardo denies the existence of absolute rent because he [XI-564] assumes the organic composition of capital to be the same in industry
and agriculture and so denies the purely historical fact of the lower development of the productive power of labour in agriculture as compared with manufacture. Hence he falls into a twofold historical error: On the one hand, he assumes that the productivity of labour in agriculture is absolutely the same as in industry, thus denying a purely historical difference in their actual stage of development. On the other hand, he assumes an absolute decrease in the productivity of agriculture and regards this as its law of development. He does the one in order to make cost price on the worst land equal value and he does the other in order to explain the differences between the prices [of the products] of the better kinds of land and their values. The whole blunder originates in the confusion of cost price with value.

Thus the Ricardian theory is disposed of. The rest was dealt with earlier, in the chapter on Rodbertus.

I have already indicated that Ricardo opens the chapter by stating that it is necessary to examine "whether the appropriation of land, and the consequent creation of rent" (p. 53) do not interfere with the determination of value by labour time. And he says later:

*"Adam Smith ... cannot be correct in supposing that the original rule which regulated the exchangeable value of commodities, namely, the comparative quantity of labour by which they were produced, can be at all altered by the appropriation of land and the payment of rent"* ([p.] 67).

This direct and conscious connection which Ricardo’s theory of rent has with the determination of value is its theoretical merit. Apart from that this Chapter II “On Rent” is rather inferior to West’s exposition. It contains much that is queer, petitio principii and unfair dealing with the problem.

Actual agricultural rent, which Ricardo justifiably here treats as rent ἕξοχτιν, is that which is paid for the permission to invest capital, to produce capitalistically, in the element land. Here land is the element of production. This does not apply, for example, to rent for buildings, waterfalls, etc. The powers of nature which are paid for in these cases enter into production as a condition, be it as productive power or as sine qua non, but they are not the element in which this particular branch of production is carried on. Again, in rents for mines, coal-mines, etc., the earth is the reservoir, from whose bowels the use values are to be torn. In this case payment is made for the land, not because it is the element in which

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a See this volume, p. 394.—Ed.
b A logical fallacy in which a premiss is assumed to be true without justification.—Ed.
c Proper.—Ed.
production is to take place, as in agriculture, not because it enters into production as one of the conditions of production, as in the case of the waterfall or the building site, but because it is a reservoir containing the use values, which are to be got hold of through industry.

Ricardo's explanation that:

* "Rent is that portion of the produce of the earth, which is paid to the landlord for the use of the original and indestructible powers of the soil"* ([p.] 53)

is poor. Firstly, the soil has no "indestructible powers". (A note on this is to follow at the end of this chapter.) Secondly, it has no "original" powers either, since the land is in no way "original", but rather the product of an historical and natural process. But passons ça. By "original" powers of the land we understand here those, which it possesses independently of the action of human industry, although, on the other hand, the powers given to it by human industry, become just as much its original powers as those given to it by the process of nature. Apart from this, it is correct to say that rent is a payment for the "use" of natural things, irrespective of whether it is for the use of the "original powers" of the soil or of the power of the waterfall or of land for building or of the treasures to be found in the water or in the bowels of the earth.

As distinct from the agricultural rent proper, Adam Smith (says Ricardo) speaks of the rent paid for wood from virgin forests, rent of coal-mines and of stone-quarries. The way in which Ricardo disposes of this is rather strange.

He begins by saying that the rent of land must not be confused with the interest and profit of capital ([p.] 53), that is:

* "capital employed in ameliorating the quality of the land, and in erecting such buildings as were necessary to secure and preserve the produce"* ([p.] 54).

From this he immediately [passes on] to the above-mentioned examples from Adam Smith. With regard to virgin forests:

* "Is it not, however, evident, that the person who paid what he" (Smith) "calls rent, paid it in consideration of the valuable commodity which was then standing on the land, and that he actually repaid himself with a profit, by the sale of timber?"* ([p.] 54.)

Similarly with the stone-quarries and coal-mines.

* "The compensation for the [XI-565] mine or quarry, is paid for the value of the coal or stone which can be removed from them, and has no connection with the original and indestructible powers of the land. This is a distinction of great importance, in an enquiry concerning rent and profits; for it is found, that the laws

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a Let that pass.—Ed.
which regulate the progress of rent, are widely different from those which regulate
the progress of profits, and seldom operate in the same direction.”* ([pp.] 54-55).

This is very strange logic. One must distinguish rent paid to the
owner of the land for the use of the original and “indestructible
powers of the soil” from the interest and profit which is paid to him
for the capital he has invested in ameliorating the land, etc. The
“compensation” which is paid to the owner of naturally-grown
forests for the right to “remove” wood, or to the owner of
stone-quarries and coal-mines for the right to “remove” stones and coal,
is not rent, because it is not a payment for the “use of the original
and indestructible powers of the soil”. Very well! But Ricardo argues as
though this “compensation” were the same as the profit and interest
which are paid for capital invested in ameliorations of the land. But
this is wrong. Has the owner of a “virgin forest” invested “capital”
in it so that it may bear “wood” or has the owner of stone-quarries
and coal-mines invested “capital” in these, so that they may
contain “stones” and “coal”? Whence, therefore, his “compensa-
tion”? It is by no means—as Ricardo tries to make out—profit or
interest of capital. Therefore it is “rent” and nothing else, even if it
is not rent as defined by Ricardo. But this only shows that his
definition of rent excludes those forms of it where the “compensa-
tion” is paid for mere natural things, in which no human labour is
embodied, and where it is paid to the owner of these natural
things only because he is the “owner”, the owner of land, whether
this consists of soil, forest, fish pond, waterfall, building land or
anything else. But, says Ricardo, the man who paid for the right to
fell trees in the virgin forest, paid “in consideration of the valuable
commodity which was then standing on the land, and actually repaid himself
with a profit, by the sale of the timber”. Stop! When Ricardo here calls
the wood, i.e., the trees “standing on the land” in the virgin forest a
“valuable commodity”, then this means only that it is δυνάμεια by a use
value. And this use value is expressed here in the word “valuable”. But
it is not a “commodity”. Because for this it would, at the same
time, have to be exchange value, in other words, the realisation of a
certain quantity of labour expended upon it. It only becomes a commodity
by being separated from the virgin forest, by being felled, removed
and transported—by being transformed from wood into timber. Or
does it only become a commodity by the fact it is sold? Then arable
land too becomes a commodity by the mere act of selling?

Then we would have to say: rent is the price paid to the owner of

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a D. Ricardo, On the Principles of Political Economy..., third edition, London,
1821, p. 54.—Ed.
b Potentially.—Ed.
NATURAL FORCES OR MERE PRODUCTS OF NATURE FOR THE RIGHT OF USING THOSE FORCES OR APPROPRIATING (BY LABOUR) THOSE PRODUCTS. This is in fact the form in which ALL RENT appears originally. But then the question remains to be solved, how things which have no VALUE can have a PRICE and how this is compatible with the general theory of VALUES. The question: for what purpose does the man pay "A COMPENSATION" for the right to remove wood from the land upon which it stands, has nothing to do with the real question. The question is: from what fund does he pay? Well, says Ricardo, "BY THE SALE OF THE TIMBER". That is, out of the price of the timber. And furthermore, this price was such that, as Ricardo says, THE MAN "ACTUALLY REPAID HIMSELF WITH A PROFIT".

Now we know where we are. The price of the timber must at any rate equal the sum of money REPRESENTING THE QUANTITY OF LABOUR NECESSARY TO FELL THE TIMBER, TO REMOVE IT, TO TRANSPORT IT, TO BRING IT TO MARKET. Now is the profit with which the man "repays" himself, an addition over and above this value, this exchange value just imparted to the timber through the LABOUR EXPENDED UPON IT? If Ricardo said this then he would fall into the crudest conception, far beneath his own doctrine. No. Given that the man was a capitalist, the profit is part of the labour he employed in the production of the "timber", the part for which he did not pay; and the man would have made the same profit, if he had set in motion the same MASS OF LABOUR, shall we say, in COTTON SPINNING. (If the man is not a capitalist, then the profit=that quantity of his labour which he exerts beyond that which is necessary to cover his wages, and which would have constituted the profit of the capitalist, had a capitalist employed him, but which now constitutes his own profit because he is his own wage labourer and his own capitalist in one and the same person.) But here we come to the UGLY WORD that this timber man "ACTUALLY REPAID HIMSELF WITH A PROFIT". This gives the whole transaction a very ordinary look and corresponds to the crude manner of thinking which this capitalist, who REMOVES timber, may himself have of the source of his profit. First he pays the owner of the virgin forest for the use value of wood, which, however, has no "value" (VALUE IN EXCHANGE) and which, so long as it "STANDS UPON THE LAND", has not even a use value. He may pay him £5 per ton. And then he sells the same wood to the public (setting aside his other costs) at £6 and so actually pays back to himself the £5 with a profit of 20%. [He] "ACTUALLY REPAID HIMSELF WITH A PROFIT". If the owner of the forest had only demanded "COMPENSATION" of £2 (40s.), then the timber man would have sold the ton at £2 8s.

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a In the manuscript this English word is given after its German equivalent.—Ed.
instead of at £6. [XI-566] Since he always adds the same rate of profit, the price of timber would be high or low here because the rent is high or low. The latter would enter into the price as a constituent part but would in no way be the result of the price. Whether the "rent"—compensation—is paid to the owner of the land for the use of the "power" of the land or for the "use" of the "natural products" of the land, in no way alters the economic relations, in no way alters the fact that money is paid for "a natural thing" (power or produce of the earth) upon which no previous human labour has been spent. And thus on the 2nd page of his chapter "On rent" Ricardo would have overthrown his whole theory in order to avoid a difficulty. It would appear that Adam Smith was a great deal more far-sighted here.

The same case with the stone-quarries and coal-mines.

*"The compensation given for the mine or quarry, is paid for the value of the coal or stone which can be removed from them, and has no connection with the original and indestructible powers of the land"* ([pp.] 54-55).

No! But there is a very significant connection with the "original and destructible products of the soil". The word "value" is just as ugly here as the phrase "repaid himself with a profit" was above.

Ricardo never uses the word value for utility or usefulness or "value in use". Does he therefore mean to say that the "compensation" is paid to the owner of the quarries and coal-mines for the "value" the coal and stone have before they are removed from the quarry and the mine—in their original state? Then he invalidates his entire doctrine of value. Or does value mean here, as it must do, the possible use value and hence also the prospective exchange value of coal and stone? Then it means nothing but that their owner is paid rent for the permission to use the "original composition of the soil" for the production of coal and stones. And it is absolutely incomprehensible why this should not be called "rent", in the same way as if the permission were given to use the "powers" of the land for the production of wheat. Or we end up again with the annulment of the whole theory of rent, as explained in connection with wood. According to the correct theory, there are no difficulties involved here at all. The labour, or capital, employed in the "production"//not reproduction// of wood, coal or stone (this labour, it is true, does not create these natural products, but separates them from their elementary connection with the earth and so "produces" them as usable wood, coal or stone) evidently belongs to those spheres of production in which the part of capital laid out in wages is greater than that laid out in constant capital, the direct labour is greater than the "past" labour
the result of which serves as a means of production. If, therefore, the commodity is sold at its value here, then this value will be above its cost price, i.e., the wear and tear of the instruments of labour, the wages, and the average profit. The excess can thus be paid as rent to the owner of forest, quarry or coal-mine.

But why these clumsy manoeuvres of Ricardo’s, such as the wrong use of value, etc.? Why this clinging to the explanation of rent as a payment for the use of the “original and indestructible powers of the land”? Perhaps the answer will emerge later. In any case, he wants to distinguish, to mention specifically, the agricultural rent in the strict sense and at the same time to open the way for differential rent, by saying that payment for this elementary power can only be made in so far as it develops different degrees of power.

A further comment on the above: Supposing more productive or better situated coal-mines and stone-quarries were discovered, so that, with the same quantity of labour, they yielded a larger product than the older ones, and indeed so large a product that it covered the entire demand. Then the value and therefore the price of coal, stones, timber, would fall and as a result the old coal-mines and stone-quarries would have to be closed. They would yield neither profit, nor wages, nor rent. Nevertheless, the new ones would yield rent just as the old ones did previously although less (at a lower rate). For every increase in the productivity of labour reduces the amount of capital laid out [in] wages, in proportion to the constant capital which is in this case laid out in tools. Is this correct? Does this also apply here, where the change in the productivity of labour does not arise from a change in the mode of production itself, but from the natural fertility of the coal-mine or the stone-quarry, or from their situations? One can only say here that in this case the same quantity of capital yields more tons of coal or stone and that therefore each individual ton contains less labour; the total tonnage, however, contains as much as, or even more [labour], if the new mines or quarries satisfy not only the old demand supplied by the old mines and quarries, but also an additional demand, and, moreover, an additional demand which is greater than the difference between the fertility of the old and that of the new mines and quarries. But this would not alter the organic composition of the capital employed. It would be true to say that the price of a ton, an individual ton, contained less rent, but only because altogether it contained less labour, hence also less

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Marx crossed out and then restored the part of the sentence from the words “and indeed...” to the end.—Ed.
wages and less profit. The proportion of the rate of rent to profit would, however, not be affected by this. Hence we can [XI-567] only say the following:

If demand remains the same, if, therefore, the same quantity of coal and stone is to be produced as before, then less capital is employed now in the new richer mines and quarries than before, in the old ones, in order to produce the same mass of commodities. The total value of the latter thus falls, hence also the total amount of rent, profit, wages and constant capital employed. But the proportions of rent and profit change no more than those of profit and wages or of profit and the capital laid out, because there has been no organic change in the capital employed. Only the size and not the composition of the capital employed has changed, hence neither has the mode of production.

If there is an additional demand to be satisfied, an additional demand moreover that equals the difference in fertility between the new and the old mines and quarries, then the same amount of capital will be used now as previously. The value of the individual ton falls. But the total tonnage has the same value as before. As regards the individual ton, the size of the portions of value which resolve into profit and rent decreased together with the value it contained. But since the amount of capital has remained the same and with it the total value of its product and no organic change has taken place in its composition, the absolute amount of rent and profit has remained the same.

If the additional demand is so great that with the same capital investment it is not covered by the difference in fertility between the new and the old mines and quarries, then additional capital will have to be employed in the new mines. In this case—provided the growth of the total capital invested is not accompanied by a change in the division of labour, the application of machinery, in other words provided there is no change in the organic composition of the capital—the amount of rent and profit grows because the value of the total product grows, the value of the total tonnage, although the value of each individual ton falls and therefore also that part of its value which resolves into rent and profit.

In all these instances, there is no change in the rate of rent, because there is no change in the organic composition of the capital employed (however much its magnitude may alter). If, on the other hand, the change arose out of such a change—i.e., from a decrease in the amount of capital laid out in wages as compared with that laid out in machinery, etc., so that the mode of production itself is altered—then the rate of rent would fall, because the difference
between the cost price and the value of the commodity would have
decreased. In the 3 cases considered above, this does not decrease.
For though the value falls, the cost price of the individual
commodity falls likewise, in that less labour has been EXPENDED UPON IT,
LESS PAID + UNPAID LABOUR.

Accordingly, therefore, when the greater productivity of labour,
or the lower value of a CERTAIN MEASURE OF COMMODITIES PRODUCED, arises
only from a CHANGE in the PRODUCTIVITY of the NATURAL ELEMENTS, from
the difference between the NATURAL DEGREE OF FERTILITY OF SOILS, MINES,
QUARRIES etc., then the AMOUNT OF RENT may fall because, under the
altered conditions, A LESS[ER] QUANTITY OF CAPITAL IS EMPLOYED; it may
remain constant if there is an ADDITIONAL DEMAND; it may grow, if the
ADDITIONAL DEMAND is greater than the difference in productivity
between the previously employed and the newly employed NATURAL
AGENCIES. The rate of rent, however,'could only grow with a CHANGE
IN THE ORGANIC COMPOSITION OF THE CAPITAL EMPLOYED.

Thus the AMOUNT OF RENT does not necessarily fall if the worse SOIL,
QUARRY, COAL-MINE etc. is abandoned. The rate of rent, moreover, can
never fall if this abandoning is purely the result of lesser natural
fertility.

Ricardo distorts the correct idea, that in this case, depending on
the STATE OF DEMAND, the AMOUNT OF RENT may fall, in other words
depending upon whether the amount of capital employed decreases,
remains the same or grows; he confuses it with the fundamentally
wrong idea, that the RATE OF RENT must fall, which is an impossibility
on the assumption made, since it has been assumed that NO CHANGE
IN THE ORGANIC COMPOSITION OF CAPITAL has taken place, therefore no
CHANGE affecting the relationship between VALUE AND COST PRICE, the only
relationship that determines the RATE OF RENT.

But what happens to DIFFERENTIAL RENTS in this case?

Supposing that 3 groups of COAL-MINES were being worked: I, II
and III. Of these, I bore the absolute rent, II a rent which was
twice that of I, and III a rent which was twice that of II or four
times that of I. In this example, I bears the absolute rent R, II 2R
and III 4R. Now if No. IV is opened up, and if this is more
productive then I, II and III, and if it is so extensive that the
capital invested in it can be as great as that in I, [then] in this
CASE—THE FORMER STATE OF DEMAND REMAINING CONSTANT—the same
amount of capital as was previously invested in I would now be
invested in IV. I would thereupon be closed and a part of the
capital invested in II would have to be WITHDRAWN. III and IV
would suffice to replace I and a part of II, but they would not
suffice TO SUPPLY THE WHOLE DEMAND, WITHOUT PART OF II CONTINUING TO BE
Let us assume, for the sake of the illustration, that IV—using the same amount of capital as was previously invested in I—is capable of providing the whole of the supply from I and half the supply from II. If, therefore, 1/2 the previous capital were invested in II, the old capital in III and the new in IV, then the whole market would be supplied.

What then were the changes that had taken place, or how would the changes accomplished affect the general rental, the rents of I, II, III and IV?

*The absolute rent, derived from IV, would, in amount and rate, be absolutely the same as that formerly derived from I; in fact the absolute rent, in amount and rate, would also before have been the same on I, II and III, always supposing that the same amount of capital was employed in those different classes. The value of the produce of IV would be exactly identical to that formerly employed on I, because it is the produce of a capital of the same magnitude and of a capital of the same organic composition. Hence the difference between value and cost price must be the same; hence the rate of rent. Besides, the amount [of rent] must be the same, because—at a given rate of rent—capitals of the same magnitude would have been employed. But, since the value of the coal is not determined by the value of the coal derived from IV, it would bear an excess rent, or an overplus over its absolute rent; a rent derived, not from any difference between cost price and value, but from the difference between the market value and the individual value of the produce No. IV.*

When we say that the absolute rent or the difference between value and cost price on I, II, III, IV, is the same, provided the magnitude of the capital invested in them, and therefore the amount of rent with a given rate of rent is the same, then this is to be understood in the following way: The (individual) value of the coal from I is higher than that from II and that from II is higher than that from III, because one ton of coal from I contains more labour than one ton from II and one ton from II more than one ton from III. But since the organic composition of the capital is in all 3 cases the same, this difference does not affect the individual absolute rent yielded by I, II, III. For if the value of a ton from I is greater, so is its cost price; it is only greater in the proportion that more capital of the same organic composition is employed for the production of one ton in I than in II and of one ton in II than in III. This difference in their values is, therefore, exactly equal to the difference in their cost prices, in other words to [the difference in] the relative amount of capital expended to produce one ton of coal.
in I, II and III. The variation in the magnitudes of value in the 3 classes does not, therefore, affect the difference between value and cost price in the various classes. If the value is greater, then the cost price is greater in the same proportion, for the value is only greater in proportion as more capital or labour is expended; hence the relation between value and cost price remains the same, and hence absolute rent is the same.

But now let us go on to see what is the situation regarding differential rent.

Firstly, less capital is now being employed in the entire production of coal in II, III and IV. For the capital in IV is as great as the capital in I had been. Furthermore, half the capital employed in II is now withdrawn. The amount of rent on II therefore will at all events drop by a half. Only one change has taken place in capital investment, namely in II, because in IV the same amount of capital is invested as was previously invested in I. We have, moreover, assumed that capitals of the same size were invested in I, II and III, for example 100 in each, altogether 300; now therefore only 250 are invested in II, III and IV, or \(\frac{1}{6}\) of the capital has been withdrawn from the production of coal.

Moreover, the market value of coal has fallen. We saw that I yielded R, II 2R and III 4R. Let us assume that the product of 100 on \(1=120\), of which \(R=10\) and \(10=\text{profit}\), then the market value of II was 130 (10 profit and 20 rent), and of III 150 (10 profit and 40 rent). If the product of \(1=60\) tons (\(£2\) per ton), then that of II = 65 tons and that of III = 75 tons and the total production = 60 + 65 + 75 tons = 200 tons. Now 100 will produce as much in IV as the total product of I and half the product of II, namely, \(60+32\frac{1}{2}\) tons = \(92\frac{1}{2}\) tons, which, according to the old market value, would have cost \(£185\) and since the profit = 10 would thus have yielded a rent of \(£75\), amounting to \(7\frac{1}{2}\) R, for the absolute rent = 10.

II, III and IV continue to yield the same number of tons, 200, since \(32\frac{1}{2}+75+92\frac{1}{2}=200\) tons.

But what is the position now, with regard to market value and differential rents?

In order to answer this we must see what is the amount of the absolute individual rent of II. We assume that the absolute difference between cost price and value in this sphere of production = 10% = the rent yielded by the worst mine, although this is not necessary unless the market value was absolutely determined by the value of I. [XI-569] If this was, indeed, the case, then the rent on I (if the coal from I were sold at its value)
in fact represented the excess of value over its own cost price and the general cost price of commodities in this sphere of production. II would therefore be selling its products at their value, if it sold its tonnage (the 65 tons) at £120, i.e., the individual ton at £11⅓. That instead it sold them at £2 was only due to the excess of the market value, as determined by I, over its individual value; it was due to the excess, not of its value, but of its market value over its cost price.

Moreover, on the assumption made, II now sells instead of 65, only 32½ tons, because a capital of only 50 instead of a capital of 100 is now invested in the mine.

II therefore now sells 32½ tons at £60. 10 on 50 is 20%. Of the £60, 5 are profit and 5 rent.

Thus we have for II: Value of the product, £11⅓ per ton; number of tons = 32½; total value of the product = £60; rent = £5. The rent has fallen from 20 to 5. If the same amount of capital were still employed, then it would only have fallen to 10. The rate has therefore only fallen by half. That is, it has fallen by the total difference that existed between the market value as determined by I and its own value, the difference therefore that existed over and above the difference between its own value and cost price. Its differential rent was 10; its rent is now 10 = to its absolute rent. In II, therefore, with the reduction of the market value to the value (of coal from II) differential rent has disappeared and consequently also the increased rate of rent which was doubled by this differential rent. Thus it has been reduced from 20 to 10; with this given rate of rent, however, the rent has been further reduced from 10 to 5, because the capital invested in II has fallen by half.

Since the market value is now determined by the value of II, i.e., by £11⅓ per ton, the market value of the 75 tons produced by III now = £138⅔, of which rent = £28⅔. Previously the rent = £40. It has, therefore, fallen by £11⅓. The difference between this rent and the absolute rent used to be 30; now it only amounts to 18⅔ (for 18⅔ + 10 = 28⅔). Previously it = 4R, now it is only 2R + £8⅔. As the amount of capital invested in III has remained the same, this fall is entirely due to the fall in the rate of differential rent, i.e., the fall in the excess of the market value of III over its individual value. Previously, the whole amount of the rent in III was equal to the excess of the higher market value over the price of production, now it is only = to the excess of the lower market value over the cost price. The difference is thus coming closer to the absolute rent of III. With a capital of 100, III produces 75 tons,
whose value = £120; one ton is therefore = to £1 3/5. But III sold the
ton at £2, the previous market price, therefore, at £2 2/5 more. On
75 tons, this amounted to 2/5 x 75 = £30, and this was in fact the
differential rent of rent [III], for the rent was 40 (10 absolute and
30 differential rent). Now, according to the new market value, the
ton is sold at only £1 11/13. How much above its value is this?
3/5 = 39/65 and 11/13 = 55/65. Thus the ton is sold 16/65 too dear. On
75 tons this amounts to 18 6/13, and this is exactly the differential rent,
which is thus always equal to the number of tons multiplied by the
excess of the market value of the ton over the [individual] value of
the ton. It now remains to work out the fall in rent by 11 7/13. The
excess of the market value over the value of III has fallen from 2/5 of
a £ per ton (when it was sold at £2) to 16/65 per ton (at £1 11/13), i.e.,
from 2/5 = 26/65 to 16/65, [which is by] 10/65. On 75 tons this amounts to
750/65 = 150/13 = 11 7/13, and this is EXACTLY the AMOUNT by which the rent in
III has fallen.

[XI-570] The 92 1/2 tons from IV, at 1 11/13 [per ton], = £170 10/13.
The rent here = 60 10/13 and the differential rent = 50 10/13.

If the 92 1/2 tons were sold at their value (£120), then 1 ton
would cost £1 11/37. Instead it is being sold at 1 11/13. But 11/13 = 407/481
and 11/37 = 143/481. This makes the excess of the market value of IV
over its value equal to 264/481. On 92 1/2 tons this amounts to exactly
£50 10/13, which is the differential rent of IV.

Now let us put these two CASES together, under A and B.
The two tables [below] give rise to some very important considera-
tions.

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<th>Capital</th>
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<th>Individual</th>
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<th>Differential</th>
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<td>60</td>
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<td>£2</td>
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</tr>
<tr>
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<td>65</td>
<td>£2</td>
<td>£1 11/13</td>
<td>130</td>
<td>10</td>
</tr>
<tr>
<td>III1rd class</td>
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<td>10</td>
<td>75</td>
<td>£2</td>
<td>£1 3/5</td>
<td>150</td>
<td>30</td>
</tr>
<tr>
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<td>30</td>
<td>200</td>
<td>400</td>
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</tr>
</tbody>
</table>

The total number of tons = 200. Total absolute rent = 30.
Total differential rent = 40. Total rent = £70.
First of all we see that the amount of absolute rent rises or falls proportionately to the capital invested in agriculture,\textsuperscript{150} that is, to the total amount of capital invested in I, II, III. The rate of this absolute rent is quite independent of the size of the capitals invested for it does not depend on the difference in the various types of land but is derived from the difference between value and [cost] price; this latter difference however is itself determined by the organic composition of the agricultural capital, by the mode of production and not by the land. In II B, the amount of the absolute rent falls from 10 to 5, because the capital has fallen from 100 to 50; half [XI-571] the capital has been withdrawn.

Before making any further observations on the two tables, let us construct some other tables. We saw that in B the market value fell to £1\textsuperscript{11/13} per ton. But at this value, there is no necessity either for I A to disappear completely from the market, or for II B to employ only half the previous capital. Since in I, the rent=10 out of the total value of the commodity of 120, or \( \frac{1}{12} \) of the total value, [this applies] equally to the value of the individual ton which is worth £2. £\textsuperscript{2/12}, however, is £\textsuperscript{1/6} or 3\textsuperscript{1/5s}. (3\textsuperscript{1/5s.} x 60=£10). The cost price of a ton from I is thus £1 16\textsuperscript{2/3s}. The [new] market value is £1\textsuperscript{11/13}, or £1 16\textsuperscript{12/15s}. 16\textsuperscript{2/5s.}, however, = 16s. 8d. or 16\textsuperscript{26/59s}. Against this, 16\textsuperscript{12/15s.}=16\textsuperscript{36/59s.} or \( \frac{10}{59s.} \) more. This would be the rent per ton, at the new market value [\( \frac{10}{59s.} \)] and would amount to a total rent of 15\textsuperscript{2/13s.} for 60 tons. Therefore we put less than 1\% rent on the capital of 100. For I A to yield no rent at all, the market value would have to fall to its cost price, namely, to £1 16\textsuperscript{2/3s.} or to £1\textsuperscript{5/6} (or to £1\textsuperscript{10/12}). In this case the rent on I A would have disappeared. It could, however, continue to be exploited with a profit of 10\%. This would only cease if the market value were to fall further, below £1\textsuperscript{5/6}.

So far as II B is concerned, it has been assumed in Table B
that half of the capital is withdrawn. But since the market value of £1\textsuperscript{11}/\textsubscript{13} still yields a rent of 10\%, it will do so just as well on 100 as on 50. If, therefore, it is assumed that half the capital has been withdrawn, then only because under these circumstances, II B still yields an absolute rent of 10\%. For if [II] B had continued to produce 65 tons instead of 32\textsuperscript{1/2}, then the market would be over-supplied and the market value of IV, which dominates the market, would fall to such an extent that the capital investment in II B would have to be reduced in order to yield the absolute rent. It is however clear that, if the whole capital [of] 100 yields rent at 9\%, the sum total is greater than that yielded by [a capital of] 50 at 10\%. Thus if, according to the state of the market, a capital of only 50 were required in II to satisfy the demand, the rent would have to be forced down to £5. It would, in fact, fall even lower, if it is assumed that the additional 32\textsuperscript{1/2} tons cannot always be disposed of, i.e., if they were thrown out of the market. The market value would fall so low that not only the rent on II B would disappear, but the profit would also be affected. Then capital would be withdrawn in order to diminish supply, until the correct point of 50 had been reached and then the market value would have been re-established at £1\textsuperscript{11}/\textsubscript{13}, at which II B would again yield the absolute rent, but only on half the capital previously invested in it. In this instance too, the whole process would emanate from IV and III, who dominate the market.

But it does not by any means follow that if the market only absorbs 200 tons at £1\textsuperscript{11}/\textsubscript{13} per ton, it will not absorb an additional 32\textsuperscript{1/2} tons if the market value falls, i.e., if the market value of 232\textsuperscript{1/2} tons is forced down through the pressure of 32\textsuperscript{1/2} surplus tons on the market. The cost price in II B is [110:65, i.e.] £1\textsuperscript{9}/\textsubscript{13} or £1\textsuperscript{13\textsuperscript{11}/\textsubscript{13}}. But the market value is £1\textsuperscript{11}/\textsubscript{13} or £1\textsuperscript{16\textsuperscript{12}/\textsubscript{13}}. If the market value fell to such an extent that I A no longer yielded a rent, i.e., [if the market value fell] to the cost price of I A, to £1\textsuperscript{16\textsuperscript{2}/\textsubscript{3}} or £1\textsuperscript{5\textsuperscript{1}/\textsubscript{6}} or £1\textsuperscript{10\textsuperscript{1}/\textsubscript{12}}, then for II B to use its whole capital, demand would have to grow considerably; since I A could continue to be exploited, as it yields the normal profit. The market would have to absorb not 32\textsuperscript{1/2} but 92\textsuperscript{1/2} additional tons, 292\textsuperscript{1/2} tons instead of 200, i.e. [almost] half as much again. This is a very significant increase. If a moderate increase is to take place, the market value would have to fall to such an extent that I A is driven out of the market. That is, the market price would have to fall below the cost price of I A, i.e., below £1\textsuperscript{10\textsuperscript{1}/\textsubscript{12}}, say, to £1\textsuperscript{9\textsuperscript{12}/\textsubscript{12}} or £1 15s. It would then still be well above the cost price of II B.

We shall therefore add a further three tables to the tables A and
B, namely, C and D and E. And we shall assume in C that the demand grows, so that all classes of A and B can continue to produce, but at the market value of B, at which IA still yields a rent. In D we assume that [the demand] is sufficient for IA to continue to yield the normal profit but no longer a rent. And we shall assume in E that the price falls sufficiently to eliminate IA from the market [XI-572] but that the fall of the price simultaneously leads to the absorption of the $32\frac{1}{2}$ surplus tons from II B.

The case assumed in A and B is possible. It is possible that if the rent is reduced from £10 to barely 16s., IA would withdraw its land from this particular form of exploitation and let it out to another sphere of exploitation, in which it can yield a higher rent. But in this case, II B would be forced through the process described above, to withdraw $\frac{1}{2}$ of his capital, if the market did not expand upon the appearance of the new market value.

<table>
<thead>
<tr>
<th>Class</th>
<th>Capital</th>
<th>Absolute rent</th>
<th>Number of tons</th>
<th>Market value</th>
<th>Individual value</th>
<th>Total value</th>
<th>Rent</th>
<th>Differential rent</th>
</tr>
</thead>
<tbody>
<tr>
<td>1st</td>
<td>100</td>
<td>£10/13</td>
<td>60</td>
<td>£111/13</td>
<td>£2</td>
<td>£110 10/13</td>
<td>£10/13</td>
<td>£9 5/13 or £15 5/13s.</td>
</tr>
<tr>
<td>II nd</td>
<td>100</td>
<td>£10</td>
<td>65</td>
<td>111/13</td>
<td>111/13</td>
<td>120</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>III rd</td>
<td>100</td>
<td>10</td>
<td>75</td>
<td>111/13</td>
<td>13 5/5</td>
<td>138 6/13</td>
<td>+£18 6/13</td>
<td></td>
</tr>
<tr>
<td>IV th</td>
<td>100</td>
<td>10</td>
<td>92\frac{1}{2}</td>
<td>£111/13</td>
<td>£111 5/7</td>
<td>170 10/13</td>
<td>+50 10/13</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>400</td>
<td>30 10/15</td>
<td>292\frac{1}{2}</td>
<td></td>
<td></td>
<td>540</td>
<td>69 3/13</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Class</th>
<th>Capital</th>
<th>Absolute rent</th>
<th>Market value</th>
<th>Cost price</th>
<th>Number of tons</th>
<th>Total value</th>
<th>Differential rent</th>
</tr>
</thead>
<tbody>
<tr>
<td>1st</td>
<td>100</td>
<td>0</td>
<td>£1\frac{5}{6}</td>
<td>£1\frac{5}{6}</td>
<td>60</td>
<td>£110</td>
<td>0 (-)</td>
</tr>
<tr>
<td>II nd</td>
<td>100</td>
<td>9\frac{1}{6}</td>
<td>£1\frac{5}{6}</td>
<td></td>
<td>65</td>
<td>119 1/6</td>
<td>- (latent)</td>
</tr>
<tr>
<td>III rd</td>
<td>100</td>
<td>10</td>
<td>£1\frac{5}{6}</td>
<td></td>
<td>75</td>
<td>137 1/2</td>
<td>+17 1/2</td>
</tr>
<tr>
<td>IV th</td>
<td>100</td>
<td>10</td>
<td>\frac{5}{6}</td>
<td></td>
<td>92 1/2</td>
<td>169 7/12</td>
<td>+49 7/12</td>
</tr>
<tr>
<td>Total</td>
<td>400</td>
<td>29 1/6</td>
<td></td>
<td></td>
<td>292\frac{1}{2}</td>
<td>536 1/4</td>
<td>67 1/12 a</td>
</tr>
</tbody>
</table>

a The manuscript has "66 1/6". Marx changed this to "67 1/12" later, in a summary table (see the table between pp. 480-81 of this volume).—Ed.
The Production Process of Capital

### Table E

<table>
<thead>
<tr>
<th>Capital</th>
<th>Absolute rent</th>
<th>Market value</th>
<th>Cost price</th>
<th>Number of tons</th>
<th>Total value</th>
<th>Differential rent</th>
</tr>
</thead>
<tbody>
<tr>
<td>IIInd</td>
<td>£3 3/4</td>
<td>£19 9/12</td>
<td>£19 9/13</td>
<td>65</td>
<td>113 3/4</td>
<td>- vacat</td>
</tr>
<tr>
<td>IIIrd</td>
<td>10</td>
<td>£19 9/12</td>
<td></td>
<td>75</td>
<td>131 1/4</td>
<td>+11 1/4</td>
</tr>
<tr>
<td>IVth</td>
<td>10</td>
<td>£19 9/12</td>
<td></td>
<td>95</td>
<td>166 1/4</td>
<td>+46 1/4</td>
</tr>
<tr>
<td><strong>Total</strong>:</td>
<td><strong>300</strong></td>
<td><strong>23 3/4</strong></td>
<td><strong>235</strong></td>
<td><strong>411 1/4</strong></td>
<td><strong>411 1/4</strong></td>
<td><strong>+57 1/2</strong></td>
</tr>
</tbody>
</table>

[XI-573] Now let us compile the tables, A, B, C, D and E, but in the manner which should have been adopted from the outset. *Capital, Total value, Total product, Market value per ton, Individual value, Differential Value,*\(^{151}\) *Cost Price, Absolute rent, Absolute rent in tons, Differential rent, Differential rent in tons, Total rent.* And then the totals of all classes in each table.\(^{152}\)

[XI-575] **COMMENT ON THE TABLE (P. [XI-] 574)**

It is assumed that a capital of 100 (constant and variable capital) is laid out and that the labour it employs provides surplus labour (unpaid labour) amounting to \(\frac{1}{5}\) of the total capital advanced, or a surplus value = \(\frac{100}{5}\). If, therefore, the capital advanced = £100, the *value* of the total product must be £120. Supposing furthermore that the average profit = 10%, then £110 is the *cost price* of total product, in the above example, of coal. With the given rate of surplus value or surplus labour, the £100 capital transforms itself into a *value* of £120, whether poor or rich mines are being exploited; in a word: The varying *productivity* of labour—whether this variation be due to varying natural conditions of labour or varying social conditions of labour or varying technological conditions—does not alter the fact that the value of the commodities equals the quantity of labour materialised in them. Thus to say the *value* of the *product* created by the capital of 100=120, simply means that the *product* contains the labour time materialised in the £100 capital + \(\frac{1}{6}\) of labour time which is unpaid but appropriated by the capitalist. The total value of the product = £120, whether the capital of 100 produces 60 tons in one class of mines or 65, 75 or 92 1/2 in another. But clearly, the value of the individual part, be it measured by the ton, as here, the quarter or yard etc., varies greatly according to the productivity. But to stick to our table (the same applies to every other mass of commodities brought about by capitalist production) the value of 1 ton = £2, if the total product of the capital = 60 tons, i.e.,

\(^{a}\) None.—*Ed.*
60 tons are worth £120 or represent labour time to that which is materialised in £120. If the total product = 65 tons, then the value of the individual ton = £1 16½/18s. or £1 11½/13; if it amounts to 75 tons, then the value of the individual ton = £1 9/15 or £1 12s.; finally, if it = 92½ tons, then the value per ton = £1 11½/37 or £1 5½/37s. Because the total mass of commodities or tons produced by the capital of 100 always has the same value, = £120, since it always represents the same total quantity of labour contained in £120, the value of the individual ton varies, according to whether the same value is represented in 60, 65, 75 or 92½ tons, in other words, it varies with the different productivity of labour. It is this difference in the productivity of labour which causes the same quantity of labour to be represented sometimes in a smaller and sometimes in a larger total quantity of commodities, so that the individual part of this total contains now more, now less, of the absolute amount of labour expended, and, therefore, accordingly has sometimes a larger and sometimes a smaller value. This value of the individual ton, which varies according to whether the capital of £100 is invested in more fertile or less fertile mines and therefore according to the different productivity of labour, figures in the table as the individual value of the individual ton.

Hence nothing could be further from the truth than the notion that when the value of the individual commodity falls with the rising productivity of labour, the total value of a product produced by a particular capital—for instance, 100—rises because of the increased mass of commodities in which it is represented. For the value of the individual commodity only falls because the total value—the total quantity of labour expended—is represented by a larger quantity of use values, of products. Hence a relatively smaller part of the total value or of the labour expended falls to the individual product and this only to the extent to which a smaller quantity of labour is absorbed in it or a smaller amount of the total value falls to its share.

Originally, we regarded the individual commodity as the result and direct product of a particular quantity of labour. Now, that the commodity appears as the product of capitalist production, there is a formal change in this respect:

The mass of use values which has been produced represents a quantity of labour time, which = the quantity of labour time contained in the capital (constant and variable) consumed in its production + the unpaid labour time appropriated by the capitalist. If the labour time contained in the capital, as expressed in terms of money, amounts to £100 and this capital of £100 comprises
£40 laid out in wages, and if the surplus labour time amounts to 50% on the variable capital, in other words, the rate of surplus value = 50%, then the value of the total mass of commodities produced by the capital of 100 = £120. As we have seen in the first part of this work, if the commodities are to circulate, their exchange value must first be converted into a *price*, i.e., expressed in terms of money. Thus [XI-576] before the capitalist throws the commodities on to the market, he must first work out the *price* of the individual commodity, unless the total product is a single indivisible object, such as, for example, a house, in which the total capital is represented, a *single commodity*, whose price according to the assumption would then = £120, = the total value as expressed in terms of money. *Price* here = *MONETARY EXPRESSION OF VALUE*.

According to the varying productivity of labour the total value of £120 will be distributed over more or fewer products. Thus the value of the *individual* product will, accordingly, be proportionally equal to a larger or a smaller part of £120. The whole operation is quite simple. For example, if the total product = 60 tons of coal, 60 tons = £120 and 1 ton = £120/60 = £2; if the product is 65 tons, the value of the individual ton = £120/65 = £1 11/15 or £1 10 12/135s. (= £1 16s. 11 1/15 d). If the product = 75 tons, the value of the individual ton = £120/75 = £1 12s.; if it = 92 1/2 tons, then it = £1 11/37 = £1 5 35/37s. The value (price) of the individual commodity thus = the *total value* of the product divided by the total number of products, which are measured according to the standard of measurement—such as tons, quarters, yards, etc.—appropriate to them as use values.

If, therefore, the price of the individual commodity equals the total value of the mass of commodities produced by a capital of 100, divided by the total number of commodities, then the total value = the price of the individual commodity × the total number of individual commodities or it equals the price of a definite quantity of individual commodities × the total amount of commodities, measured by this standard of measurement. Furthermore: The total value consists of the value of the capital advanced to production + the surplus value; that is of labour time contained in the capital advanced + the surplus labour time or unpaid labour time appropriated by the capital. Thus the surplus value contained in each individual part of the commodity is proportional to its value. In the same way as the £120 is distributed among 60, 65, 75 or 92 1/2 tons, so the £20 surplus value is distributed among them. When the number of tons = 60, and therefore the value of the

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individual ton = $\frac{120}{60} = £2$ or 40s., then $\frac{1}{6}$ of this 40s. or £2 = $\frac{2}{5}$s., is the share of the surplus value which falls to the individual ton; the proportion of surplus value in the ton which costs £2 is the same as in the 60 which cost £120. The [ratio of] surplus value to value remains the same in the price of the individual commodity as in the total value of the mass of commodities. In the above example, the total surplus value in each individual ton = $\frac{20}{60} = \frac{2}{6} = \frac{1}{3}$ of 20, = $\frac{1}{6}$ of 40 as above. Hence the surplus value of the single ton multiplied by 60 is equal to the total surplus value which the capital has produced. If the portion of value which falls to the individual product—the corresponding part of the total value—is smaller because of the larger number of products, i.e., because of the greater productivity of labour, then the portion of surplus value which falls to it, the corresponding part of the total surplus value which adheres to it, is also smaller. But this does not affect the ratio of the surplus value, of the newly created value, to the value advanced and merely reproduced. Although, as we have seen, the productivity of labour does not affect the total value of the product, it may however increase the surplus value, if the product enters into the consumption of the worker; then the falling price of the individual commodities or, which is the same, of a given quantity of commodities, may reduce the normal wage or, which is the same, the value of the labour capacity. In so far as the greater productivity of labour creates relative surplus value, it increases not the total value of the product, but that part of this total value which represents surplus value, i.e., unpaid labour. Although, therefore, with greater productivity of labour, a smaller portion of value falls to the individual product—because the total mass of commodities which represents this value has grown—and thus the price of the individual product falls, that part of this price which represents surplus value, nevertheless, rises under the above-mentioned circumstances, and, therefore, the proportion of surplus value to reproduced value grows //actually here one should still refer to variable capital, for profit has not yet been mentioned//. But this is only the case because, as a result of the increased productivity of labour, the surplus value has grown within the total value. The same factor—the increased productivity of labour—which enables a larger mass of products to contain the same quantity of labour thus lowering the value of a given part of this mass or the price of the individual commodity, reduces the value of the labour

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* See this volume, pp. 109-11.— *Ed.*
capacity, therefore increases the surplus or unpaid labour contained in the *value of the total product* and hence in the *price* of the individual commodity. Although thus the *price of the individual commodity* falls, although the *total quantity of labour contained in it*, and therefore its value, falls, the proportion of surplus value, which is a component part of this value, increases. In other words, the smaller total [XI-577] quantity of labour contained in the individual commodity comprises a *greater quantity of unpaid labour* than previously, when labour was less productive, when the price of the individual commodity was therefore higher, and the total quantity of labour contained in the individual commodity greater. Although in the present case 1 ton contains less labour and is therefore cheaper, it contains more surplus labour and therefore yields more surplus value.

Since in competition everything appears in a false form, upside down, the individual capitalist imagines 1. that he [has] reduced his profit on the individual commodity by reducing its price, but that he makes a greater profit *because of the increased mass* [of commodities] (here a further confusion is caused by the greater amount of profit which is derived from the increase in capital employed, even with a lower rate of profit); 2. that he fixes the price of the individual commodity and by multiplication determines the total value of the product whereas the original procedure is division and multiplication is only correct as a derivative method based on that division. The vulgar economist in fact does nothing but translate the *queer notions* of the capitalists who are caught up in competition into seemingly more theoretical language and seeks to build up a justification of these notions.

Now to return to our table.

The *total value* of the product or of the quantity of commodities created by a capital of 100=£120, however great or small—according to the varying degree of the productivity of labour—the quantity of commodities may be. The *cost price* of this total product, whatever its size,=£110 if, as has been assumed, the average profit=10%. The excess in *value* of the total product, whatever its size,=£10=\(\frac{1}{12}\) of the total value or \(\frac{1}{10}\) of the capital advanced. This £10, the excess of *value* over the *cost price* of the total product, constitutes the *rent*. It is evidently quite independent of the varying productivity of labour resulting from the different *degrees of natural fertility* of the mines, types of soil, in short, of the *natural element in which the capital of 100 has been employed, for those different degrees in the productivity of the labour employed, arising from the*.

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\[ ^{a} \text{Hence.—Ed.} \]
DIFFERENT DEGREES OF FERTILITY OF THE NATURAL AGENT, do not prevent the total product from having a value of £120, a cost price of £110, and therefore an excess of value over cost price of £10. All that the competition between capitals can bring about, is that the cost price of the commodities which a capitalist can produce with £100 in coal-mining, this particular sphere of production, = £110. But competition cannot compel the capitalist to sell the product at £110 which is worth £120—although such compulsion exists in other industries. Because the landlord steps in and lays his hands on the £10. Hence I call this rent the absolute rent. Accordingly it always remains the same in the table, however the fertility of the coal-mines and hence the productivity of labour may change. But, because of the different degrees of fertility of the mines and thus of the productivity of labour, it is not always expressed in the same number of tons. For, according to the varying productivity of labour, the quantity of labour contained in £10 represents more or less use values, more or less tons. Whether with the variation in degrees of fertility, this absolute rent is always paid in full or only in part, will be seen in the further analysis of the table.

There is furthermore on the market coal produced in mines of different productivity. Starting with the lowest degree of productivity, I have called these, I, II, III, IV. Thus, for instance, the first class produces 60 tons with a capital of £100, the second class produces 65 tons etc. Capital of the same size—£100, of the same organic composition, within the same sphere of production—does not have the same productivity here, because the degree of productivity of labour varies according to the degree of productivity of the mine, type of soil, in short of the natural agent. But competition establishes one market value for these products, which have varying individual values. This market value itself can never be greater than the individual value of the product of the least fertile class. If it were higher, then this would only show that the market price stood above the market value. But the market value must represent real value. As regards products of separate classes, it is quite possible, that their value is above or below the market value. If it is above the market value, the difference between the market value and their cost price is smaller than the difference between their individual value and their cost price. But as the absolute rent = the difference between their individual [XI-578] value and their cost price, the market value cannot, in this case, yield the entire absolute rent for these products. If the market value sank down to their cost price, it would yield no rent for them at all. They could pay no rent, since rent is only the difference between
The production process of capital value and cost price, and for them, individually, this difference would have disappeared, because of the market value. In this case, the difference between their individual value and the market value is negative, that is, the market value differs from their individual value by a negative amount. The difference between market value and individual value in general I call differential value. Commodities belonging to the category described here have a minus sign in front of their differential value.

If, on the other hand, the individual value of the products of a class of mines (class of land) is below the market value, then the market value is above their individual value. The value or market value prevailing in their sphere of production thus yields an excess above their individual value. If, for example, the market value of a ton = £2, and the individual value of a ton is £1 12s., then its differential value is 8s. And since in the class in which the individual value of a ton = £1 12s. the capital of 100 produces 75 tons, the total differential value of these 75 tons = 8s. × 75 = £30. This excess of the market value for the total product of this class over the individual value of its product, which is due to the relatively greater fertility of the soil or the mine, forms the differential rent, since the cost price for the capital remains the same as before. This differential rent is greater or smaller, according to the greater or smaller excess of the market value over the individual value. This excess in turn is greater or smaller, according to the relatively greater or smaller fertility of the class of mine or land to which this product belongs; compared with the less fertile class whose product determines the market value.

Finally, it should be noted that the individual cost price of the products is different in the different classes. For instance, for the class in which a capital of £100 yields 75 tons the cost price of the individual commodity = £1 9\(\frac{1}{4}\)s., since the total value = £120 and the [total] cost price = £110, and if the market value = the individual value in this class, i.e., = £1 12s., then the 75 tons sold at £120 would yield a rent of £10, while £110 would represent their cost price.

But of course, the individual cost price of a single ton varies according to the number of tons in which the capital of 100 is represented, or according to the individual value of the individual products of the various classes. If, for example, the capital of 100 produces 60 tons, then the value per ton = £2 and its cost price = £1 16\(\frac{2}{5}\)s.; 55 tons would be equal to £110 or to the cost price of the total product. If, however, the capital of 100 produces 75 tons, then the value per ton = £1 12s., its cost price = £1 9\(\frac{1}{4}\)s.
and 68⅓/4 tons of the total product would cost £110 or would replace the cost price. The individual cost price, i.e., the cost price of the individual ton, varies in the different classes in the same proportion as the individual value.

It now becomes evident from all the 5 tables, that absolute rent always=the excess of the [individual] value of the commodity over its own cost price. The differential rent, on the other hand, is equal to the excess of the market value over its individual value. The total rent, if there is a differential rent (apart from the absolute rent), is equal to the excess of the market value over the individual value+the excess of the individual value over the cost price, or=the excess of the market value over the individual cost price.

Because here the purpose is only to set forth the general law of rent as an illustration of my theory of value and cost prices—since I do not intend to give a detailed exposition of rent [XI-579] till dealing with landed property ex professo—I have removed all those factors which complicate the matter: namely the influence of the location of the mines or types of land; different degree of productivity of different amounts of capital applied to the same mine or the same type of land; the interrelationship of rents yielded by different lines of production within the same sphere of production, for example, by different branches of agriculture; the interrelationship of rents yielded by different branches of production which are, however, interchangeable, such as, for instance, when land is withdrawn from agriculture in order to be used for building houses, etc. All this does not belong here.153

Now for a consideration of the tables. They show how the general law explains a great multiplicity of combinations, while Ricardo, because he had a false conception of the general law of rent, perceived only one side of differential rent and therefore wanted to reduce the great multiplicity of phenomena to one single case by means of forcible abstraction. The tables are not intended to show all the combinations but only those which are most important, particularly for our specific purpose.

Ad Table A.

In Table A, the market value of a ton of coal is determined by the individual value of a ton in class I, where the mine is least fertile, hence the productivity of labour is the lowest, hence the mass of products yielded by the capital investment of £100 is the smallest and, therefore, the price of the individual product (the price as determined by its value) is the highest.

It is assumed that the market absorbs 200 tons ni plus, ni moins.a

a Neither more nor less.—Ed.
The market value cannot be above the value of a ton in I, i.e., of that commodity which is produced under the least favourable conditions of production. II and III sell the ton above its individual value because their conditions of production are more favourable than those of other commodities produced within the same sphere (trade), this does not, therefore, offend against the law of value. On the other hand, the market value could only be above the value of a ton in I, if the product of I were sold above its value, quite regardless of market value. A difference between market value and [individual] value arises in general not because products are sold absolutely above their value, but only because the value of the individual product may be different from the value of the product of a whole sphere; in other words because the labour time necessary to supply the total product—in this case 200 tons—may differ from the labour time which produces some of the tons—in this case those from II and III—in short, because the total product supplied has been produced by labour of varying degrees of productivity. The difference between the market value and the individual value of a product can therefore only be due to the fact that the definite quantities of labour with which different parts of the total product are manufactured have different degrees of productivity. It can never be due to the value being determined irrespective of the quantity of labour altogether employed in this sphere. The market value could be above £2 per ton, only if I, on the whole, quite apart from its relation to II and III, were to sell its product above its value. In this case the market price would be above the market value because of the state of the market, because of demand and supply. But the market value which concerns us here—and which here is assumed to be equal to the market price—cannot rise above itself.

The market value here equals the value of I, which, moreover, supplies 3/10 of the entire product on the market, since II and III only supply sufficient amounts to meet the total demand, to satisfy the additional demand over and above that which is supplied by I. II and III have no cause, therefore, to sell below £2 since the entire product can be sold at £2. They cannot [XI-580] sell above £2 because I sells at £2 per ton.

This law, that the market value cannot be above the individual value of that product which is produced under the worst conditions of production but provides a part of the necessary supply, Ricardo distorts into the assertion that the market value cannot fall below the value of that product and must therefore always be determined by it. We shall see later how wrong this is.
Because the market value of a ton coincides with the individual value of a ton in I, the rent it yields represents the absolute excess of the value over its cost price, the absolute rent = £10. II yields a differential rent of £10 and III of £30, because the market value, which is determined by I, yields an excess of £10 for II and of £30 for III, over their individual value and therefore over the absolute rent of £10, which represents the excess of the individual value over the cost price. Hence II yields a total rent of £20 and III of £40, because the market value yields an excess over their cost price of 20 and 40 respectively.

We shall assume that the transition is from I, the least fertile mine, to the more fertile II, and from this to the yet more fertile mine III. It is true that II and III are more fertile than I, but they satisfy only $\frac{7}{10}$ of the total demand and, as we have just explained, can therefore sell their product at £2, although its value is only £1 16$^{12}/_{13}$s. and £1 12s. respectively. It is clear that when the particular quantity required to satisfy demand is supplied, and gradation takes place in the productivity of labour which satisfies the various portions of this demand, whether the transition is in one direction or the other, in both cases the market value of the more fertile classes will rise above their individual value; in one case because they find that the market value is determined by the unfertile class and the additional supply provided by them is not great enough to occasion any change in the market value as determined by class I; in the other case, because the market value originally determined by them—determined by class III or II—is now determined by class I, which provides the additional supply required by the market and can only meet this at a higher value, which now determines the market value.

In the case under consideration, for example, Ricardo would say: We start out from class III. The additional supply will, in the first place, come from II. Finally, the last additional supply—demanded by the market—comes from I, and since I can provide the additional supply of 60 tons only at £120, that is at £2 per ton, and since this supply is needed, the market value of a ton which was originally £1 12s. and later £1 16$^{12}/_{13}$s., now rises to £2. But, on the other hand, it is equally true, that if we start out from I, which satisfied the demand for 60 tons at £2, then, however, the additional supply is provided by II, [the product of] II is sold at the market value of £2 although the individual value of it is only £1 16$^{12}/_{13}$s., for it is still only possible to supply the 125 tons required if I provides 60 tons at a value of £2 per ton. The same applies, if a new additional supply of 75 tons is required, but III provides only
75 tons, only supplies the additional demand, and therefore, as before, 60 tons have to be supplied by I at £2. Had I supplied the whole demand of 200 tons, they would have been sold at £400. And this is what they are [sold] at now, because II and III do not sell at the price at which they can satisfy the additional demand for 140 tons, [XII-581] but at the price at which I, which only supplies \( \frac{3}{10} \) of the product, could satisfy it. The entire product required, 200 tons, is in this case sold at £2 per ton, because \( \frac{3}{10} \) of it can only be supplied at a value of £2 per ton, irrespective of whether the additional portions of the demand were met by proceeding from III via II to I or from I via II to III.

Ricardo says: If III and II are the starting-points, their market value must rise to the value (cost price with him) of I, because the \( \frac{3}{10} \) supplied by I are required to meet the demand and the decisive point here is therefore the required volume of the product and not the individual value of particular portions of it. But it is equally true that the \( \frac{3}{10} \) from I are just as essential as before when I is the starting-point and II and III only provide the additional supply. If, therefore, I determined the market value in the descending line, it determines it in the ascending line for the same reasons. Table A thus shows us the incorrectness of the Ricardian concept that differential rent depends on the diminishing productivity of labour, on the movement from the more productive mine or land to the less productive. It is just as compatible with the reverse process and hence with the growing productivity of labour. Whether the one or the other takes place has nothing to do with the nature and existence of differential rent but is a historical question. In reality, the ascending and descending lines will cut across one another, the additional demand will sometimes be supplied by going over to more, sometimes to less fertile types of land, mine of natural agent. [In this it is] always supposed that the supply provided by the natural agent of a new, different class—be it more fertile or less fertile—only equals the additional demand and does not, therefore, bring about a change in the relation between demand and supply. Hence it can only bring about a change in the market value itself, if the supply can only be made available at higher cost not however if it can be made available at lower cost.

Table A thus reveals to us from the outset the falseness of this fundamental assumption of Ricardo's, which, as Anderson shows,\(^a\) was not required, even on the basis of a wrong conception of absolute rent.

\(^a\) See this volume, pp. 371-76, 457-61.—Ed.
If production proceeds in a **descending line**, from III to II and from II to I with recourse to natural agents of a gradually decreasing fertility—then III, in which a capital of 100 has been invested, will at first sell its commodities at their value, at £120. This, since it produces 75 tons, will amount to £1 12s. per ton. If an additional supply of 65 is then required, II, which invests a capital of 100, will similarly sell its product at a value of 120. This amounts to £1 16\(^{12}/13\)s. per ton. And if, finally, an additional supply of 60 tons were required, which can only be provided by I, then it too will sell its product at its value of £120 which amounts to £2 per ton. In this process III would yield a differential rent of £18\(^6/13\) as soon as II came on the market, whereas previously it only yielded the absolute rent of £10. II would yield a differential rent of £10 as soon as I came into play and differential rent of III would then rise to £30.

Descending from III to I, Ricardo discovers that I does not yield a rent, because in considering III he started out from the assumption that no absolute rent exists.

There is indeed a difference between the **ascending** and **descending line**. If the passage is from I to III, so that II and III only provide the additional supply, then the market value remains equal to the individual value of I which is £2. And if, as the supposition is here, the average profit is 10\%, then it can be assumed that the price of coal (price of wheat—a quarter of wheat etc. can always be substituted for a ton of coal) will have entered into its calculation, since coal enters into the consumption of the worker as a means of subsistence as well as figuring as a *matière instrumentale* of considerable importance in constant capital. It can therefore also be assumed that the rate of surplus value would have been higher and therefore the surplus value itself greater, hence also the rate of profit higher than 10\%, if I [were] more productive or the value of the ton of coal had been below £2. This, however, would be the case if III was the starting-point. The [market] value of the ton of coal was then only £1 12[s]; when [XII-582] II entered, it rose to £1 16\(^{12}/13\)s. and finally when I appeared, it rose to £2. It can thus be assumed that when only III was being worked—all other circumstances, length of surplus labour [time] and other conditions of production etc. being taken as constant and unchanged—the rate of profit was higher (the rate of surplus value [was higher] because one element of the wage was cheaper; because of the higher rate of surplus value, the surplus value, and therefore also profit, was higher, in addition however—with the surplus value thus modified—the rate of profit was
higher because an element of cost in the constant capital was lower). The [rate of profit] became lower with [the appearance of] II and finally sank to 10%, as the lowest level, when I appeared. In this case therefore one would have to assume that (regardless of the data) for instance the rate of profit=12% when only III was being worked; that it sank to 11% when II came into play and finally to 10% when I entered into it. In this case the absolute rent would have been £8 with III because the cost price would have been £112; it would have become £9 as soon as II came into play because now the cost price would have been £111 and it would finally have been raised to £10 because the cost price would have fallen to £110. Here then a change in the rate of absolute rent itself would have taken place and this in inverse ratio to the change in the rate of profit. The rate of rent would have progressively grown because the rate of profit had progressively fallen. The latter would, however, have fallen because of the decreasing productivity of labour in the mines, in agriculture, etc. and the corresponding increase in the price of the means of subsistence and matières instrumentales.

Here the rate of rent rose because the rate of profit fell. Now did it fall because there was a change in the organic composition of the capital? If the average composition of the capital was $80c + 20v$, did this composition remain the same? It is assumed that the normal working day remains the same. Otherwise the influence of the increased price of the means of subsistence could be neutralised. We must differentiate between two factors here. Firstly, an increase may occur in the price of the means of subsistence, hence reduction in surplus labour and surplus value. Secondly, constant capital may become more expensive because, as in the case of coal, the matière instrumentale, or in the case of wheat, another element of constant capital, namely seeds, rises in value or also, [because] due to the increased price of wheat, the cost price of other raw produce (raw material) may rise. Finally, if the product was iron, copper, zinc, etc., the raw material of certain branches of industry and the raw material of machinery (including containers) of all branches of industry would rise.

On the one hand it is assumed that no change has taken place in the organic composition of capital; in other words that no change has taken place in the mode of production decreasing or increasing the amount of living labour employed in proportion to the amount of constant capital employed. The same number of workers as before is required (the limits of the normal working day remaining the same) in order to work up the same volume of raw
Theories of Surplus Value. Ricardo

material with the same amount of machinery, etc., or, where there is no raw material, to set into motion the same amount of machinery, tools, etc. Besides this first aspect of the organic composition of capital, however, a second aspect has to be considered, namely, the change in the value of the elements of capital although as use values they may be employed in the same portions as before. Here again we must distinguish:

First: The change in value affects both elements—variable and constant element—equally. This may never occur in practice. A rise in the price of certain agricultural products such as wheat, etc., raises the (necessary) wage and the raw material (for instance seeds). A rise in coal prices raises the necessary wage and the matière instrumentale of most industries. While in the first case the rise in wages occurs in all branches of industry, that in raw materials occurs only in some. With coal, the proportion in which it enters into wages is lower than that in which it enters into production. As regards general capital, the change in the value of coal and wheat is thus hardly likely to affect both elements of capital equally. But let us suppose this to be the case.

Let the value of the product of a capital $80c + 20v = 120$. Considering general capital, the value of the product and its cost price coincide, for the difference is equalised out for the general capital. The rise in value of an article such as coal which, according to the assumption, enters into both component parts of capital in equal proportions, brings about a rise in cost by $\frac{1}{10}$ for both elements. Thus $80c$ would now only buy as many commodities as could previously be bought with $70c$ and with $20v$ only as many workers could be paid as previously with [approximately] $18v$. Or, in order to continue production on the old scale, [approximately] $90c$ and $22v$ would now have to be laid out. The value of the product, as previously, is now 120, of which, however, the outlay $= 112$ (90 constant capital and 22 variable). Thus the profit $= 8$ and on 112 this works out at $\frac{1}{14}$, which is $7\frac{1}{7}\%$. Hence the value of the product from 100 capital advanced is now equal to $107\frac{1}{7}$.

What is the ratio in which $c$ and $v$ now enter into this new capital? Previously the ratio $\frac{v}{c} = 20:80 = 1:4$; now it is as $22:90 = 11:45$. $\frac{1}{4} = \frac{45}{180}$; $\frac{11}{45} = \frac{44}{180}$. That means that variable capital has decreased by $\frac{1}{180}$ [XII-583] as against constant capital. In keeping with the assumption that the increase in price of coal, etc., has proportionally the same effect on both parts of the capital, we must put it as $88c + 22v$. For the value of the product $= 120$; from this has to be deducted an outlay of $88 + 22 = 110$. This leaves
a profit of 10. $22:88 = 20:80$. The ratio of $c$ to $v$ would have remained the same as in the old capital. As before, the ratio would be $v:c = 1:4$. But 10 profit on $110 = \frac{1}{11} = 9\frac{1}{11} \%$. If production is to be continued on the same scale, 110 capital will have to be invested instead of 100, and the value of the product [would continue to be] 120. The composition of a capital of 100 however would be $80c+20v$, the value of the product being $109\frac{1}{11}$.

[Second:] If, in the above case, the value $80c$ had remained constant and only $v$ had varied, i.e., $22v$ instead of $20v$, then the previous ratio having been $\frac{20}{80}$ or $\frac{10}{40}$, it would now be $\frac{22}{80}$ or $\frac{11}{40}$. Now if this change had taken place, then [the capital would amount to] $80c+22v$ [and the] value of the product would be 120; therefore the outlay [would be] 102 and the profit 18, i.e., $17\frac{33}{51} \%$.

$22:18 = 21\frac{29}{51}:17\frac{33}{51}$. If $22v$ capital need to be laid out in wages, in order to set in motion a constant capital of 80 in value, then $21\frac{29}{51}$ are required in order to move a constant capital of $78\frac{22}{51}$ in value. According to this ratio, only $78\frac{22}{51}$ would be laid out in machinery and raw material from a capital of 100; $21\frac{29}{51}$ would have to go to wages, whereas previously 80 was spent on raw material, etc., and only 20 on wages. The value of the product now $= 117\frac{33}{51}$. And the composition of the capital: $78\frac{22}{51}c + 21\frac{29}{51}v$. But $21\frac{29}{51} + 17\frac{33}{51} = 39\frac{11}{51}$. Under the previous composition [of capital], the total labour put in was equal to 40; now it is $39\frac{11}{51}$ or less by $\frac{40}{51}$, not because the constant capital has altered in value, but because there is less constant capital to be worked on, hence a capital of 100 can set in motion a little less labour than before, although more dearly paid for.

If, therefore, a change in an element of cost, here a rise in price—a rise in value—only alters (the necessary) wage, then the following takes place: Firstly, the rate of surplus value falls; secondly, with a given capital, less constant capital, less raw material and machinery, can be employed. The absolute amount of this part of the capital decreases in proportion to the variable capital, and provided other conditions remain the same, this must always bring about a rise in the rate of profit (if the value of constant capital remains the same). The volume of the constant capital decreases although its value remains the same. But the rate of surplus value decreases and also the surplus value itself, because the falling rate is not accompanied by an increase in the number of workers employed. The rate of surplus value—of surplus labour—falls more than the ratio of variable to constant capital.
For the same number of workers as before, that is the same absolute quantity of labour, needs to be employed in order to set in motion the same amount of constant capital. Of this absolute quantity of labour more, however, is necessary labour and less of it is surplus labour. Thus the same quantity of labour must be paid for more dearly. Of the same capital—100 for instance—less can thus be laid out in constant capital, since more has to be laid out in variable capital to set in motion a smaller constant capital. The fall in the rate of surplus value is not connected with an increase in the absolute quantity of labour which a particular capital employs, or with the increase in the number of workers employed by it. The surplus value itself cannot therefore rise here, although the rate of surplus value falls.

Provided, therefore, that the organic composition of the capital remains the same in so far as its physical component parts regarded as use values are concerned; that is, if change in the composition of the capital is not due to a change in the mode of production within the sphere in which the capital is invested, but only to a rise in the value of the labour capacity and hence to a rise in the necessary wage, which is equal to a decrease in surplus labour or the rate of surplus value, which in this case can be neither partly nor wholly neutralised by an increase in the number of workers employed by a capital of given size—for instance 100—then the fall in the rate of profit is simply due to the fall in surplus value itself. If the mode of production and the ratio between the amounts of immediate and accumulated labour used remain constant, this same cause then gives rise to the change in the organic composition of capital—a change which is only due to the fact that the value (the proportional value) of the amounts employed has changed. The same capital employs [XII-584] less immediate labour proportionately as it employs less constant capital, but it pays more for this smaller amount of labour. It can therefore only employ less constant capital because the smaller amount of labour which sets in motion this smaller amount of constant capital, absorbs a greater part of the total capital. In order to set in motion 78 of constant capital, it must lay out, for example, 22 in variable capital, while previously 20\(v\) sufficed to set in motion 80\(c\).

This therefore happens when an increase in the price of a product subjected to landed property, only affects wages. The converse would result from the product becoming cheaper.

But now let us take the case assumed above.\(^a\) The increased

\(^a\) See this volume, p. 492-93.—Ed.
price of the agricultural product is supposed to affect constant and variable capital proportionately to the same degree. According to the assumption, therefore, there is no change in the organic composition of the capital. Firstly, no change in the mode of production. The same absolute amount of immediate labour sets in motion the same amount of accumulated labour as before. The ratio of the amounts remains the same. Secondly, no change in the proportion of value as between accumulated and immediate labour. If the value of one rises or falls, so does that of the other in the same proportion to its relative size, which thus remains unchanged. But previously [we had]: 80c + 20v; value of the product = 120. Now 88c + 22v, value of the product = 120. This yields 10 on 110 or 9 1/11% [profit]; for 80c + 20v therefore the value of 109 1/11.

Previously we had:

<table>
<thead>
<tr>
<th>Constant capital</th>
<th>Variable [capital]</th>
<th>Surplus value</th>
<th>Rate of profit</th>
<th>Rate of surplus value</th>
</tr>
</thead>
<tbody>
<tr>
<td>80</td>
<td>20</td>
<td>20</td>
<td>20%</td>
<td>100%</td>
</tr>
</tbody>
</table>

Now we have:

<table>
<thead>
<tr>
<th>Constant capital</th>
<th>Variable [capital]</th>
<th>Surplus value</th>
<th>Rate of profit</th>
<th>Rate of surplus value</th>
</tr>
</thead>
<tbody>
<tr>
<td>80</td>
<td>20</td>
<td>9 1/11</td>
<td>9 1/11[%]</td>
<td>45 5/11%</td>
</tr>
</tbody>
</table>

80c represents less raw material, etc., here and 20v less absolute labour in the same proportion. The raw material, etc., has become dearer and [a capital of] 80 therefore buys a smaller quantity of raw material, etc.; thus, because the mode of production has remained the same, it requires less immediate labour. But the smaller quantity of immediate labour costs as much as the larger quantity of immediate labour did before, and it has become dearer exactly to the same extent as the raw material, etc., and has therefore decreased in the same proportion. If, therefore, the surplus value had remained the same, then the rate of profit would have sunk in the same proportion in which the raw material, etc., had become dearer and in which the ratio of the value of the variable to the constant capital had changed. The rate of surplus value however has not remained the same, but has changed in the same proportion as the value of the variable capital has grown.

Let us take an example.

The value of a pound of cotton has gone up from 1s. to 2s. Previously, £80 //we take machinery, etc., here as equal to nil//
could buy 1,600 lbs. Now £80 will only buy 800 lbs. Previously, in
order to spin 1,600 lbs, £20 [were] required to pay the wages of,
say, 20 workers. In order to spin the 800 lbs only 10 [workers are
needed], since the mode of production has remained the same. The
10 had previously cost £10, now they cost £20, just as the 800 lbs
would previously have cost £40, and now cost £80. Assume now
that the profit was previously 20%. This would involve:

<table>
<thead>
<tr>
<th>Constant capital</th>
<th>Variable capital</th>
<th>Rate of surplus value</th>
<th>Rate of profit</th>
<th>Surplus value</th>
<th>Product</th>
<th>Price per lb. of yarn</th>
</tr>
</thead>
<tbody>
<tr>
<td>£80=1,600 lbs cotton</td>
<td>£20=20 workers</td>
<td>100[%]</td>
<td>20[%]</td>
<td>£20</td>
<td>1,600 lbs yarn</td>
<td>1s. 6d.</td>
</tr>
<tr>
<td>£80=800 lbs cotton</td>
<td>£20=10 workers</td>
<td>50[%]</td>
<td>10[%]</td>
<td>£10</td>
<td>800 lbs yarn</td>
<td>2s. 9d.</td>
</tr>
</tbody>
</table>

For if the surplus value created by 20 workers=20, then that
created by 10=10; in order to produce it, however, £20 needs to
be paid out, as before, whereas according to the earlier
relationship, only 10 was paid. The value of the product, of the
[XII-585] lb. of yarn, must in this case rise at any rate, because it
contains more labour, accumulated labour (in the cotton which enters
into it) and immediate labour.

If only cotton had risen and wages had remained the same, then
the 800 lbs of cotton would also have been spun by only
10 workers. But these 10 workers would only have cost £10. That
is, the surplus value of 10 [would] as before have amounted to
100%. In order to spin 800 lbs of cotton, 10 workers [would be]
needed with a capital outlay of 10. Thus total capital outlay would
have been 90. Now according to the assumption there would
always be 1 worker per 80 lbs of cotton. Hence on 800 lbs
10 [workers] and on 1,600 lbs 20. How many pounds therefore
could the total capital of 100 spin now? £88$^{8/9}$ could be used to
buy cotton and £11$^{1/9}$ could be laid out in wages.

The relative proportions would be:

<table>
<thead>
<tr>
<th>Constant capital</th>
<th>Variable capital</th>
<th>Surplus value</th>
<th>Rate of surplus value</th>
<th>Rate of profit</th>
<th>Product</th>
<th>Price per lb. of yarn</th>
</tr>
</thead>
<tbody>
<tr>
<td>£88$^{8/9}$ = £11$^{1/9}$ =</td>
<td>888$^{8/9}$ = 11$^{1/9}$ workers</td>
<td>100%</td>
<td>$11^{1/9}$%</td>
<td>888$^{8/9}$</td>
<td>1 lb. = 2s. 6d.</td>
<td></td>
</tr>
</tbody>
</table>

In this case, where no change in the value of variable capital
takes place, the rate of surplus value therefore remains the same.
In I, variable capital is to constant capital as 20:80 = 1:4. In III, it is as $11\frac{1}{9} : 88\frac{8}{9} = 1:8$; it has thus fallen proportionally by one half, because the value of constant capital has doubled. The same number of workers spin up the same amount of cotton, but £100 now only employ $11\frac{1}{9}$ workers, while the remaining $88\frac{8}{9}$ only buy $88\frac{8}{9}$ lbs of cotton instead of 1,600 lbs [as] in I. The rate of surplus value has remained the same. But owing to the change in the value of the constant capital, the same number of workers can no longer be employed by a capital of 100; the ratio between variable and constant capital has changed. Consequently the amount of surplus value falls and with it the profit, since this surplus value is calculated on the same amount of capital outlay as before. In the first case, the variable capital was $\frac{1}{4}$ of the constant capital (20:80) and $\frac{1}{5}$ of the total capital (=20). Now it is only $\frac{1}{8}$ of the constant capital ($11\frac{1}{9} : 88\frac{8}{9}$) and $\frac{1}{9}$ ($11\frac{1}{9}$) of 100, the total capital. But 100% on $\frac{100}{9}$ or 20 is 20 and 100% on $\frac{100}{9}$ or $11\frac{1}{9}$ is only $11\frac{1}{9}$. If the wage remains the same here, or the value of the variable capital remains the same, its absolute amount falls, because the value of the constant capital has risen. Therefore the percentage of the variable capital falls and with it surplus value itself, its absolute amount, and hence the rate of profit.

If the value of the variable capital remains the same and the mode of production remains the same, and therefore the ratio between the amounts of labour, raw material and machinery employed remains the same, a change in the value of the constant capital brings about the same variation in the composition of capital as if the value of constant capital had remained the same, but a greater amount of [constant] capital of unchanged value (thus also a greater capital value) had been employed, in proportion to the capital laid out in labour. The consequence is necessarily a fall in profit. (The opposite takes place if the value of constant capital falls.)

Conversely, a change in the value of the variable capital—in this case a rise—increases the proportion of variable to constant capital and therefore also the percentage of variable capital, or its proportional share in the total capital. Nevertheless, the rate of profit falls here, instead of rising, for the mode of production has remained the same. The same amount of living labour as before is employed now, in order to convert the same amount of raw materials, machinery, etc., into products. Here, as in the above case, only a smaller total amount of immediate and accumulated labour can be set in motion with the same capital of [£] 100 [XII-586]; but the smaller amount of labour costs more. The
necessary wage has risen. A larger share of this smaller amount of labour replaces necessary labour and therefore a smaller amount forms surplus labour. The rate of surplus value has fallen, while at the same time the number of workers or the total quantity of labour under the command of the same capital has diminished. The variable capital has increased in proportion to constant capital and hence also in proportion to total capital, although the amount of labour employed in proportion to the amount of constant capital has decreased. The surplus value consequently falls and with it the rate of profit. Previously the rate of surplus value remained the same, while the rate of profit fell, because the variable capital fell in proportion to the constant capital and hence in proportion to the total capital, or the surplus value fell because the number of workers decreased, its multiplier decreased, while the rate remained the same. This time the rate of profit falls because the variable capital rises in proportion to the constant capital, hence also to the total capital; this rise in variable capital is, however, accompanied by a fall in the amount of labour employed (of labour employed by the same capital), in other words, the surplus value falls, because its decreasing rate is bound up with the decreasing amount of labour employed. The paid labour has increased in proportion to the constant capital, but the total quantity of labour employed has decreased.

These variations in the value therefore always affect the surplus value itself, whose absolute amount decreases in both cases because either one or both of its two factors fall. In one case it decreases because the number of workers decreases while the rate of surplus value remains the same, in the other, because both the rate decreases and the number of workers employed by a capital of 100 decreases.

Finally we come to case II, where the change in the value of an agricultural product affects both parts of capital in the same proportion; this change of value is therefore not accompanied by a change in the organic composition of capital.

In this case (see p. 584)\(^a\) the pound of yarn rises from 1s. 6d. to 2s. 9d., since it is the product of more labour time than before. It contains just as much immediate (although more paid and less unpaid) labour as before, but more accumulated labour. Due to the change in the value of cotton from 1s. to 2s., 2s. instead of 1s. is incorporated in the value of the lb. of yarn.

\(^a\) See this volume, p. 497.—Ed.
Example II on page 584 however is incorrect. We had:

<table>
<thead>
<tr>
<th></th>
<th>Constant capital</th>
<th>Variable capital</th>
<th>Surplus value</th>
<th>Rate of surplus value</th>
<th>Rate of profit</th>
<th>Product</th>
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</tr>
</thead>
<tbody>
<tr>
<td>I</td>
<td>£80 = 1,600 lbs cotton</td>
<td>£20 = 20 workers</td>
<td>£20</td>
<td>100(%)</td>
<td>20%</td>
<td>1,600 lbs</td>
<td>1s. 6d.</td>
</tr>
</tbody>
</table>

The labour of 20 workers is represented by £40. Of this, half is unpaid labour here, hence [£]20 surplus value. According to this ratio, 10 workers will produce £20 and of this 10 [are] wages and 10 surplus value. If, therefore, the value of the labour capacity rose in the same proportion as that of the raw material, i.e., if it doubled, then it would be £20 for 10 workers as compared with £20 for 20 workers before. In this case, there would be no surplus labour left. For the value, in terms of money, which the 10 workers produce=£20, if that which the 20 produce=£40. This is impossible. If this were the case, the basis of capitalist production would have disappeared.

Since, however, the changes in value of constant and variable capital are supposed to be the same (proportionally), we must put this case differently. Therefore say the value of cotton rose by $\frac{1}{3}$; £80 now buy 1,200 lbs cotton, whereas previously they bought 1,600. Previously £1 = 20 lbs [cotton] or 1 lb. [cotton] = £$\frac{1}{20}$ = 1s. Now £1 = 15 lbs or 1 lb. = £$\frac{1}{15}$ = 1s. $\frac{2}{3}$ or 1s. 4d. Previously 1 worker cost £1, now £1 $\frac{1}{3}$ = £1 6$\frac{2}{3}$s. or £1 6s. 8d. and for 15 men [that] amounts to £20 (£15 + £$\frac{15}{3}$). [XII-587] Since 20 men produce a value of £40, 15 men produce a value of [£]30. Of this value, [£]20 [are] now their wages and [£]10 surplus value or unpaid labour.

Thus we have:

<table>
<thead>
<tr>
<th></th>
<th>Constant capital</th>
<th>Variable capital</th>
<th>Surplus value</th>
<th>Rate of surplus value</th>
<th>Rate of profit</th>
<th>Product</th>
<th>Price per lb. of yarn</th>
</tr>
</thead>
<tbody>
<tr>
<td>IV</td>
<td>£80 = 1,200 lbs cotton</td>
<td>£20 = 15 men</td>
<td>£10</td>
<td>50%</td>
<td>10%</td>
<td>1,200 lbs</td>
<td>1s. 10d.</td>
</tr>
</tbody>
</table>

This 1s. 10d. [contains] cotton worth 1s. 4d. and labour worth 6d.

The product becomes dearer because the cotton has become dearer by $\frac{1}{3}$. But the product is not dearer by $\frac{1}{3}$. Previously, in I, it was equal to 18d.; if, therefore, it had become dearer by $\frac{1}{3}$, it would now be 18d. + 6d. = 24d., but it is only equal to 22d. Previously 1,600 lbs yarn contained £40 labour, i.e., 1 lb., £$\frac{1}{40}$ or $\frac{20}{40s}$. or $\frac{1}{8s}$. = 6d. labour. Now 1,200 lbs [yarn] contain £30 labour, 1 lb. therefore contains £$\frac{1}{40}$ = $\frac{1}{8s}$. or 6d. labour. Although the
labour has become dearer in the same ratio as the raw material, the quantity of immediate labour contained in 1 lb. of yarn has remained the same, though more of this quantity is now paid and less unpaid labour. This change in the value of wages does not, therefore, in any way affect the value of the lb. of yarn, of the product. Now as before, labour only accounts for 6d., while cotton now accounts for 1s. 4d., instead of 1s., as previously. Thus, if the commodity is sold at its value, the change in the value of wages cannot after all bring about a change in the price of the product. Previously, however, 3d. of the 6d. were wages and 3d. surplus value; now 4d. are wages and 2d. surplus value. In fact 3d. on wages per lb. of yarn comes to $3 \times 1,600 \text{d.} = £20$ for 1,600 lbs yarn. And 4d. per lb. amounts to $4 \times 1,200 = £20$ for 1,200 lbs. And 3d. on 15d. (1s. cotton + 3d. wages) in the first example comes to $\frac{1}{5}$ profit = 20%. On the other hand, 2d. on 20d. (16d. cotton and 4d. wages) comes to $\frac{1}{10}$ or 10%.

If, in the above example, the price of cotton had remained the same [then we would have the following]: 1 man spins 80 lbs, since the mode of production has remained the same in all the examples, and the pound is again equal to 1s.

Now the capital is made up as follows:

<table>
<thead>
<tr>
<th>Constant capital</th>
<th>Variable capital</th>
<th>Surplus value</th>
<th>Rate of surplus value</th>
<th>Rate of profit</th>
<th>Product</th>
<th>Price per lb. of yarn</th>
</tr>
</thead>
<tbody>
<tr>
<td>£73 1/3 = 1,466 2/3</td>
<td>£26 2/3 = 50%</td>
<td>£13 2/6 = 50%</td>
<td>13 2/6%</td>
<td>1,466 2/3 = 15/116.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

This calculation is wrong; for if a man spins 80[lbs], 20 [men] spin 1,600 and not 1,466 2/3, since it is assumed that the mode of production has remained the same. This fact can in no way be altered by the difference in the remuneration of the man. The example must therefore be constructed differently.

<table>
<thead>
<tr>
<th>Constant capital</th>
<th>Variable capital</th>
<th>Surplus value</th>
<th>Rate of surplus value</th>
<th>Rate of profit</th>
<th>Product</th>
<th>Price per lb. of yarn</th>
</tr>
</thead>
<tbody>
<tr>
<td>£75 = 1,500</td>
<td>£25 = 50%</td>
<td>£12 1/2 = 50%</td>
<td>12 1/2%</td>
<td>1,500 = 1s. 6d.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Of this 6d., 4d. wages and 2d. profit. 2 on 16 = 1/4 = 12 1/2%. Finally, if the value of the variable capital remained the same as before (1 man received £1), whereas the value of the constant capital altered, so that 1 lb. cotton cost 1s. 4d. or 16d., instead of 1s. then:
<table>
<thead>
<tr>
<th>Constant</th>
<th>Variable</th>
<th>Surplus</th>
<th>Rate of</th>
<th>Rate of</th>
<th>Product</th>
<th>Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>capital</td>
<td>capital</td>
<td>value</td>
<td>surplus</td>
<td>profit</td>
<td>value</td>
<td>per lb</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>[of yarn]</td>
</tr>
<tr>
<td>III £84(\frac{4}{19})=$1,263\frac{3}{19}$ lbs COTTON</td>
<td>£15(\frac{15}{19}) (=15\frac{15}{19}) lbs [yarn]</td>
<td>15(\frac{15}{19})</td>
<td>100%</td>
<td>15(\frac{15}{19}) [%]</td>
<td>1,263(\frac{3}{19})</td>
<td>ls. 10d.</td>
</tr>
</tbody>
</table>

[XII-588] The profit=3d. On 19d. this comes to exactly 15\(\frac{15}{19}\)\%.

Now let us put all 4 cases together, beginning with I, where no change of value has as yet taken place.

<table>
<thead>
<tr>
<th>Constant</th>
<th>Variable</th>
<th>Surplus</th>
<th>Rate of</th>
<th>Rate of</th>
<th>Product</th>
<th>Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>capital</td>
<td>capital</td>
<td>value</td>
<td>surplus</td>
<td>profit</td>
<td>value</td>
<td>per lb</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>[of yarn]</td>
</tr>
<tr>
<td>I £80=1,600 lbs COTTON</td>
<td>£20=20 lbs workers</td>
<td>£20</td>
<td>100%</td>
<td>20%</td>
<td>1,600</td>
<td>1s. 6d.=3d.</td>
</tr>
<tr>
<td>II £75=1,500 lbs COTTON</td>
<td>£25=18(\frac{3}{4}) lbs workers</td>
<td>£12(\frac{1}{2})</td>
<td>50%</td>
<td>12(\frac{1}{2})%</td>
<td>1,500</td>
<td>1s. 6d.=2d.</td>
</tr>
<tr>
<td>III £84(\frac{4}{19})=1,263(\frac{3}{19}) lbs COTTON</td>
<td>£15(\frac{15}{19})=15(\frac{15}{19}) lbs [cotton]</td>
<td>£15(\frac{15}{19})</td>
<td>100%</td>
<td>15(\frac{15}{19}) [%]</td>
<td>1,263(\frac{3}{19})</td>
<td>1s. 10d.=3d.</td>
</tr>
<tr>
<td>IV £80=1,200 lbs COTTON</td>
<td>£20=15 lbs men</td>
<td>£10</td>
<td>50%</td>
<td>10%</td>
<td>1,200</td>
<td>1s. 10d.=2d.</td>
</tr>
</tbody>
</table>

The price of the product has changed in III and IV, because the value of constant capital has changed. On the other hand, a change of value in the variable capital does not bring about a change in price because the absolute quantity of immediate labour remains the same and is only differently apportioned between necessary labour and surplus labour.

Now what happens in case IV, where the change in value affects constant and variable capital in equal proportions, where both rise by \(\frac{1}{3}\)?

If only wages had risen (II), then the profit would have fallen from 20\% to 12\(\frac{1}{2}\)\%, i.e., by 7\(\frac{1}{2}\). If constant capital alone had risen (III), profit would have fallen from 20 to 15\(\frac{15}{19}\), i.e., by 4\(\frac{4}{19}\)\%. Since both rise to the same extent, profit falls from 20 to 10, i.e., by 10\%. But why not by 7\(\frac{1}{2}\)+4\(\frac{4}{19}\)\% or by 11\(\frac{27}{38}\), which is the sum of the differences of II and III? This 1\(\frac{27}{38}\) must be accounted for; in accordance with that, the profit should have fallen (IV) to 8\(\frac{11}{38}\), instead of to 10. The amount of profit is determined by the amount of surplus value and this is determined by
the number of workers, when the rate of surplus labour is given. In I there are 20 workers and half their labour time is unpaid. In II, only \( \frac{1}{3} \) of the total labour is unpaid, thus the rate of surplus value falls; moreover, \( 1\frac{1}{4} \) less workers are employed and therefore the number of workers or the total labour decreases. In III the rate of surplus value is again the same as in I, one-half of the working day is unpaid, but as a result of the rise in value of the constant capital, the number of workers falls from 20 to \( 15\frac{15}{19} \) or by \( 4\frac{4}{19} \). In IV (the rate of surplus value having fallen again to the level of that in II, namely, \( \frac{1}{3} \) of the working day), the number of workers decreases by 5, namely, from 20 to 15. Compared with I, the number of workers in IV decreases by 5, compared with II by \( 3\frac{3}{4} \) and compared with III by \( 15\frac{15}{19} \); but compared with I it does not decrease by \( 3\frac{3}{4} + 15\frac{15}{19} \), i.e., by \( 4\frac{41}{76} \). Otherwise the number of workers employed in IV would be \( 10\frac{35}{76} \).

Hence it follows that variations in the value of commodities which enter into constant or variable capital—when the mode of production, or the physical composition of capital, remains the same, in other words, when the ratio of immediate and accumulated labour employed remains constant—do not bring about a change in the organic composition of the capital if they affect variable and constant capital in the same proportion, as in IV (where for instance cotton becomes dearer to the same degree as the wheat which is consumed by the workers). The rate of profit falls here (while the value of constant and variable capital increases), firstly because the rate of surplus value falls due to the rise in wages, and secondly, because the number of workers decreases.

The change in value—if it affects only constant capital or only variable capital—acts like a change in the organic composition of capital and changes the relative value of the component parts of capital, although the mode of production remains the same. When only the variable capital is affected, it rises in relation to the constant capital [XII-589] and to the total capital; and not only the rate of surplus value decreases, but also the number of workers employed. Consequently the amount of constant capital (whose value [remains] unchanged) employed is also smaller (II).

If the change in value only affects the constant capital, then the variable capital falls in proportion to the constant capital and to the total capital. Although the rate of surplus value remains the same, its amount decreases because the number of workers employed [falls] (III).

Finally, it would be possible for the change in value to affect both constant and variable capital, but in uneven proportions. This
case only requires to be fitted into the above categories. Suppose, 
for instance, that constant and variable capital were affected in 
such a way that the value of the former rose by 10% and the latter 
by 5. Then in so far as they both rose by 5%, one by 5+5 and the 
other by 5, we would have case IV. But in so far as the constant 
capital changed by a further 5%, we would have case III.

In the above, we have only assumed a rise in value. With a fall 
we have the opposite effect. For example, to return from IV to I 
would be to consider a fall in value affecting both components in 
equal proportions. To assess the effect of a fall in only [one component 
part], II and III would have to be modified.

Returning to Table A it thus follows,\(^a\) that the assumption, that 
the profit of 10% has come about through a decrease (in that the 
rate of profit, starting from III was higher, in II it was lower than 
in III, but still higher than 10) may be correct, namely, if the 
development actually proceeded along the DESCENDING LINE; but this 
assumption by no means necessarily follows from the gradation of 
rents, the mere existence of differential rents; on the contrary 
with the ASCENDING LINE, this [gradation of rents] presupposes that 
the rate of profit remains the same over a long period.

Table B. Here, as has already been explained above,\(^b\) the 
competition from III and IV forces II to WITHDRAW half his capital. 
With a DESCENDING LINE, it would on the contrary appear that AN 
ADDITIONAL SUPPLY of only 32 \(\frac{1}{2}\) TONS is required, hence only a capital of 
\([£]\) 50 has to be invested in II.

But the most interesting aspect of the table is this: Previously a 
capital of £300 was invested, now only £250, i.e., \(\frac{1}{6}\) less. The 
amount of product has however remained the same—200 tons. 
The productivity of labour has thus risen and the value of the 
individual commodity fallen. The total value of the commodities 
has likewise fallen, from £400 to £369\(\frac{3}{13}\). As compared with A, 
the market value per ton has fallen from £2 to £1 16\(\frac{12}{13}\), since 
the new market value is determined by the individual value of II 
instead of, as previously, by the higher one of I. Despite all these 
circumstances—decrease in the capital invested, decrease in the 
total value of the product with the same volume of production, fall 
in the market value, exploitation of more fertile classes—the rent 
in B, as compared with A, has risen absolutely, by £24\(\frac{3}{13}\) (94\(\frac{3}{13}\) 
as against 70). If we examine how far the individual classes 
participate in the increase in total rent, we find that in class II the 
absolute rent, in so far as its rate is concerned, has remained the

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\(^a\) See this volume, pp. 491-92.—Ed.

\(^b\) Ibid., pp. 472-73.—Ed.
same for 5 on £50 = 10%; but its AMOUNT has fallen by half, from 10 to 5, because the capital investment in II B has fallen by half, from 100 to 50. Class II B, instead of effecting an increase in the rental, effects a decrease by £5. Furthermore, the differential rent for II B has completely disappeared, because the market value is now equal to the individual value of II; this results in a second loss of £10. Altogether then the reduction in rent for class II = £15.

In III the amount of absolute rent is the same; but as a result of the fall in market value, its differential value has also fallen; hence also the differential rent. It amounted to £30, now it amounts only to $18^{6/13}$. This is a reduction by $11^{7/15}$. The rent for II and III taken together has therefore fallen by $26^{7/13}$. It remains to account for a rise, not of $24^{5/13}$, as at first sight it would seem, but of $50^{10/13}$. Furthermore, however, for B as compared with A, the absolute rent of I A has disappeared as class I itself has disappeared. This represents a further reduction by £10. Thus, summa summarum, a £60$^{10/13}$ must be accounted for. But this is the RENTAL of the new class IV B. The rise in the RENTAL of B is therefore only to be explained by the rent from IV B. The absolute rent for IV B, like that of all other classes, = £10. The differential rent of [£] $50^{10/13}$, however, is due to [XII-590] the fact that the differential value of IV = $10^{47/49}$ per ton, and this has to be multiplied by $92^{1/2}$ for that is the number of tons. The fertility of II and III has remained the same. The least fertile class has been removed entirely and yet the RENTAL rises because, due to its relatively great fertility, the differential rent of IV alone is greater than the total differential rent of A had been previously. Differential rent does not depend on the absolute fertility of the classes that are cultivated for $1^{1/2}$ II, III, IV [B are] more fertile than I, II, III [A], and yet the differential rent for $1^{1/2}$ II, III, IV [B] is greater than it was for I, II, III [A] because the greatest portion of the product—$92^{1/2}$ tons—is supplied by a class whose differential value is greater than that occurring in general in I, II, III A. When the differential value for a class is given, the ABSOLUTE AMOUNT of its differential rent naturally depends on the amount of its product. But this amount itself is already taken into account in the calculation and formation of the differential value. Because with £100, IV produces $92^{1/2}$ tons, ni plus ni moins, its differential value in B where the market value = £1 $16^{12/13}$s. per ton, amounts to 10s. etc. per ton.

The whole RENTAL in A amounts to [£] 70 on [£] 300 capital,

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a All in all.—Ed.
b No more and no less.—Ed.
which = 23\(^{1/3}\)%.

On the other hand in B, leaving out of account the 3/13, it is £94 on £250, which is 37\(^{3/5}\)%.

Table C. Here it is assumed that class IV having come into the picture and class II determining the market value, demand does not remain the same, as in Table B, but it increases with the falling price, so that the whole of the 92\(^{1/2}\) tons which have been newly added by IV is absorbed by the market. At £2 per ton only 200 tons would be absorbed; at £1\(^{11/13}\), the demand grows to 292\(^{1/2}\). It is wrong to assume that the limits of the market are necessarily the same at £1\(^{11/13}\) per ton as at £2 per ton. On the contrary, the market expands to a certain extent with the falling price—even in the case of a general means of subsistence, such as wheat.

This, above all, is the only point to which we want to draw attention in Table C.

Table D. Here it is assumed that the 292\(^{1/2}\) tons are absorbed by the market only if the market value falls to £1\(^{5/6}\), which is the cost price per ton for class I, which therefore bears no rent but only yields the normal profit of 10%. This is the case which Ricardo assumes to be the normal case and on which we should therefore dwell at somewhat greater length.

As in the preceding tables, the ascending line is here presupposed de prime abord\(^a\); later we shall look at the same process in the descending line.

If II, III and IV only provided an additional supply of 140, that is, an additional supply which the market absorbs at £2 per ton, then I would continue to determine the market value.

But this is not the case. There is an overplus of 92\(^{1/2}\) tons on the market, produced by class IV. If this were, in fact, surplus production, which exceeded the absolute requirements of the market, then I would be completely thrown out of the market and II would have to withdraw half its capital as in B. II would then determine the market value as in B. But it is assumed that if the market value continues to decrease, the market can absorb the 92\(^{1/2}\) tons. How does this occur? IV, III and 1/2 II dominate the market absolutely. In other words if the market could only absorb 200 tons, they would throw out I.

But to begin with let us take the actual position. There are now 292\(^{1/2}\) tons on the market whereas previously there were only 200. II would sell at its individual value, at £1\(^{11/13}\), in order to make room for itself and to drive I, whose individual value =£2, out of the market. But since, even at this market value, there is no room

\(^a\) At the outset.—Ed.
for the 292½ tons, IV and III exert pressure on II, until the market price falls to £1½, at which price the classes IV, III, II and I find room for their product on the market, which at this market price absorbs the whole product. Through this fall in price, supply and demand are balanced. As soon as the additional supply surpasses the capacity of the market, as determined by the old market value, each class naturally seeks to force the whole of its product on to the market to the exclusion of the product of the other classes. This can only be brought about through a fall in price, and moreover a fall to the level where the market can absorb all products. If this reduction in price is so great that the classes I, II, etc., have to sell below their production costs they naturally have to withdraw [their capital from production]. If, however, the situation is such that the reduction does not have to be so great in order to bring the output into line with the state of the market, then the total capital can continue to work in this sphere of production at this new market value.

But it is further clear that in these circumstances it is not the worst land, I and II, but the best, III and IV, which determines the market value, and so also the rent on the best sorts of land determines those on the worse, as Storch correctly grasped in relation to this case.

IV sells at the price at which it can force its entire product on to the market overcoming all resistance from the other classes. This price is £1½. If the price were higher, the limits of the market would contract and the process of mutual exclusion would begin anew.

That I determines the market value [is correct] only on the assumption that the additional supply from II, etc., is only the additional supply which the market can absorb at the market value of I. If it is greater, then I is quite passive and by the room it takes up, only compels II, III, IV to react until the price has contracted sufficiently for the market to be large enough for the whole product. Now it happens that at this market value, which is in fact determined by IV, IV itself pays a differential rent of £49 7/12 in addition to the absolute rent, III pays a differential rent of £17 1/2 in addition to the absolute rent, II, on the other hand, pays no differential rent and moreover, only pays a part of the absolute rent, £9 1/6, instead of £10, i.e., not the full amount of the absolute rent. Why? Although the new market value of £1½ is above its cost price, it is below its individual value. If market value were equal to its individual value, it would pay the absolute rent of £10, which is equal to the difference between individual value and
cost price. But since it is below that, it only pays a part of its absolute rent, £9 1/6 instead of £10; the actual rent it pays is equal to the difference between market value and cost price, but this difference is smaller than that between its individual value and its cost price.

//The actual rent = the difference between market value and cost price.//

The absolute rent = the difference between individual value and cost price.

The differential rent = the difference between market value and individual value.

The actual or total rent = the absolute rent + the differential rent, in other words, it is equal to the excess of the market value over the individual value + the excess of the individual value over the cost price or = the difference between market value and cost price.

If, therefore, the market value = the individual value, the differential rent = 0 and the total rent = the difference between individual value and cost price.

If the market value is > than the individual value, the differential rent = the excess of the market value over the individual value; the total rent, however, = this differential rent + the absolute rent.

If the market value is < than the individual value, but greater than the cost price, the differential rent is a negative quantity, hence the total rent = the absolute rent + this negative differential rent, i.e., minus the excess of the individual value over the market value.

If the market value = the cost price, then on the whole rent = 0.

In order to put this down in the form of equations, we shall call the absolute rent AR, the differential rent DR, the total rent TR, the market value MV, the individual value IV and the cost price CP. We then have the following equations:

[XII-592] 1. AR = IV - CP = + y
2. DR = MV - IV = x
3. TR = AR + DR = MV - IV + IV - CP = y + x = MV - CP

If MV > IV, then MV - IV = + x. Hence: DR positive and TR = y + x.

And MV - CP = y + x or MV - y - x = CP or MV = y + x + CP.

If MV < IV, then MV - IV = - x. Hence: DR negative and TR = y - x.

And MV - CP = y - x or MV + x = IV or MV + x - y = CP or MV = y - x + CP.
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If $MV = IV$, then $DR = 0$, $x = 0$, because $MV - IV = 0$.

Hence $TR = AR + DR = AR + 0 = MV - IV + IV - CP = 0 + IV - CP = IV - CP = MV - CP = +\gamma$.

If $MV = CP$, then $TR$ or $MV - CP = 0$.

In the circumstances assumed, I pays no rent. Why not? Because the absolute rent= the difference between the individual value and the cost price. The differential rent, however, = the difference between the market value and the individual value. But the market value here = the cost price of I. The individual value of I = £2 per ton, the market value = £1 $\frac{5}{6}$.

The differential rent of I therefore = £1 $\frac{5}{6}$ - £2, which = -£$\frac{1}{6}$.

The absolute rent of I, however, = £2 - £1 $\frac{5}{6}$, in other words, = the difference between its individual value and its cost price = +£$\frac{1}{6}$.

Since, therefore, the actual rent of I = the absolute rent (£$\frac{1}{6}$) and the differential rent (-£$\frac{1}{6}$), it = +£$\frac{1}{6}$ - £$\frac{1}{6}$ = 0. Thus category I pays neither differential rent nor absolute rent, but only the cost price. The value of its product = £2; [it is] sold at £1 $\frac{5}{6}$, that means $\frac{1}{12}$ below its value, = 8$\frac{1}{3}$% below its value. I cannot sell at a higher price, because the market is determined not by I but by IV, III, II in opposition to I. I can merely provide an additional supply at the price of £1 $\frac{5}{6}$.

That I pays no rent, is due to the fact that the market value = its cost price.

This fact, however, is the result:

Firstly of the relatively low productivity of I. What it has to supply, is 60 additional tons at £1 $\frac{5}{6}$.

Suppose instead of supplying only 60 tons for £100, I supplied 64 tons for [£] 100, i.e., 1 ton less than class II. Then only £93 $\frac{3}{4}$ capital would have to be invested in I in order to supply 60 tons. The individual value of one ton in I would then be £1 $\frac{7}{8}$ or £1 17$\frac{1}{2}$s.; its cost price: £1 14$\frac{3}{8}$s.

And since the market value = £1 $\frac{5}{6}$ = £1 16$\frac{3}{8}$s., the difference between cost price and market value = 2$\frac{7}{24}$s. And on 60 tons this would amount to [XII-593] a rent of £6 17$\frac{1}{2}$s.

If therefore all the circumstances remained the same and I were more productive than it is by $\frac{1}{15}$ (since $\frac{60}{15} = 4$), it would still pay a part of the absolute rent because there would be a difference between the market value and its cost price, although a smaller difference than between its individual value and its cost price. Here the worst land would therefore still bear a rent if it were more fertile than it is. If I were absolutely more fertile than it is, II, III, IV would be relatively less fertile compared with it. The difference between its and their individual values would be
smaller. The fact that I bears no rent is therefore just as much due to the circumstance that it is not absolutely more fertile as to the fact that II, III, IV are not relatively less fertile.

Secondly, however: Given the productivity of I as 60 tons for £100. If II, III, IV, and especially IV, which enters the market as a new competitor, were less fertile, not only relatively as against I, but absolutely, then I could yield a rent, even though this would only consist of a fraction of the absolute rent. For since the market absorbs 292 1/2 tons at £1 5/6, it would absorb a smaller number of tons, for instance 280 tons at a market value higher than £1 5/6. Every market value, however, which is higher than £1 5/6, i.e., higher than the production costs of I, yields a rent for I, = to the market value minus the cost price of I.

It can thus equally well be said that I yields no rent because of the absolute productivity of IV, for as long as II and III were the only competitors on the market, it yielded a rent and would continue to do so even despite the advent of IV, despite the additional supply—although it would be a lower rent—if for a capital outlay of £100 IV produced 80 tons instead of 92 1/2 tons.

Thirdly: We have assumed that the absolute rent for a capital outlay of £100 = £10, = 10% on the capital, or £111 on the cost price, and that therefore the value [of the product yielded by] a capital of £100 in agriculture = £120 of which £10 are profit.

It would be wrong to assume that if we [say]: £100 capital is laid out in agriculture and if one working day = £1, then 100 working days are laid out. In general, if a capital of £100 = 100 working days then, in whatever branch of production this capital may be laid out, [the value of the product created by this capital] is never [= to 100 working days]. Supposing that one gold sovereign equals one working day of 12 hours, and that this is the normal working day, then the first question is, what is the rate of exploitation of labour? That is, how many of these 12 hours does the worker work for himself, for the reproduction (of the equivalent) of his wage, and how many does he work for the capitalist gratis? [How great,] therefore, is the labour time which the capitalist sells without having paid for it and which is therefore the source of the surplus value and serves to augment the capital? If the rate [of exploitation] = 50%, then the worker works 8 hours for himself and 4 gratis for the capitalist. The product = 12 hours = £1 (since according to the assumption, 12 hours labour time are contained in one gold sovereign). Of these 12 hours = £1, 8 recoup the capitalist for the wage and 4 form his surplus value. Thus on a wage of 13 1/3s., surplus value = 6 2/3ss.; or on a capital outlay of £1, it is 10s. and on £100, £50.
Then the value of the commodity produced with the £100 capital would be £150. The profit of the capitalist in fact consists in the sale of the unpaid labour contained in the product. The normal profit is derived from this sale of that which has not been paid for.

[XII-594] But the second question is this: What is the organic composition of the capital? That part of the value of the capital which consists of machinery, etc., and raw material is simply reproduced in the product, it reappears remaining unaltered. This part of the capital the capitalist must pay for at its value. It thus enters into the product as a given predetermined value. Only the labour used by the capitalist is merely partly paid for by him, although it enters wholly into the value of the product [and] is wholly bought by him. Assuming the above to be the rate of exploitation of labour, the amount of surplus value for capital of the same size will, therefore, depend on its organic composition. If the capital a.,=80c+20v, then the value of the product=110 and the profit=10 (although it contains 50% unpaid labour). If the capital b.,=40c+60v, then the value of the product=130, and the profit=30 although it too contains only 50% unpaid labour. If the capital c.=60c+40v, then the value of the product=120 and the profit=20% although, in this case too, it comprises 50% unpaid labour. Thus the 3 capitals=300 yield a total profit=10+30+20=60, and this makes an average of 20% for 100. This average profit is made by each of the capitals if it sells the commodity it produces at £120. The capital a: 80c+20v, sells at £10 above its value; capital b: 40c+60v, sells at £10 below its value; capital c: 60c+40v sells at its value. All the commodities taken together, are sold at their value: 120+120+120=£360. In fact the value of a+b+c=110+130+120=£360. But the prices of the individual categories are partly above, partly below and partly at their value so that each yields a profit of 20%. The values of the commodities, thus modified, are their cost prices, which competition constantly sets as centres of gravitation for market prices.

Now assume that the £100 laid out in agriculture is composed of 60c+40v (which, incidentally, is perhaps still too low for v), then the value=120. But this would be to the cost price in the industry. Suppose therefore in the above case that the average price for a capital of £100=£110. We now say that if the agricultural product is sold at its value, its value is £10 above its cost price. It then yields a rent of 10% and this we assume to be the normal thing in capitalist production, that in contrast to other products, the agricultural product is not sold at its cost price, but at
its value, as a result of landed property. The composition of the total capital is $80c + 20v$, if the average profit = 10%. We assume that that of the agricultural capital = $60c + 40v$, that is, in its composition wages—IMMEDIATE LABOUR—have a larger share than in the total capital invested in the other branches of industry. This indicates a relatively lower productivity of labour in this branch. It is true, that in some types of agriculture, for instance in stock-raising, the composition may be $90c + 10v$, i.e., the ratio of $v:c$ may be smaller than in the total industrial capital. Rent is, however, not determined by this branch, but by agriculture proper, and, furthermore, by that part of it which produces the principal means of subsistence, such as wheat, etc. The rent in the other branches is not determined by the composition of [XII-595] the capital invested in these branches themselves, but by the composition of the capital which is used in the production of the principal means of subsistence. The mere existence of capitalist production presupposes that vegetable food, not animal food, is the largest element in the means of subsistence. The interrelationship of the rents in the various branches is a secondary question that does not interest us here and is left out of consideration.

In order, therefore, to make the absolute rent = 10% it is assumed

- that the general average composition
- of the non-agricultural capital = $80c + 20v$,
- that of agricultural capital = $60c + 40v$.

The question now is whether it would make any difference to case D, where class I pays no rent, if the agricultural capital were differently constituted, for example $50c + 50v$ or $70c + 30v$? In the first case, the value of the product would = £125, in the second, £115. In the first case, the difference arising from the different composition of the non-agricultural capital would = £15, in the second it would = 5. That is, the difference between the value of the agricultural product and cost price would in the first case be 50% higher than has been assumed above, and in the second 50% lower.

If the former were the case, if the value of £100 = £125, then the value per ton for I = 2 $^1/_2$ in Table A. And this would be the market value for A, for class I determines the market value here. The cost price for I A, on the other hand, would be £1 $^5/_6$, as before. Since, according to the assumption, the 292 $^1/_2$ tons are only saleable at £1 $^5/_6$, this would therefore make no difference, just as it would make no difference if the agricultural capital = $70c + 30v$ or the difference between the value of the
AGRICULTURAL PRODUCE and its cost price = only £5, only half the amount assumed. If the cost price, and therefore the average organic composition of the NON-AGRICULTURAL capital, were assumed to be constant at 80c + 20v, then it would make no difference to this case [I D] whether it were higher or lower, although it would make a considerable difference to Table A and it would make a difference of 50% in the ABSOLUTE RENT.

But let us now assume the opposite, that the composition of the AGRICULTURAL capital remains 60c + 40v, as before and that of the NON-AGRICULTURAL capital varies. Instead of being 80c + 20v, let it be either 70c + 30v or 90c + 10v. In the first case the average profit = £15 or 50% higher than in the SUPPOSED CASE; in the other, £5 or 50% lower. In the first case the absolute rent = £5. This would again make no difference to I D. In the second case the absolute rent = £15. This too would make no difference to the CASE I D. All this would therefore be of no consequence to I D, however important it may continue to be for tables A, B, C, and E, i.e., for the absolute determination of the absolute and differential rent, whenever the new class—be it in the ASCENDING OR THE DESCENDING LINE—only supplies the NECESSARY ADDITIONAL DEMAND at the old market value.

Now the following question arises:

Can this CASE D occur in practice? And even before this, we must ask: is it, as Ricardo assumes, the normal case? It can only be the normal case if the AGRICULTURAL capital = 80c + 20v, equal, that is, to the average composition of the NON-AGRICULTURAL capital, so that the value of the AGRICULTURAL PRODUCE = the cost price of the NON-AGRICULTURAL PRODUCE. For the time being this is statistically wrong. The assumption of this relatively lower productivity of agriculture is at any rate more appropriate than Ricardo's assumption of a progressive absolute decrease in its productivity.

[XII-596] In Chapter I "On Value" a Ricardo assumes that the average composition of capital prevails in gold and silver mines (although he only speaks of fixed and circulating capital here; but we shall "correct" this). According to this assumption, these mines could only yield a differential rent, never an absolute rent. The assumption itself, however, in turn rests on the other assumption, that the ADDITIONAL SUPPLY provided by the richer mines is always greater than the ADDITIONAL SUPPLY required at the old market value.

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a See D. Ricardo, On the Principles of Political Economy..., London, 1821, pp. 43-44.—Ed.
But it is absolutely incomprehensible why the opposite cannot equally well take place. The mere existence of differential rent already proves that an additional supply is possible, without altering the given market value. For IV or III or II would yield no differential rents if they did not sell at the market value of I, however this may have been determined, that is, if they did not sell at a market value which is determined independently of the absolute amount of their supply.

Or: case D would always have to be the normal one, if [the conditions] presupposed in it are always the normal ones; in other words, if I is always forced by the competition from IV, III and II, especially from IV, to sell its product below its value by the whole amount of the absolute rent, that is, at the cost price. The mere existence of differential rent in IV, III, II proves that they sell at a market value which is above their individual value. If Ricardo assumes that this cannot be the case with I, then it is only because he presupposes the impossibility of absolute rent, and the latter, because he presupposes the identity of value and cost price.

Let us take case C where the 292 1/2 tons find a sale at a market value of £1 16 12/13s. And, like Ricardo, let us start out from IV. So long as only 92 1/2 tons are required, IV will sell at £1 5 35/37s. per ton, i.e., it will sell commodities that have been produced with a capital of £100 at their value of £120, which yields the absolute rent of £10. Why should IV sell its commodity below its value, at its cost price? So long as it alone is there, III, II, I cannot compete with it. The mere cost price of III is above the value which yields IV a rent of £10, and even more so the cost price of II and I. Therefore III etc. could not compete, even if it sold these tons at the bare cost price.

Let us assume that there is only one class—the best or the worst type of land, IV or I or III or II, this makes no difference whatsoever to the theory—let us assume that an elemental quantity exists, relatively, that is, to the amount of the given capital and labour which is in general disponible and can be absorbed in this branch of production, so that land forms no barriers and provides a relatively unlimited field of action for the available amount of labour and capital. Let us assume, therefore, that there is no differential rent because there is no cultivation of land of varying natural fertility, hence there is no differential rent (or else only to a negligible extent). Furthermore, let us assume that there is no landed property; then clearly there is no absolute

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a Available.—Ed.
rent and, therefore (as, according to our assumption, there is no
differential rent), there is no rent at all. This is a tautology. For
the existence of *absolute rent* not only presupposes landed
property, but it is the *posited landed property*, i.e., landed property
contingent on and modified by the action of capitalist production.
This tautology in no way helps to settle the question, since we
explain that absolute rent is formed as the result of the *resistance*
offered by landed property in agriculture to the capitalist levelling
out of the values of commodities to average prices. If we remove
this action on the part of landed property—this resistance, the
specific resistance which the competition between capitals comes
up against in this *field of action*—we naturally abolish the
precondition on which the existence of rent is based. Incidentally,
there is a contradiction in the assumption itself: on the one hand,
developed capitalist production (as Mr. Wakefield sees very well in
his colonial theory), on the other hand, the non-existence of
landed property. Where are the wage labourers to come from in
this case?

A somewhat *analogous* development takes place in the colonies,
even where, *legally*, landed property exists, in so far as the
government gives [land] gratis as happened originally in the
colonisation from England; and even where the [XII-597] govern-
ment actually institutes landed property by selling the land,
though at a negligible price, as in the United States, at 1 dollar or
something of the sort per acre.

Two different aspects must be distinguished here.

*Firstly:* There are the colonies proper, such as in the United
States, Australia, etc. Here the mass of the farming colonists,
although they bring with them a larger or smaller amount of
capital from the motherland, are not a *capitalist class*, not do they
carry on *capitalist* production. They are *more or less self-working
peasants* whose main object, in the first place, is to produce *their
own livelihood*, their *means of subsistence*. Their main product
therefore does not become a *commodity* and is not intended for
*trade*. They sell or exchange the excess of their products over their
own consumption for imported manufactured commodities, etc.
The other, smaller section of the colonists who settle near the sea,
navigable rivers, etc., form trading towns. There is no question of
capitalist production here either. Even if capitalist production
gradually comes into being, so that the sale of his products and
the profit he makes from this sale become decisive for the *self-
working and selfowning farmer*; so long as, compared with capital and
labour, land still exists in elemental abundance providing a
practically unlimited field of action, the first type of colonisation will continue as well and production will therefore never be regulated according to the needs of the market—at a given market value. Everything the colonists of the first type produce over and above their immediate consumption, they will throw on the market and sell at any price that will bring in more than their wages. They are, and continue for a long time to be, competitors of the farmers who are already producing more or less capitalistically, and thus keep the market price of the agricultural product constantly below its value. The farmer who therefore cultivates land of the worst kind, will be quite satisfied if he makes the average profit on the sale of his farm, i.e., if he gets back the capital invested, this is not the case in very many instances. Here therefore we have two essential conditions competing with one another: [firstly,] capitalist production is not as yet dominant in agriculture; secondly, although landed property exists legally, in practice it only exists as yet sporadically, and strictly speaking there is only possession of land. Or although landed property exists in a legal sense, it is—in view of the elemental abundance of land relative to labour and capital—as yet unable to offer resistance to capital, to transform agriculture into a field of action which, in contrast to non-agricultural industry, offers specific resistance to the investment of capital.

In the second type of colonies—plantations—where commercial speculations figure from the start and production is intended for the world market, the capitalist production exists, although only in a formal sense, since the slavery of Negroes precludes free wage labour, which is the basis of capitalist production. But the business in which slaves are used is conducted by capitalists. The mode of production which they introduce has not arisen out of slavery but is grafted on to it. In this case the same person is capitalist and landowner. And the elemental existence of the land confronting capital and labour does not offer any resistance to capital investment, hence none to the competition between capitals. Neither does a class of farmers as distinct from landlords develop here. So long as these conditions endure, nothing will stand in the way of cost price regulating market value.

All these preconditions have nothing to do with the preconditions in which an absolute rent exists: that is, on the one hand, developed capitalist production, and on the other, landed property, not only existing in the legal sense but actually offering resistance and defending the field of action against capital, only making way for it under certain conditions.
In these circumstances an absolute rent will exist, even if only IV or III or II or I are cultivated. Capital can only win new ground in that solely existing class [of land] by paying rent, that is, by selling the agricultural product at its value. It is, moreover, only in these circumstances that there can first be talk of a comparison and a difference between the capital invested in agriculture (i.e., in a natural element as such, in primary production) and that invested in non-agricultural industry.

But the next question is this:

If one starts out from I, then clearly II, III, IV, if they only provide the additional supply admissible at the old market value, will sell at the market value determined by I, and therefore, apart from the absolute rent, they will yield a differential rent in proportion to their relative fertility. On the other hand, if IV is the starting-point, then it appears that certain objections [XII-598] could be made.

For we saw that II draws the absolute rent if the product is sold at its value of £1 11/18 or at £1 16 12/13s.

In Table D the cost price of III, the next class (in the descending line), is higher than the value of IV, which yields a rent of £10. Thus there cannot be any question of competition or underselling here—even if III sold at cost price. If IV, however, no longer satisfies the demand, if more than 92 1/2 tons are required, then its price will rise. In the above case, it would have to rise by 3 43/118s. per ton, before III could enter the field as a competitor, even at its cost price. The question is, will it enter into it in these circumstances? Let us put this case in another way. For the price of IV to rise to £1 12s., the individual value of III, the demand would not have to rise by 75 tons. This applies especially to the dominant agricultural product, where an insufficiency in supply will bring about a much greater rise in price than corresponds to the arithmetical deficiency in supply. But if IV had risen to £1 12s., then at this market value, which is equal to III's individual value, the latter would pay the absolute rent and IV a differential rent. If there is any additional demand at all, III can sell at its individual value, since it would then dominate the market value and there would be no reason at all for the landowner to forgo the rent.

But say the market price of IV only rose to £1 9 1/5s., the cost price of III. Or in order to make the example even more striking: suppose the cost price of III is only £1 5s., i.e., only 1 8/37s. higher than the cost price of IV. It must be higher because its fertility is lower than that of IV. Can III be taken in hand now and thus compete with IV, which sells above III's cost price, namely, at £1
Either there is an **additional demand** or not. In the first case the market price of IV has risen above its value, above £1 5\(^{35}/37s\). And then, whatever the circumstances, III would sell *above* its cost price, even if not to the full amount of its absolute rent.

Or there is **no additional demand**. Here in turn we have 2 possibilities. Competition from III could only enter into it if the **farmer** of III were at the same time its **owner**, if to him as a capitalist landed property would not be an obstacle, would offer no resistance, because he has control of it, not as capitalist but as landowner. His competition would force IV to sell below its hitherto prevailing price of £1 5\(^{35}/37s\) and even below the price of £1 5s. And in this way III would be driven out of the field. And IV would be capable of driving III out every time. It would only have to reduce the price to the level of its own production costs, which are lower than those of III. But if the market expanded as a result of the *reduction in price* engendered by III, what then? Either the market expands to such an extent that IV can dispose of its 92 \(1/2\) tons as before, despite the newly-added 75, or it does not expand to this degree, so that a part of the product of IV and III would be surplus. In this case IV, since it dominates the market, would continue to lower [the price] until the capital in III is reduced to the appropriate size, that is until only that amount of capital is invested in it as is just sufficient for the entire product of IV to be absorbed. But at £1 5s the whole product would be saleable and since III sold a part of the product at this price, IV could not sell above that. This however would be the only possible **case**: temporary over-production not engendered by an **additional demand**, but leading to an expansion of the market. And this can only be the **case** if capitalist and landowner are identical in III—i.e., if it is assumed once again that landed property does not exist as a power confronting capital, because the capitalist himself is landowner and sacrifices the landowner to the capitalist. But if landed property as such confronts capital in III, then there is no reason at all why the landowner should hand over his acres for cultivation without drawing a rent from them, why he should hand over his land before the price of IV has risen to a level which is at least *above* the cost price of III. If this rise is only [XII-599] small, then in any country under capitalist production, III will continue to be withheld from capital as a **field of action**, unless there is no other form in which it can yield a rent. But it will never be put under cultivation before it yields a rent, before the price of IV is *above* the cost price of III, i.e., before IV yields a differential rent in addition to its old rent. With the further
growth of demand, the price of III would rise to its value, since the cost price of II is above the individual value of III. II would be cultivated as soon as the price of III had risen above £1 13\(\frac{11}{13}\)s., and so yielded some rent for II.

But it has been assumed in D that I yields no rent. But this only because I has been assumed to be already cultivated land which is being forced to sell below its value, at its cost price because of the change in market value brought about by the entry of IV. It will only continue to be thus exploited,

if the owner is himself the farmer, and therefore in this individual case the landed property which confronted capital has disappeared,

or if the farmer is a small capitalist prepared to accept less than 10\% or a worker who only wants to make his wage or a little more and hands over his surplus labour=10 or 9 or \(<\) 10, to the landowner instead of the capitalist. Although in the two latter cases fermage\(^a\) is paid, yet economically speaking, no rent, and we are concerned only with the latter. In the one case the farmer is a mere labourer, in the other something between labourer and capitalist.

Nothing could be more absurd than the assertion that the landowner cannot withdraw his acres from the market just as easily as the capitalist can withdraw his capital from a branch of production. The best proof of this is the large amount of fertile land that is uncultivated in the most developed countries of Europe, such as England, the land which is taken out of agriculture and put to the building of railways or houses or is reserved for this purpose, or is transformed by the landlord into rifle-ranges or hunting-grounds as in the highlands of Scotland, etc. The best proof of this is the vain struggle of the English workers to lay their hands on the waste land.

Nota bene: In all cases where the absolute rent, as in II D, falls below its normal amount, because, as here, the market value is below the individual value of the class or, as in II B, owing to competition from the better piece of land, a part of the capital must be withdrawn from the worse one or where, as in I D, rent is completely absent, it is presupposed:

1. that where rent is entirely absent, the landowner and capitalist [are] one and the same person; here therefore the resistance of landed property against capital and the limitation of the field of action of the latter by the former disappear but only in individual cases and as an exception. The presupposition of

\(^a\) Rental.—Ed.
landed property is abolished as in the colonies, but only in separate cases;

2. that the competition of the better lands—or possibly the competition from the worse lands (in the *descending* line)—leads to over-production and forcibly expands the market, creates an *additional demand* by forcing prices down. This however is the very case which Ricardo does not foresee because he always argues on the assumption that the supply is only sufficient to satisfy the necessary *additional demand*;

3. that II and I in B, C, D either do not pay the full amount of the absolute rent or pay no absolute rent at all, because they are forced by the competition from the better lands to sell their product *below* its value. Ricardo on the other hand presupposes that they sell their product at *its value* and that the *worst* land always determines the market value, whereas in case *ID*, which he regards as the normal case, just the opposite takes place. Furthermore his *raisonnement* is always based on the assumption of a *descending line of production*.

If the average composition of the *non-agricultural capital* = 80c + 20v, and the rate of surplus value = 50%, and if the composition of the *agricultural capital* = 90c + 10v, i.e., higher than that of *industrial capital*—which [XII-600] is historically incorrect for capitalist production—[then there is] no *absolute rent*; if it = 80c + 20v, which has not so far been the case, [there is] *no absolute rent*; if it is lower, for instance 60c + 40v, [there is an] absolute rent.

On the basis of the theory, the following possibilities can *arise*, according to the relationship of the different classes to the market—i.e., depending on the extent to which one or another class dominates the market:

A. The last class pays absolute rent. It determines the market value because all classes *only* provide the *necessary supply* at this market value.

B. The last class determines the market value; it pays absolute rent, the full rate of rent, but not the full previous amount because competition from III and IV has forced it to withdraw part of the capital from production.

C. The *excess supply* which classes I, II, III, IV provide at the old *market value*, forces the latter to fall; this however, being regulated by the higher classes, leads to the expansion of the market. I pays only a part of the *absolute rent*, II pays *only the absolute rent*.

D. The same domination of *market value* by the better classes or of the inferior classes by *oversupply* destroys rent in I altogether
and reduces it to below its absolute amount in II; finally in
E. The better classes oust I from the market by bringing down
the market value below the cost price. II now regulates the market
value because at this new market value only the necessary supply [is]
forthcoming from all 3 classes.

I would make the following further observation on the influence
of the variation of value upon the organic composition of capital: With
capitals in different branches of production—with an otherwise equal
physical composition—it is possible that the higher value of the
machinery or of the material used, may bring about a difference.
For instance, if the cotton, silk, linen and wool [industries] had
exactly the same physical composition, the mere difference in the
cost of the material used would create such a variation.

Now back to Ricardo.

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It goes without saying that when dealing with the composition of
the agricultural capital the value or price of the land does not
enter into this. The latter is nothing but the capitalised rent. Back
to:

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Ricardo, Chapter II "On Rent":

He begins by presenting the "colonial theory", already known
from Smith," and here it is sufficient to state briefly the logical
sequence of ideas.

* "On the first settling of a country, in which there is an abundance of rich and
fertile land, a very small proportion of which is required to be cultivated for the support of
the actual population, or indeed can be cultivated with the capital which the
population can command, there will be no rent; for no one would pay for the use of
land, when there was an abundant quantity not yet appropriated, and, therefore," *(because NOT APPROPRIATED, which Ricardo entirely forgets later on). *at the disposal
of whosoever might choose to cultivate it" *(p. 55).

//Here the assumption therefore is: no landed property. Although this description of the process is approximately correct for the settlings of modern peoples, it is, firstly, inapplicable to
developed capitalist production; and [secondly] equally false if put
forward as the historical course of events in the old europe.//

* "On the common principles of supply and demand, no rent could be paid for
such land, for the reason stated why nothing is given for the use of air and water,

See this volume, pp. 449-50, 460.—Ed.
or for any other of the gifts of nature which exist in boundless quantity... no charge is made for the use of these [XII-601] natural aids, because they are inexhaustible, and at every man's disposal.... If all land had the same properties, if it were unlimited in quantity, and uniform in quality, no charge could be made for its use"* (because it could not be converted into private property at all). *"unless where it possessed peculiar advantages of situation"* (and, he should add, were AT THE DISPOSAL OF A PROPRIETOR). *"It is only, then, because land is not unlimited in quantity and uniform in quality, and because in the progress of population, land of an inferior quality, or less advantageously situated, is called into cultivation, that rent is ever paid for the use of it. When in the progress of society, land of the second degree of fertility is taken into cultivation, rent immediately commences on that of the first quality, and the amount of that rent will depend on the difference in the quality of these two portions of land"* (pp. 56-57).

We shall examine this point more closely. The logical sequence is this:

If land, rich and fertile land],exists in elemental abundance in practically unlimited quantity compared to the actual population and capital—and Ricardo assumes this on the FIRST SETTLING OF A COUNTRY (Smith's colonial theory)—and if, furthermore, an "ABUNDANT QUANTITY" of this land is "NOT YET APPROPRIATED" and therefore, because it is "NOT YET APPROPRIATED", is "AT THE DISPOSAL OF WHOSOEVER MIGHT CHOOSE TO CULTIVATE IT", in this case, naturally, nothing is paid for the use of land, no rent. If land were [available] "in unlimited quantity"—not only relatively to capital and population, but if it were in fact an unlimited element (unlimited like air and water)—then indeed its appropriation by one person could not exclude its appropriation by another. No private (also no "public" or state) property in the soil could exist. In this case—if all land is of THE SAME QUALITY—no rent could be paid for it at all. At most, [rent would be paid] to the possessor of land which "possessed peculiar advantages of situation".

Thus, under the circumstances assumed by Ricardo—namely, that land is "NOT APPROPRIATED" and uncultivated land is "therefore at the disposal of whosoever might choose to cultivate it"—if rent is paid, then this is only possible because "land is not unlimited in quantity and uniform in quality", in other words, because different types of land exist and land of the same type is "LIMITED". We say that, on Ricardo's assumption, only a differential rent can be paid. But instead of confining it to this, HE JUMPS AT ONCE TO THE CONCLUSION that—quite apart from his assumption of the non-existence of landed property—ABSOLUTE RENT IS NEVER PAID FOR THE USE OF LAND, only differential rent.

The whole point therefore is: If land confronts capital in elemental abundance, then capital operates in agriculture in the same way as in every other branch of industry. There is then no landed property, no rent. At most, where one piece of land is more
fertile than another, there can be excess profits as in industry. In this case these will consolidate themselves as differential rent, because of their natural basis in the different degrees of fertility of the soil.

If, on the other hand, land is 1. limited, 2. appropriated, and capital finds landed property as a precondition—and this is the case where capitalist production develops: where capital does not find this precondition, as it does in the old Europe, it creates it itself, as in the United States—thus land is from the outset not an elementary field of action for capital. Hence [there is absolute] rent, in addition to differential rent. But in this case also the transitions from one type of land to another—be it ascending: I, II, III, IV or descending IV, III, II, I—work out differently than they did under Ricardo's assumption. For the employment of capital meets with the resistance of landed property both in category I and in II, III, IV; and similarly, in the reverse process, when the transition is from IV to III, etc. In the transition from IV to III, etc., it is not sufficient for the price of IV to rise high enough to enable the capital to be employed in III with an average profit. The price must rise to such an extent that rent can be paid on III. If the transition is made from I to II, etc., then it is self-evident that the price which paid a rent for I, must not only pay this rent for II, but a differential rent besides. By postulating the non-existence of landed property, Ricardo has not, of course, eliminated the law that arises with the existence and from the existence of landed property.

Having just shown how, on his assumption, a differential rent can come into being, Ricardo continues:

*“When land of the third quality is taken into cultivation, rent immediately commences on the second, and it is regulated, as before, by the difference in their productive powers. At the same time, the rent of the first quality will rise, for that must always be above the rent of the second, by the difference between the produce which they yield with a given quantity of capital and labour. With every step in the progress of population, which shall oblige a country to have recourse to land of a worse quality”*

(which, however, by no means implies that every step in the progress of population will oblige a country to have recourse to land of worse quality),

*“to enable it to raise its supply [XII-602] of food, rent, on all the more fertile land, will rise”* (p. 57).

This is all right.

Ricardo now passes on to [an] example. But, quite apart from other points to be noted later, this example presupposes the descending line. This, however, is mere presupposition. In order to smuggle it in, he says:
"On the first settling of a country, in which there is an abundance of rich and fertile soil... not yet appropriated" *(p. 55).

But the case would [be] the same, if, relatively to the colonists, there was an abundance of poor and sterile soil—not yet appropriated". The non-payment of rents does not depend on the richness or fertility of the soil, but on the fact that it is unlimited, unappropriated and uniform in quality, whatever might be that quality in respect to the degree of its fertility. Hence Ricardo himself goes on to formulate his assumption thus:

"If all land had the same properties, if it were unlimited in quantity, and uniform in quality, no charge could be made for its use" *(p. 56).

He does not say and cannot say, if it "were rich and fertile", because this condition would have absolutely nothing to do with the law. If, instead of being rich and fertile, the land were poor and sterile, then each colonist would have to cultivate a greater proportion of the whole land, and thus, even where the land is unappropriated, they would, with the growth of population, more rapidly approach the point where the practical abundance of land, its actual unlimitedness in proportion to population and capital, would cease to exist.

It is of course quite certain that the colonists will not pick out the least fertile land, but will choose the most fertile, i.e., the land that will produce most, with the means of cultivation at their disposal. But this is not the sole limiting factor in their choice. The first deciding factor for them is the situation, the situation near the sea, large rivers, etc. The land in West America, etc., may be as fertile as any; but the settlers of course established themselves in New England, Pennsylvania, North Carolina, Virginia, etc., in short, on the east coast of the Atlantic. If they selected the most fertile land, then they only selected the most fertile land in this region. This did not prevent them from cultivating more fertile land in the West, at a later stage, as soon as growth of population, formation of capital, development of means of communication, building of towns, made the more fertile land in this more distant region accessible to them. They do not look for the most fertile region, but for the most favourably situated region, and within this, of course—given equal conditions so far as the situation is concerned—they look for the most fertile land. But this certainly does not prove that they progress from the more fertile region to the less fertile region, only that within the same region—provided the situation is the same—the more fertile land is naturally cultivated before the unfertile.

Ricardo, however, having rightly amended "abundance of rich and fertile land" to read land of the "same properties, unlimited in quantity,"
UNIFORM IN QUALITY”, comes to his example and from there jumps back into the first false assumption:

*“The most fertile, and most favorably situated, land will be first cultivated”* (p. 60).

He senses the weakness and spuriousness [in this] and therefore adds the new condition to the “MOST FERTILE LAND”: “AND the MOST FAVOURABLY SITUATED”, which was missing at the outset. “THE MOST FERTILE LAND WITHIN THE MOST FAVOURABLE SITUATION” is how it should obviously read, and surely this absurdity cannot be carried so far [as to say] that the region of the country that happens to be the MOST FAVOURABLY SITUATED for the NEWCOMERS, since it enables them to keep IN CONTACT with the mother country and the OLD FOLKS AT HOME and the outside world, is “THE MOST FERTILE REGION” in the whole of the land, which the colonists have not yet explored and are as yet unable to explore.

The assumption of the DESCENDING LINE, the transition from the more fertile to the less fertile region, is thus surreptitiously brought in. All that can be said is this: In the region that is first cultivated, because it is the MOST FAVOURABLY SITUATED, no rent is paid until, within this region, there is a transition from the more fertile to the less fertile land. Now if, however, there is a transition to a second, more fertile region than the first, then, according to the assumption, this is WORSE SITUATED. Hence it is possible THAT THE GREATER FERTILITY OF THE SOIL IS MORE THAN COUNTERBALANCED BY THE GREATER DISADVANTAGE OF THE SITUATION, and in this case the land of region I will continue to pay rent. But the “SITUATION” is a circumstance which changes historically, according to the economic development, and must continually improve with the installation of means of communication, the building of new towns, etc., and the growth of the population. Hence it is clear that BY AND BY, the product produced in region II will be brought on to the market at a price which will lower the rent in region I again (for the same product), and that in time it will emerge as THE MORE FERTILE SOIL in the measure in which the DISADVANTAGE OF SITUATION disappears. [XII-603] It is therefore clear, that where Ricardo himself states the condition for the formation of differential rent correctly and in general form:

“...ALL LAND... OF THE SAME PROPERTIES... UNLIMITED IN QUANTITY... UNIFORM IN QUALITY...” [p. 56],

the circumstance of the transition from more fertile to less fertile land is not included,

that this is also historically incorrect for the SETTLEMENT in the UNITED STATES which, in common with Adam Smith, he has in
mind; therefore Carey's objections,\(^a\) which were justified on this point,

that he himself reverses the problem again, by his addendum on "suggestion"...: "The most fertile, and most favourably situated, land will be first cultivated",

that he proves his arbitrary presupposition by an example in which that which is to be proved, is postulated, namely, the transition from the best to increasingly worse land,

that, finally //it is true, already with an eye to the explanation of the tendency of the general rate of profit to fall// he presupposes this, because he could not otherwise account for differential rent, although the latter in no way depends on whether there is a transition from I to II, III, IV or from IV to III, II, I.

In the example, 3 sorts of land are postulated, Nos. 1, 2, 3, which, with an equal capital investment, yield 100, 90, 80 qrs of corn. No. 1 is the first to be cultivated

*"in a new country, where there is an abundance of fertile land compared with the population, and where therefore it is only necessary to cultivate No. 1" (p. 57).*

In this case the "whole net produce" belongs to the "cultivator" and "will be the profits of the stock which he advances" (p. 57). That this "net produce" is immediately regarded as profit of stock, although no capitalist production has been postulated in this case //we are not speaking of plantations// is also unsatisfactory here. But it may be that the colonist, coming from "the old country", looks at it in this way himself. If the population grows only to such an extent that No. 2 has to be cultivated, then No. 1 bears a rent of 10 qrs. It is of course assumed here that No. 2 and No. 3 are "unappropriated" and that their quantity has remained practically "unlimited" in proportion to population and capital. Otherwise there could be a different turn to events. Under this assumption, therefore, No. 1 will bear a rent of 10 qrs:

*"For either there must be two rates of profit on agricultural capital, or ten quarters, or the value of ten quarters, must be withdrawn from the produce of No. 1, for some other purpose. Whether the proprietor of the land, or any other person, cultivated No. 1, these ten quarters would equally constitute rent; for the cultivator of No. 2 would get the same result with his capital, whether he cultivated No. 1, paying 10 qrs for rent, or continued to cultivate No. 2, paying no rent"* (p. 58).

In fact, there would be two rates of profit on agricultural capital, that is, No. 1 supplied an excess profit of 10 quarters (which, in this case, can consolidate itself as rent). But 2 pages later, Ricardo

himself says that not only two but many very different rates of profit on capital of the same description within the same sphere of production, hence also on agricultural capital, are not only possible but inevitable:

* "The most fertile, and most favorably situated, land will be first cultivated, and the exchangeable value of its produce will be adjusted in the same manner as the exchangeable value of all other commodities, by the total quantity of labour necessary in various forms, from first to last, to produce it, and bring it to market. When land of an inferior quality is taken into cultivation, the exchangeable value of raw produce will rise, because more labour is required to produce it.

"The exchangeable value of all commodities, whether they be manufactured, or the produce of the mines, or the produce of land, is always regulated, not by the less quantity of labour that will suffice for their production under circumstances highly favorable, and exclusively enjoyed by those who have peculiar facilities of production; but by the greater quantity of labour necessarily bestowed on their production by those who have no such facilities; by those who continue to produce them under the most unfavorable circumstances; meaning—by the most unfavorable circumstances, the most unfavorable under which the quantity of produce required," * (at the old price) "renders it necessary to carry on the production" * (pp. 60-61).

Thus in each particular industry there are not only two, but many rates of profit, that is to say, deviations from the general rate of profit.

At this point it is not necessary to go into the further details of the example (pp. 58-59), which is concerned with the effect of employing different amounts of capital on the same land. Only these 2 propositions:

* "Rent is always the difference between the produce obtained by the employment of two [XII-604] equal quantities of capital and labour" * (p. 59).

In other words, there is only a differential rent (according to the assumption that there is no landed property). For:

* "there cannot be two rates of profit" (p. 59).

"It is true, that on the best land, the same produce would still be obtained with the same labour as before, but its value would be enhanced in consequence of the diminished returns obtained by those who employed fresh labour and stock on the less fertile land. Notwithstanding, then, that the advantages of fertile over inferior lands are in no case lost, but only transferred from the cultivator, or consumer, to the landlord, yet, since more labour is required on the inferior lands, and since it is from such land only that we are enabled to furnish ourselves with the additional supply of raw produce, the comparative value of that produce will continue permanently above its former level, and make it exchange for more hats, cloth, shoes, etc., in the production of which no such additional quantity of labour is required" (pp. 62, 63).

"The reason then, why raw produce rises in comparative value, is because more labour is employed in the production of the last portion obtained, and not because a rent is paid to the landlord. The value of corn is regulated by the quantity of labour bestowed on its production on that quality of land, or with that portion of capital, which pays no rent. Corn is not high because a rent is paid, but a rent is paid because corn is high; and it has been justly observed, that no reduction would take place in the price of corn, although landlords should forego the whole of their rent. Such a measure
would only enable some farmers to live like gentlemen, but would not diminish the quantity of labour necessary to raise raw produce on the least productive land in cultivation"* (p. 63).

My earlier explanations render it unnecessary to expand here on the erroneousness of the proposition that "the value of corn is regulated by the quantity of labour bestowed on its production on that quality of land... which pays no rent". I have shown that whether the last type of land pays rent, [or] pays no rent, [whether it] pays the whole of the absolute rent, [only a] part of it, or it pays besides the absolute rent a differential rent (if the line is ascending), partly depends on the direction of the line, whether it is ascending or descending, and at all events, it depends on the relative composition of agricultural capital as compared with the composition of non-agricultural capital and, if as a result of the difference in this composition absolute rent is presupposed, the above cases depend on the state of the market. But the Ricardian case in particular can only occur under two circumstances (although even then fermage can yet be paid, though no rent); either when landed property does not exist, in law or in fact, or when the best land provides an additional supply which can only find its place within the market if there is a fall in market value.

But there is more besides which is wrong or one-sided in the above passage. The comparative value—which here means nothing but market value—of raw produce can rise for reasons other than the above. [Firstly] if, up to now, it was sold below its value, perhaps below its cost price; this is always the case in a certain state of society, where the production of raw produce is as yet largely directed to the subsistence of the cultivator (also in the Middle Ages, when the product of the town secured a monopoly price); secondly, it can also happen when the raw produce—in contrast to the other commodities which are sold at their cost price—is not yet sold at its value.

Finally, it is correct to say that it makes no difference to the price of corn if the landlord forgoes the differential rent and the farmer pockets it. But this does not apply to absolute rent. It is wrong to say here that landed property does not enhance the price of the raw produce. On the contrary the price goes up because the intervention of landed property causes the raw produce to be sold at its value which exceeds its cost price. Supposing, as above, that the average non-agricultural capital = 80\(c\) + 20\(v\), the surplus value = 50\%, then the rate of profit = 10\% and the value of the produce = 110. The agricultural [XII-605] capital on the other hand = 60\(c\) + 40\(v\), the value [of the produce] = 120. The raw produce is sold at this
value. If landed property did not exist legally—or in practice, because of the relative abundance of land as in the colonies—then it would be sold at 115. For the total profit of the first and the second capital (i.e., on the 200) = 30, hence average profit = 15. The non-agricultural produce would be sold at 115 instead of 110; the agricultural produce at 115 instead of 120. The relative value of the agricultural produce compared with the non-agricultural produce would thus fall by $\frac{1}{12}$; the average profit for both capitals—or the total capital, agricultural as well as industrial—would, however, rise by 50%, from 10 to 15.

*"The rise of rent is always the effect of the increasing wealth of the country, and of the difficulty of providing food for its augmented population"* *(pp. 65-66).

The latter is wrong.

*"Wealth increases most rapidly in those countries where the disposable land is most fertile, where importation is least restricted, and where through agricultural improvements, productions can be multiplied without any increase in the proportional quantity of labour, and where consequently the progress of rent is slow"* *(pp. 66-67).

The absolute amount of rent can also grow when the rate of rent remains the same and only the capital invested in agriculture is growing with the growth of population; it can grow when no rent is paid on I and only a part of the absolute rent on II, but the differential rent has risen considerably as a result of their relative fertility, etc. (See the table.)*

*"If the high price of corn were the effect, and not the cause of rent, price would be proportionally influenced as rents were high or low, and rent would be a component part of price. But that corn which is produced by the greatest quantity of labour is the regulator of the price of corn; and rent does not and cannot enter in the least degree as a component part of its price... Raw material enters into the composition of most commodities, but the value of that raw material, as well as corn, is regulated by the productiveness of the portion of capital last employed on the land, and paying no rent; and therefore rent is not a component part of the price of commodities"* *(p. 67).

There is much confusion here, resulting from the jumbling up of natural "price" (for that is the price under discussion here) and value. Ricardo has adopted this confusion from Smith. In the case of the latter it is relatively correct, because, and in so far as, Smith departs from his own correct explanation of value. Neither rent nor profit nor wages form a component part of the value of a commodity. On the contrary, the value of a commodity being given, the different parts into which that value may be divided, belong either to the

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* See the insertion between pages 479 and 480.—Ed.
CATEGORY OF ACCUMULATED LABOUR (CONSTANT CAPITAL) OR WAGES OR PROFIT OR RENT. On the other hand, when referring to the NATURAL PRICE or COST PRICE, Smith can speak of its COMPONENT PARTS as given preconditions. But by confusing NATURAL PRICE with VALUE, he carries this over to the VALUE of the COMMODITY.

Apart from the fact that the raw material and machinery (in short the constant capital) enter into production with a fixed price, which to the capitalist in each particular sphere of production appears as determined from outside, there are two things the capitalist must do when calculating the price of his commodity: he has to add the PRICE OF THE WAGES, and this also appears to him as given (WITHIN CERTAIN LIMITS). The NATURAL PRICE of the commodity is not the MARKET PRICE but the average market price over a long period, or the central point towards which the market price gravitates. In this context therefore the PRICE OF WAGES is on the whole determined by the VALUE of labour capacity. But the RATE OF PROFIT—the NATURAL RATE OF PROFIT—is determined by the VALUE of the aggregate of commodities created by the aggregate of capitals employed in NON-AGRICULTURAL INDUSTRY. For it is the excess of this value over the value of the constant capital contained in the commodity + the value of wages. The total surplus value which the total capital creates, forms the ABSOLUTE AMOUNT OF PROFIT. The ratio of this ABSOLUTE AMOUNT TO THE WHOLE CAPITAL ADVANCED DETERMINES THE GENERAL RATE OF PROFIT. Thus this GENERAL RATE OF PROFIT, too, appears—not only to the individual capitalist, but to the capital in each particular sphere of production—to be determined externally. The capitalist must add the GENERAL PROFIT, SAY OF 10% [XII-606] to the price of the ADVANCES IN RAW MATERIAL, ETC., CONTAINED IN THE PRODUCT, AND THE NATURAL PRICE OF WAGES, THUS—AS IT MUST APPEAR TO HIM—BY WAY OF ADDITION OF COMPONENT PARTS, OR BY COMPOSITION—TO FORM THE NATURAL PRICE OF A GIVEN COMMODITY. Whether the NATURAL PRICE is paid, or more, or less, depends on the level of the market price prevailing at the time. Only wages and profit enter into COST PRICE as distinguished from VALUE; rent enters only in so far as it is already contained in the PRICE OF THE EXPENDED RAW MATERIAL, MACHINERY, ETC. That is, it does not enter as rent for the capitalist, to whom, in any case, the PRICE OF RAW PRODUCE, MACHINERY, in short of the constant capital, appears as a predetermined total.

Rent does not enter into COST PRICE as a COMPONENT PART. If, in special CIRCUMSTANCES, the agricultural product is sold at its cost price, then NO RENT EXISTS. Economically landed property does not then exist for capital, that is, when the product of the type of land that sells at the cost price, regulates the market value of the
product of its sphere. (The position in I, Table D is different.)

Or (absolute) rent exists. In this case the agricultural product is sold above its cost price. It is sold at its value, which is above its cost price. Rent, however, enters into the market value of the product, or, rather, forms a part of the market value. But to the farmer rent appears as predetermined, in the same way as profit does to the industrialist. It is determined by the excess of the value of the agricultural product over its cost price. The farmer, however, calculates just like the capitalist: First the outlay, secondly wages, thirdly the average profit, finally the rent, which likewise appears to him as fixed. This is for him the natural price of wheat, for instance. Whether he obtains it, depends, in turn, on the prevailing state of the market.

If the distinction between cost price and value is properly maintained, then rent can never enter into cost price as a constituent part, and one can talk of constituent parts only in relation to the cost price as distinguished from the value of the commodity. (Like excess profit, differential rent never enters into cost price, because it is nothing but the excess of the individual cost price over market cost price, or the excess of the individual value over market value.)

Accordingly, Ricardo is in substance right when, in opposition to Adam Smith, he declares that rent never enters into cost price. But again he is wrong in that he proves this, not by differentiating between cost price and value, but by identifying the two, as Adam Smith did, for neither rent nor profit, nor wages form constituent parts of value, although value is dissolvable into wages and profits and rent, and, furthermore, the 3 parts are of equal importance, if all 3 exist. Ricardo reasons thus: Rent forms no constituent part of the natural price of agricultural produce, because the price of the product of the worst land, which is = to the cost price of this product, and to the value of this product, determines the market value of agricultural produce. Thus rent forms no part of the value because it forms no part of the natural price and this latter is = to value. This however is wrong. The price of the product grown on the worst land = its cost price, either because this product is sold below its value—therefore not as Ricardo says, because it is sold at its value—or because the agricultural product belongs to that type, to that class, of commodities in which, by way of exception, value and cost price are identical. This is the case when the surplus value which is made in a particular sphere of production on a given capital, of say 100,

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\(^{a}\) See this volume, pp. 507, 509.—Ed.
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happens to coincide with the surplus value which on the average falls to the same relative portion of the total capital (say 100). This then is Ricardo's confusion.

As to Adam Smith: in so far as he identifies cost price with value, he is justified, on the basis of this false assumption, in saying that rent, as well as profit and wages, form "constituent parts of the natural price". On the contrary, it is rather inconsistent that later in his further exposition he asserts that rent does not enter into the natural price in the same way as wages and profits. He commits this inconsistency because observation and correct analysis compel him nevertheless to recognize that there is a difference in the determination of the natural price of non-agricultural produce and the market value of agricultural produce. But more about this when discussing Smith's theory of rent.a

[XII-607] * "We have seen, that with every portion of additional capital which it becomes necessary to employ on the land with a less productive return, rent would rise." *

(But not every portion of additional capital yields a less productive return.)

* "It follows from the same principles, that any circumstances in the society which should make it unnecessary to employ the same amount of capital on the land, and which should therefore make the portion last employed more productive, would lower rent"* (p. 68).

That is absolute rent, not necessarily differential rent. (See Table B.)

Such circumstances might be the "reduction in the capital of a country" followed by a reduction in the population. But also a higher development of the productive powers of agricultural labour.

* "The same effects may however be produced, when the wealth and population of a country are increased, if that increase is accompanied by such marked improvements in agriculture, as shall have the same effect of diminishing the necessity of cultivating the poorer lands, or of expending the same amount of capital on the cultivation of the more fertile portions"* (pp. 68-69).

(Oddly enough, Ricardo forgets here: improvements as shall have the effect of improving the quality of poorer lands and converting these into richer ones, an aspect stressed by Anderson. c Ricardo's proposition is entirely wrong:

* "With the same population, and no more, there can be no demand for any additional quantity of corn"* (p. 69).

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a See this volume, pp. 551-78.—Ed.

b Ibid., pp. 476-77.—Ed.

c Ibid., pp. 371-76.—Ed.
Quite apart from the fact that, with a fall in the price of corn, an additional demand for other raw produce, green vegetables, meat, etc., will spring up and that schnaps, etc., can be made from corn, Ricardo assumes here that the entire population consumes as much corn as it likes. This is false.

//* "Our enormous increase of consumption in 1848, 49, 50, shows that we were previously underfed, and that prices were forced up by the deficiency of supply." * (F. W. Newman, Lectures on Political Economy, London, 1851, p. 158.)

The same Newman says:

* "The Ricardo argument, that rent cannot enhance price, turns on the assumption that the power of demanding rent can in no case of real life diminish supply. But why not? There are very considerable tracts which would immediately have been cultivated if no rent could have been demanded for them, but which were artificially kept vacant, either because landlords could let them advantageously as shooting ground, or prefer the romantic wilderness to a petty and nominal rent which alone they could get by allowing them to be cultivated." * (p. 159.)//

(Indeed, [it is] in any case wrong to say that if he withdraws the land from the production of corn, he may not get a rent by converting it into pasture or building grounds or, as in some counties in the highlands of Scotland, into artificial woods for hunting purposes.*

Ricardo distinguishes two kinds of improvements in agriculture. The one type

* "increases the productive powers of the land... such as the more skilful rotation of crops, or the better choice of manure. These improvements absolutely enable us to obtain the same produce from a smaller quantity of land." * (p. 70).

In this case, according to Ricardo, the rent must fall.

* "If, for example, the successive portions of capital yielded 100, 90, 80, 70; whilst I employed these four portions, my rent would be 60, or the difference between

\[
\begin{align*}
70 \text{ and } 100 &= 30 \\
70 \text{ and } 90 &= 20 \\
70 \text{ and } 80 &= 10
\end{align*}
\]

whilst the produce would be

\[
\begin{align*}
100 \\
90 \\
80 \\
70
\end{align*}
\]

and while I employed these portions, the rent would remain the same, although the produce of each should have an equal augmentation." *

(If it had an unequal augmentation, it would be possible for the rent to rise despite the increased fertility.)

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\textsuperscript{a} Newman has here: "argument, which J. Stuart Mill adopts".— Ed.
"If, instead of 100, 90, 80, 70, the produce should be increased to 125, 115, 105, 95, the rent would still be 60, or the difference between

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But with such an increase of produce, without an increase of demand, there could be no motive for employing so much capital on the land; one portion would be withdrawn, and consequently the last portion of capital would yield 105 instead of 95, and rent would fall to 30, or the difference between

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</tbody>
</table>

Apart from demand being able to rise without a growth in population when the price falls (Ricardo himself assumes that it has risen by 5 qrs), there is a constant going over to soils of decreasing fertility, because the population grows every year, i.e., the part of the population that consumes corn, eats bread, and this part grows more rapidly than the population, because bread is the chief means of subsistence of the majority. It is thus not necessary to assume that the demand does not grow with the productivity of capital, and that consequently the rent falls. And the rent can rise, if the difference in the degree of fertility has been unevenly affected by the improvement.

Otherwise it is certain (Tables B and E), that the increase in fertility—while demand remains constant—can not only throw the worst land out of the market but can even force a part of the capital on better land (Table B) to withdraw from the production of corn. In this case the corn rent falls, if the augmentation of the produce is equal on the different types of land.

Now Ricardo passes on to the 2nd aspect of agricultural improvements.

* "But there are improvements which may lower the relative value of produce without lowering the corn rent, though they will lower the money rent of land. Such improvements do not increase the productive powers of the land; but they enable us to obtain its produce with less labour. They are rather directed to the formation of

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* See this volume, pp. 477, 479.— Ed.
the capital applied to the land, than to the cultivation of the land itself. Improvements in agricultural implements, such as the plough and the thrashing machine, economy in the use of horses employed in husbandry, and a better knowledge of the veterinary art, are of this nature. Less capital, which is the same thing as less labour, will be employed on the land; but to obtain the same produce, less land cannot be cultivated. Whether improvements of this kind, however, affect corn rent, must depend on the question, whether the difference between the produce obtained by the employment of different portions of capital be increased, stationary, or diminished".*

//Ricardo should also have adhered to this when dealing with the NATURAL FERTILITY OF THE SOILS. Whether the transition to these reduces the differential rent, leaves it stationary, or increases it, depends on whether the difference in the produce of the capital employed on these DIFFERENT MORE FERTILE SOILS, BE INCREASED, STATIONARY, OR DIMINISHED. //

*"If four portions of capital, 50, 60, 70, 80, be employed on the land, giving each the same results, and any improvement in the formation of such capital should enable me to withdraw 5 from each, so that they should be 45, 55, 65 and 75, no alteration would take place in the corn rent; but if the improvements were such as to enable me to make the whole saving on that portion of capital, which is least productively employed, corn rent would immediately fall, because the difference between the capital most productive, and the capital [XII-609] least productive, would be diminished; and it is this difference which constitutes rent"* (pp. 73-74).

This is correct for differential rent, which alone exists for Ricardo.

On the other hand, Ricardo does not touch upon the real question at all. For the solution of this question it does not matter whether the value of the individual quarter falls or whether the same quantity of land, the quantity of the same types of land as previously, needs to be cultivated, but whether as a result of the reduction in the price of constant capital—which, according to the assumption, costs LESS LABOUR—the quantity of IMMEDIATE LABOUR EMPLOYED IN AGRICULTURE is reduced, increased or unaltered. In short, whether or not the capital undergoes an organic change.

Let us take our example from Table A (page 574, notebook XI) and let us substitute QRS OF CORN for tons.

It is assumed here that the composition of the NON-AGRICULTURAL capital=80c+20v, that of the AGRICULTURAL capital=60c+40v, the rate of surplus value in both cases=50%. HENCE THE RENT ON THE LATTER CAPITAL, OR THE EXCESS OF ITS VALUE OVER ITS COST-PRICE, =£10. Thus we have the following:

\[ a \text{ See the insertion between pages 479 and 480.—Ed.} \]
The Production Process of Capital

The table shows the production process of capital with the following details:

<table>
<thead>
<tr>
<th>Capital</th>
<th>Qrs of corn</th>
<th>Total value</th>
<th>Market value per qr</th>
<th>Individual value per qr</th>
</tr>
</thead>
<tbody>
<tr>
<td>£ 1</td>
<td>100</td>
<td>60</td>
<td>120</td>
<td>£2[=40s.]</td>
</tr>
<tr>
<td>£ 11/13=£1 16 12/13s.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>£ 19/15=£1 12s.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>£ 2</td>
<td>100</td>
<td>65</td>
<td>130</td>
<td>£1 11/13=£1 16 12/13s.</td>
</tr>
<tr>
<td>£ 11/13=£1 16 12/13s.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>£ 19/15=£1 12s.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>£ 3</td>
<td>100</td>
<td>75</td>
<td>150</td>
<td>£1 9/15=£1 12s.</td>
</tr>
<tr>
<td>£ 11/13=£1 16 12/13s.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>£ 19/15=£1 12s.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>300</td>
<td>200</td>
<td>400</td>
<td></td>
</tr>
</tbody>
</table>

The differential value per qr and cost price per qr are as follows:

<table>
<thead>
<tr>
<th>Differential value per qr</th>
<th>Cost price per qr</th>
</tr>
</thead>
<tbody>
<tr>
<td>I</td>
<td>£1 5/6=£1 16 2/8s.</td>
</tr>
<tr>
<td>II</td>
<td>£1 9/13=£1 13 11/15s.</td>
</tr>
<tr>
<td>III</td>
<td>£1 7/15=£1 9 1/3s.</td>
</tr>
<tr>
<td>Absolute rent</td>
<td>£</td>
</tr>
<tr>
<td>Differential rent</td>
<td>£</td>
</tr>
<tr>
<td>I</td>
<td>10</td>
</tr>
<tr>
<td>II</td>
<td>10</td>
</tr>
<tr>
<td>III</td>
<td>30</td>
</tr>
<tr>
<td>Absolute rent in qrs</td>
<td>10</td>
</tr>
<tr>
<td>Differential rent in qrs</td>
<td>10</td>
</tr>
<tr>
<td>Rental £</td>
<td>20</td>
</tr>
<tr>
<td>Rental in qrs</td>
<td>20</td>
</tr>
<tr>
<td>I</td>
<td>5</td>
</tr>
<tr>
<td>II</td>
<td>5</td>
</tr>
<tr>
<td>III</td>
<td>5</td>
</tr>
<tr>
<td>15</td>
<td>20</td>
</tr>
<tr>
<td>70</td>
<td>35</td>
</tr>
</tbody>
</table>

In order to examine the problem in its pure form, one must assume that the magnitude of the capital employed in I, II, III is in all 3 classes equally affected by the reduction in the price of constant capital (100). For the uneven effect only concerns differential rent, and has nothing to do with the matter in hand. Supposing, therefore, that as a result of improvements, the same amount of capital, which previously cost £100, now only costs 90, it would thus be reduced by 1/10, or 10%. The question is then how the improvements affect the composition of agricultural capital.

If the proportion of capital used as wages [to constant capital] remains the same, then, if 100=60c+40v, 90=54c+36v, and in this case the value of the 60 qrs on land I=£108. But if the reduction in price were such that the same constant capital which previously cost 60, now only cost 54, but that v (or the capital laid out in wages) now only cost 32 2/5 instead of 36 (had also fallen by 1/10), then 86 2/5 would be laid out instead of 100. The composition of this capital would be 54c+32 2/5v. And reckoned on 100, the composition would be 62 1/2c+37 1/2v. Under these circumstances, the value of the 60 qrs on I would=£102 3/5. Finally, let us assume that although the value of the constant capital decreases, the
capital laid out in wages remains *the same* absolutely, it therefore grows in *proportion* to the constant capital; so that the capital of 90 which has been laid out = 50c + 40v, the composition of [a capital of] 100 would = \(55\frac{5}{9}c + 44\frac{4}{9}v\).

Now let us see what happens to corn and money rent in these 3 cases. In case B the proportion of c to v remains the same although the value of both decreases. In C the [XII-610] value of c decreases, but proportionately, that of v decreases even more. In D, only the value of c decreases, not that of v.

*First let us reproduce the original table contained on the previous page.*

[XII-611] From the accompanying table it is evident that:

*Originally* in A the ratio is 60c + 40v; the capital invested in each class is [£] 100. The rent in money amounts to £70, in corn to 35 qrs.

In B the constant capital becomes cheaper so that only £90 [are] invested in each class, the variable capital however becomes cheaper in the same proportion, so that the *ratio* remains the same. Here the *money rent* falls, the corn rent remains the same; [the] *absolute rent* is also *the same*. Money rent decreases because the capital invested decreases. Corn rent remains the same, because less money [produces] more corn the ratio remaining the same.

In C cheaper constant capital; but [the value of] v decreases even more, so that the constant capital becomes relatively dearer. *Absolute rent* falls. Corn rent falls and money rent falls. Money rent, because capital in general has decreased significantly, and corn rent, because absolute rent has fallen while the differences [between the classes] have remained the same, therefore all of them [corn rents] fall equally.

In D, however, the case is completely the reverse. Only the constant capital falls; the variable capital remains the same. This was *Ricardo’s assumption*. In this case, because of the fall in capital, the money rent falls, though the fall is quite insignificant, in absolute figures it is only \(\frac{1}{3}\), but in proportion to the capital laid out, it rises considerably. The corn rent, on the other hand, grows absolutely. Why? Because the absolute rent has risen from 10 to \(12\frac{2}{9}\%, \) because v has grown in proportion to c. Hence:

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*a See the insertion between pp. 536 and 537.—Ed.*

35-176
### The Production Process of Capital

<table>
<thead>
<tr>
<th>Capital</th>
<th>Absolute Rent</th>
<th>Absolute Differential Rent</th>
<th>Differential Rent</th>
<th>Absolute Rent</th>
<th>Differential Rent</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>A</strong> 60c + 40v</td>
<td>10 [%]</td>
<td>30</td>
<td>40</td>
<td>15</td>
<td>20</td>
</tr>
<tr>
<td><strong>B</strong> 54c + 36v</td>
<td>10 [%]</td>
<td>27</td>
<td>36</td>
<td>15</td>
<td>20</td>
</tr>
<tr>
<td>(60c + 40v)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>C</strong> 54c + 32%3v</td>
<td>8%3/4</td>
<td>22%17/25</td>
<td>£34 4s.</td>
<td>13%45/171</td>
<td>20</td>
</tr>
<tr>
<td>(62%1/2c + 37%1/2v)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>D</strong> 50c + 40v</td>
<td>12%2/3</td>
<td>33</td>
<td>36%2/3</td>
<td>18</td>
<td>20</td>
</tr>
<tr>
<td>(55%5c + 44%4v)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Ricardo continues:

*"Whatever diminishes the inequality in the produce obtained from successive portions of capital employed on the same or on new land, tends to lower rent; and whatever increases that inequality, necessarily produces an opposite effect, and tends to raise it"* (p. 74).

The *inequality can be increased, while capital is withdrawn and while sterility decreases, or even while the less fertile land is thrown out of the market.*

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(*LANDLORD and capitalist. In a LEADER of 15th July, 1862, the Morning Star [examines] whose duty it is (voluntarily or compulsorily) to support the distressed (as a result of the COTTON FAMINE and the CIVIL WAR IN AMERICA) WORKMEN IN THE COTTON MANUFACTURE DISTRICTS OF LANCASHIRE, etc. It says:*

*"These people have a legal right to maintenance out of the property they have mostly created by their industry... It is said that the men who have made fortunes by the cotton industry are those upon whom it is especially incumbent to come forward with a generous relief. No doubt it is so ... the mercantile and manufacturing sections have done so.... But are these the only class which has made money by the cotton manufacture? Assuredly not. The landed proprietors of Lancashire and North Cheshire have enormously participated in the wealth thus produced. And it is the peculiar advantage of these proprietors to have participated in the wealth without lending a hand or a thought to the industry that created it.... The mill-owner has given his capital, his skill, and his unwinking vigilance to the [XII-612] creation of this great industry, now staggering under so heavy a blow; the mill-hand has given his skill, his time, and his bodily labour; but what have the landed proprietors of Lancashire given? Nothing at all—literally nothing; and yet they have made from it more substantial gains than either of the other classes ... it is certain that the increase of the yearly income of these great landlords, attributable to this single cause, is something enormous, probably not less than threefold."*
The capitalist is the direct exploiter of the workers, not only the direct appropriator, but the direct creator of surplus labour. But since (for the industrial capitalist) this can only take place through and in the process of production, he is himself a functionary of this production, its director. The landlord, on the other hand, has a claim—through landed property (to absolute rent) and because of the physical differences of the various types of land (differential rent)—which enables him to pocket a part of this surplus labour or surplus value, to whose direction and creation he contributes nothing. Where there is a conflict, therefore, the capitalist regards him as a mere superfetation, a Sybarite excrescence, a parasite on capitalist production, the louse that sits upon him.

Chapter III "On the Rent of Mines".

Here again:

* "this rent" (of mines) "as well as the rent of land, is the effect, and never the cause of the high value of their produce" * (p. 76).

So far as absolute rent is concerned, it is neither effect not cause of the "high value", but the *effect of the excess of value over cost price. That this excess is paid for the produce of the mine, or the land, and thus absolute rent is formed, is the effect, not of that excess, because it exists for a whole class of trades, where it does not enter into the price of the produce of those particular trades, but is the effect of landed property.

In regard to differential rent it may be said, that it is the effect of "high value"; so far as by "high value" is understood the excess of the market value of the produce over its real or individual value, for the relatively more fertile classes of land or mine.

That Ricardo understands by the "exchangeable value" regulating the produce of the poorest land or mine, nothing but cost price, by cost price nothing but the advances + the ordinary profit, and that he falsely indentifies this cost price with real value, will also be seen from the following passage:

"The metal produced from the poorest mine that is worked, must at least have an exchangeable value, not only sufficient to procure all the clothes, food, and other necessaries consumed by those employed in working it, and bringing the produce to market, but also to afford the common and ordinary profits to him who advances the stock necessary to carry on the undertaking. The return for capital from the poorest mine, paying no rent, would regulate the rent of all the other more productive mines. This mine is supposed to yield the usual profits of stock. All that the other mines produce more than this, will necessarily be paid to the owners for rent" * (pp. 76-77).

Here, therefore, [he says] in plain language: \text{RENT} = \text{EXCESS OF THE PRICE (EXCHANGEABLE VALUE is the same here) OF THE AGRICULTURAL PRODUCE OVER ITS COST PRICE, THAT IS OVER THE VALUE OF CAPITAL}
ADVANCED THE USUAL (AVERAGE) PROFITS OF STOCK. Hence, if the value of the agricultural produce is higher than its cost price, it can pay rent quite irrespectively of differences in land, the poorest land and the poorest mine can pay the same absolute rent as the richest. If its value were no higher than its cost price, rent could only arise from the excess of the market value over the real value of the produce derived from relatively more fertile soils, etc.

* "If equal quantities of labour, with equal quantities of fixed capital, could at all times obtain, from that mine which paid no rent, equal quantities of gold... the quantity" (of gold) "indeed would enlarge with the demand, but its value would be invariable"* (p. 79).

What applies to gold and mines, applies to corn and land. Hence if the same types of land continued to be exploited and continued to yield the same product for the same outlay in labour [XI1-613], then the value of the pound of gold or the quarter of wheat would remain the same, although its quantity would increase with the demand. Thus its rent (the amount, not the rate of rent) would also grow without any change in the price of produce. More capital would be employed, although with constantly uniform productivity. This is one of the major causes of the rise in the absolute amount of rent, quite apart from any rise in the price of produce, and, therefore, without any proportional change in the rents paid by produce of different soils and mines.

Chapter XXIV "Doctrine of Adam Smith concerning the Rent of Land."

This chapter is of great importance for the difference between Ricardo and Adam Smith. We shall postpone a fuller discussion of this (in so far as it affects Adam Smith), to when we consider ex professo Adam Smith’s doctrine after that of Ricardo.\(^a\)

Ricardo begins by quoting a passage from Adam Smith showing that he correctly determined when the price of the agricultural produce yields a rent and when it does not. But on the other hand Smith thought that some parts of the produce of land, such as food, must always yield a rent.

In this context Ricardo says the following, which is significant for him:

* "I believe that as yet in every country, from the rudest to the most refined, there is land of such a quality that it cannot yield a produce more than sufficiently valuable to replace the stock employed upon it, together with the profits ordinary and usual in that country. In America we all know that this is the case, and yet no one maintains that the principles which regulate rent, are different in that country and in Europe"* (pp. 389-90).

\(^a\) See this volume, pp. 551-78.—Ed.
Indeed, these principles are substantially “different”. Where no 
landed property exists—actual or legal—no absolute rent can exist. 
It is this rent, not differential rent, which is the adequate 
expression of landed property. To say that the same principles 
regulate rent, where landed property exists and where it does not 
exist, means that the economic form of landed property is indepen-
dent of whether landed property exists or not.

Besides, what is the meaning of “there is land of such a quality that 
it cannot yield a produce more than sufficiently valuable to replace the 
stock ... with the ordinary profits”? If the same quantity of labour 
produces 4 qrs, the product is no more valuable than if it produces 
two, although the value of the individual quarter is in one case 
twice as great as in the other. Whether or not it yields a rent, is 
therefore in no way dependent on the magnitude of this “value” of 
the produce as such. It can only yield a rent if its value is higher 
than its cost price, which is regulated by the cost price of all other 
products or, in other words, by the quota of unpaid labour which 
is, on an average, appropriated by a capital of 100 in each trade. But 
whether its value is higher than its cost price is in no way 
dependent on its absolute size, but on the composition of the 
capital employed on it, compared with the average composition of the 
capital employed in non-agricultural industry.

*“But if it were true that England had so far advanced in cultivation, that 
at this time there were no lands remaining which did not afford a rent, it would be 
equally true, that there formerly must have been such lands; and that whether 
there be or not, is of no importance to this question, for it is the same thing if 
there be any capital employed in Great Britain on land which yields only the return 
of stock with its ordinary profits, whether it be employed on old or on new land. If 
a farmer agrees for land on a lease of 7 or 14 years, he may propose to employ on 
it a capital of £10,000, knowing that at the existing price of grain and raw produce, 
he can replace that part of his stock which he is obliged to expend, pay his rent, 
and obtain the general rate of profit. He will not employ £11,000, unless the last 
£1,000 can be employed so productively as to afford him the usual profits of stock. 
In his calculation, whether he shall employ it or not, he considers only whether the price of 
raw produce is sufficient to replace his expenses and profits, for he knows that he shall have 
no additional rent to pay. Even at the expiration of his lease his rent will not be 
raised; for if his landlord should require rent, because this additional £1,000 was 
employed, he would withdraw it; since, by employing it, he gets, by the supposition, 
only the ordinary and usual profits which he may obtain by any other employment 
of stock; and, therefore, he cannot afford to pay rent for it, unless the price of the raw 
produce should further rise, or, which is the same thing, unless the usual and general rate of 
profits should fall”* (pp. 390-91).

Ricardo admits here that also the worst land can bear a rent. 
How does he explain this? To provide the additional supply 
which has become necessary in consequence of an additional demand, a second 
amount of capital is employed on the worst land [XII-614]. This will
only yield the cost price if the price of grain is rising. Hence the first amount would now yield a surplus—= rent —over and above this cost price. In fact therefore before the second amount is invested the first amount of capital yields a rent on the worst land, because the market value is above the cost price. Thus the only question is whether, for this to happen, the market value has to be above the value of the worst product, or whether on the contrary its value is above its cost price, and the rise in price merely enables it to be sold at its value.

Furthermore: Why must the price be so high that it = the cost price, advances + average profit? Because of the competition of capitals in the different trades and the transfer of capital from one trade to another. That is, as a result of the action of capital upon capital. But by what action could capital compel landed property to allow the value of the product to fall to the cost price? Withdrawal of capital from agriculture cannot have this effect, unless it is accompanied by a fall of the demand for agricultural produce. It would achieve the reverse, and cause the market price of agricultural produce to rise above its value. Transfer of new capital to land can have as little effect. For it is precisely the competition of capitals amongst themselves which enables the landlord to demand from the individual capitalist that he should be satisfied with "an average profit" and pay over to him the surplus of the value over the price affording this profit.

But, it may be asked: If landed property gives the power to sell the product above its cost price, at its value, why does it not equally well give the power to sell the product above its value, at an arbitrary monopoly price? On a small island, where there is no foreign trade in corn, the corn, food, like every other product, could unquestionably be sold at a monopoly price, that is, at a price only limited by the state of demand, i.e., of demand backed by ability to pay, and according to the price level of the product supplied the magnitude and extent of this effective demand can vary greatly.

Leaving out of account exceptions of this kind—which cannot occur in European countries; even in England a large part of the fertile land is artificially withdrawn from agriculture and from the market in general, in order to raise the value of the other part—landed property can only affect and paralyse the action of capitals, their competition, in so far as the competition of capitals modifies the determination of the values of the commodities. The conversion of values into cost prices is only the consequence and result of the development of capitalist production. Originally
commodities are (on the average) sold at their values. Deviation from this is in agriculture prevented by landed property.

Ricardo says that when a farmer takes land on a lease of 7 or 14 years, he calculates that with a capital investment of, say, £10,000, the value of the corn (average market value) permits him to replace his outlay + average profit + the contracted rent. In so far as he takes a "lease" of a piece of land, therefore, his prius\(^a\) is the average market value, which is equivalent to the value of the product; profit and rent are only parts into which this value is resolved, but they do not constitute it. The existing market price is for the capitalist what the presupposed value of the product is for the theory and the inner relationships of production. Now to the conclusion which Ricardo draws from this. If the farmer adds another £1,000, he only considers whether, at the given market price, it yields him the usual profit. Ricardo therefore seems to think that the cost price is the determining factor and that profit enters into this cost price as a regulating element, but rent does not.

Firstly, profit too does not enter into it as a constitutive element. For, according to the assumption, the farmer takes the market price as his prius, and weighs up whether, at this given market price, the £1,000 will yield him the usual profit. This profit is therefore not the cause, but the effect of that price. But—Ricardo continues his train of thought—the investment of the £1,000 itself is determined by the calculation of whether or not the price yields the [usual] profit. Thus the profit is the decisive factor for the investment of the £1,000 and for the price of production.\(^{159}\)

Furthermore: If the capitalist found that the £1,000 did not yield the usual profit, he would not invest it. The production of the additional food would not take place. If it were necessary for the additional demand, then the demand would have to raise the price, i.e., the market price, until it yielded the profit. Thus profit—in contradistinction to rent—enters as a constitutive element, not because it creates the value of the product, but because the product [XII-615] itself would not be created if its price\(^b\) did not rise high enough to pay the usual rate of profit as well as the capital expended. In this case, however, it is not necessary for it to rise so high as to pay rent. Hence, there exists an essential difference between rent and profit, and in a certain sense, it can be said that profit is a

\(^a\) First consideration, starting-point.—Ed.

\(^b\) The manuscript has: "value".—Ed.
CONSTITUTIVE ELEMENT OF PRICE, whereas rent is not. (This thought is evidently also at the back of Adam Smith's mind\(^\text{a}\)).

In this case, it is correct.

**BUT WHY?**

Because in this case landed property *cannot* confront capital as landed property, thus the very combination [of circumstances] under which rent, absolute rent, is formed, is *not* present—according to the assumption. The *additional corn* produced with the second investment of £1,000, provided the *market value remains the same*, in other words when an *additional* demand arises only on the assumption that the *price remains the same*, must be sold *below* its value at the cost price. This *additional produce* of the £1,000 thus occurs under the same *circumstances* as when new worse land is cultivated, which *does not* determine the market value, but can provide the *additional supply* only on the condition that it supplies it at the *previously existing market value*, i.e., at a price determined *independently of this new production*. Under these circumstances it depends entirely on the relative fertility of the *additional soil* whether it yields a rent precisely because it does *not* determine the market value. It is just the same with the *additional £1,000* on the old land. And for this very reason, Ricardo concludes *conversely*, that the *additional land* or the *additional amount of capital determines the market value*\(^\text{b}\) because, with a given, quite *independently determined market value*, the price of its product yields not rent, but only profit, and only covers the cost price but not the value of the product. This is a *contradictio in adjecto*.\(^\text{c}\)

Nevertheless, the product is produced in this case, without yielding rent! *Certainly*. Landed property as an independent opposing element does not exist *for the farmer*, i.e., the capitalist, during the period in which the lease in fact makes him the landowner of the land which he has *rented*. Capital moves unimpeded in this element, and capital is satisfied with the cost price of the product. Even when the lease expires, the farmer will naturally make the amount of rent dependent on how far capital investment in the land will supply a product which can be sold at its *value* thus yielding a rent. Capital investment which, with the given *market value*, yields no excess over the cost price, no more enters into the calculation than would the payment of rent—or

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\(^\text{c}\) Contradiction in terms.—*Ed.*
contractual undertaking to pay rent—on land whose relative fertility is so low that the market price is merely equal to the cost price.

In practice matters do not always work out in the Ricardian manner. If the farmer possesses some spare capital or acquires some during the first years of a lease of 14 years, he does not demand the usual profit, unless he has borrowed additional capital. For what is he to do with the spare capital? Conclude a new lease for additional land? Agricultural production favours to a much higher degree more intensive capital investment, than a more extensive cultivation of land with a larger capital. Moreover, if no land could be leased in the immediate vicinity of the old land, 2 farms would split up the farmer's work of superintending them to a much greater extent than 6 factories would split up the work of one capitalist in manufacture. Or should he invest the money with the bank, for interest, in government bonds, railway shares, etc.? Then, from the outset, he forgoes at least a half or $\frac{1}{3}$ of the usual profit. Hence if he can invest it as additional capital on the old farm, even below the average [rate of] profit, say at 10%, if his profit=12%, then, he will still be gaining 100%, if the rate of interest is 5%. It is, therefore, still a profitable speculation for him to invest the additional £1,000 [XII-616] in the old farm.

Hence it is quite wrong for Ricardo to identify this investment of additional capital with the application of additional capital to new soils. In the first case, the product does not have to yield the usual profit, even in capitalist production. It must only yield as much above the usual rate of interest as will make worth while the trouble and risk of the farmer to prefer the industrial employment of his spare capital to its employment as "monied" capital.

But the following conclusion which Ricardo draws from this observation is, as has been shown, quite absurd.

*"If the comprehensive mind of A. Smith had been directed to this fact, he would not have maintained that rent forms one of the component parts of the price of raw produce; for price is everywhere regulated by the return of this last portion of capital, for which no rent whatever is paid"* (p. 391).

His illustration proves just the reverse: that the application to land of this last portion of capital has been regulated by a market price, independent of that application, existing before it took place, and, therefore allowing no rent, but only profit. That profit is the only regulator for capitalist production is quite true. And it is therefore true that no

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absolute rent would exist if production were regulated *solely* by capital. It arises precisely at the point where the conditions of production enable the landowner to set up barriers against the EXCLUSIVE REGULATION OF PRODUCTION BY CAPITAL.

Secondly, Ricardo reproaches Adam Smith (p. 391, et seq.) for developing the correct principles of rent with regard to COAL MINES; [he] even says:

* "The whole principle of rent is here admirably and perspicuously explained, but every word is as applicable to land as it is to mines; yet he affirms that 'it is otherwise in estates above ground',"* etc. (p. 392).

Adam Smith senses that, under CERTAIN CIRCUMSTANCES, the LANDLORD has the power to offer effective resistance to capital, to bring landed property into play, and thus to demand absolute rent, though, under different circumstances, he does not possess this power; that in particular however the production of FOOD establishes the law of rent, whereas IN OTHER APPLICATIONS OF CAPITAL TO LAND, the rent is determined by the agricultural rent.

* "The proportion, a both of their produce and of their rent, is in proportion"* (says Adam Smith) * "to their absolute, and no to their relative fertility"* (p. 392).

In his reply, Ricardo comes closest to the real principle of rent. He says:

* "But, suppose that there were no land which did not afford a rent; then, the amount of rent on the worst land would be in proportion to the excess of the value of the produce above the expenditure of capital and the ordinary profits of stock; the same principle would govern the rent of land of a somewhat better quality, or more favourably situated, and, therefore, the rent of this land would exceed the rent of that inferior to it, by the superior advantages which it possessed; the same might be said of that of the third quality, and so on to the very best. Is it not, then, as certain, that it is the relative fertility of the land, which determines the portion of the produce, which shall be paid for the rent of land, as it is that the relative fertility of mines, determines the portion of their produce, which shall be paid for the rent of mines?"* (pp. 392-93).

Here Ricardo formulates the correct principle of rent. If the worst land pays a rent, if therefore rent is paid independently of the different natural fertility of the soils—ABSOLUTE RENT—then this rent must—"THE EXCESS OF THE VALUE OF THE PRODUCE ABOVE THE EXPENDITURE OF CAPITAL AND THE ORDINARY PROFITS OF STOCK", THAT IS TO SAY, *IT MUST=E THE EXCESS OF THE VALUE OF THE PRODUCE ABOVE ITS COST PRICE*. Ricardo presupposes that such an excess cannot exist, because, in contradiction to his own principles, he wrongly accepts the Smithian doctrine [XII-617] that VALUE=COST PRICE OF THE PRODUCE.

As for the rest, he falls again into error.

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* Smith has "value".— *Ed.*
Differential rent would of course be determined by the "relative fertility". Absolute rent would have nothing to do with the "natural fertility".

Smith however would indeed be right when he asserts that the actual rent paid by the worst land may depend on the absolute fertility of the other soils and the relative fertility of the worst soil, or on the absolute fertility of the worst soil and the relative fertility of the other soils.

For the actual amount of rent paid by the worst land depends not, as Ricardo thinks, on the excess of the value of its own produce over its cost price, but on the excess of the market value over its cost price. But these are very different things. If the market price were determined by the product of the worst land, then the market value would be to its real value, hence, the excess of its market value over its cost price would be to the excess of its own individual value, its real value, over its cost price. But this is not the case if quite irrespective of this product the market price is determined by the other types of land. Ricardo assumes a descending line. He assumes that the worst land is cultivated last and is only cultivated (in the case postulated), when the additional demand has necessitated an additional supply at the value of the produce derived from the worst and last cultivated soil. In this case the value of the worst land regulates the market value. In the ascending line (even according to him) this will only occur when the additional supply of the better sorts of land only = the additional demand at the old market value. If the additional supply is greater, Ricardo assumes that the old land must be thrown out of cultivation, but it only follows from this that it will yield a lower rent than before (or no rent at all). The same happens in the descending line. Whether, and to what extent, the worse land yields rent, if the additional supply can only be provided at the old market value, depends on how much this market value stands above or below the value of the product of the new, worse land. In both cases its rent is determined by the absolute fertility, not the relative fertility. It depends on the absolute fertility of the new land how far the market value of the produce of better lands stands above its own real individual value.

Adam Smith makes a correct distinction here between land and mines, because with the latter he presupposes that there is never a transition to worse sorts — always to better ones — and that [they] always provide more than the necessary additional supply. The rent of the worst land is then dependent on its absolute fertility.

*"After Adam Smith has declared that there are some mines which can only be worked by the owners, as they will afford only sufficient to defray the expense of
working, together with the ordinary profits of the capital employed, we should expect that he would admit that it was these particular mines which regulated the price of the produce from all mines. If the old mines are insufficient to supply the quantity of coal required, the price of coal will rise, and will continue rising till the owner of a new and inferior mine finds that he can obtain the usual profits of stock by working the mine.... It appears, then, that it is always the least fertile mine which regulates the price of coal. Adam Smith, however, is of a different opinion: he observes that 'the most fertile coal-mine, too, regulates the price of coals at all the other mines in its neighbourhood. Both the proprietor and the undertaker of the work find, the one that he can get a greater rent, the other, that he can get a greater profit, by somewhat underselling all their neighbours. Their neighbours are soon obliged to sell at the same price, though they cannot so well afford it, and though it always diminishes, and sometimes takes away altogether, both their rent and their profit. Some works are abandoned altogether; others can afford no rent, and can be wrought only by the proprietor'. If the demand for coal should be [XII-617a] 160 diminished, or if by new processes the quantity should be increased, the price would fall, and some mines would be abandoned; but in every case, the price must be sufficient to pay the expenses and profit of that mine which is worked without being charged with rent. It is, therefore, the least fertile mine which regulates price. Indeed, it is so stated in another place by Adam Smith himself, for he says:

'The lowest price at which coals can be sold for any considerable time, is like that of all other commodities, the price which is barely sufficient to replace, together with its ordinary profits, the stock which must be employed in bringing them to market. At a coal-mine for which the landlord can get no rent, but which he must either work himself, or let it alone all together, the price of coals must generally be nearly about this price'”* (pp. 393-95).

Adam Smith is mistaken when he declares the particular combination of the market, under which the most fertile mine (or land) dominates the market, to be the rule. But provided such a case is assumed his reasoning is correct (on the whole) and Ricardo’s wrong. Adam Smith presupposes that as a result of the state of demand and because of its relative superior fertility, the best mine can only force the whole of its product on to the market if it undersells its competitors, if its product is below the old market value. This causes the price to fall for the worse mines too. The market price falls. This in any case lowers the rent on worse mines and can even make it disappear completely. For the rent is equal to the excess of market value over cost price of the produce, whether that market value be—the individual value of the produce of a certain class [of land], or mines, or not. What Smith fails to notice, is that the profit can only be diminished by this in case withdrawal of capital and diminution of the amount of production becomes necessary. If the market price—regulated, as it is under the given circumstances, by the produce of the best mines—falls so low as to afford no excess above cost price for the produce of the worst mine, then it can be worked only by its owner. At this market price, no capitalist will pay him a rent. His ownership of land does not, in this case, give him power over capital, but as far as
he is concerned it annuls the resistance which other capitalists meet who wish to apply capital to land. Landed property does not exist for him because he himself is the landed proprietor. Hence he can use his land as a mine, or in any other trade, i.e., he can employ it if the market price, which he finds predetermined and does not determine himself—if the market price of the product yields him the average profit, that is, his cost price.

And from this Ricardo concludes that Smith contradicts himself! Because the old market price determines how far new mines can be opened up by their owners—in other words they can be worked in circumstances where landed property disappears, since at the old market price they yield their cultivators the cost price—he concludes that this cost price determines the market price! But again he takes refuge in the descending line and allows the less fertile mine to be cultivated only when the market price of the product rises above the value of the product of the better mines, whereas it is only necessary that it rises above the cost price or even that it pays the cost price in the case of the worse mines exploited by their proprietors themselves.

Incidentally, his assumption that *“if by new processes the quantity” (of coal) “should be increased, the price would fall, and some mines would be abandoned”* (p. 394), depends only on the degree of the fall in price and the state of demand. If, with this fall of prices, the market can absorb the whole product, then the bad mines will still yield a rent provided the fall of market price still leaves an excess of market value over the cost price of the poorer mines, and [the mines will] be worked by their owners, if the market value only covers, or is adequate to, this cost price. In either case, however, [it is] absurd to say that the cost price of the worst mine regulates the market price. Although the cost price of the worst mine determines the relation of the price of its produce to the regulating market price, and therefore decides the question whether or not [XII-618] the mine can be worked. But the fact that a piece of land or a mine of a particular degree of fertility can be exploited at a given market price, is obviously not related to or identical with the determination of the market price by the cost price of the produce of these mines. If an increased market value would make an additional supply necessary or possible then the worst land would regulate the market value, but then it would also yield absolute rent. This is the exact opposite of the case assumed by Adam Smith.

Thirdly, Ricardo reproaches Smith for believing (p. 395 et seq.) that cheapness of raw produce, for instance substitution of potatoes for corn, which would lower the wage and diminish the cost of
PRODUCTION, would cause a larger share as well as a larger quantity to fall to the landlord. Ricardo on the other hand [maintains that]:

*"No part of that additional proportion would go to rent, but the whole invariably to profits—while lands of the same quality were cultivated, and there was no alteration in their relative fertility or advantages, rent would always bear the same proportion to the gross produce"* (p. 396).

This is positively wrong. Rent would fall in share, and, therefore, relatively in quantity. The introduction of potatoes as the principal means of subsistence, would reduce the value of labour capacity, shorten the necessary labour time, increase the surplus labour time and therefore the rate of surplus value, hence—other circumstances remaining the same—the composition of the capital would be altered, the value of the variable part would diminish in comparison with that of the constant part, although the quantity of living labour employed remained the same. The rate of profit would therefore rise. In this case [there would be] a fall in absolute rent and proportionately in differential rent. (See page 610 Table C.) This factor would affect equally agricultural and non-agricultural capital. The general rate of profit would rise and the rent would consequently fall.

*Chapter XXVIII. "On the comparative Value of Gold, Corn, and Labour, in Rich and Poor Countries."

"Dr. Smith's error, throughout his whole work, lies in supposing that the value of corn is constant; that though the value of all other things may, the value of corn never can be raised. Corn, according to him, is always of the same value because it will always feed the same number of people. In the same manner, it might be said, that cloth is always of the same value, because it will always make the same number of coats. What can value have to do with the power of feeding and clothing?" (p. 449-50).

"...Dr. Smith ... has so ably supported the doctrine of the natural price of commodities ultimately regulating their market price" (p. 451).

"...estimated in corn, gold may be of very different value in two countries. I have endeavoured to show that it will be low in rich countries, and high in poor countries; Adam Smith is of a different opinion: he thinks that the value of gold, estimated in corn, is highest in rich countries" (p. 454).

Chapter XXXII. "Mr. Malthus's Opinions on Rent."

"Rent is a creation of value ... but not a creation of wealth"161 (p. 485).

"In speaking of the high price of corn, Mr. Malthus evidently does not mean the price per quarter or per bushel, but rather the excess of price for which the whole produce will sell, above the cost of its production, including always in the term 'cost of its production', profits as well as wages. One hundred and fifty qrs of corn at £3 10s. per qr, would yield a larger rent to the landlord than 100 qrs at £4, provided the cost of production were in both cases the same" (p. 487). "Whatever the nature of the land may be, high rent must depend on the high price of the

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161 See the insertion between pages 536 and 537.—Ed.
produce; but, given the high price, rent must be high in proportion to abundance and not to scarcity" (p. 492).

"As rent is the effect of the high price of corn, the loss of rent is the effect of a low price. Foreign corn never enters into competition with such home corn as affords a rent; the fall of price invariably affects the landlord till the whole of his rent is absorbed;—if it falls still more, the price will not even afford the common profits of stock; capital will then quit the land for some other employment, and the corn, which was before grown upon it, will then, and not till then, be imported. From the loss of rent, there will be a loss of value, of estimated money value, but, there will be a gain of wealth. The amount of the raw produce and other productions together will be increased; from the greater facility with which they are produced, they will, though augmented in quantity, be diminished in value"* (p. 519).

[XII-619] ADAM SMITH'S THEORY OF RENT

At this stage we shall not examine Smith's interesting account of how the rent of the principal vegetable food dominates all other strict agricultural rents (stock raising, timber, industrial crops), because each of these branches of production can be transformed into one another. Adam Smith excludes rice from this, wherever it is the principal vegetable means of subsistence, since rice fields (or bogs) are not convertible into grass land, wheat lands, etc., and vice versa.

Adam Smith correctly defines rent as "the price paid for the use of land" ([Garnier, t.] I, [p.] 299) [Vol. I, p. 237],1 the term land is intended to mean every power of nature as such, therefore also water, etc.

In contrast to Rodbertus' peculiar notion,162 Smith, from the outset, enumerates the items of agricultural capital:

"The stock from which he furnishes the seed" (the raw material), "pays the labour, and purchases and maintains the cattle and other instruments of husbandry" (l.c.).

Now what is this price paid for the use of land?

"Whatever part of the produce or of its price, is over and above this share" //which pays for the capital advanced "together with the ordinary profits"//, "the landlord naturally endeavours to reserve to himself as the rent of his land" ([Garnier,] l.c., [p.] 300) [Vol. I, pp. 238-39]. This excess may "be considered as the natural rent of land" ([Garnier,] p. 300) [Vol. I, p. 239].

Smith refuses to confuse rent with the interest on capital invested in the land.

"The landlord demands a rent even for unimproved land" ([Garnier,] pp. 300-01) [Vol. I, p. 239].

and, he adds, even this second form of rent a is peculiar in that the interest from the capital used on improvement is interest on a

a The rent on the improved land.—Ed.
capital which has not been laid out by the landlord, but by the farmer.

"He" (the landlord) "sometimes demands rent for what is altogether incapable of human improvements" ([Garnier,] p. 301) [Vol. I, p. 240].

Smith stresses very strongly that it is landed property, the landlord, who as landlord "demands the rent". [Regarded] as a mere effluence of landed property, rent is monopoly price, this is perfectly correct, since it is only the intervention of landed property which enables the product to be sold for more than the cost price, to be sold at its value.

"The rent of land considered as the price paid for the use of the land, is naturally a monopoly price" ([Garnier,] p. 302) [Vol. I, p. 240].

It is in fact a price which is only enforced through the monopoly of landed property, and as a monopoly price, it differs from the price of the industrial products.

From the standpoint of capital—and capital dominates production—the cost price only requires that the product should pay the average profit in addition to the capital advanced. In this case, the product, be it product of the land or any other product, can "be brought to market".

"If the ordinary price is more than this, the surplus part of it will naturally go to the rent of the land. If it is not more, though the commodity may be brought to market, it can afford no rent to the landlord. Whether the price is, or is not more, depends upon the demand" ([Garnier, t.] I, p [p. 302-]303) [Vol. I, p. 241]).

Why does rent enter into price differently from wages and profit? That is the question. Originally, Smith had resolved value correctly, into wages, profits and rents (apart from constant capital). But almost at once he takes the opposite course and identifies value with natural price (the average price determined by competition or the cost price of the commodities) and builds up the latter from wages, profit and rent.

"These three parts seem either immediately or ultimately to make up the whole price" ([Garnier, t.] I, l. I, ch. VI, p. 101) [Vol. I, p. 86].

"In the most improved societies, however, there are always a few commodities of which the price resolves itself into two parts only, the wages of labour and the profits of stock; and a still smaller number, in which it consists altogether in the wages of labour. In the price of sea-fish, for example, one part pays the labour of the fishermen, and the other the profits of the capital employed in the fishery. Rent very seldom makes any part [XII-620] of it.... In some parts of Scotland, a few poor people make a trade of gathering, along the sea-shore, those little variegated stones commonly known by the name of Scotch pebbles. The price which is paid to

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*a* Here and below Marx uses French words and expressions while commenting on Smith's views.—*Ed.*
them by the stone-cutter, is altogether the wages of their labour; neither rent nor profit makes any part of it.

"But the whole price of any commodity must still finally resolve itself into some one or other or all of those three parts" ([Garnier, t.] I, i, ch. VI, pp. 103-04) [Vol. I, pp. 88-89].

In these passages, the resolving of value into wages, etc. and the compounding of price from wages, etc., are jumbled together (this applies to Chapter VI in general which deals with "the Component Parts of the Price of Commodities"). (Natural price and market price are for the first time discussed in Chapter VII).

**Book I, Chapters I, II, III** deal with the "division of labour", Chapter IV with money. In these, as in the following chapters, *value* is determined in passing. **Chapter V** deals with the *real* and *nominal price* of commodities, with the transformation of *value into price*; **Chapter VI**, "the Component Parts of the Price of Commodities"; the *natural and market price* in **Chapter VII**. Then **Chapter VIII** deals with the wages, **Chapter IX** with the profits of stock; **Chapter X** with the Wages and Profit in the Different Employments of Labour and Stock; finally, **Chapter XI** with the Rent of Land.

But in this connection we want first to draw attention to the following: According to the passages cited above, there are commodities whose *price* consists solely of wages, others, whose price consists only of wages and profit, and finally a third group of commodities, whose price consists of wages, profit and rent. Hence:

"The whole price of any commodity must still ... resolve itself into some one or other or all of those three parts."

According to this, there would be no grounds for saying that rent enters into price in a different manner from profit and wages, but one could say that rent and profit enter into price in a different way from wages, since the latter always enters [into price], the former not always. *Whence, then, the difference?*

Moreover, Smith should have investigated, whether it is possible that the few commodities which only *comprise wages*, are sold at their *value*, or whether the poor people who gather the Scotch pebbles are not in fact the wage labourers of the stone-cutters, who pay them only the usual wages for the commodity, in other words for a *whole working day*, which apparently belongs to them. These people receive only as much as a worker in other *trades*, where *part of the working day* forms profit and belongs not to him but to the capitalist. Smith should have either affirmed this or else asserted that in this case the profit only *seems* to be confounded with wages. He says himself:

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"When those three different sorts of revenue belong to different persons, they are readily distinguished; but when they belong to the same, they are sometimes confounded with one another, at least in common language" ([Garnier, t.] I, l. I, ch. VI, p. 106) [Vol. I, p. 90].

He nevertheless works out this problem in the following manner:

If an independent labourer (like those poor people of Scotland) uses only labour (without recourse to capital), if, altogether, he only employs his labour and the elements, then the price resolves itself solely into wages. If he employs a small capital as well, then the same individual receives wages and profit. If, finally, he employs his labour, his capital and his landed property, then he unites in his person the characters of landowner, farmer and worker.

//The whole absurdity of Smith's approach comes to light in one of the final passages of Chapter VI, Book I:

"As in a civilised country there are but few commodities of which the exchangeable value arises from labour only" (here labour is identified with wages) "rent and profit contributing largely to that of the far greater part of them, so the annual produce of its labour" //here, after all, the commodities = the produce of labour, although the whole value of this produce does not arise from labour only// "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" ([Garnier,] l.c., I, pp. 108-09) [Vol. I, p. 92].

The produce of labour [is] not = the value of this produce. On the contrary (one may gather) this value is increased by the addition of profit and rent. The produce of labour can therefore command, purchase, more labour, i.e., pay a greater value in labour than the labour contained in it. This proposition would be correct if it ran like this:

[XII-621] Smith says:

"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."

According to him himself, it should read:

"As in a civilised country there are but few commodities of which the exchangeable value resolves itself into wages only and since, for a greater part of them, this value largely resolves itself into rent and profit, so the annual produce of its labour will always be sufficient to purchase or command a much greater quantity of labour than what had to be paid" (and therefore employed) "in raising, preparing, and bringing that produce to market".

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a Quotation from Smith and Marx's comment on it are in French in the manuscript.—Ed.
Here Smith returns again to his 2nd conception of value, a concept of which he writes the following in the same chapter:

"The real value of all the different component parts of price, it must be observed, is measured by the quantity of labour which they can, each of them, purchase or command. Labour" (in this sense) "measures the value, not only of that part of price which resolves itself into labour" //should read: into wages// "but of that which resolves itself into rent, and of that which resolves itself into profit" ([Garnier,] I, I. I, ch. VI, p. 100) [Vol. I, p. 86].

(In Chapter VI, the "resolution of value into wages, profit and rent" is still dominant. It is only in Chapter VII, on the natural price and market price, that the compounding of the price from these constituent elements wins the upper hand.)

Hence: The exchangeable value of the annual product of labour consists not only of the wages of the labour employed in order to bring forth this product, but also of profit and rent. This labour however is only commanded or purchased with that part of the value which resolves into wages. It is thus possible to set into motion a much larger amount of labour, if a part of the profit and rent is used to command or purchase labour, i.e., if it is converted into wages. So it amounts to this: the exchangeable value of the annual product of labour resolves itself into paid labour (wages) and unpaid labour (profit and rent). If therefore a part of that part of the value which resolves itself into unpaid labour is converted into wages, one can purchase a greater quantity of labour than if one merely assigns that part of the value which consists of wages, to the purchase of new labour.//

Let us go back then:

"An independent labourer," who has stock enough both to purchase materials, and to maintain himself till he can carry his work to market, should gain both the wages of a journeyman who works under a master, and the profit which that master makes by the sale of that journeyman's work. His whole gains, however, are commonly called profit, and wages are in this case too, confounded with profit.

"A gardener who cultivates his own garden with his own hands, unites in his own person the three different characters of landlord, farmer, and labourer. His produce, therefore, should pay him the rent of the first, the profit of the second, and the wages of the third. The whole, however, is commonly considered as the earnings of his labour. Both rent and profit are, in this case, confounded with wages" ([Garnier,] I, I. I, ch. VI, p. 108) [Vol. I, pp. 91-92].

This is indeed confounded. Is not the whole "the earnings of his labour"? And are not, on the contrary, the conditions of capitalist production—in which, with the separation of labour from its objective conditions, the worker, capitalist and landowner confront one another as three different characters too—transferred to this

\[a\] Smith has "manufacturer".— Ed.
gardener, so that the product of his labour or rather the value of that produce is regarded, part of it as wages, in payment of his labour, part of it as profit, on account of the capital employed, and part of it as rent, as the portion falling due to the land or rather the proprietor of the land? Within capitalist production it is quite correct, when considering those working conditions in which these elements are not separated (in actual fact), to assume them to be separated and so to regard this gardener as his own [XII-622] journeyman and as his own landowner in una persona.\(^a\) The vulgar conception however that wages arise from labour, but profit and rent—indepedently of the labour of the worker—arise out of capital and land as separate sources, not for the appropriation of alien labour, but of wealth itself, evidently creeps into Adam Smith's writing already at this stage. In this fantastic fashion, the profoundest concepts intermingle with the craziest notions, such as the common mind forms in an abstract manner from the phenomena of competition.

Having first resolved value into wages, profits, rents, he then on the contrary compounds value out of wages, profit and rent, whose magnitudes are determined independently of value. Since Adam Smith has thus forgotten the origin of profit and rent correctly explained by himself, he is able to say:

"Wages, profit, and rent, are the three original sources of all revenue, as well as of all exchangeable value" ([Garnier,] I. I. I, ch. VI, p. 105) [Vol. I, p. 89].

In accordance with his own explanation, he should have said:

"The value of a commodity arises exclusively out of the labour (the amount of labour) which is embodied in this commodity. This value resolves itself into wages, profit and rent. Wages, profit and rent are the original forms in which the worker, the capitalist and the landlord participate in the value created by the labour of the worker. In this sense they are the three original sources of all revenue, although none of these so-called sources enters into the formation of the value."

From the passages quoted it can be seen how in Chapter VI, on the "Component Parts of the Price of Commodities", Adam Smith arrives at the resolution of price into wages, where only (immediate) labour enters into the production; into wages and profit, where, instead of the independent workman, a journeyman is employed by a capitalist (i.e., capital); and finally into wages, profit and rent, where "land" enters into the production besides capital and labour. In this latter case, however, it is assumed that the land is appropriated, that consequently alongside the worker and the capitalist, there is also a landowner (although he notes that it is possible for all 3 or two of these characters to be united in one person).

\(^a\) In one person.—Ed.
In Chapter VII, on natural price and market price, rent (where land enters into the production) is presented as a *partie constituante* of the natural price in exactly the same way as wages and profit. The following passages will show this (Book I, Chapter VII):

“When the price of any commodity is neither more nor less than what is sufficient to pay the rent of the land, the wages of the labour, and the profits of the stock employed in raising, preparing, and bringing it to market, according to their natural rates, the commodity is then sold for what may be called its natural price. The commodity is then sold *precisely for what it is worth*” ([Garnier,] I, p. 111) [Vol. I, pp. 93-94]. (At the same time, it is stated here that the natural price is identical with the value of the commodity.)

“The market price of every particular commodity is regulated by the proportion between the quantity which is actually brought to market, and the demand of those who are willing to pay the natural price of the commodity, or the whole value of the rent, profit and wages* which must be paid in order to bring it thither” ([Garnier,] I, p. 112) [Vol. I, p. 95.]

“When the quantity of any commodity which is brought to market falls short of the effectual demand, all those who are willing to pay the whole value of the rent, wages, and profit, which must be paid in order to bring it thither, cannot be supplied with the quantity which they want ... the market price will rise more or less above the natural price, according as either the greatness of the deficiency, or the wealth and wanton luxury of the competitors, happen to animate more or less the eagerness of the competition” ([Garnier,] I, p. 113) [Vol. I, p. 95].

“When the quantity brought to market exceeds the effectual demand, it cannot be all sold to those who are willing to pay the whole value of the rent, wages, and profit, which must be paid in order to bring it thither.... The market price will sink more or less below the natural price, according as the greatness of the excess increases more or less the competition of the sellers, or according as it happens to be more or less important to them to get immediately rid of the commodity” ([Garnier,] I, p. 114) [Vol. I, p. 96].

“When the quantity brought to market is just sufficient to supply the effectual demand, and no more, the market price naturally comes to be ... exactly ... the same with the natural price... The competition of the different dealers obliges them all to accept of this price, but does not oblige them to accept of less” ([Garnier,] I, pp. 114-15) [Vol. I, pp. 96-97].

[XII-623] If, in consequence of the state of the market, his rent sinks below, or rises above, its natural rate, Adam Smith allows the landowner to withdraw his land or transfer it from the production of one commodity (such as wheat) to that of another (such as pasture for instance).

“If at any time it” (the quantity brought to market) “exceeds the effectual demand, some of the component parts of its price must be paid below their natural price." If it is rent, the interest of the landlords will immediately prompt them to withdraw a part of their land” ([Garnier,] I, p. 115) [Vol. I, p. 97].

“If, on the contrary, the quantity brought to market should at any time fall short of the effectual demand some of the component parts of its price must rise above

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*a* Smith has “the rent, labour, and profit”.— *Ed.*

*b* Smith has “rate”.— *Ed.*
their natural rate. If it is rent, the interest of all other landlords will naturally
prompt them to prepare more land for the raising of this commodity" ([Garnier,]
I, p. 116) [Vol. I, p. 97]

"The occasional and temporary fluctuations in the market price of any
commodity fall chiefly upon those parts of its price which resolve themselves into
wages and profit. That part which resolves itself into rent is less affected by them"

"The price of monopoly is upon every occasion the highest which can be got. The
natural price, or the price of free competition, on the contrary, is the lowest which
can be taken, not upon every occasion indeed, but for any considerable time

After this exposition of the subject in Chapter VII, it is very
difficult to see how Adam Smith can justify his proposition in
Book I, Chapter XI, "Of the Rent of Land", that rent does not
always enter into price where appropriated land enters into
production; how he can differentiate between the manner in
which rent enters into price from that in which profit and wages
enter into it, since in chapters VI and VII he has turned rent into
a partie constituante of the natural price, in just the same way as
profit and wages. Now let us return to this Chapter XI (Book I).

We have seen that there rent is defined as the surplus which
remains from the price of the product, after the expenses of the
capitalist (farmer)+the average profit have been paid.

In this Chapter XI, Smith makes a complete turn-about. Rent
no longer enters into the natural price. Or, rather, Adam Smith
takes refuge in an ordinary price which is normaliter different from
the natural price, although we were told in Chapter VII, that the
ordinary price can never, for any length of time, be below the
natural price and that none of the component parts of the natural
price can for any length of time, be paid below its natural rate and
even less, not paid at all, as he now asserts in relation to rent. Neither does Adam Smith tell us whether the produce is sold below its value
when it pays no rent, or whether it is sold above its value,
when it pays rent.

Previously, the natural price of the commodity was

"the whole value of the rent, profit and wages which must be paid in order to bring it
thither" to market [Garnier, I, p. 112] [Vol. I, p. 95].

a as a rule.—Ed.
Now we are told that:

"Such parts only of the produce of land can commonly be brought to market, of which the ordinary price is sufficient to replace the stock which must be employed in bringing them thither, together with its ordinary profits" ([Garnier,] pp. 302-03) [Vol. I, p. 241].

The ordinary price is therefore not the natural price, and the natural price need not be paid, in order to bring these commodities to market.

[XII-624] Previously we were told that if the ordinary price (that time, the market price) were not sufficient to pay the whole rent (the whole value of the rent, etc.), land will be withdrawn until the market price rises to the level of the natural price and pays the whole rent. Now, on the other hand:

"If the ordinary price is more than this" (sufficient to replace the stock together with its ordinary profits), "the surplus part of it will naturally go to the rent of the land. If it is not more, though the commodity may be brought to market, it can afford no rent to the landlord. Whether the price is, or is not more, depends upon the demand" ([Garnier,] I, l. I, ch. XI, p. 303) [Vol. I, p. 241].

Thus rent, from being a component part of the natural price, suddenly turns into a surplus over the sufficient price, a surplus whose existence or non-existence depends on the state of demand. But the sufficient price is that price which is required for the commodity to appear on the market, and therefore to be produced, thus it is the price of production of the commodity. For the price which is required for the supply of the commodity, the price which is required for it to come into existence at all, to appear as a commodity on the market, is of course its price of production or cost price. That is sine qua non of the existence of the commodity. On the other hand the demand for certain products of the land must always be such that their ordinary price pays a surplus over and above the price of production, that is, a rent. For others it may or may not be so.

"There are some parts of the produce of land for which the demand must always be such as to afford a greater price than what is sufficient to bring them to market; and there are others for which it either may or may not be such as to afford this prix suffisant. The former must always afford a rent to the landlord. The latter sometimes may, and sometimes may not, according to different circumstances" ([Garnier,] l.c., l. I, p. 303) [Vol. I, p. 241].

So, instead of the natural price we have the sufficient price here. The ordinary price, in turn, is different from this sufficient price. The ordinary price, if it includes the rent, is above the sufficient price. If it does not comprise rent it is equal to the sufficient price. It is even characteristic of the sufficient price that rent is excluded.

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a Sufficient price.—Ed.
The ordinary price is below the sufficient price, when it does not pay the average profit, in addition to replacing the capital. Thus the sufficient price is in fact the price of production or cost price as abstracted by Ricardo from Adam Smith and as it indeed presents itself from the standpoint of capitalist production, in other words the price which, apart from the outlay of the capitalist, pays the ordinary profit; [it is] the average price brought about by the competition of capitalists in the different employments of capital. It is this abstraction from competition which induces Adam Smith to confront his natural price with the sufficient price, although in his presentation of the natural price he on the contrary declares that in the long run only the ordinary price which pays rent, profit and wages, the component parts of the natural price, is sufficient. Since the capitalist controls the production of commodities, the sufficient price is that which is sufficient for capitalist production from the standpoint of capital and the price which is sufficient for capital does not include rent, but, on the contrary, excludes it.

On the other hand: This sufficient price is not sufficient for some products of the land. For them the ordinary price must be high enough to yield a surplus over and above the sufficient price, a rent for the landowner. For others it depends on the circumstances. The contradiction that the sufficient price is not sufficient—that the price which suffices to bring the product to market does not suffice to bring it to market—does not worry Adam Smith.

Although he does not turn back, even for one moment, to glance at chapters V, VI and VII, he admits to himself (not as a contradiction, but as a new discovery which he has suddenly hit upon), that with the sufficient price, he has overthrown his whole doctrine of natural price.

"Rent, it is to be observed, therefore" (in this extraordinarily naive fashion Adam Smith progresses from an assertion to its very opposite), "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 [XII-625]; high or low rent is the effect of it. It is because high or low wages and profit must be paid, in order to bring a particular commodity to market, that its price is high or low. But it is because its price is high or low, a great deal more, or very little more, or no more, than what is sufficient to pay those wages and profit, that it affords a high rent, or a low rent, or no rent at all" ([Garnier,] I, pp. 303-04) [Vol. I, pp. 241-42].

Let us take the final proposition first. The sufficient price, the cost price, which only pays wages and profit, excludes rent. If the product pays a great deal more than the sufficient price, then it pays a high rent. If it pays only a little more, then it pays a low rent. If it pays only exactly the sufficient price, then it pays no rent. It pays no
rent if the actual price of the product coincides with the *sufficient price*, which pays profit and wages. Rent is always a *surplus* over and above the sufficient price. By its very nature, the sufficient price excludes rent. *This is Ricardo's theory.* He accepts the concept of the *sufficient price*, the cost price, from Adam Smith; but avoids Adam Smith's inconsistency of differentiating it from the natural price, and sets it forth consistently. Having committed all these inconsistencies, Smith is sufficiently inconsistent to demand, for certain products of the land, a price which is *higher* than their *sufficient price*. But this inconsistency itself is in turn the result of a *more correct* "observation".

The beginning of the passage is truly amazing in its naiveté. In Chapter VII Smith explained that rent, profit and wages enter equally into the *composition of the natural price*, having first turned the *dissolution of value* into rent, profit and wages into the *composition of value* by natural prices of rent, profit and wages. Now he tells us that *rent* enters into "the *composition of the price of commodities*" differently from profit and wages. And in what way does it enter *differently* into *that composition*? By *not* entering into that composition *at all*. And here we are first given a true explanation of the *sufficient price*. The *price of the commodities* is dear or cheap, high or low, because wages and profit—their natural rates—are high or low. The commodity will not be brought to market, will not be produced, unless these high or low profits and wages are paid. They form the *price of production* of the commodity, its *cost price*; and are thus in fact the *constituent elements of its value or price*. Rent, on the other hand, does not enter into the *cost price*, the *price of production*. It is not a constituent element of the *exchangeable value* of the commodity. It is *only* paid when the *ordinary price* of the commodity is *above* its *sufficient* price. Profit and wages as *constituent elements* of the price are *causes* of the price; rent, on the other hand, is only its *effect*, its *result*. It does not, therefore, enter into the composition of the price as an element, as do profit and wages. And this is what Smith calls entering into this composition in a *different* way from profit and wages. He does not appear to be in the slightest bit aware of the fact that he has thrown over his doctrine of *natural price*. For what was the *natural price*? The central point to which the market price gravitated; the *sufficient price*, *below* which in the long run the product could not fall, if it were to be produced and brought to market.

Thus rent is now the *surplus over the natural price*, previously [it was] a *component part of the natural price*; now [it is the] effect, previously [it was] the *cause*, of *price*. 

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*Theories of Surplus Value. Ricardo* 561
There is however no contradiction in Adam Smith's assertion that for certain products of the land, the circumstances of the market are always such that their ordinary price must be above their sufficient price, in other words: that landed property has the power to force the price above that level which would be sufficient for the capitalist if he were not confronted by a counteracting influence.

[XII-626] Having thus, in Chapter XI, thrown overboard chapters V, VI and VII, he calmly proceeds by saying that: he will now make it his business to consider 1. the produce of the land which always affords rent; 2. the produce of the land which sometimes affords rent and sometimes not; finally 3. the variations which take place, in the different periods of development of society, in the relative value, partly of these two sorts of produce compared with one another and partly in their relationship to manufactured commodities.

Part I. Of the Produce of Land which always affords Rent.

Adam Smith begins with the theory of population. The means of subsistence always create a demand for themselves. If the means of subsistence increase, then the people, the consumers of the means of subsistence, also increase. The supply of these commodities thus creates the demand for them.

"As men, like all other animals, naturally multiply in proportion to the means of their subsistence, food is always more or less in demand. It can always purchase or command a greater or smaller quantity of labour, and somebody can always be found who is willing to do something in order to obtain it" ([Garnier,] I, l. I, ch. XI, p. 305) [Vol. I, p. 242].

"But why? land, in almost any situation, produces a greater quantity of food than what is sufficient to maintain all the labour necessary for bringing it to market, in the most liberal way in which that labour is ever maintained. The surplus, too, is always more than sufficient to replace the stock which employed that labour, together with its profits. Something, therefore, always remains for a rent to the landlord" ([Garnier,] l.c., I, pp. 305-06) [Vol. I, p. 243].

This sounds quite Physiocratic and contains neither proof nor explanation of why the "price" of this particular commodity pays a rent, a surplus over and above the "sufficient price".

As an example he immediately refers to pasture and uncultivated pasture. Then follows the proposition on differential rent:

"The rent of land not only varies with its fertility, whatever be its produce, but with its situation, whatever be its fertility" ([Garnier,] I, p. 306) [Vol. I, pp. 243-44].

On this occasion rent and profit appear as mere surplus of the product, after that part of it has been deducted in nature which feeds the worker. (This is really the Physiocratic view, which is based on the fact that in an agricultural country man lives almost
exclusively on the agricultural product, and industry, manufacture, itself appears as a rural side-line which uses the local product of nature.)

"A greater quantity of labour, therefore, must be maintained out of it; and the surplus, from which are drawn both the profit of the farmer and the rent of the landlord, must be diminished" ([Garnier,] I, p. 307) [Vol. I, p. 244].

The growing of corn must therefore yield a greater profit than pasture.

"A cornfield of moderate fertility produces a much greater quantity of food for man than the best pasture of equal extent."

//Thus it is not a question of price here, but of the absolute quantity of food for man.//

"Though its cultivation requires much more labour, yet the surplus which remains after replacing the seed and maintaining all that labour, is likewise much greater."

//Although corn costs more labour, the cornfield yields a larger surplus of food, after labour has been paid, than a meadow used for stock raising. And it is worth more, not because corn costs more labour, but because the surplus in corn contains more nourishment.//

"If a pound of butcher's meat, therefore, was never supposed to be worth more than a pound of bread, this greater surplus (for corn)" //because the same area of land yields more pounds of corn than meat// "would everywhere be of greater value," (because it is assumed, that a pound of bread=a pound of meat (in value), and that, after the workers have been fed, more pounds of bread than pounds of meat are left over from the same area of land) "and constitute a greater fund both for the profit of the farmer and the rent of the landlord" ([Garnier,] I, pp. 308-09) [Vol. I, p. 245].

Having replaced the natural price by the sufficient price, and declared rent to be the surplus over and above the sufficient price, Smith forgets altogether, that it is a question of price, and derives rent from the ratio between the amount of food yielded by agriculture and the amount of food consumed by the agricultural worker.

In point of fact—apart from this Physiocratic interpretation—he postulates that the price of the agricultural product which supplies the principal food pays rent in addition to profit. This is the starting-point for his further arguments. With the extention of cultivation, the natural pastures become insufficient for stock raising and cannot satisfy the demand for butcher's meat. Cultivated land has to be employed for this purpose. [XII-627]

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a I.e., out of the product of the land situated at a greater distance from the market.— Ed.
The price of meat therefore has to rise to the point where it pays not only the labour which is employed in stock raising, but also:

"the rent which the landlord, and the profit which the farmer could have drawn from such land employed in tillage. The cattle bred upon the most uncultivated moors, when brought to the same market, are, in proportion to their weight or goodness, sold at the same price as those which are reared upon the most improved land. The proprietors of those moors profit by it, and raise the rent of their land in proportion to the price of their cattle."

(In this passage Adam Smith correctly derives the differential rent from the surplus of the market value over the individual value. In this case, however, the market value rises, not because there is a transition from better to worse, but from less fertile to more fertile land.)

"...It is thus that, in the progress of improvement, the rent and profit of unimproved pasture come to be regulated in some measure by the rent and profit of what is improved, and these again, by the rent and profit of corn" ([Garnier,] I, pp. 310-11) [Vol. I, p. 247].

"But where there is no local advantage ..., the rent and profit of corn, or whatever else is the common vegetable food of the people, must naturally regulate, upon the land which is fit for producing it, the rent and profit of pasture." ([Garnier,] (p. 315) [Vol. I, pp. 249-50].

"The use of the artificial grasses, of turnips, carrots, cabbages, and the other expedients which have been fallen upon to make an equal quantity of land feed a greater number of cattle than when in natural grass, should somewhat reduce, it might be expected, the superiority which, in an improved country, the price of butcher's meat naturally has over that of bread." (l.c.) "It seems accordingly to have done so" etc. (l.c.) [Vol. I, p. 250].

Having thus set forth the relationship between rent yielded by pasture and by tilled land, Smith continues:

"In all great countries, the greater part of the cultivated lands are employed in producing either food for men or food for cattle. The rent and profit of these regulate the rent and profit of all other cultivated land. If any particular produce afforded less, the land would soon be turned into corn or pasture; and if any afforded more, some part of the lands in corn or pasture would soon be turned to that produce" ([Garnier,] I, p. 318) [Vol. I, p. 252].

Then he speaks of vineyards, fruit and potager, etc.

"The rent and profit of those productions, therefore, which require either a greater original expense of improvement in order to fit the land for them, or a greater annual expense of cultivation, though often much superior to those of corn and pasture, yet when they do no more than compensate such extraordinary expense, are in reality regulated by the rent and profit of those common crops" ([Garnier,] I, pp. 323-24) [Vol. I, p. 256].

Then he passes on to sugar cultivation in the colonies [and] tobacco.

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* Vegetable gardens.—Ed.
“It is in this manner that the rent of the cultivated land, of which the produce is human food, regulates the rent of the greater part of other cultivated land” ([Garnier,] I, p. 331) [Vol. I, p. 262].

“In Europe, corn is the principal produce of land, which serves immediately for human food. Except in particular situations, therefore, the rent of corn-land regulates in Europe that of all other cultivated land” ([Garnier, I] pp. 331-32 [Vol. I, p. 262].

Adam Smith then returns to the Physiocratic theory, as interpreted by him, namely that food creates consumers for itself.

If corn were replaced by some other crop, which with the same system yielded a much greater quantity of food on the most common land, then “the rent of the landlord, or the surplus quantity of food which would remain to him, after paying the labour, and replacing the stock of the farmer, together with its ordinary profits, would necessarily be much greater. Whatever was the rate at which labour was commonly maintained in that country, this greater surplus could always maintain a greater quantity of it, and, consequently, enable the landlord to purchase or command a greater quantity of it” ([Garnier,] I, p. 332) [Vol. I, pp. 262-63].

Adam Smith cites rice as an example.

“In Carolina ... the planters, as in other British colonies, are generally both farmers and landlords, and rent, consequently, is confounded with profit ([Garnier,] I, p. 333) [Vol. I, p. 263].

[XII-628] The rice field, however,

“is unfit either for corn, or pasture, or vineyard, or, indeed, for any other vegetable produce that is very useful to men; and the lands which are fit for those purposes are not fit for rice.” ([Garnier,] I, 334) [Vol. I, p. 264]. “Even in the rice countries, therefore, the rent of rice lands cannot regulate the rent of the other cultivated land which can never be turned to that produce” ([Garnier,] I, p. 334) [Vol. I, p. 264].

Second example, potatoes (Ricardo’s criticism of this has been mentioned earlier). If potatoes became the principal food, in place of corn,

“the same quantity of cultivated land would maintain a much greater number of people; and the labourers being generally fed with potatoes, a greater surplus would remain after replacing all the stock, and maintaining all the labour employed in cultivation. A greater share of this surplus, too, would belong to the landlord. Population would increase, and rents would rise much beyond what they are at present” ([Garnier,] I, p. 335) [Vol. I, p. 265].

A few more comments on wheaten bread, bread made of oatmeal, and on potatoes conclude the first section of Chapter XI.

One can therefore sum up this section, which deals with the product of land which always pays a rent, as follows: after postulating the rent of the principal vegetable food, it sets forth how this rent

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a See this volume, pp. 549-50.— Ed.
regulates the rent of cattle-breeding, wine-growing, market gardening, etc. There is nothing about the nature of rent itself, except the general thesis that, provided rent exists, its amount is determined by fertility and situation. But this only relates to differences in rents, differences in the magnitude of rents. But why does this product always pay a rent? Why is its ordinary price always higher than its sufficient price? Smith leaves price out of account here and reverts to the Physiocratic theory. What runs through it, however, is that the demand here is always so great because the product itself creates the demandeurs, [since it creates] its own consumers. Even provided that this were so it is incomprehensible why the demand should rise above the supply and thus force the price above the sufficient price. But there is here a secret recollection of the image of the natural price which includes rent as well as profit and wages and which is paid when supply corresponds with demand.

"When the quantity brought to market is just sufficient to supply the effectual demand, and no more, the market price naturally comes to be exactly ... the same with the natural price" ([Garnier,] I, p. 114) [Vol. I, p. 95].

It is however characteristic that Adam Smith nowhere in this section states this clearly. In opening Chapter XI, he had just said that rent does not enter into price as a component part. The contradiction was too conspicuous.

Part II: Of the Produce of Land which sometimes does, and sometimes does not, afford Rent.

It is actually only in this section that the general nature of rent is first discussed.

"Human food seems to be the only produce of land, which always and necessarily affords some rent to the landlord." (Why "always" and "necessarily", has not been shown.) "Other sorts of produce sometimes may, and sometimes may not, according to different circumstances" ([Garnier,] l.c., I, p. 337) [Vol. I, p. 267].

"After food, clothing and lodging are the two great wants of mankind" ([Garnier, I], l.c., p. 338) [Vol. I, p. 267].

"Land, in its original rude state, can afford the materials of clothing and lodging to a much greater number of people than it can feed." As a result of this "superabundance of those materials" in proportion to the number of people the land can feed, i.e., in proportion to the population, these materials "cost" little or nothing. A large part of these "materials" lies around unused and useless "and the price of what is used is considered as equal only to the labour and expense of fitting it for use". This price however affords "no rent to the landlord". On the other hand, where the land is in an improved state, the number of people whom "it can feed", i.e., the population, is greater than the quantity of those materials which it supplies, at least "in the way in which they require them, and are willing to pay for them". There is a relative "scarcity" of these materials "which necessarily augments their value". "There is frequently a demand for more than can be had." More is paid for them
than "the expense of bringing them to market. Their price, therefore, can always afford some rent to the landlord" ([Garnier,] I, pp. 338-39) [Vol. I, pp. 267-68].

[XII-629] Here therefore an explanation of rent [is] derived, from the excess of demand over the supply which can be provided at the sufficient price.

The original materials of clothing were the furs and skins "of the larger animals". Among nations of hunters and shepherds, whose food consists chiefly in the flesh of animals, "every man, by providing himself with food, provides himself with the materials of more clothing than he can wear. If there was no foreign commerce, the greater part of them would be thrown away as useless. Through the additional demand provided by foreign trade, the price of this surplus of materials is raised above what it costs to send them to be sold. This price affords, therefore, some rent to the landlord. Through its market in Flanders, English wool thus added something to the rent of the land which produced it" ([Garnier,] I, pp. 339-40) [Vol. I, pp. 268-69].

Foreign trade here raises the price of an agricultural by-product to such an extent that the land which produces it can yield some rent.

"The materials of lodging cannot always be transported to so great a distance as those of clothing, and do not so readily become an object of foreign commerce. When they are superabundant in the country which produces them, it frequently happens, even in the present commercial state of the world, that they are of no value to the landlord." Thus a stone quarry in the neighbourhood of London may yield a rent, whereas in many parts of Scotland and Wales, it may not. Similarly with timber. "In a populous and well-cultivated country" it will provide a rent, but "in many parts of North America" it will rot on the ground. The landowner would be glad to get rid of it. "When the materials of lodging are so superabundant, the part made use of is worth only the labour and expense of fitting it for that use. It affords no rent to the landlord, who generally grants the use of it to whoever takes the trouble of asking it. The demand of wealthier nations, however, sometimes enables him to get a rent for it" ([Garnier,] I, pp. 340-41) [Vol. I, pp. 269-70].

Countries are populated, not in proportion to the number of people "whom their produce can clothe and lodge, but in proportion to that of those whom it can feed. When food is provided, it is easy to find the necessary clothing and lodging. But though these are at hand, it may often be difficult to find food. In some parts even of the British dominions what is called a house, may be built by one day's labour of one man...". Among savage and barbarous nations, $\frac{1}{100}$ of the labour of a whole year will be sufficient to provide them with what they require in clothing and lodging. The other $\frac{99}{100}$ are often necessary to provide them with the food they need. "But when by the improvement and cultivation of land the labour of one family can provide food for two, the labour of half the society becomes sufficient to provide food for the whole." The other half can then satisfy the other wants and fancies of mankind. The principal objects of those wants and fancies are clothing, lodging, household furniture, and what is called equipage. The desire for food is limited. Those other desires are unlimited. Those who possess a surplus of food "are always willing to exchange the surplus". "The poor, in order to obtain food",

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* Marx quotes partly in French, partly in German, with some alterations.—* Ed.
exert themselves to satisfy those “fancies” of the rich, and, moreover, compete with one another in their endeavours. The number of workmen increases with the quantity of food, i.e., in proportion to the progress of agriculture. [The nature of] their “business” admits of “the utmost subdivisions of labour”; the [quantity of] materials which they work up therefore increases even more rapidly than their numbers. “Hence arises a demand for every sort of material which human invention can employ, either usefully or ornamentally, in building, dress, equipage, or household furniture; for the fossils and minerals contained in the bowels of the earth: the precious metals, and the precious stones.

"Food is, in this manner, not only the original source of rent, but every other part of the produce of land which afterwards affords rent, derives that part of its value from the improvement of the powers of labour in producing food by means of the improvement and cultivation of land” ([Garnier,] I, pp. 342-45) [Vol. I, pp. 270-72].

What Smith says here, is the true physical basis of Physiocracy, namely, that the creation of surplus value (including rent) always has its basis in the relative productivity of agriculture. The first real form of surplus value is SURPLUS OF AGRICULTURAL PRODUCE (food), and the first real form of surplus labour arises when one person is able to produce the food for two. Otherwise this has nothing to do with the development of rent, this specific form of surplus value, which presupposes capitalist production.

Adam Smith continues:

The other parts of the produce of the land (apart from food), which later afford rent, do not afford it always. The demand for them, even in the most cultivated countries, is not always great enough “to afford a greater price than what is sufficient to pay the labour, and replace, together with its ordinary profits, the stock which must be employed in bringing them to market. [XII-630] Whether it is or is not such, depends upon different circumstances” ([Garnier,] I, p. 345) [Vol. I, p. 272].

Here therefore again: Rent arises from the demand being greater than the supply at the sufficient price which only includes wages and profits, but no rent. What else does this mean, but that the supply at the sufficient price is so great that landed property cannot offer any resistance to the equalisation of capitals or labour? That therefore, even though [landed] property exists legally, it does not exist in practice, or cannot be effective as such in practice? Adam Smith’s mistake is that he fails to recognise that [landed] property sells [products] above the sufficient price, if it sells [them] at their value. His positive point, compared with Ricardo, is that he realises it depends on the circumstances, whether or not [landed] property can assert itself economically. It is therefore essential to follow this part of his argument step by step. He begins with the coal mine, then goes over to timber and then returns to the coal mine, etc. Accordingly we shall let him start with timber.

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a Marx quotes partly in French, partly in German, with some alterations.—Ed.
The price of wood varies with the state of agriculture, for the same reasons as does the price of cattle. When agriculture was in its infancy, forests were dominant and a sheer nuisance to the landowner, who would gladly give it to anyone for the cutting. As agriculture advances, there is clearance of forests, partly through the expansion of tillage, partly through the increase in herds of cattle, which eat up, gnaw at, roots and young trees. "These [cattle], though they do not increase in the same proportion as corn, which is altogether the acquisition of human industry, yet multiply under the care and protection of men." The scarcity of wood, thus created, raises its price. Hence it can afford so high a rent that tilled land (or land that could be used for tillage) is converted into woodland. This is the case in Great Britain. The rent of wood can never, for any length of time, rise above that of corn or pasture, but it may reach that level ([Garnier,] I, pp. 347-49) [Vol. I, pp. 274-75].

Thus in fact, the rent of woodland is by nature identical with that of pasture. It belongs therefore in this category, although wood does not serve for food. The economic category does not depend on the use value of the product, but on whether or not it is convertible into arable land and vice versa.

Coal mines. Smith observes correctly that the fertility or infertility of mines in general depends on whether the same quantity of labour can extract a larger or a smaller amount of minerals from the mine. Infertility can offset the favourable situation, so that such mines cannot be exploited at all. On the other hand, an unfavourable situation can offset the fertility, so that despite its natural fertility, such a mine cannot be exploited. This is in particular the case where there are neither good roads, nor shipping ([Garnier,] I, pp. 346-47) [Vol. I, pp. 273-74].

There are mines whose produce just reaches the sufficient price. Hence they pay profit for the entrepreneur but no rent. They can therefore be worked only by the landowner himself. In this way he gets "the ordinary profit of the capital which he employs". There are many mines of this type in Scotland. These could not be exploited in any other way.

"The landlord will allow nobody else to work them without paying some rent, and nobody can afford to pay any" ([Garnier,] I, p. 346) [Vol. I, p. 273].

Here Adam Smith has correctly defined under what circumstances land which has been appropriated pays no rent, namely where landowner and entrepreneur are one person. He has already told us earlier that this is so in the colonies. A farmer cannot cultivate the land there because he cannot pay any rent. But the owner can cultivate it with profit, although it does not pay him a rent. This is the case, for example, in the colonies in Western America, because new land can always be appropriated. The land as such is not an element that offers resistance, and the competition of landowners who cultivate the land themselves is
here in fact competition between workers or capitalists. The position of coal mines, or mines in general, is different in the case supposed. The market value, as determined by the mines which provide for the demand at this value, yields a smaller rent, or no rent at all but just covers the cost price in the case of mines that are less fertile or less favourably situated. These mines can only be worked by persons for whom the resistance of landed property and the exclusion from the land effected by this does not exist, because they are landowners and capitalists in one person; [this] only happens where in fact landed property disappears as an independent element opposed to capital. The position differs from that of the colonies in that: in the latter, the landowner cannot prohibit the exploitation of new land by anyone. In the former he can do so. He only gives himself the permission to exploit the mine. This does not enable him to draw a rent, but it does enable him to exclude others and to invest his capital in the mine, with profit.

What Adam Smith writes about the regulation of rent by the most fertile mine, I have already commented on, when discussing Ricardo and his polemic. Here only one proposition needs to be stressed:

"The lowest price" (previously sufficient price) "at which coals can be sold for any considerable time, is, like that of all other commodities, the price which is barely sufficient to replace, together with its ordinary profits, the stock which must be employed in bringing them to market" ([Garnier,] l.c., p. 350) [Vol. I, pp. 276-77].

It is evident that the sufficient price has taken the place of the natural price. Ricardo regards them as identical, and rightly so. [XII-631] Smith maintains that

the rent of coal mines is much smaller than that of agricultural products: here 1/3; there [in coal mines] 1/5 is a very great rent, and 1/10 the common rent ([Garnier,] I, p. 351) [Vol. I, p. 277]. Metal mines are not so dependent on their situation, since their products are more easily transported and the world market is therefore more open to them. Their value, therefore, is more dependent on their fertility than on their situation, while with coal mines, the opposite is the case. The products of the most distant (from one another) metal mines compete with one another. "The price, therefore, of the coarse, and still more that of the precious metals, at the most fertile mines in the world, must necessarily more or less affect their price at every other in it" ([Garnier,] I, pp. 351-52) [Vol. I, p. 277].

"The price of every metal at every mine, therefore, being regulated in some measure by its price at the most fertile mine in the world that is actually wrought, it can at the greater part of mines do very little more than pay the expense of working, and can seldom afford a very high rent to the landlord. Rent, accordingly, seems at the greater part of mines to have but a small share in the price of the coarse, and a still

\[a\] See this volume, pp. 547-49.— Ed.
smaller in that of the precious metals. Labour and profit make up the greater part of both." ([Garnier,] I, pp. 353-54) [Vol. I, pp. 278-79].

Adam Smith correctly sets forth here the case presented in Table C.\(^b\)

When speaking of rent in connection with precious metals, Adam Smith again gives his interpretation of the sufficient price, which he puts in the place of the natural price. Where he speaks of non-agricultural industry, he has no need for this, since the sufficient and the natural price coincide here, according to his original explanation, namely that it is the price which repays the capital outlay + the average profit.

"The lowest price at which the precious metals can be sold ... during any considerable time, is regulated by the same principles which fix the lowest ordinary price of all other goods. The stock which must commonly be employed, the food, clothes, and lodging which must commonly be consumed in bringing them from the mine to the market, determine it. It must at least be sufficient to replace that stock, with the ordinary profits" ([Garnier,] I, p. 359) [Vol. I, p. 283].

With regard to precious stones, he observes that:

"The demand for the precious stones arises altogether from their beauty. They are of no use, but as ornaments; and the merit of their beauty is greatly enhanced by their scarcity, or by the difficulty and expense of getting them from the mine. Wages and profit accordingly make up, upon most occasions, almost the whole of their high price. Rent comes in but for a very small share; frequently no share; and the most fertile mines only afford any considerable rent" ([Garnier,] I, p. 361) [Vol. I, p. 285].

There can only be a differential rent here.

"As the price both of the precious metals and of the precious stones is regulated all over the world by their price at the most fertile mine in it, the rent which a mine of either can afford to its proprietor is in proportion, not to its absolute, but to what may be called its relative fertility, or to its superiority over other mines of the same kind. If new mines were discovered as much superior to those of Potosi as they were superior to those of Europe, the value of silver might be so much degraded as to render even the mines of Potosi not worth the working" ([Garnier,] I, p. 362) [Vol. I, p. 286].

The products of the less fertile precious metal and precious stone mines carry no rent, because it is always the most fertile mine which determines market value and ever more fertile new mines are being opened up—the line is always in the ascending direction. Hence they are sold below their value, merely at their cost price.

"A produce of which the value is principally derived from its scarcity, is necessarily degraded by its abundance" ([Garnier,] I, p. 363) [Vol. I, p. 286].

Then Adam Smith's argument again goes somewhat wrong.

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\(^a\) Garnier has "of this price".—\textit{Ed.}

\(^b\) See the insertion between pages 479 and 480.—\textit{Ed.}
“It is otherwise in estates above ground. The value both of their produce and of their rent is in proportion to their absolute, and not to their relative fertility. The land which produces a certain quantity of food, clothes, and lodging, can always feed, clothe, and lodge a certain number of people; and whatever may be the proportion of the landlord” (the very question is whether he takes any share of the produce, and in what proportion) “it [XII-632] will always give him a proportionable command of the labour of those people, and of the commodities with which that labour can supply him” ([Garnier,] I, pp. 363-64) [Vol. I, p. 287].

“The value of the most barren lands is not diminished by the neighbourhood of the most fertile. On the contrary, it is generally increased by it. The great number of people maintained by the fertile lands afford a market to many parts of the produce of the barren, which they could never have found among those whom their own produce could maintain.”

(But only if they do not produce the same product as the fertile lands in their neighbourhood; only if the product of the barren lands does not compete with that of the more fertile. In this case Adam Smith is right and indeed, this is of importance to the way in which the total amount of rent from different sorts of natural products may increase in consequence of the fertility of the soils which yields food.)

“Whatever increases the fertility of land in producing food, increases not only the value of the lands upon which the improvement is bestowed” //it may reduce this value and even destroy it/., “but contributes likewise to increase that of many other lands, by creating a new demand for their produce” (or, rather, by creating a demand for new products) ([Garnier,] I, p. 364) [Vol. I, p. 287].

But in all this, Adam Smith does not offer any explanation for absolute rent, which he presupposes to exist for land that produces food. He is correct when he observes that it does not necessarily exist for other lands, mines, for instance, because they are always available in such relatively unlimited quantities (in comparison with demand), that landed property cannot offer any resistance to capital [so that] even if it exists in a legal sense, it does not exist in the economic sense.

(See. p. 641 on house rent.)

Part III. “Of the Variations in the Proportion between the respective Values of that Sort of Produce which always affords Rent, and of that which sometimes does and sometimes does not afford Rent” (Book I, Vol. II, Ch. XI).

“In a country naturally fertile, but of which the far greater part is altogether uncultivated, cattle, poultry, game of all kinds, etc. as they can be acquired with a very small quantity of labour, so they will purchase or command but a very small quantity” ([Garnier,] II, p. 25) [Vol. I, p. 306].

The peculiar manner in which Adam Smith mixes up the measuring of value by the quantity of labour, with the price of labour or the quantity of labour which a commodity can
command, is evident from the above quotation, and especially from the following passage, which also shows how it has come about that at times he elevates corn to the measure of value.

"In every state of society, in every stage of improvement, corn is the production of human industry. But the average produce of every sort of industry is always suited, more or less exactly, to the average consumption; the average supply to the average demand. In every different stage of improvement, besides, the raising of equal quantities of corn in the same soil and climate, will, at an average, require nearly equal quantities of labour; or what comes to the same thing, the price of nearly equal quantities; the continual increase of the productive powers of labour in an improving state of cultivation, being more or less counterbalanced by the continually increasing price of cattle, the principal instruments of agriculture. Upon all these accounts, therefore, we may rest assured, that equal quantities of corn will, in every state of society, in every stage of improvement, more nearly represent, or be equivalent to, equal quantities of labour, than equal quantities of any other part of the rude produce of land. Corn, accordingly, ... is, in all the different stages of wealth and improvement, a more accurate measure of value than any other commodity or set of commodities... Corn, besides, or whatever else is the common and favourite vegetable food of the people, constitutes, in every civilised country, the principal part of the subsistence of the labourer... The money price of labour, therefore, depends much more upon the average money price of corn, the subsistence of the labourer, than upon that of butcher's meat, or of any other part of the rude produce of land. The real value of gold and silver, therefore, the real quantity of labour which they can purchase or command, depends much more upon the quantity of corn which they can purchase or command, than upon that of butcher's meat, or any other part of the rude produce of land" ([Garnier,] II, pp. 26-28) [Vol. I, pp. 307-08].

When comparing the value of gold and silver, Adam Smith once more sets forth his views on the sufficient price and notes [XII-633] expressly that it excludes rent:

"A commodity may be said to be dear or cheap, not only according to the absolute greatness or smallness of its usual price, but according as that price is more or less above the lowest for which it is possible to bring it to market for any considerable time together. This lowest price is that which barely replaces, with a moderate profit, the stock which must be employed in bringing the commodity thither. It is the price which affords nothing to the landlord, of which rent makes not any component part, but which resolves itself altogether into wages and profit" ([Garnier,] II, p. 81) [Vol. I, p. 350].

"The price of diamonds and other precious stones may, perhaps, be still nearer to the lowest price at which it is possible to bring them to market, than even the price of gold" ([Garnier,] II, p. 83) [Vol. I, p. 351].

There are 3 sorts of raw products ([Garnier,] II, p. 89) [Vol. I, p. 355]. The first, whose increase is almost, or entirely, independent of human industry; the second, which can be increased in proportion to the demand; the third, upon whose increase human industry only exercises a "limited or uncertain" influence.

First sort: Fishes, rare birds, different sorts of game, almost all wild-fowl, in particular the birds of passage, etc. The demand for these increases greatly with wealth and luxury.
“The quantity of such commodities, therefore, remaining the same, or nearly the same, while the competition to purchase them is continually increasing, their price may rise to any degree of extravagance” ([Garnier,] II, p. 91) [Vol. I, pp. 356-57].

Second sort: “It consists in those useful plants and animals which, in uncultivated countries, nature produces with such profuse abundance, that they are of little or no value, and which, as cultivation advances, are therefore forced to give place to some more profitable produce. During a long period in the progress of improvement, the quantity of these is continually diminishing, while at the same time the demand for them is continually increasing. Their real value, therefore, the real quantity of labour which they will purchase or command, gradually rises, till at last it gets so high as to render them as profitable a produce as anything else which human industry can raise upon the most fertile and best cultivated land. When it has got so high it cannot well go higher. If it did, more land and more industry would soon be employed to increase their quantity” ([Garnier,] II, pp. 94-95) [Vol. I, p. 359]. So, for instance, with cattle.

“Of all the different substances, however, which compose this second sort of rude produce, cattle is, perhaps, that of which the price, in the progress of improvement, first rises to this height” ([Garnier,] II, pp. 96-97) [Vol. I, p. 361]. “As cattle are among the first, so perhaps venison is among the last parts of this sort of rude produce which bring this price” //i.e., that price which makes it worth while cultivating the soil in order to feed them//. “The price of venison in Great Britain, how extravagant soever it may appear, is not near sufficient to compensate the expense of a deer park, as is well known to all those who have had any experience in the feeding of deer” ([Garnier,] II, p. 104) [Vol. I, pp. 366-67].

“Thus in every farm the offals of the barn and stables will maintain a certain number of poultry. These, as they are fed with what would otherwise be lost, are a mere save-all; and as they cost the farmer scarce anything, so he can afford to sell them for very little.” While this supply is sufficient, poultry [is] as cheap as butcher’s meat. With the growth of wealth, the demand grows, and consequently the price of poultry [rises] above that of butcher’s meat, until “it becomes profitable to cultivate land for the sake of feeding them”. Thus in France, etc. ([Garnier,] II, [pjp. [105-]106) [Vol. I, pp. 367, 368].

The hog, like poultry, is “originally kept as a save-all”. It lives on refuse. In the end the price rises until land must be cultivated specifically for its food ([Garnier,] II, pp. 108-09) [Vol. I, p. 369]. Milk, dairy farming ([Garnier,] II, p. 110 et seq.) [Vol. I, p. 371 et seq.]. (Butter, cheese ibid.)

According to Adam Smith, the gradual rise in the price of these raw products only proves that, little by little, they are becoming products of human industry, while previously, they were practically only products of nature. Their transformation from products of nature into products of industry is itself the result of the advance of cultivation, which is increasingly limiting the scope of the spontaneous productions of nature. On the other hand, under less developed conditions of production, a large part of these products was sold below its value. The commodities are sold at their value (hence the rise in prices) as soon as they cease to be a by-product and become an independent product of some branch of agriculture.

“The lands of no country, it is evident, can ever be completely cultivated and improved, till once the price of every produce, which human industry is obliged to
raise upon them, has got so high as to pay for the expense of complete improvement and cultivation. In order to do this, the price of each particular produce must be sufficient, first, to pay the rent of good corn land, as it is that which regulates the rent of the greater part of other cultivated land; and, secondly, to pay the labour and expense of the farmer as well as they are commonly paid upon good corn land; or, in other words, to replace with the ordinary profits the stock which he employs about it. This rise in the price of each particular produce must evidently [XII-634] be previous to the improvement and cultivation of the land which is destined for raising it. ...those different sorts of rude produce ... have become worth not only a greater quantity of silver, but a greater quantity of labour and subsistence than before. As it costs a greater quantity of labour and subsistence to bring them to market, so when they are brought thither, they represent or are equivalent to a greater quantity” (Garnier, II, pp. 113-15) [Vol. I, pp. 373, 374].

Here it is once more evident, how Smith is only able to use value as determined by the quantity of labour it [value] can buy, in so far as he confuses it with value as determined by the quantity of labour required for their production.

Third sort: This is the raw product,

“in which the efficacy of human industry, in augmenting the quantity, is either limited or uncertain” (Garnier, II, p. 115) [Vol. I, p. 374].

Wool and raw hides are limited by the number of large and small cattle that are kept. But the first by-products already have a large market, while the animal itself does not yet have this. The market for butcher’s meat is almost always confined to the inland market. Wool and raw hides, even in the rude beginnings [of cultivation], are in most cases already sold in foreign markets. They are easily transported and furnish the raw material of many manufactured goods. They may thus find a market in countries which are more developed industrially when the industry in the country where they are produced does not yet require them. [Garnier, Vol. II, pp. 116-17.] [Vol. I, pp. 375-76].

“In countries ill cultivated, and therefore but thinly inhabited, the price of the wool and the hide bears always a much greater proportion to that of the whole beast, than in countries where, improvement and population being further advanced, there is more demand for butcher’s meat.” The same applies to “tallow”. In the progress of industry and population, the rise in price of cattle affects the carcass more than the wool or hide. For with the increase in industry and population of a country, the market for meat expands, whereas that for the by-products already previously extended beyond the boundaries of the country. But with the development of industry in the country itself, the price for wool, etc., will nevertheless also rise somewhat. ([Garnier,] II, pp. 115-19) [Vol. I, pp. 376-77].

Fish. ([Garnier,] II, pp. 129-30.) If the demand for fish rises, then its supply requires more labour. “The fish must generally be sought for at a greater distance, larger vessels must be employed, and more expensive machinery of every kind made use of.” “It will generally be impossible to supply the extended market without employing a quantity of labour greater than in proportion to what had been requisite for supplying the narrow and confined one.” “The real price of this commodity, therefore, naturally rises in the progress of improvement” ([Garnier,] II, p. 130) [Vol. I, pp. 385-86].
Here Adam Smith therefore determines the real price by the quantity of labour necessary for the production of the commodity.

According to Adam Smith, the real price of vegetable food (corn, etc.) must fall in the course of civilisation.

"The extension of improvement and cultivation, as it necessarily raises more or less, in proportion to the price of corn, that of every sort of animal food, so it as necessarily lowers that of, I believe, every sort of vegetable food. It raises the price of animal food; because a great part of the land which produces it, being rendered fit for producing corn, must afford to the landlord and farmer the rent and profit of corn-land. It lowers the price of vegetable food; because, by increasing the fertility of the land, it increases its abundance. The improvements of agriculture too introduce many sorts of vegetable food, which, requiring less land and not more labour than corn, come much cheaper to market. Such are potatoes and maize... Many sorts of vegetable food, besides, which in the rude state of agriculture are confined to the kitchen garden, and raised only by the spade, come in its improved state to be introduced into common fields, and to be raised by the plough; such as turnips, carrots, cabbages, etc." ([Garnier], II, 1, ch. XI, pp. 145-46) [Vol. I, pp. 396-97].

Adam Smith sees that the price of manufactured commodities in general has fallen wherever

"the real price of the rude materials either does not rise at all, or does not rise very much" ([Garnier], II, p. 149) [Vol. I, p. 399].

On the other hand, he asserts that the real price of labour, i.e., wages, has risen with the progress in production. Hence also, according to him, the prices of commodities do not necessarily rise because of a rise in wages, or the price of labour, although wages [form] "a component part of the natural price" and even of the "sufficient price" or the "lowest price at which commodities can be brought to market". So how does Adam Smith explain this? By a fall in profits? No. Or of rent? No again. (Although he assumes that the general rate of profit falls in the course of civilisation.) He says:

"In consequence of better machinery, [XII-635] of greater dexterity, and of a more proper division and distribution of work, all of which are the natural effects of improvement, a much smaller quantity of labour becomes requisite for executing any particular piece of work; and though, in consequence of the flourishing circumstances of the society, the real price of labour should rise very considerably, yet the great diminution of the quantity, requisite for each particular article, a will generally much more than compensate the greatest rise which can happen in the price" ([Garnier], II, p. 148) [Vol. I, pp. 398-99].

Thus the value of the commodities falls, because a smaller quantity of labour is required to produce them; the value moreover falls although the real price of labour rises. If here the real price of labour means the value [of labour], then the profit

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a The words "requisite for each particular article" are inserted by Garnier in the French translation.— Ed.
must fall, if the price of the commodity falls as a result of the fall in its value. If, on the other hand, it means the quantity of the means of subsistence received by the worker, then the Smithian thesis is correct even where profit is rising.

The extent to which Adam Smith uses the correct definition of value, wherever he actually analyses [facts], can be seen at the end of the chapter where he examines why *woollen cloths* were dearer in the 16th century, etc.

"It cost a greater quantity of labour to bring the goods to market. When they were brought thither, therefore, they must have been purchased or exchanged for the price of a greater quantity" ([Garnier,] II, p. 156) [Vol. I, p. 404].

The mistake here consists only in the use of the word *price*.

*Conclusion of the chapter.* Adam Smith concludes his chapter on rent with the observation that

"every improvement in the circumstances of the society tends either directly or indirectly to raise the real rent of land" ([Garnier,] II, pp. 157-58) [Vol. I, p. 406].

"The extension of improvement and cultivation tends to raise it directly. The landlord's share of the produce necessarily increases with the increase of the produce" ([Garnier,] II, p. 158) [Vol. I, p. 406]. The rise "in the real price of those parts of the rude produce of land, which is first the effect of extended improvement and cultivation, and afterwards the cause of their being still further extended", for instance the rise in the price of cattle, raises, firstly, the real value of the landlord's share, but also the proportion of that share, because: "That produce, after the rise in its real price, requires no more labour to collect it than before. A smaller proportion of it will, therefore, be sufficient to replace, with the ordinary profit, the stock which employes that labour. A greater proportion of it must, consequently, belong to the landlord" ([Garnier,] II, pp. 158-59) [Vol. I, p. 406].

In exactly the same way Ricardo explains the increase in the proportion of rent, as the price of corn rises on the more fertile land. Only this rise in price is not the result of improvement, and therefore leads Ricardo to the opposite conclusion from Adam Smith. Adam Smith says that the landlord moreover benefits from every development of the productive power of labour in manufacture.

"Whatever reduces the real price of the latter,\(^b\) raises that of the former\(^c\)" ([Garnier,] II, p. 159) [Vol. I, p. 407]. Furthermore, with every increase of the real wealth of the society, the population increases; with the population increases the demand for *agricultural produce* and consequently the *capital employed in agriculture*; "and the rent increases with the produce" ([Garnier,] I.e. [p. 160]) [Vol. I, p. 407]. On the other hand all circumstances which hinder the growth of general wealth, will have the opposite effect and lead to a fall in rent and hence a decrease in the real wealth of the landowner ([Garnier,] I.e., p. 160) [Vol. I, pp. 407-08].

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\(^a\) Marx quotes this passage in German.—*Ed.*

\(^b\) Manufactured goods.—*Ed.*

\(^c\) Agricultural produce.—*Ed.*
From this Adam Smith concludes that the interests of the landlords are always in harmony with the "general interest of the society" ([Garnier,] II, p. 161) [Vol. I, p. 408]. This also applies to the labourers ([Garnier,] II, pp. 161-62) [Vol. I, p. 409]. But Adam Smith is honest enough to make the following distinction:

"The order of proprietors may, perhaps, gain more by the prosperity of the society than that of labourers; but there is no order that suffers so cruelly from its [society's] "decline" [as do the labourers] ([Garnier,] l. c., p. 162) [Vol. I, p. 409].

The interests of the capitalists (manufacturers and merchants), on the other hand, are not identical with the "general interest of society" ([Garnier,] l. c., p. 163) [Vol. I, p. 411]. "The interest of the dealers, however, in any particular branch of trade or manufactures, is always in some respects different from, and even opposite to, that of the public" ([Garnier,] II, pp. 164-65) [Vol. I, p. 411]. [The dealers are] "...an order of men, whose interest [XII-636] is never exactly the same with that of the public; who have generally an interest to deceive and even to oppress the public, and who accordingly have, upon many occasions, both deceived and oppressed it" ([Garnier,] II, p. 165) [Vol. I, p. 412].

Of his own conception of rent, Ricardo says:

*"I always consider it as the result of a partial monopoly, never really regulating price"*

(that is, never acting as a monopoly, hence also never the result of monopoly. For him the only result of monopoly could be that the rent is pocketed by the owner of the better types of land rather than by the farmer),

*"but rather as the effect of it. If all rent were relinquished by landlords, I am of opinion that the commodities produced on the land would be no cheaper, because there is always a portion of the same commodities produced on land, for which no rent is or can be paid, as the surplus produce is only sufficient to pay the profits of stock" (Ricardo, Principles, l. c., pp. 332-33).*

Here surplus produce = the excess over the product absorbed by the wages. Assuming that certain land never pays rent Ricardo's assertion is only correct if this land, or rather its product, regulates the market value. If, on the other hand, its product pays no rent because the market value is regulated by the more fertile land, then this fact proves nothing. It would, indeed, benefit the farmers if the differential rent were "relinquished by landlords". The relinquishment of absolute rent, on the other hand, would reduce the price of agricultural products and increase that of industrial products to the extent that the average profit grew by this process.\(^{164}\)
It will be observed that we consider the owner and farmer always as one and the same person... Such it is in the United States" (H. C. Carey, The Past, the Present, and the Future, Philadelphia, 1848, p. 97). "Man is always going from a poor soil to a better, and then returning on his footsteps to the original poor one, and turning up the marl or the lime; and so on, in continued succession ... and at each step in this course, he is making a better machine*" ([p] p. [128-] 129). "Capital may be invested in agriculture with more advantage than in engines, because the last are only of equal whereas the other is of superior power*" (I.e.). "The GAIN from a STEAM-ENGINE" (which transforms the WOOL into CLOTH, etc.) * "is the wages of labour minus the loss by deterioration of the machine. Labour applied to fashioning the earth produces wages+the gain by improvement of the machine a" (I.c.)* Hence* "a piece of land that yields £100 per annum"* will sell dearer than a STEAM-ENGINE which produces just as much per annum (p. 130). * "The buyer of the first knows that it will pay him wages and interest+the increase of its value by use. The buyer of the other knows that it will give him wages and interest minus the diminution in its value by use. The one buys a machine that improves by use. The other, one that deteriorates with use... The one is a machine upon which new capital and labour may be expended with constantly increasing return, while upon the other no such expenditure can be made"* (p. 131).165

Even those improvements in agriculture which bring about reduced production costs and eventually a fall in prices, but which first—so long as prices have not yet fallen—[call forth] a temporary rise of agricultural profit, almost never fail.

* "to increase rent ultimately. The increased capital, which is employed in consequence of the opportunity of making great temporary profits, can seldom or ever be entirely removed from the land, at the expiration of the current leases; and, on the renewal of these leases, the landlord feels the benefit of it in the increase of his rents" (Malthus, An Inquiry into the Nature and Progress of Rent etc., London, 1815).

"If, until the prevalence of the late high prices, arable land in general bore but little rent, chiefly by reason of the acknowledged necessity of frequent fallows; the rents

165 The reference is to the land which has been worked and improved.—Ed.
must be again reduced, to admit of a return to the same system” (J. D. Hume, *Thoughts on the Corn-Laws etc.*, London, 1815, p. 72)*.

[XII-inside cover]* “Mr. Ricardo’s system is one of discords. ... its whole tends to the production of hostility among classes and nations. ... His book is the true manual of the demagogue, who seeks power by means of agrarianism, war, and plunder” (H. C. Carey, *The Past, the Present, and the Future*, Philadelphia, 1848, pp. 74-75).*166

[XII-580b] The proposition "Corn produces its own demand, etc.," **“casually” advanced by Adam Smith, later repeated by Malthus with considerable pomposity in his theory of rent and partly used as the basis of his theory of population, is very concisely expressed in the following passage:

* “Corn is scarce or not scarce in proportion to the consumption of it. If there are more mouths, there will be more corn, because there will be more hands to till the earth; and if there is more corn, there will be more mouths, because plenty will bring people” ([John Arbuthnot,] *An Inquiry into the Connection between the Present Price of Provisions, and the Size of Farms etc. By a Farmer*, London 1773, p. 125).*

Hence

* “the culture of the earth cannot be over-done”* (p. 62).

Rodbertus’ fantasy that seeds, etc., do not enter as an item of capital, [is refuted] by the hundreds of treatises, some written by farmers themselves, that appeared in the 18th century (particularly since the 60s of that century). But on the contrary, it would be correct to say that rent is an item [of expenditure] for the farmer. He reckons rent among the production costs (and it does belong to his production costs).

* “If ... the price of corn is nearly what it ought to be, which can only be determined by the proportion that the value of land bears to the value of money”* (l.c., p. 182).

As soon as capital takes possession of agriculture, the farming capitalist himself regards rent only as a deduction from profit and the whole of surplus value is for him essentially profit:

* “The old method of calculating the profits of the farmer [was] by the three rents”* (the métayage system). * “In the infancy of agriculture, it was a conscientious and equal partition of property; such as is now practised in the less enlightened parts of the world ... the one finds land and capital, the other knowledge and labour; but on a well-cultivated and good soil, the rent is now the least object: it is the sum which a man can sink in stock, and in the annual expense of his labour, on which he is to reckon the interest of his money, or income”* (l.c.,) p. 34).

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* See this volume, p. 562 et seq.— Ed.
* Ibid., pp. 279-88.— Ed.
NOTES
AND
INDEXES
NOTES

1 Theories of Surplus Value, on which Marx began work in March 1862, constituted the fifth, concluding section of the first chapter of his research into capital, "The Production Process of Capital". The original intention was to examine absolute and relative surplus value in their combination. Theories of Surplus Value was to be an historical survey included in the chapter on surplus value, similar to the historical notes introducing the chapters on commodity and on money in A Contribution to the Critique of Political Economy.

However, during the work, the character of the manuscript of Theories of Surplus Value had changed substantially. Both in its length and content, it surpassed the tasks the author had originally set himself. Marx not only considered the views of bourgeois economists but also put forward a number of major theoretical propositions.

Theories of Surplus Value were published in English for the first time, in an abridged form, in: K. Marx, Theories of Surplus Value. A selection from the volumes published between 1905 and 1910 as Theorien über den Mehrwert, edited by Karl Kautsky, taken from Karl Marx's preliminary manuscript for the projected fourth volume of Capital. Translated from the German by G. A. Bonner and Emile Burns. Lawrence & Wishart, London, 1951.


This volume contains the sequel to Marx's Theories of Surplus Value. The first five notebooks of the Economic Manuscript of 1861-63 and the beginning of Theories of Surplus Value (Notebook VI and part of Notebook VII), in which Marx critically analyses the views of James Steuart, the Physiocrats, and Adam Smith's determinations of value, are to be found in Volume 30 of the present edition.—6

2 The entries below were made by Marx on the inside covers of notebooks VIII-XII of the manuscript of 1861-63. The table of contents of Notebook VII is published in Volume 30, p. 347, and its text in Volume 30 and in this volume.
The tables of contents had been corrected several times. Marx's original plan was to analyse Adam Smith's doctrine in notebooks VII and VIII and then to pass on to Necker and Ricardo. But later he rejected this scheme. He also proposed to examine Ricardo's views in Notebook X, first after the analysis of Linguet and then of Bray. In the contents of Notebook XI, point "g) Rodbertus" was originally followed by point "h) Ricardo". Later Marx inserted several other points preceding that on Ricardo, probably after the notebooks had been filled in.

In Notebook XII, next to the line "5) Theories of Surplus Value", Marx wrote in pencil without the mark of insertion, "(CIRCULATING AND FIXED CAPITAL p. 643) in Ricardo". The last two points in the contents of this notebook were later crossed out in pencil and replaced with "Theories of COST PRICE".

The inside cover of Notebook IX has a note "Mercantilists (408)" made in pencil later.

Written on the inside cover of Notebook XI are a number of quotations (see this volume, pp. 579-80).

Alongside the contents, the inside cover of Notebook XII contains Marx's notes and quotations (see this volume, p. 580).—6

5 This is in fact not the conclusion but only the continuation of the section on Smith. The conclusion of this section can be found in Notebook IX.—6

4 Marx gave an in-depth analysis of the problem of productive and unproductive labour on pp. XXI—1317-1331 of the manuscript of 1861-63 (present edition, Vol. 34).—7

5 Marx is referring to the section of the manuscript of 1861-63 in Notebook VII entitled in the contents "Inquiry into how it is possible for the annual profit and wages..." (see present edition, Vol. 30, pp. 347, 411 et seq.).—7, 149

6 The Economists was the name given to the Physiocrats in France during the second half of the 18th and first half of the 19th centuries. By the 1850s the name acquired a more general meaning and ceased to designate exponents of a particular economic doctrine.—7, 116

7 Marx is referring to the vicious circle in Adam Smith's doctrine of the "natural price of wages", which he had discussed in the manuscript of 1861-63 (see present edition, Vol. 30, p. 401).—8

8 See this volume, pp. 389-400 and pp. XIII—711, XIV—818, 821-822, 840-841 of the manuscript of 1861-63 (present edition, Vol. 32).—8

9 Marx analyses the Physiocrats' views in Notebook VI of the manuscript of 1861-63 (see present edition, Vol. 30, pp. 354-55 and 358-61).—9

10 Marx examines the Mercantilists' views in Notebook VI of the manuscript of 1861-63 (see present edition, Vol. 30, pp. 348-52). See also this volume, pp. 33-35.—10, 38

11 The reference is to Factories. Return to an Address of the Honourable the House of Commons, dated 24 April 1861. Ordered by the House of Commons, to be printed, 11 February 1862. Marx analyses the facts contained in this document
Notes

on pp. XIX—1187-1198, 1215-1218 of the manuscript of 1861-63 (present edition, Vol. 33).—12, 96

12 Marx is referring to Malthus' remark that the differentiation between productive and unproductive labour is the cornerstone of Adam Smith's work and the basis on which the main line of his reasoning rests (T. R. Malthus, *Principles of Political Economy...*, 2nd ed., London, 1836, p. 44).—12

13 By its substance the text in double oblique lines belongs not to p. VII—300 but to p. VII—299 of the manuscript of 1861-63 (see present edition, Vol. 30, pp. 450-51).—13


16 Marx discussed concentration of capital as a prerequisite for raising labour productivity in Notebook IV of the manuscript of 1861-63 (present edition, Vol. 30, pp. 294-96).—26

17 "Laissez-faire, laissez-passer" ("laissez-faire, laissez-aller")—the formula of economists who advocated Free Trade and non-interference by the state in economic relations.—26

18 In 1839 and 1843, the Société typographique Belge, Adolphe Wahlen et compagnie published two collections of economic works under the general title *Cours d'économie politique*. Both collections opened with J. A. Blanqui's *Histoire de l'économie politique en Europe...* Marx used the 1843 edition, which he had in his library and from which he quoted Rossi.—29

19 Marx is referring to Charles D'Avenant's work *Discourses on the Publick Revenues...*, Part II, London, 1698. Discourse IV deals with the defence of *An Essay on the East-India Trade*.


20 This quotation is a free rendering of a passage from D'Avenant. What D'Avenant actually wrote was: "The lazy Temper (which is now grown inveterate Nature in the Spaniards) came undoubtedly upon them, with that Affluence of Money... And the Common People being the Stomach of the Body
Politick and that Stomach being thus weaken'd and not performing its due Functions, the Food, that had been plentifully thrown in, was not at all digested... 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.'—34

21 It follows from the table of contents compiled by Marx for Notebook XIV of the manuscript of 1861-63 that John Stuart Mill's views were to be examined after those of Stirling (present edition, Vol. 32).—35

22 Further on Marx analyses the views of John Stuart Mill, a disciple of Ricardo. Cf. present edition, Vol. 32, p. XIV—851, where Marx writes that Mill in his work, Essays on Some Unsettled Questions of Political Economy, tried to derive "Ricardo's law of the rate of profit (in inverse proportion to wages) directly from the law of value without distinguishing between surplus value and profit".—36

23 Marx formulated this distinction in Notebook II of the manuscript of 1861-63 (see present edition, Vol. 30, pp. 162-63).

He took up this question again on pp. XIV—787-789 and XV—928 of the manuscript of 1861-63 (present edition, Vol. 32).—38

24 It follows from Mill's faulty reasoning quoted above (see pp. 40-41) that capitalist No. I who used constant capital and 60 workers, spent 6/9 qr of corn to produce one qr of corn, the wages of one worker (120/180=2/3=6/9), while capitalist No. II, who did without constant capital and used 100 workers, spent only 5/9 qr (100/180=5/9) to produce one qr. In the case of capitalist No. II the "cost of production of wages" per worker is reduced by 1/9 qr or, in other words, in the case of capitalist No. I, this "cost of production of wages" is one-fifth (20 per cent) higher than in that of capitalist No. II.—49

25 Marx analyses the impact of various factors on the dynamics of the rate of surplus value in Volume I of Capital, parts III and IV (present edition, Vol. 35), and the rate of profit, in Volume III of Capital, Part I (present edition, Vol. 37).—55

26 See also present edition, Vol. 30, p. 443.—59, 114, 282

27 On Ricardo's concept of real wages, see pp. XII—653, 655, 661 and 665 of the manuscript of 1861-63 (present edition, Vol. 32).—62

28 Marx is referring to the material contained in notebooks I-V of the manuscript of 1861-63 (present edition, Vol. 30).—69

29 Marx is referring to part three of his work, "Third Chapter. Capital in General". In the Draft Plan of the Chapter on Capital drawn up in 1860, this part is entitled "III. Capital and Profit" (see present edition, Vol. 29, p. 516). The beginning of this work is to be found on pp. XVI—973-1021 and XVII—1022-1028 of the manuscript (see present edition, Vol. 33).—70, 162, 282, 397

30 Here Marx formulates for the first time the basic idea of his theory of the transformation of surplus value into average profit, which turns the value of commodities into the price of production differing from it. This passage was
written in the spring of 1862 (see this volume, p. 64). See also present edition, Vol. 30, p. 400, where the term average price appears for the first time to denote the price of production, which differs from value. Marx elaborated the theory of average profit and the price of production in notebooks X and XI of the manuscript of 1861-63 (see this volume, pp. 260-64, 301-05, 400-39).—75

31 The cottagers, cottiers—a category of the rural population consisting of poor or landless peasants. In Ireland, the cottiers rented small plots of land and cottages from the landlords or real estate agents on extremely onerous terms. Their position resembled that of farmhands.—77, 453

32 See present edition, Vol. 32, pp. XIII—763, 767-769 of the manuscript of 1861-63.—78

33 This phrase has not been located in Rousseau's works.—78


35 Up to this point, Marx used the letter x to designate the product considered as use value, and the letter z, the value of the product. From here onwards he uses x for value, and z for use value.—85

36 Marx uses the terms contained in a quotation from Adam Smith cited earlier in the manuscript (see present edition, Vol. 30, pp. 429-30). On the replacement of the part of constant capital which does not enter into circulation, see also Vol. 30, pp. 431-32, 444-45.—87, 147, 149

37 Marx is referring to Notebook VII of the manuscript of 1861-63 (see present edition, Vol. 30, p. 414 et seq.).—91

38 Marx cites this kind of data in Notebook V of the manuscript of 1861-63 (present edition, Vol. 30, p. 303).—96

39 Marx quotes in French N. F. Canard's definition of wealth from Charles Ganilh's book Des systèmes d'économie politique... (Vol. 1, Paris, 1821, p. 75).—97

40 Marx critically analyses Malthus' views on unproductive consumers on pp. XIV—772-773 of the manuscript of 1861-63 (present edition, Vol. 32). Cf. this volume, p. 179.—106

41 Marx analyses Smith's various determinations of value in notebooks VI-VII of the manuscript of 1861-63 (present edition, Vol. 30, pp. 377-78, 381-84, 402-08; cf. also Vol. 29, pp. 299-300).—106

42 Marx critically analyses Smith's tenet that rent enters into the composition of the price of the commodity in a different way from profit and wages, in Notebook XII of the manuscript of 1861-63 (this volume, pp. 552-61). The quotation from Adam Smith's An Inquiry... is in French and is borrowed from Ganilh's Des systèmes d'économie politique... (Vol. 2, Paris, 1821, p. 3). In the 1828 English edition of Smith's work it is to be found on p. 241 of Volume 1.—106
48 Here Marx is quoting Petty in French according to Ganilh's *Des systèmes d'économie politique*... (Vol. 2, Paris, 1821, pp. 36-37). Ganilh's translation of the passage differs somewhat from the English original quoted by Marx in an abridged form on pp. XXI—1348-1349 of the manuscript of 1861-63 (see present edition, Vol. 34).—107

44 This statement by Ganilh is to be found in the first volume of his work *Des systèmes d'économie politique*... (Paris, 1821), p. 213.

Ganilh's work *La théorie de l'économie politique*... was published in 1815, two years before Ricardo's *On the Principles of Political Economy, and Taxation*.—107

45 Strictly speaking, on the assumption that the value of the machinery is four times as much as the rest of the capital, which amounts to £460 (150+310), it should come to £1,840. But this figure would have greatly complicated the calculations. To simplify them, Marx takes £1,600 as the value of the machinery.—109

46 Marx quotes in French Say's note to Chapter 26 of Ricardo's *On the Principles of Political Economy, and Taxation* from Ganilh's *Des systèmes d'économie politique*... (Vol. 1, Paris, 1821, p. 216).—115

47 Marx quotes Say in French according to Ganilh's *Des systèmes d'économie politique*..., Vol. 1, Paris, 1821, p. 220.—117

48 Here and below Marx, unlike Ganilh, uses figures to designate numbers.—117

49 Marx quotes Ricardo's *Principles* in French according to Ganilh's *Des systèmes*... Vol. 1, Paris, 1821, pp. 213-15. Part of the quotation is paraphrased by Marx. Further on, he again quotes the same passage from Ricardo, now in a fuller form, borrowing it from the third English edition (see this volume, pp. 126, 127).—117

50 *Vois, non vobis* (sic *vos non vobis*)—thus you labour, but not for yourselves—a phrase from Virgil's unsigned verses written in honour of Emperor Augustus: “Thus you, birds, build nests, but not for your own advantage, and also the sheep grow wool, the bees make honey, and the oxen support the ploughs; but none of them gain profit by their toil.”—119

51 Here Marx quotes from Chapter 26 of Ricardo's *Principles* first in F. S. Constancio's French translation (from Ganilh's *Des systèmes*..., Vol. 1, p. 214), and then in the original English, opening the passage with the words: “This passage runs like this (3rd ed., p. 416)”.—119

52 From here onwards, four-and-a-half pages, up to p. IX—377 of the manuscript, were crossed out in pencil (see this volume, pp. 119-26). They contain Marx's detailed analysis of the figures cited by Ricardo in the passage about “an individual with a capital of 20,000 l”.—119

53 Marx reproduces this quotation in a slightly abridged form on pp. XXI—1307-1308 of the manuscript of 1861-63 (present edition, Vol. 34).—127
54 Marx quotes in French Say's work *Traité d'économie politique...* from Ganilh's *Des systèmes...*, Paris, 1821.—129

55 Marx quotes Quesnay in French according to Ganilh's *Des systèmes...*, Vol. 1, Paris, 1821, pp. 274-75.—130

56 Marx examines Lauderdale's views on productive and unproductive labour on pp. 162-64, 193, 195 of this volume; Ferrier's, on pp. 151, 195; Storch's, on pp. 181-84, 194-95; Senior's, on pp. 184-89, and Rossi's, on pp. 189-95.—130

57 Here and below, by "consumable products" Marx means articles of consumption, products that enter into individual (personal) consumption, and by "unconsumable products", those entering into industrial (production) consumption.—131

58 Marx is referring to Say's *Lettres à M. Malthus...* (Paris, 1820, p. 15), in which the author advanced the opinion that the Italian market was flooded with English goods because of the insufficient production of Italian goods exchangeable for English ones. This reasoning is reproduced in an anonymous pamphlet *An Inquiry into those Principles...*, London, 1821, p. 15. See also this volume, pp. 164-66.—133

59 Marx takes the round figure 10 so as to simplify further calculations. From the figures cited in the text (110 years as the total of the turnover periods for 14 different kinds of fixed capital), the average turnover period of fixed capital would work out not at 10 but only at 7.86 years, assuming that all the 14 kinds are of the same magnitude. However, Marx points out below that the turnover period of fixed capital usually grows proportionately to its size.—142

60 Marx again discussed Th. Tooke's views on the issue on pp. XVII—1061-1063 of the manuscript of 1861-63 (present edition, Vol. 33).—150

61 Marx considers the question of the exchange of revenue for capital on pp. XIV—854-857 of the manuscript of 1861-63 (present edition, Vol. 32). Some of the questions relating to this intermezzo are considered by Marx on pp. XIII—694-732 of the manuscript, as well as in Notebook X (this volume, pp. 204-99). Accumulation as extended reproduction is examined on p. XVIII—1102 et seq. (present edition, Vol. 33).—151

62 Marx analyses this question in Notebook VI of the manuscript of 1861-63 (see present edition, Vol. 30, pp. 402-08).—152

63 See present edition, Vol. 30, pp. 400-02.—154

64 The reference is to the following passage: "The gold and silver money, which circulates in any country, and by means of which the produce of its land and labour is annually circulated and distributed to the proper consumers, is, in the same manner as the ready money of the dealer, all dead stock. It is a very valuable part of the capital of the country, which produces nothing to the country" (A. Smith, *Recherches...*, Vol. 2, Paris, 1802, p. 290). In McCulloch's edition (see Note 14) it is to be found in Volume II on pp. 77-78.—164
The above two sentences are Marx's rendering of Destutt's: "One can find certain expenses among these that are more or less fruitful, like, for example, the building of a house or the improvement of a landed property; but these are particular cases that put consumers of this kind momentarily back into the class of those who direct profitable enterprises and hire productive labour."—168

The Institute of France (l'Institut de France) is the country's most authoritative centre dealing with the arts and sciences. It comprises a number of leading academies, including the Académie Française. Destutt de Tracy was member of the Académie des sciences morales et politiques.—176

Having made a detailed analysis of Malthus' views on pp. XIV—777-781 and 810-814 of the manuscript Marx examines two anonymous works, one of which attacked Malthus from the Ricardian stand, while the other defended Malthus' views against the Ricardians. The first is entitled An Inquiry into those Principles, Respecting the Nature of Demand and the Necessity of Consumption, lately advocated by Mr. Malthus..., London, 1821. The second (written by John Cazenove) is entitled Outlines of Political Economy..., London, 1832 (see present edition, Vol. 32).—180


Marx is referring to the polemic against Voltaire in Lessing's Hamburgische Dramaturgie (1767-69).—182

Henriade—Voltaire's poem about Henry IV, King of France; the first edition appeared in 1723.—183

In Rossi this sentence reads: "If Smith had reflected, he would not have said that the labour of a magistrate is, in truth, honourable, useful, necessary work, but that it is not productive."—190

On Adam Smith's hatred of the clergy, see Capital, Vol. I, Ch. XXV (see present edition, Vol. 35).—196

The quotation from Petty is to be found in A Contribution to the Critique of Political Economy, Part One (present edition, Vol. 29, p. 363), in the subsection "Hoarding". Marx also referred to this passage on p. 29 of this volume.—199

See A. Smith, An Inquiry into the Nature and Causes of the Wealth of Nations, Book II, Ch. III, the last six paragraphs. See also this volume, p. 178.—199

As is clear from the contents of notebooks VII and VIII of the manuscript of 1861-63 (see Note 2), Marx originally intended to consider Ricardo's views after those of Necker. But later he decided to proceed from an analysis of Necker's theory to a study of Linguet, a contemporary of the Physiocrats. Marx wrote down the section on Linguet in a separate notebook along with "Digression. Tableau économique, according to Quesnay", having interrupted the work on Notebook IX somewhere between pages 407 and 419 of the manuscript. Later this separate notebook was included in the manuscript of 1861-63 and became
Marx quotes Necker in French. On p. 181 of Notebook VII of excerpts, which Marx compiled in London in 1859-63, he probably wrote a synopsis of Necker's work published in Lausanne in 1786. The 1789 edition has not been found.—201

See Note 75. Here Marx uses the Tableau économique as given in Schmalz's book Économie politique. Translated from the German by Henri Jouffroy. Vol. 1, Paris, 1826, p. 329. All comments on the table are in French in the manuscript.

Marx uses the Tableau économique as it is presented by Quesnay in his Analyse du tableau économique in the supplementary notes on the Physiocrats on pp. XXIII—1433-1434 of the manuscript of 1861-63 (present edition, Vol. 34). He gives it in the same form in a letter to Engels of July 6, 1863 (see present edition, Vol. 41, pp. 485-87).

Marx analyses Quesnay's Tableau in Chapter X (written by him) of Part II of Engels' Anti-Dühring (see present edition, Vol. 25, pp. 211-43). See also Capital, Vol. II, Ch. XIX (present edition, Vol. 36).—204

See pp. XIV—795-796, 808 and XVIII—1092, 1136 of the manuscript of 1861-63 (present edition, vols 32 and 33).—212

Here Marx counterposes the labourer whose sole commodity is his labour capacity and the possessor of commodities in the first form, that is, the possessor of commodities who has for sale "commodities as distinct from labour capacity itself" (cf. pp. 22 and 26-27 of this volume).—213

Marx is referring to A Contribution to the Critique of Political Economy, Part One (see present edition, Vol. 29).—219

Marx is referring to the following passage in A Contribution to the Critique of Political Economy, Part One: "The money they [commodity owners] have spent as buyers returns to them when they once more become sellers of commodities. The perpetual renewal of commodity circulation is reflected in the fact that over the entire surface of bourgeois society money not only circulates from one person to another but that at the same time it describes a number of distinct small circuits, starting from an infinite variety of points and returning to the same points, in order to repeat the movement afresh" (see present edition, Vol. 29, pp. 335-36).—220

See this volume, pp. 167-78. The notes on Destutt de Tracy predate Marx's work on this passage in a separate notebook (see Note 75), which makes it possible to trace the progress of his work on the manuscript of 1861-63.—220, 238

Bray's ideas on the circulation of money between labourers and capitalists were not analysed in the relevant section of the manuscript; for their analysis see this volume, pp. 245-50.—220
In all probability, Marx has in mind Quesnay’s concept of private property in land according to which the right of landowners to their land rests on the fact that their forebears made virgin lands suitable for cultivation. Marx described these Physiocratic views in Chapter X (written by him) of Part II of Engels’ Anti-Dühring (see present edition, Vol. 25, pp. 236-37).—221

Marx made a comprehensive study of this problem in Capital, Vol. II, chapters XVII, XX (sections V and XII) and XXI (Section I, Subsection I) (present edition, Vol. 36).—224, 239

Here Marx uses abbreviations for the three classes mentioned in Quesnay’s Tableau économique.—225

Marx assumes here and below that, according to Quesnay, only one-fifth of the gross agricultural product does not enter into circulation but is used by the “productive class” in natura.

Marx returns to this point on pp. XXIII—1433-1434 of the manuscript (present edition, Vol. 34), as well as in Chapter X (written by him) of Part II of Engels’ Anti-Dühring (present edition, Vol. 25, pp. 233-34). There he details his interpretation of Quesnay’s views on the replacement of circulating capital in agriculture, whence it follows that, according to Quesnay, two-fifths of the farmers’ gross product, used in natura, goes to replace their circulating capital.—228

Marx is referring to N. Baudeau’s commentary Explication du Tableau Économique... in: Physiocrates... By E. Daire. Part II, Paris, 1846, pp. 822-67.—230

Instead of the livres of Tours running into the thousands of millions that figure in Quesnay’s Tableau économique, Marx speaks of thousands of units of currency, which in no way alters the gist of the matter.—237


Proudhon writes on pp. 152-53 of his book: “How then does interest stipulated at 6 per cent become an interest of 160 per cent?”—240

On pp. XV—935-937 of the manuscript of 1861-63 (present edition, Vol. 32) Marx levels criticism against Proudhon’s vulgar economic views on the role of money capital and the nature of interest developed in Gratuité du crédit. Discussion entre M. Fr. Bastiat et M. Proudhon. See also Capital, Vol. III, Ch. XXI (present edition, Vol. 37).—240

Marx proposed to examine the views of socialist and communist authors in a special work devoted to the “critique and history of political economy and socialism” (see his letter to Ferdinand Lassalle of February 22, 1858, present edition, Vol. 40, p. 270).—241

Marx is referring to the section “Opposition to the Economists (Based on the Ricardian Theory)”, which is to be found on pp. XIV-XV—852-890 and XVIII—1084-1086 of the manuscript of 1861-63 (present edition. Vols 32 and 33). The unfinished section on Bray in Notebook X (this volume, pp. 245-50) and
the end of the section on Hodgskin in Notebook XVIII, pp. 1084-1086 (present edition, Vol. 33), also bear on this subject.—241

95 Marx is rendering the sense of Lingueut's statement, which reads: "Their spirit [of the laws] is to sanctify property."—241

96 Marx is conveying the sense of Lingueut's statement, which reads: "Property then must be prior to them [the laws]."—242

97 Cf. the manuscript of 1857-58 (present edition, Vol. 28, p. 229), where Marx quoted socialists as saying, "we need capital, but not the capitalist".—247

98 Marx is referring to A Scheme of the Income and Expence of the Several Families of England, Calculated for the year, 1688 compiled by Gregory King, one of the first English statisticians, and included by Charles D'Avenant into his book An Essay upon the Probable Methods of Making a People Gainers in the Balance of Trade (London, 1699). See also this volume, pp. 32-33.—250

99 With an analysis of the theory of rent on p. X—445 of the manuscript of 1861-63, Marx begins the study of a new set of problems associated with the forms of surplus value. The key issue is Ricardo's economic doctrine.

According to the original table of contents drawn up for Notebook X, the unfinished section "f) Bray" was to be followed by the section "g) Ricardo" (see Note 2). However, Marx digressed from this plan and passed on to the new theory of rent advanced by Rodbertus.

He was prompted to do so by Lassalle's request, made in a letter of June 9, 1862, that he return Rodbertus' book on rent which Lassalle had lent him. A critical analysis of Rodbertus' erroneous views on rent was also a way of passing on to a study of Ricardo's theory, since the latter denied the existence of absolute rent and considered the correlation between value and the price of production basing himself on this assumption.—250

100 In this instance, by raw materials Marx understands objects of labour provided by nature.—256

101 In Notebook IV of his manuscript of 1861-63 (present edition, Vol. 30, p. 264 et seq.) Marx describes as the first division of labour the division of labour within society between producers of commodities who are independent of one another, and as the second division of labour the division of labour within a capitalist enterprise, in particular, within a manufactory's workshop. Cf. Capital, Vol. I, Ch. XIV, Sect. 4 (present edition, Vol. 35).—258

102 The 16\(^2/3\)% which the peasant receives are calculated on total production costs.—259

103 The term "average price" (Durchschnittspreis) is used here by Marx in the sense of price of production, i.e. the production costs \((c + v)\) plus average profit. The very term "average price" shows that here the reference is to the "average market price over a long period, or the central point towards which the market price gravitates", as Marx goes on to explain (this volume, p. 530). Marx first uses this term in Notebook VI of the manuscript of 1861-63 (see present edition, Vol. 30, p. 400).—262
On the difference between period of production and labour time in agriculture, see the manuscript of 1857-58 (present edition, Vol. 29, pp. 58-60). See also Capital, Vol. II, Ch. XIII (present edition, Vol. 36).—262, 405

Marx describes capitalists as "hostile brothers" at the end of Chapter X of Volume III of Capital (present edition, Vol. 37).—264

Examining capital in his manuscript of 1861-63, Marx based himself on the plan he had evolved when preparing the manuscript of 1857-58. A special study of competition was to make up the second section of the book On Capital (see present edition, Vol. 40, p. 298).

Later, when working on the manuscript of the third volume of Capital (chapters VIII-XII), Marx decided that some of the questions associated with competition should be considered in the section dealing with average profit and price of production (see present edition, Vol. 37).—264

Marx discusses Buchanan's concept of the monopoly price of agricultural products below (see this volume, p. 387) and on p. XII—644 of the manuscript of 1861-63 (present edition, Vol. 32).

Marx's analysis of Hopkins' views on rent is to be found in this volume, pp. 366-68.—268

By the radical bourgeois Marx meant James Mill, John Stuart Mill, Antoine Cherbuliez and others. See present edition, Vol. 6, p. 203; Vol. 4, pp. 286-87; Vol. 30, pp. 361 and 373; this volume, p. 379.—278

In the manuscript there follows a passage dealing with a cotton-grower, a spinner and a weaver. From the profit which each of them receives individually, Marx passes on to the size of the profit made when the weaver is assumed to be also the cotton-grower and the spinner. However, Marx was not satisfied with what he had written. He broke off the passage, deleted it and proceeded with a clearer exposition of his ideas.—282

Marx is referring to Notebook XII of excerpts compiled in London in 1851. The excerpt from Thomas Hopkins' Economical Enquiries Relative to the Laws which Regulate Rent, Profit, Wages, and the Value of Money (London, 1822) is to be found on p. 14 of the notebook. Later, he wrote down the passage again on the cover of Notebook XIII of his manuscript of 1861-63 (see present edition, Vol. 32, Addenda).—289


Here Marx speaks about the doubling of the harvest, while the calculations imply that it has quadrupled.—310

This passage from Rodbertus is quoted by Marx with the "necessary changes" arising from the fact, overlooked by Rodbertus, that the value of the machinery and other means of production necessarily enters into the value of the product of agriculture in just the same way as the value of agricultural raw materials enters into the product of manufacturing industry. Earlier in the manuscript, Marx quoted this passage in the way it was worded by Rodbertus (see this
volume, pp. 291, 292). The term “machine value” (Maschinenwert) is coined by Marx, not without irony, by analogy with Rodbertus’ “value of the material” (Materialwert). All words belonging to Marx are interspaced.—315

114 Marx is referring here to Buchanan, Sismondi, Hopkins, Jones and others. See p. XVIII—1125 of the manuscript of 1861-63 (present edition, Vol. 33).—327

115 Marx uses the specified method of calculating the total amount of rent later, in the section marked in the contents of Notebook XI as “Table, with elucidation, of differential rent”. See this volume, p. 470 et seq.—329


117 Further on Marx does not always consistently adhere to this statement. This, however, changes nothing in the line of his argument.—331

118 The pages preceding and following this passage show that Marx probably mixed up value and average price, since if newly cultivated land I is less fertile than land I, its average price is above the value of the product of land I. As land can be brought into cultivation only if it yields at least average profit, the price of the product should be above the value of land I, i.e. higher than 6s. 8d.—333

119 Marx wrote that on the question of the market value of agricultural products Ricardo and Storch were both right and wrong since “both of them have failed to consider the average case”. See Capital, Vol. III, Ch. X, Note 30 (present edition, Vol. 37).—334

120 Here Marx disregards the profit accruing to the agricultural capital laid out in classes I, II, III and IV. If the £100 capital laid out in I produces 330 bushels at 6s. 8d. per bushel, the value of the total product of I amounts to £110, of this £10 falls to rent and, consequently, there is no profit. The same applies to the value of the total product of the four classes with an outlay of £100 in each, which comes to £500, consisting of £400 to replace the capital outlay, and £100, the total rent of classes I, II, III and IV, that is, £10+£20+£30+£40.—339

121 A rise in the level (rate) of rent as a result of the emergence of differential rents paid by capitals used on more fertile soil is “only apparent” in the sense that it is based on “false social value”, which Marx discusses in greater detail in Capital, Vol. III, Ch. XXXIX (see present edition, Vol. 37). As Marx explains below, a capitalist leasing more fertile land sells his product at the price of the product yielded by less fertile land, “as though he still required the same capital as before in order to produce the same quantity of product” (this volume, p. 540).—339

122 Marx probably uses the figures 90, 80 and 70 as the difference between the capitals invested in classes II, III and IV, on the one hand, and the differential rents yielded by them, on the other (in class II, £100 of the capital yields £10 of differential rent, in class III—£20, and in class IV—£30). If one makes exact calculations proceeding from the fact that the product of class II equals
360 bushels, of class III—390 bushels, and of class IV—420 bushels, the figures will be as follows: £91 2/3, £84 8/13, and £78 4/7.——339

Marx is referring to the book by Joseph Townsend, *A Dissertation on the Poor Laws* (London, 1786), which he quotes in Notebook III of his manuscript of 1861-63 (present edition, Vol. 30, p. 205) in the section "2) Absolute Surplus Value". The three passages quoted by Marx can also be found in *Capital*, Vol. I, Ch. XXV, Sect. 4 (see present edition, Vol. 35).——345

An allusion to the Corn Law of 1815 which prohibited the import of corn into Britain for as long as the price of corn in the country remained below 80s. per quarter.——349

A reference to the Leipzig University Professor Roscher, a vulgar economist.——350

See *A Dissertation on the Poor Laws* (London, 1786), by Joseph Townsend, and also Notebook VII of the manuscript of 1857-58 (present edition, Vol. 29, pp. 221-22) and James Steuart, *An Inquiry into the Principles of Political Economy...*, in three volumes, Dublin, 1770.——350

Marx ironically calls Roscher by the name of the major Greek historian Thucydides since, as he wrote on p. XV—922 of the manuscript of 1861-63 (present edition, Vol. 32), "Professor Roscher ... modestly proclaimed himself to be the Thucydides of political economy". Roscher’s presumptuous reference to Thucydides can be found in the preface to the first edition of his *Die Grundlagen der Nationalökonomie...*, Stuttgart and Tübingen, 1854.——352

In conformity with Marx's instructions, the passage below, on pp. XI—501-02, has been placed at the end of p. 500 of the manuscript.——353

By its substance this sentence belongs to pp. 352-53 of this volume.

Marx is referring to Edward West’s *Essay on the Application of Capital to Land, with Observations Shewing the Impolicy of Any Great Restriction of the Importation of Corn...* and David Ricardo’s *An Essay on the Influence of a Low Price of Corn on the Profits of Stock; Shewing the Inexpediency of Restrictions on Importation...*, both published in London in 1815.——356

Marx did not return to the analysis of these views of Roscher's in the manuscript of 1861-63. He touched on Roscher's view of nature as a source of value in *Capital*, Vol. I, Ch. VIII, note (see present edition, Vol. 35). See also *Capital*, Vol. III, Ch. XLVIII (present edition, Vol. 37).——361

Marx is paraphrasing a passage from Hopkins which reads: "The great source of error in Mr. Ricardo's theory of rent, seems to be the confounding together of the relative rents of lands, of different degrees of fertility, with the general average rate of rent.

"The principle of competition, which renders it impossible that there should be two rates of profit in the same country, the very basis upon which his theory of rent is founded; can and does constantly determine all lands to be let, at their proper relative rents."——365

133 James Anderson quotes here from *Ricardo d'Agricoltura* by Camillo Tarello da Lonato (16th cent.). Anderson refers to the first edition, which appeared in Mantua in 1567, but quotes from its French translation published by the Société économique in Berne.—372

134 Cf. the corresponding passage in Anderson: "I wish to employ such a diversity of illustrations as may seem best calculated to operate upon the perceptions of men who are under the influence of those multitudinous prejudices which prevail among us at the present day. No one of these prejudices appears to me to be of more pernicious tendency, than that which supposes that an increased population must naturally tend to produce a scarcity of provisions in every country..."—372

135 By *fertility of land* Marx understands the sum total of rent yielded by this land.—376

136 In *Capital*, Vol. I, Ch. XXVII, Marx writes that between 1801 and 1831, 3,511,770 acres of common land were stolen from the English agricultural population "and by parliamentary devices presented to the landlords by the landlords" (see present edition, Vol. 35).—383


138 In Ricardo's book, Marx classifies as chapters on taxes, apart from the twelve chapters (VIII-XVIII and XXIX) dealing with taxes proper, also chapters XXII ("Bounties on Exportation and Prohibitions of Importation") and XXIII ("On Bounties on Production"), which likewise touch upon taxation; under Ricardo's theory, bounties are paid from a fund which is made up of various taxes on the population.—392

139 The term "*cost price*" (Kostenpreis or Kostpreis) is used by Marx in three different ways, in the sense of 1) the cost of production for the capitalist (c+v); 2) the "immanent cost of production" of the commodity (c+v+s), which is identical with the value of the commodity, and 3) the price of production (c+v+average profit). In this passage as elsewhere in notebooks X-XIII of the manuscript (see this volume and present edition, Vol. 32), the term "cost price" is used in the sense of the price of production or average price. Marx writes in particular: "... the price which is required for the supply of the commodity, the price which is required for it to come into existence at all, to appear as a commodity on the market, is of course its *price of production or cost price*" (see this volume, p. 559).

In notebooks XIV-XV of the manuscript (see present edition, vols 32 and 33), Marx uses "Kostenpreis" to mean the price of production or, alternatively, the production costs for the capitalist.

The threefold use of the term stems from the fact that in political economy the term "Kosten" had three meanings, as was noted by Marx on pp. XIV—788-790 and XV—928 of the manuscript of 1861-63 (see present edition, Vol. 32).
In addition to the three meanings occurring in the works of classical bourgeois political economists, the term "cost price" has a fourth, vulgar meaning, in which it was used by J. B. Say, who defined the cost price as that which is paid for the productive services of labour, capital and land. Marx rejected this vulgar interpretation (see this volume, pp. 361-62 and pp. XIII—693-694 of the manuscript, present edition, Vol. 32).—402

The average profit amounts to $20\frac{5}{26}\%$ when the capitals laid out by the farmer and the manufacturer are the same. But if we take into consideration the difference in the size of the capitals laid out ($£800$ by the farmer and $£1,300$ by the manufacturer, $£2,100$ in all), then, since the aggregate profit of both equals $£400$, the average profit is \[\frac{400 \times 100}{2,100} = 19\frac{1}{21}\%.\]—412

The British quarter (a grain measure equalling 290.8 litres) contains 8 bushels.—426

By the "numerical ratio or the proportional size of the categories" Marx understands here the mass of products which each of these categories of manufacturers brings on to the market.—429

"(See Corbet)" was pencilled in by Marx. Here he is referring to Thomas Corbet's book *An Inquiry into the Causes and Modes of the Wealth of Individuals*... published in London in 1841, where Corbet states that in industry prices are regulated by the commodities produced under the most favourable conditions, and, in his opinion, these commodities constitute the bulk of all commodities of any given type (see pp. 42-44 of Corbet's book).—429


Smith assumes here that 10 per cent is the average rate of profit.—442

The reference is to James Steuart's book *An Inquiry into the Principles of Political Economy...*, Vol. I, Dublin, 1770. It describes the process of transition from the predominantly natural economy of the English countryside to capitalist commodity production, which was accompanied by the transformation of agriculture into a branch of capitalist enterprise, the intensification of labour in agriculture and the expropriation of the rural population. The phrase "time becomes precious" can be found on p. 171 of Steuart's book. Marx also quotes it, alongside other passages, in his manuscript of 1857-58 (see present edition, Vol. 29, p. 234).—453

For the fluctuation of corn prices see the tables between pages 40 and 41 of James Anderson's book *A Calm Investigation of the Circumstances...*, London, 1801.—457

Besides Ricardo, Marx means Smith and Wakefield. See also *Capital*, Vol. I, Ch. XXXIII (present edition, Vol. 35).—460

The idea that the total rent (the absolute rent and the differential rent taken together) equals the difference between the market value and the cost price is examined by Marx in greater detail later (see this volume, p. 508).—475
Earlier examples cited by Marx referred not to agriculture but to the exploitation of coal mines of varying productivity. However, what has been said about the mines is applicable to the cultivation of lands of varying fertility.—477

Differential value, as Marx explains further on (see this volume, p. 486), is the difference between market value and individual value. Differential value is calculated per unit of product, while the differential rent is worked out for the aggregate product in the given class. If the market value of a unit of product is greater than its individual value, the difference is a positive magnitude. If, however, the market value is smaller than the individual value, this difference is a negative magnitude.

In the case of negative magnitudes (Table C, p. 479 of this volume) fertility is so low that, given the existing market value, the lands in this class not only fail to yield any differential rent but even the absolute rent drops substantially below its normal size.

In the summary table placed between pp. 480 and 481 of this volume, Marx expresses the phenomenon of negative differential rent through negative differential value, and in these cases he simply writes nought in the column “Differential rent” thus indicating the absence of positive differential rent (where, in a number of cases, negative differential rent correspondingly reduces absolute rent, this is shown in the column “Absolute rent”). The transfer of the negative magnitudes into the column representing differential value obviates the difficulty which arose in Table C when it was necessary to add up the differential rents of the different classes. Only the positive differential rents entered into the addition, while the negative magnitude “—£9³⁄₁₅” was simply regarded as zero to avoid duplication. That is why, to calculate negative differential rents, Marx included in his summary table a special column, “Differential value per ton”, which contains the negative differential values as well.—480

Further on, on p. XI—573 of the manuscript, Marx sets out tables A, B, C and D, including in each of them all the categories just enumerated. On the next page of the manuscript, all the data of the tables A, B, C and D are set out again in a more orderly fashion, and the corresponding data of Table E are appended. This makes up a uniform summary table to be found between pp. 480 and 481 of this volume. Since the scheme drawn up by Marx on p. XI—573 of the manuscript operates with the data that have been incorporated into the summary table in toto, it is not reproduced in the volume.—480

When working on the manuscript of 1861-63 Marx drew on the plan of his economic work evolved when preparing the manuscript of 1857-58. It envisaged that the second book was to be totally devoted to a study of landed property (see present edition, Vol. 29, p. 261).

Later, when working on Volume III of Capital, Marx found it expedient to expound his theory of rent there (see present edition, Vol. 37).—487

In the example given by Marx the product whose production depends on landed property enters in equal proportions into both component parts of the capital advanced. Marx assumes that, regardless of the increase in constant capital (88c instead of 80c due to the increased price of the raw material) and variable capital (22v instead of 20v due to the increased price of the workers’ means of consumption), the value of the aggregate product is still 120 (in another example, considered on pp. 496-504 of this volume, Marx proceeds
from a change in value). The maintenance of the former market value of
the aggregate product is only possible if the surplus value appropriated by
the capitalist has gone down from 20 to 10. Such a reduction is due to an
increase of the differential rent by 10 points on the more productive patches
of land when the less productive patches began to be exploited. In this way
the newly created value, which continues to be 40 (since the same method
of production is employed), is redistributed in the following way: 10 points
now form the surplus value which falls to the capitalist, 20 points are used to
replace variable capital, and 10 points serve to increase the differential rent, an
increase caused by the rise in the value of constant capital (by 8 points) and
variable capital (by 2 points).

Below, on pp. XIII—684-686 of the manuscript (present edition, Vol. 32),
Marx considers a similar case.—494

155 Here Marx uses the term “production costs” (Produktionskosten) in the sense
of cost price, price of production. See also Note 139.—507

156 See E. G. Wakefield, England and America. A Comparison of the Social and

Marx makes a thorough analysis of Wakefield’s theory of colonisation in
Capital, Vol. I, Ch. XXXIII (present edition, Vol. 35).—515

157 By the market cost price Marx understands the general cost price which regulates
the market prices of commodities in a particular sphere of production. Cf.
pp. 355-56 of this volume, where Marx uses the terms “general average price”
and “average market price” to designate the same concept.—531

158 By absolute rent here and on p. 537 Marx means the rate of absolute rent.—Table
between pp. 536 and 537

159 Here Marx uses for the first time the term “price of production”
(Produktionspreis), which is henceforth identified with the term “cost price”
(see Note 139).—543

160 Marx mistakenly marked two successive pages with the same number.—548

161 Ricardo calls rent “a creation of value” in the sense that it enables the
landowners to pocket the increment in the value of the total social product
which, according to Ricardo, results from the increased difficulty of producing
part of the corn. In Chapter XXXII of his Principles Ricardo criticises Malthus’
proposition that rent is “a clear gain and a new creation of riches”, stating that
rent does not increase the wealth of society as a whole but merely transfers “a
portion of the value of the corn and commodities from their former possessors
to the landlords”. Cf. also p. XIII—733 of the manuscript (present edition,
Vol. 32).—550

162 Marx is referring to the thesis advanced by Rodbertus that the value of raw
materials does not enter into the production costs of agricultural products. See
this volume, pp. 279-88 and 580.—551

163 The words in brackets were written in by Marx after he had completed the
section dealing with Smith’s views on house rent (see p. XII—641 of the
manuscript, present edition, Vol. 32).—572
This passage, which Marx separated with a line from the rest of the text, complements his analysis of Ricardo's theory of rent and, by its substance, belongs to p. XI—605 of the manuscript (this volume, p. 529).—578

This passage was written down on the inside cover of Notebook XI of the manuscript. The next three paragraphs were written not earlier than May 1863, since it was at that time that Marx copied out passages from Malthus and Hume in his notebooks of excerpts.—579

This quotation can be found verbatim on p. 392 of this volume. The rest of the text on this page was written not earlier than May 1863, since it was at that time that Marx copied out passages from Arbuthnot's book in his notebooks of excerpts.—580
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