provided the value of that part of constant capital which is not consumed is added to the product)—yield the same _surplus value_, the same surplus of price over the price of the capital outlay. Ricardo moreover is the first to draw attention to the fact that capitals of equal size are by no means of equal organic composition. The difference in this composition he defined in the way traditional since Adam Smith, namely as _circulating_ and _fixed capital_, that is, only the differences arising from the process of circulation. He certainly does not directly say that it is a _prima facie_ contradiction of the law of value that capitals of unequal organic composition, which consequently set unequal amounts of _immediate labour_ in motion, produce commodities of the same value and yield the same _surplus value_ (which he identifies with profit). On the contrary he begins his investigation of value by assuming capital and a general rate of profit. He identifies _cost price_ with _value_ from the very outset, and does not see that from the very start this assumption is a _prima facie_ contradiction of the law of value. It is only on the basis of this assumption—which contains the main contradiction and the real difficulty—that he comes to a particular case, _changes in the level of wages_, their rise or fall. For the rate of profit to remain uniform the rise or fall in wages, to which corresponds a fall or rise in profit, must have unequal effects on capitals of different organic composition. If wages rise, then profits fall, and also the prices of commodities in whose production a relatively large amount of fixed capital is employed. Where the opposite is the case, the results are likewise opposite. Under these circumstances, therefore, the "_exchangeable values_" of the commodities are not determined by the labour time required for their respective production. In other words, this definition of an equal rate of profit (and Ricardo arrives at it only in individual cases and in this roundabout way) yielded by capitals of different organic composition _contradicts_ the law of value or, as Ricardo says, constitutes an _exception_ to it, whereupon Malthus rightly remarks that in the _progress of industry_, the rule becomes the exception and the exception the rule.\(^a\) The contradiction itself is not clearly expressed by Ricardo, namely, not in the form: although one of the commodities contains more unpaid labour than the other—for the amount of unpaid labour depends on the amount of paid labour, that is, the amount of _immediate labour_ employed provided the rate of exploitation of the workers is equal—they nevertheless yield equal values, or the same surplus

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\(^a\) See this volume, pp. 224-25.—_Ed._
The contradiction however occurs with him in a particular form: in certain cases, wages, variations in wages, affect the cost price (he says, the exchangeable values) of commodities.

Equally, differences in the time of turnover of capital—whether the capital remains in the process of production (even if not in the labour process) or in circulation for a longer period, requiring not more work, but more time for its return—these differences have just as little effect on the equality of profit, and this again contradicts (is, according to Ricardo, an exception to) the law of value.

He has therefore presented the problem very one-sidedly. Had he expressed it in a general way, he would also have had a general solution.

But his great contribution remains: Ricardo has a notion that there is a difference between value and cost price, and, in certain cases, even though he calls them exceptions to the law, he formulates the contradiction that capitals of unequal organic composition (that is, in the last analysis, capitals which do not exploit the same amount of living labour) yield equal surplus value (profit) and—if one disregards the fact that a portion of the fixed capital enters into the labour process without entering into the valorisation process—equal values, commodities of equal value (or rather [of equal] cost price, but he confuses this).a

As we have seen, Malthus uses this in order to deny the validity of the Ricardian law of value.

At the very beginning of his book, Torrens takes this discovery of Ricardo as his point of departure, not, however, to solve the problem, but to present the "phenomenon" as the law of the phenomenon.

"Supposing that capitals of different degrees of durability are employed. If a woollen and a silk manufacturer were each to employ a capital of £2,000 and if the former were to employ £1,500 in durable machines, and £500 in wages and materials; while the latter employed only £500 in durable machines, and £1,500 in wages and materials. Supposing that \(\frac{1}{10}\) of these fixed capitals is annually consumed, and that the rate of profit is 10%; then, as the results of the woollen manufacturer's capital of £2,000, must, to give him this profit, be £2,200, and as the value of his fixed capital has been reduced by the process of production from £1,500 to £1,350, the goods produced must sell for £850. And, in like manner, as the fixed capital of the silk manufacturer is by the process of production reduced \(\frac{1}{10}\), or from £500 to £450, *the silks produced must, in order to yield him the customary rate of profit upon his whole capital of £2,000, sell

a See present edition, Vol. 31, pp. 415-23.—Ed.
b See this volume, pp. 210, 222-25.—Ed.
for £1,750 ... when capitals equal in amount, but of different degrees of durability, are employed, the articles produced, together with the residue of capital, in one occupation, will be equal in exchangeable value to the things produced, and the residue of capital, in another occupation" * (p[28-29]).

Here the phenomenon manifested in competition is merely mentioned, registered. Ditto a "CUSTOMARY RATE OF PROFIT" is presupposed without explaining how it comes about, or even the feeling that this ought to be explained.

"EQUAL CAPITALS, or, in other words, EQUAL QUANTITIES OF ACCUMULATED LABOUR, WILL OFTEN PUT IN MOTION DIFFERENT QUANTITIES OF IMMEDIATE LABOUR; but this changes nothing in substance" (p[p. 29-31]).

namely, in the fact that the value of the product+the residue of the capital not consumed, yield equal values, or, what is the same thing, equal profits.

The merit of this passage does not consist in the fact that Torrens here merely registers the phenomenon once again without explaining it, but in the fact that he defines the difference by stating that equal capitals set in motion unequal quantities of living labour, though he immediately spoils it by declaring it to be a "special" case. If the value=the labour worked up, realised in a commodity, then it is clear that—if the commodities are sold at their value—the surplus value contained in them can only=the unpaid, or surplus labour, which they contain. But this surplus labour—given the same rate of exploitation of the worker—cannot be equal in the case of capitals which put in motion different quantities of immediate labour, whether it is the immediate production process or the period of circulation which is the cause of this difference. It is therefore to Torrens' credit that he expresses this. What does he conclude from it? That here [XIV-784] within capitalist production the law of value suddenly changes. That is, that the law of value, which is abstracted from capitalist production, contradicts capitalist phenomena. And what does he put in its place? Absolutely nothing but the crude, thoughtless, verbal expression of the phenomenon which has to be explained.

"In the early period of society" *

(that is, precisely when exchange value in general, the product as commodity, is hardly developed at all, and consequently when there is no law of value either)

"it is the TOTAL QUANTITY OF LABOUR, ACCUMULATED AND IMMEDIATE, EXPENDED ON PRODUCTION, that determines the relative value of commodities. But as soon as STOCK has ACCUMULATED, and there emerges a class of capitalists distinct from that

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a Here and below cf. present edition, Vol. 29, p. 196.—Ed
of labourers, when the person, who undertakes any branch of industry, does not perform his own work, but advances subsistence and materials to others, then it is the amount of capital, or the quantity of accumulated labour expended in production, that determines the exchangeable power of commodities" (I.e., [pp.] 33-34).

"As long as two capitals [are] equal, their products are of equal value, however we may vary the quantity of immediate labour which they put in motion, or which their products may require. If they are unequal, their products are of unequal value, though the total quantity of labour expended upon each should be precisely equal." ([p.] 39). "Therefore after the separation of capitalists and labourers, it is the amount of capital, the quantity of accumulated labour, and not, as before this separation, the sum of accumulated and immediate labour, expended on production, which determines the exchange value" (I.e., [pp. 39-40]).

Here again, he merely states the phenomenon that capitals of equal size yield equal profits or that the cost price of commodities is equal to the price of the capital advanced + the average profit; there is at the same time a hint that—since equal capitals put in motion different quantities of labour—this phenomenon is, prima facie, inconsistent with the determination of the value of commodities by the amount of labour time embodied in them. The remark that this phenomenon of capitalist production only manifests itself when capital comes into existence—[when] the classes of capitalists and workers [arise, and] the objective conditions of labour acquire an independent existence as capital—is tautology.

But how the separation of the [factors necessary] for the production of commodities—into capitalists and workers, capital and wage labour—upsets the law of value of commodities, is merely "inferred" from the uncomprehended phenomenon.

Ricardo sought to prove that, apart from certain exceptions, the separation between capital and wage labour does not change anything in the determination of the value of commodities. Basing himself on the exceptions noted by Ricardo, Torrens rejects the law. He reverts to Adam Smith (against whom the Ricardian demonstration is directed) according to whom the value of commodities was determined by the labour time embodied in them "in the early period" when men confronted one another simply as owners and exchangers of goods, but not when capital and property in land have been evolved. This means (as I observed in Part One.) that the law which applies to commodities qua commodities, no longer applies to them once they are regarded as

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a Marx quotes Torrens with some alterations.—Ed.
capital or as products of capital, or as soon as there is, in general, an advance from the commodity to capital. On the other hand, the product wholly assumes the form of a commodity only—as a result of the fact that the entire product has to be transformed into exchange value and that also all the ingredients necessary for its production enter it as commodities—in other words it wholly becomes a commodity only with the development and on the basis of capitalist production. Thus the law of the commodity is supposed to be valid for a type of production which produces no commodities (or only to a limited extent) and not to be valid for a type of production which is based on the product as a commodity. The law itself, as well as the commodity as the general form of the product, is abstracted from capitalist production and yet it is precisely in respect of capitalist production that the law is held to be invalid.

The proposition regarding the influence of the separation of "capital and labour" on the determination of value—apart from the tautology that capital cannot determine prices so long as it does not as yet exist—is moreover a quite superficial translation of a fact manifesting itself on the surface of capitalist production. So long as each person works himself with his own tools and sells his product himself // but in reality, the necessity to sell products on a [XIV-785] social scale never coincides with production carried on with the producer's own conditions of labour //, his costs comprise the cost of both the tools and the labour he performs. The cost to the capitalist consists in the capital he advances—in the sum of values he expends on production—not in labour, which he does not perform, and which only costs him what he pays for it. This is a very good reason for the capitalists to calculate and distribute the (social) surplus value amongst themselves according to the size of their capital outlay and not according to the quantity of immediate labour which a given capital puts in motion. But it does not explain where the surplus value—which has to be distributed and is distributed in this way—comes from.

Torrens adheres to Ricardo in so far as he maintains that the value of a commodity is determined by the quantity of labour, but he declares [that it is] only "the quantity of accumulated labour" expended upon the production of commodities which determines their value. Here, however, Torrens lands himself in a fine mess.

For example, the value of woollen cloth is determined by the accumulated labour contained in the loom, the wool, etc., and the wages, which constitute the ingredients of its production, accumulated labour, which, in this context, means nothing else but realised
LABOUR, objectified labour time. However, once the woollen cloth is ready and production is over, the IMMEDIATE LABOUR EXPENDED on the woollen cloth has likewise been transformed into ACCUMULATED or REALISED LABOUR. Then why should the value of the loom and of the wool be determined by the REALISED LABOUR (which is nothing but IMMEDIATE LABOUR REALISED IN AN OBJECT, IN A RESULT, IN A USEFUL THING) they contain, and the value of the woollen cloth not be so determined? If the woollen cloth in turn becomes a component part of production in say dyeing or tailoring, then it is "ACCUMULATED LABOUR", and the value of the coat is determined by the value of the WAGES of the workers, their tools and the woollen cloth, the value of which is determined by the "ACCUMULATED LABOUR" contained in it. If I regard a commodity as capital, that means in this context as a condition of production, then its value resolves itself into IMMEDIATE LABOUR, which is called "ACCUMULATED LABOUR" because it exists in an objectified form. On the other hand, if I regard the same commodity as a commodity, as a product and result of the [production] process, then it is definitely not determined by the LABOUR which is accumulated in it, but by the LABOUR accumulated in its conditions of production.

It is indeed a fine cercle vicieux to seek to determine the value of a commodity by the value of the capital, since the value of the capital = the value of the commodities of which it is made up. James Mill is right as against this fellow when he says:

"CAPITAL IS COMMODITIES. If the value of commodities, then, depends upon the value of capital, it depends upon the value of commodities." 74

One thing more is to be noted here. Since [according to Torrens] the value of a commodity is determined by the value of the capital which produces it, or, in other words, by the quantity of LABOUR, the LABOUR ACCUMULATED and REALISED in this capital, then only two possibilities ensue.

The commodity contains: first, the value of the fixed capital used up; second, the value of the raw material or the quantity of labour contained in the fixed capital and raw material; third, the quantity of labour which is objectified in the money or in the commodities which function as WAGES.b

Now there are two [possibilities].

The "accumulated" labour contained in the fixed capital and raw material remains the same after the process of production as it was before. As far as the 3rd part of the "ACCUMULATED LABOUR"

a Vicious circle.—Ed.
b See this volume, pp. 263-64.—Ed.
advanced is concerned, the worker replaces it by his immediate labour, that is, the "immediate labour" added to the raw material, etc., represents just as much accumulated labour in the commodity as was contained in the wages. Or it represents more. If it represents more, the commodity contains more accumulated labour than the capital advanced did. Then profit arises precisely out of the surplus of accumulated labour contained in the commodity over that contained in the capital advanced. And the value of [XIV-786] the commodity is determined, as previously, by the quantity of labour (accumulated+immediate) contained in it (in the commodity the latter type of labour likewise constitutes accumulated, and no longer immediate [labour]. It is immediate [labour] in the production process, and accumulated [labour] in the product).

Or immediate labour only represents the quantity embodied in the wages, is only an equivalent of it. (If it were less than this, the point to be explained would not be why the capitalist makes a profit but how it comes about that he makes no loss.) Where does the profit come from in this case? Where does the surplus value, i.e. the excess of the value of the commodity over the value of the component parts of production, or over that of the capital outlay, arise? Not in the production process itself—so that merely its realisation takes place in the process of exchange, or in the circulation process—but in the exchange process, in the circulation process. We thus come back to Malthus and the crude mercantilist conception of "profit upon expropriation". And it is this conception at which Mr. Torrens consistently arrives, although he is, on the other hand, sufficiently inconsistent to explain this payable value not by means of an inexplicable fund dropped down from the skies, namely, a fund which provides not only an equivalent for the commodity, but a surplus over and above this equivalent, and is derived from the means of the purchaser, who is always able to pay for the commodity above its value without selling it above its value—thus reducing the whole thing to thin air. Torrens, who is not as consistent as Malthus, does not have recourse to such a fiction, but, on the contrary, asserts that "effectual demand"—the sum of values paid for the product—arises from supply alone, and is therefore likewise a commodity; and thus, since the two sides are both buyers and sellers, it is impossible to see how they can mutually cheat one another at the same rate.

*"The effectual demand for any commodity is always determined, and under any given rate of profit, is constantly commensurate with the quantity of the ingredients of capital, or of the things required in its production, which consumers may be able and willing to offer in exchange for it" (I.c., p. 344).
"Increased supply is the one and only cause of increased effectual demand"* ([p.] 348).

Malthus, who quotes this passage from Torrens, is quite justified in protesting against it (Definitions in Political Economy, London, 1827, p. 59).²

But the following passages about production costs, etc., demonstrate that Torrens does indeed arrive at such absurd conclusions:

*"Market price"* (Malthus calls it PURCHASING VALUE) "always includes the customary rate of profit for the time being. Natural price, consisting of the cost of production, or, in other words, of the capital expended in raising or fabricating commodities, cannot include the rate of profit"* (l.c., [p.] 51).

"The farmer expends 100 qrs OF CORN and obtains IN RETURN 120 qrs. In this case, 20 qrs constitute the profit; [but] it would be absurd to call this EXCESS, or profit, A PART OF THE EXPENDITURE... Likewise the MANUFACTURER obtains IN RETURN A QUANTITY OF FINISHED WORK OF A HIGHER EXCHANGEABLE VALUE than the MATERIALS, etc." ([pp.] 51-53).

*"Effectual demand consists in the power and inclination, on the part of the consumers, to give for commodities, either by immediate or circuitous barter, some greater proportion of all the ingredients of capital than their production costs"* (l.c., [p.] 349).

120 qrs of corn are most certainly more than 100 qrs. But—if one merely considers the use value and the process it goes through, that is, in reality, the vegetative or physiological [XIV-787] process, as is the case here—it would be wrong to say, not indeed, with regard to the 20 qrs, but with regard to the elements which go to make them up, that they do [not] enter into the production process. If this were so, they could never emerge from it. In addition to the 100 qrs of corn—the seeds⁷⁶—various chemical ingredients supplied by the manure, salts contained in the soil, water, air, light, are all involved in the process which transforms 100 qrs of corn into 120. The transformation and absorption of the elements, the ingredients, the conditions—the EXPENDITURE OF NATURE, which transforms 100 qrs into 120—takes place in the production process itself and the elements of these 20 qrs enter into this process itself as physiological “EXPENDITURE”, the result of which is the transformation of 100 qrs into 120 qrs.

Regarded merely from the standpoint of use value, these 20 qrs are not mere profit. The inorganic components have been merely assimilated by the organic components and transformed into organic material. Without the addition of matter—and this is the physiological EXPENDITURE—the 100 qrs would never become 120. Thus it can in fact be said even from the point of view of mere use value, that is, regarding corn as corn—what enters into corn

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² See this volume, p. 250.—Ed.
in inorganic form, as *expenditure*, appears in *organic* form, as the actual result, the 20 qr's, i.e. as the surplus of the corn harvested over the corn sown.

But these considerations, in themselves, have as little to do with the question of profit, as if one were to say that lengths of wire which, in the labour process, are stretched to a thousand times the length of the metal from which they are fabricated, yield a thousandfold *profit* since their length has been increased a thousandfold. In the case of the wire, the length has been increased, in the case of corn, the quantity. But neither increase in length nor increase in quantity constitutes *profit*, which is applicable solely to exchange value, although exchange value manifests itself in a *surplus produce*.

As far as exchange value is concerned, there is no need to explain further that the value of 90 qr's of corn can be equal to (or greater than) the value of 100, that the value of 100 can be greater than that of 120, and that of 120 greater than that of 500.

Thus, on the basis of one example which has *nothing* to do with profit, with the surplus in the *value* of the product over the *value* of the capital outlay, Torrens draws conclusions about profit. And even considered physiologically, as use value, his example is wrong since, in actual fact, the 20 qr's of corn which form the *surplus produce* already exist *d'une manière ou d'une autre* in the production process, although in a different form.

Finally, Torrens blurs out the brilliant old conception that profit is profit *upon expropriation*. One of Torrens' merits is that he has at all raised the controversial question: what are *production costs*. Ricardo continually confuses the *values* of commodities with their *production costs* (in so far as they = the cost price) and is consequently astonished that Say, although he believes that prices are determined by production costs, draws different conclusions.\(^b\) Malthus, like Ricardo, asserts that the price of a commodity is determined by the production costs, and, like Ricardo, he includes the profit in the production costs. Nevertheless, he defines value in a different way, not by the quantity of labour contained in the commodity, but by the quantity of labour it can command.

The ambiguities surrounding the concept of *production costs* arise from the very nature of capitalist production.

*Firstly:* The *cost to the capitalist* of the commodity (he produces) is, naturally, what it *costs him*. It costs him nothing—that is, he

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\(^{a}\) In one way or another.—*Ed.*

\(^{b}\) See this volume, p. 102.—*Ed.*
EXPENDS NO VALUE UPON IT—apart from the value of the capital advanced. If he lays out £100 on raw materials, machinery, wages, etc., in order to produce the commodity, it costs him £100, *ni plus ni moins* Apart from the labour embodied in these *advances*, apart from the accumulated labour that is contained in the capital expended and determines the value of the commodities expended, it costs him no labour. What the *immediate labour* costs him is the wages he pays for it. Apart from these wages, the immediate labour costs him nothing, and apart from immediate labour he advances nothing *except the value of the constant capital*.

[XIV-788] It is in this sense that Torrens understands production costs, and this is the sense in which every capitalist understands them when he calculates his profit, whatever its rate may be.

Production costs are here = the *advances of the capitalist* = the value of the capital advanced = the quantity of the labour contained in the advanced commodities. Every economist, including Ricardo, uses this definition of production costs, whether they are called *advances* or *expenses*, etc. This is what Malthus calls the *producing price* as opposed to the purchaser's price. The transformation of surplus value into profit corresponds to this definition of *advances*.

*Secondly:* According to the first definition, the production costs are the price which the capitalist pays for the manufacture of the commodity *during the process of production*, therefore they are what the commodity costs him. But what the production of a commodity *costs* the capitalist and what the *production of the commodity itself costs*, are two entirely different things. The labour (realised and immediate) which the capitalist pays for the production of the commodity and the labour which is necessary in order to *produce* the commodity are entirely different. Their difference constitutes the difference between the value advanced and the value earned; between the purchase price of the commodity for the capitalist and its sale price (that is, if it is sold at its value). If this difference did not exist, then neither money nor commodities would ever be transformed into capital. The source of profit would disappear together with the surplus value. The *production costs of the commodity itself* consist of the value of the capital consumed in the process of its production, that is, the quantity of objectified labour embodied in the commodity + the quantity of immediate labour which is expended upon it. The total amount of "realised" + "immediate labour" consumed in it constitutes the *production costs of the*
Theories of Sur. Val. Disintegration of Ricardian Sch. 271

*commodity itself.* The commodity can only be produced by means of the industrial consumption of this quantity of realised and immediate labour. This is the precondition for its emergence out of the process of production as a *product*, as a *commodity* and as a use value. And no matter how profit and wages may vary, these immanent production costs of the commodity remain the same so long as the technological conditions of the real labour process remain the same, or, what amounts to the same thing, as long as there is no variation in the existing development of the productive powers of labour. In this sense, the *production costs of a commodity = its value.* The living labour *expend* upon the commodity and the living labour *paid by the capitalist* are two different things. Hence *de prime abord* the production costs of a commodity to the capitalist (his advances) differ from the *production costs of the commodity* itself, its value. The excess of its value (that is, what the commodity itself costs) over and beyond the value of the advances (that is, what it costs the capitalist) constitutes the profit which, therefore, results not from selling the commodity beyond its value, but beyond the value of the advances paid by the capitalist.

The production costs thus defined, the immanent production costs of the commodity, which are equal to its value, i.e. to the total amount of labour time (realised and immediate) required for its production, remain the fundamental condition for its production and remain unchangeable so long as the productive powers of labour remain unchanged.

*Thirdly:* I have however previously shown that, in each separate trade or particular occupation, the capitalist does not by any means sell his commodities—which are also the product of a particular trade, occupation or sphere of production—at the value contained in them, and that, therefore, the amount of its profit is not identical with the amount of surplus value, or surplus labour or unpaid labour realised in the commodities he sells. On the contrary, he can, on the average, only realise as much surplus value in the commodity as devolves on it as the product of an aliquot part of the social capital. If the social capital = 1,000 and the capital in a particular [XIV-789] occupation amounts to 100, and if the total amount of surplus value (hence of the surplus produce in which that surplus value is realised) = 200, that is, 20%, then the capital of 100 in this particular occupation would sell its commodity for 120, *whatever might be the value of that commodity, whether 120, less, or more; whether, therefore, the unpaid labour contained in his commodity*

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a See present edition, Vol. 31, pp. 262-65, 269, 301-06.— Ed.
forms $1/5$ of the labour advanced upon it, or whether it do[es] not.*

This is the *cost price*, and when one speaks of *production costs* in the proper sense (in the economic, capitalist sense), then the term denotes the value of the advances + the value of the average profits.  

It is clear that, however much the cost price of an individual commodity may diverge from its value, it is determined by the value of the total product of the social capital. It is through the equalisation of the profits of the different capitals that they are connected with one another as aliquot parts of the aggregate social capital, and as such aliquot parts they draw dividends out of the common funds of surplus value (surplus produce), or surplus labour, or unpaid labour. This does not alter in any way the value of the commodity; it does not alter the fact *that, whether its cost price is equal to, greater or smaller than its value, it can never be produced without its value* being produced, that is to say, without the total amount of realised and immediate labour required for its production being expended upon it.* This quantity of labour, not only of paid, but of unpaid labour, must be expended on it, and nothing in the general relationship between capital and labour is altered by the fact that *in some occupations part of the unpaid labour is appropriated by "brother capitalists"* instead of by the capitalist who puts the labour in motion in that peculiar department of industry. Further, it is clear *that whatever the relation between the value and the cost price of a commodity, the latter will always change, rise or fall, according with the changes of value, that is to say, the quantity of labour required for the production of the commodity*. It is furthermore clear that *part of the profit must always represent surplus value, unpaid labour, realised in the commodity itself, because, on the basis of capitalistic production, in all commodities there is more labour worked up than has been paid by the capitalist putting that labour in motion. Some part of the profit may consist of labour not worked up in the commodity yielded by a definite trade, or resulting from a given sphere of production; but, then, there is some other commodity, resulting from some other sphere of production, whose cost price falls below its value, or in whose cost price less unpaid labour is accounted for, paid for, than is contained in it.*

It is clear, therefore, that although the *cost prices of most commodities must differ from their values, and hence the "costs of production" [of these commodities must differ] from the total quantity of labour contained in them, nevertheless, those costs of production and those cost prices are not only determined by the
values of [the] commodities [and] confirm the law of value instead of contradicting it, but, moreover, that the very existence of costs of production and cost prices can be conceived only on the foundation of value and its law, and becomes a meaningless absurdity without that premiss.*

At the same time one perceives how economists who, on the one hand, observe the actual phenomena of competition and, on the other hand, do not understand the relationship between the law of value and the law of cost price, resort to the fiction that capital, not labour, determines the value of commodities or rather that there is no such thing as value.a

[XIV-790] Profit enters into the production costs of commodities; it is rightly included in the “natural price” of commodities by Adam Smith, because, in conditions of capitalist production, the commodity—*in the long run, on the average—is not brought to market if it does not yield the cost price=the value of the advances + the average profit.* b Or, as Malthus puts it—although he does not understand the origin of profit, its real cause c—because the profit, and therefore the cost price which includes it, is (on the basis of capitalist production) *a condition of the supply of the commodity. To be produced, to be brought to the market, the commodity must at least fetch that market price, that cost price to the seller, whether its own value be greater or smaller than that cost price.* It is a matter of indifference to the capitalist whether his commodity contains more or less unpaid labour than other commodities, *if into its price enters so much of the general stock of unpaid labour, or the surplus produce in which it is fixed, as every other equal quantity of capital will draw from that common stock.* In this respect, the capitalists are “communists”. In competition, each naturally tries to secure more than the average profit, which is only possible if others secure less. It is precisely as a result of this struggle that the average profit is established.

A part of the surplus value realised in profit, i.e. that part which assumes the form of interest on capital laid out (whether borrowed or not), appears to the capitalist as outlay, as production cost which he has as a capitalist, just as profit in general is the immediate aim of capitalist production. But in interest (especially on borrowed

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*b See present edition, Vol. 31, pp. 440-49.—Ed.

*c See this volume, pp. 210-12, 218, 225-26.—Ed.
capital), this appears also as the actual precondition of his production.

At the same time, this reveals the significance of the distinction between the forms of production and of distribution. Profit, a form of distribution, is here simultaneously a form of production, a condition of production, a necessary ingredient of the process of production. How absurd it is, therefore, for John Stuart Mill and others to conceive bourgeois forms of production as absolute, but the bourgeois forms of distribution as historically relative, hence transitory. I shall return to this later. The form of distribution is simply the form of production seen sub alia specie. The differentia specifica—and therefore also the specific limitation—which sets bounds to bourgeois distribution, enters into production itself, as a determining factor, which overlaps and dominates production. The fact that bourgeois production is compelled by its own immanent laws, on the one hand, to develop the productive forces as if production did not take place on a narrow restricted social foundation, while, on the other hand, it can develop these forces only within these narrow limits, is the deepest and most hidden cause of crises, of the crying contradictions within which bourgeois production is carried on and which, even at a cursory glance, reveal it as only a transitional, historical form. This is grasped rather crudely but nonetheless correctly by Sismondi, for example, as a contradiction between production for the sake of production and distribution which eo ipso makes absolute development of productivity impossible.

Mill was the first to present Ricardo's theory in systematic form, even though he did it only in rather abstract outlines. What he tries to achieve is formal logical consistency. The disintegration of the Ricardian school therefore begins with him. With the master what is new and significant develops vigorously amid the "manure" of contradictions out of the contradictory phenomena. The underlying contradictions themselves testify to the richness of the living foundation from which the theory itself developed. It is

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2) JAMES MILL, ELEMENTS OF POLITICAL ECONOMY, LONDON, 1821 (2ND ED., LONDON, 1824)

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a See this volume, pp. 498-99.—Ed.
b From a different aspect.—Ed.
c By the very fact.—Ed.
d See this volume, pp. 247-48.—Ed.
different with the disciple. His raw material is no longer reality, but the new theoretical form in which the master had sublimated it. It is in part the theoretical disagreement of opponents of the new theory and in part the often paradoxical relationship of this theory to reality which drive him to seek to refute his opponents and explain away reality. In doing so, he entangles himself in contradictions and with his attempt to solve these he demonstrates the beginning disintegration of the theory which he dogmatically espouses. On the one hand, Mill wants to present bourgeois production as the absolute form of production and seeks therefore to prove that its real contradictions are only apparent ones. On the other hand, [he seeks] to present the Ricardian theory as the absolute theoretical form of this mode of production and ditto to disprove the theoretical contradictions, both the ones pointed out by others and the ones he himself cannot help seeing. Nevertheless in a way Mill advances the Ricardian view beyond the bounds reached by Ricardo. He supports the same historical interests as Ricardo—those of industrial capital against landed property—and he draws the practical conclusions from the theory—that of rent for example—more ruthlessly, against the institution of landed property which he would like to see more or less directly transformed into state property. This conclusion and this side of Mill do not concern us here.

Ricardo's disciples, just as Ricardo himself, fail to make a distinction between surplus value and profit. Ricardo only becomes aware of the problem as a result of the different influence which the variation of wages can exercise on capitals of different organic composition (and [he considers] different organic composition only with regard to the circulation process). It does not occur to them that, even if one considers not capitals in different occupations but each capital separately, in so far as it does not consist exclusively of variable capital, of capital laid out in wages only, rate of profit and rate of surplus value are different things, that therefore profit must be a more developed, specifically modified form of surplus value. They perceive the difference only in so far as it concerns equal profits—average rate of profit—for capitals in different spheres of production and differently composed of fixed and circulating ingredients. In this connection Mill only repeats in a vulgarised form what Ricardo says in Chapter I, "On Value". The only new consideration which occurs to him in relation to this question is this:

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Mill remarks that "TIME AS SUCH" (i.e. not labour time, but simply time) produces nothing, consequently it does not produce "VALUE". How does this fit in with the law of value according to which capital, because it requires a longer time for its RETURNS, yields, as Ricardo says, the same profit as capital which employs more immediate labour but returns more rapidly? One perceives that Mill deals here only with a quite individual case which, expressed in general terms, would read as follows: How does the cost price, and the [XIV-792] AVERAGE RATE OF PROFIT which it presupposes (HENCE equal value of commodities containing very unequal quantities of labour), fit in with the fact that profit is nothing but a part of the labour time contained in the commodity, the part which is appropriated by the capitalist without an equivalent? On the other hand, in the case of the AVERAGE RATE OF PROFIT and cost price, criteria which are quite extrinsic and external to the determination of value are advanced, for example, that the capitalist whose capital takes longer to bring in a RETURN because, as in the case of WINE, it must remain longer in the production process (or, in other cases, longer in the circulation process) must be compensated for the time in which he cannot valorise his capital. But how can the time in which no valorisation takes place create value?

Mill's passage concerning "time" reads:

*["Time can do nothing ... how then can it add to value? Time is a mere abstract term. It is a word, a sound. And it is the very same logical absurdity to talk of an abstract unit measuring value, and of time creating it"* (Elements etc., 2ND ED., p. 99).]

In reality, what is involved in the grounds for compensation between CAPITALS IN DIFFERENT SPHERES OF PRODUCTION is not the production of surplus value, but its division between different categories of capitalists. Viewpoints are here advanced which have nothing whatever to do with the determination of value as such. Everything which compels capital in a particular SPHERE OF PRODUCTION to renounce conditions which would produce a GREATER AMOUNT OF SURPLUS VALUE in other spheres, is regarded here as grounds for compensation. Thus, if more fixed and less circulating capital is employed, if more constant than variable capital is employed, if it must remain longer in the circulation process, and finally, if it must remain longer in the production process without being subjected to the labour process—a thing which always happens when breaks of a technological character occur in the production

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a Quoted from [S. Bailey,] A Critical Dissertation..., p. 217.— Ed.
process in order to expose the developing product to the working of natural forces, for example, wine in the cellar. Compensation ensues in all these cases and the last mentioned is the one which Mill seizes on, thus tackling the difficulty in a very circumscribed and isolated way. A part of the surplus value produced in other spheres is transferred to the capitals more unfavourably placed with regard to the direct exploitation of labour, simply in accordance with their size (competition brings about this equalisation so that each separate capital appears only as an aliquot part of social capital). The phenomenon is very simple as soon as the relationship of surplus value and profit as well as the equalisation of profits in a general rate of profit is understood. If, however, it is to be explained directly from the law of value without any intermediate link, that is, if the profit which a particular capital yields in a particular trade is to be explained on the basis of the surplus value contained in the commodities it produces, [in other words on the basis of] the unpaid labour (consequently also on the basis of the Labour directly worked up in the commodities themselves), this is a much more difficult problem to solve than that of squaring the circle, which can be solved algebraically. It is simply an attempt to present that which does not exist as in fact existing. But it is in this direct form that Mill seeks to solve the problem. Thus no solution of the matter is possible here, only a sophistic explaining away of the difficulty, that is, only scholasticism. Mill begins this process. In the case of an unscrupulous blockhead like McCulloch, this manner assumes a swaggering shamelessness. Mill's solution cannot be better summed up than it is in the words of Bailey.

"Mr Mill has made a curious attempt to resolve the effects of time into expenditure of labour. 'If,' says he," (p. 97 of the Elements, 2ND ED., 1824) ""the wine which is put in the cellar is increased in value 1/10 by being kept a year, 1/10 more of labour may be correctly considered as having been expended upon it. ...a fact can be correctly considered as having taken [XIV-793] place only when it really has taken place. In the instance adduced, no human being, by the terms of the supposition, has approached the wine, or spent upon it a moment or a single motion of his muscles" (A Critical Dissertation on the Nature, Measures, and Causes of Value etc., London, 1825, [pp.] 219-20).

Here the contradiction between the general law and further developments in the concrete circumstances is to be resolved not by the discovery of the connecting links but by directly subordinat-
ing and immediately adapting the concrete to the abstract. This moreover is to be brought about by a verbal fiction, by changing *vera rerum vocabula*. \(^a\) (These are indeed "verbal disputes", \(^b\) they are "verbal", however, because real contradictions which are not resolved in a real way, are to be solved by phrases.) When we come to deal with McCulloch, it will be seen that this manner, which appears in Mill only in embryo, did more to undermine the whole foundation of the Ricardian theory than all the attacks of its opponents.\(^c\)

Mill resorts to this type of argument only when he is quite unable to find any other expedient. But as a rule his method is quite different. Where the economic relation—and therefore also the categories expressing it—includes opposites, contradictions, and even the unity of the opposites, he emphasises the aspect of the unity of the contradictions and denies the contradictions. He transforms the unity of opposites into the direct identity of opposites.

For example, a commodity conceals the contradiction of use value and exchange value. This contradiction develops further, presents itself and manifests itself in the duplication of the commodity into commodity and money. This duplication appears as a process in the metamorphosis of commodities in which selling and buying are different aspects of a single process and each act of this process simultaneously includes its opposite. In the first part of this work, I mentioned that Mill disposes of the contradiction by concentrating only on the unity of buying and selling; consequently he reduces circulation to barter, then, however, smuggles categories borrowed from circulation into barter.\(^d\) See also what I wrote there about Mill's *theory of money*, in which he employs similar methods.\(^e\)

In James Mill we find the unsatisfactory divisions—"Production", "Distribution", "Interchange", "Consumption".\(^f\)

Wages:

"Instead, however, of waiting till the commodity is produced, and the value of it is realised, it has been found to suit much better the convenience of the labourers to

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\(a\) The correct names of things.—*Ed.*

\(b\) See this volume, pp. 298-305.—*Ed.*

\(c\) Ibid., pp. 360-62.—*Ed.*


\(e\) Ibid., pp. 409-12.—*Ed.*

receive their share in advance. The shape under which it has been found most convenient [for all parties] that they should receive it, is that of wages. When the share of the commodity which belongs to the labourer has been all received in the shape of wages, the commodity itself belongs to the capitalist, he having, in reality, bought the share of the labourer and paid for it in advance" (Éléments d'économie politique, French translation by [J. T.] Parisot, Paris, 1823, p[p. 33-]34).

It is highly characteristic of Mill that, just as money for him is an expedient invented for convenience's sake, capitalist relations are likewise invented for the same reason. These specific social relations of production are invented for "convenience's" sake. Commodities and money are transformed into capital because the worker has ceased to engage in exchange as a commodity producer and commodity owner; instead of selling commodities he is compelled to sell his labour itself ([to sell] directly his labour capacity) as a commodity to the owner of the objective conditions of labour. This separation is the prerequisite for the relationship of capital and wage labour in the same way as it is the prerequisite for the transformation of money (or of the commodities by which it is represented) into capital. Mill presupposes the separation, the division; he presupposes the relationship of capitalist and wage worker, in order to present as a matter of convenience the situation in which the worker sells no product, no commodity, but his share of the product (in the production of which he has no say whatsoever and which proceeds independently of him) before he has produced it. [XIV-794] Or, more precisely, the worker's share of the product is paid for—transformed into money—by the capitalist before the capitalist has disposed of, or realised, the product in which the worker has a share.

This view is aimed at circumventing the specific difficulty, along with the specific form of the relationship. Namely, the difficulty of the Ricardian system according to which the worker sells his labour directly (not his labour capacity). For: the value of a commodity is determined by the labour time required for its production; how does it happen that this law of value does not hold good in the greatest of all exchanges, which forms the foundation of capitalist production, the exchange between capitalist and wage worker? Why is the quantity of realised labour received by the worker as wages not equal to the quantity of immediate labour which he gives in exchange for his wages? To shift this difficulty, Mill transforms the wage worker into a commodity owner who sells the capitalist his product, his commodity—since his share of the product, of the commodity, is his product, his commodity, a value produced by him in the form of a particular commodity. He resolves the difficulty by transforming the transaction between capitalist and wage
worker, which includes the contradiction between realized and immediate labour, into a common transaction between commodity owners, owners of realized labour. Although by resorting to this artifice Mill has indeed made it impossible for himself to grasp the specific nature, the *differentia specifica* of the proceedings which take place between capitalist and wage worker, he has not reduced the difficulty in any way, but has increased it, because the peculiarity of the result is now no longer comprehensible in terms of the peculiarity of the commodity which the worker sells (and the specific feature of this commodity is that its use value is itself a factor of exchange value, its use therefore creates a greater exchange value then it itself contained).

According to Mill, the worker is a seller of commodities like any other. For example, he produces 6 yards of linen. Of these 6, 2 yards are assumed to be equal to the value of the labour which he has added. He thus sells 2 yards of linen to the capitalist. Why then should he not receive the full value of the 2 yards, like any other seller of 2 yards of linen, since he is now a seller of linen like any other? Rather the contradiction with the law of value now expresses itself much more crassly than before. He does not sell a particular commodity differing from all other commodities. He sells labour embodied in a product, that is, a commodity which as such is not specifically different from any other commodity. If now the price of a yard [of linen]—that is, the quantity of money containing the same amount of labour time as the yard [of linen]—is 2s., why then does the worker receive 1s. instead of 2? But if the worker received 2s., the capitalist would not secure any surplus value and the whole Ricardian system would collapse. We would have to return to profit upon expropriation. The 6 yards would cost the capitalist 12s., i.e. their value, but he would sell them for 13s.

Or linen, and any other commodity, is sold at its value when the capitalist sells it, but below its value when the worker sells it. Thus the law of value would be destroyed by the transaction between worker and capitalist. And it is precisely in order to avoid this that Mill resorts to his fictitious argument. He wants to transform the relationship between worker and capitalist into the ordinary one between sellers and buyers of commodities. But why should not the ordinary law of value of commodities apply to this transaction? [It may be said however that] the worker is paid "in advance". Consequently this is not after all the ordinary relationship of buying and selling commodities. What does this "payment in advance" mean in this context? The worker who, for example, is
paid weekly, "advances" his labour and produces the share of the weekly product which belongs to him—his weekly labour embodied in a product—(both according to Mill's assumption and in practice) before he receives "payment" for this share from the capitalist. The capitalist "advances" raw materials and instruments, the worker the "labour", and as soon as the wages are paid at the end of the week, he sells a commodity, his commodity, his share of the total commodity, to the capitalist. But, Mill will say, the capitalist pays the 2 yards of linen due to the worker, i.e. turns them into cash, transforms them into money, before he himself sells the 6 yards of linen and transforms them into money. But what if the capitalist is working on orders, if he sells the goods before he produces them? Or to express it more generally, what difference does it make to the worker—in this case the seller of 2 yards of linen—if the capitalist buys these 2 yards from him in order to sell them again, and not to consume them? Of what concern are the buyer's motives to the seller? And how can motives, moreover, modify the law of value? To be consistent, each seller would have to dispose of his commodities below their value, for he is disposing of his products to the buyer in the form of a use value, whereas the buyer hands over value in the form of money, the cash form of the product. In this case, the linen manufacturer would also have to underpay the yarn merchant and the machine manufacturer and the colliery owner and so on. For they sell him commodities which he only intends to transform into money, whereas he pays them "in advance" the value of the component parts entering into his commodity not only before the commodity is sold, but before it is even produced. The worker provides him with linen, a commodity in a marketable form, in contrast to other sellers whose commodities, machinery, raw materials, etc., have to go through a process before they acquire a saleable form. It is a pretty kettle of fish for such an inveterate Ricardian as Mill, according to whom purchase and sale, supply and demand are identical terms, and money a mere formality, if the transformation of the commodity into money—and nothing else takes place when the 2 yards of linen are sold to the capitalist—includes the fact that the seller has to sell the commodity below its value, and the buyer, with his money, has to buy it above its value.

[Mill's argument] therefore amounts to the absurdity that, in this transaction, the buyer buys the commodity in order to resell it at a profit and that, consequently, the seller must sell the commodity below its value—and with this the whole theory of value falls to the ground. This second attempt by Mill to resolve a Ricardian
contradiction, in fact destroys the whole basis of the system, especially its great merit that it defines the relationship between capital and wage labour as a direct exchange between hoarded and immediate labour, that is, that it grasps its specific features.

In order to extricate himself, Mill would have to go further and to say that it is not merely a question of the simple transaction of the purchase and sale of commodities; that, on the contrary, in so far as it involves payment or the turning into money of the worker's product, which is equal to his share of the total product, the relationship between worker and capitalist is similar to that prevailing between the lending capitalist or discounting capitalist (the monied capitalist) and the industrial capitalist. It would be a pretty state of affairs to presuppose interest-bearing capital—a special form of capital—in order to deduce the general form of capital, capital which produces profit; that is, to present a derived form of surplus value (which already presupposes capital) as the cause of the appearance of surplus value. In that case, moreover, Mill would have to be consistent and in place of all the definite laws concerning wages and the rate of wages elaborated by Ricardo, he would have to derive them from the rate of interest, and if he did that it would indeed be impossible to explain what determines the rate of interest, since, according to the Ricardians and all other economists worth naming, the rate of interest is determined by the rate of profit.

The proposition concerning the "share" of the worker in his own product is in fact based on this: If one considers not simply the isolated transaction between capitalist and worker, but the exchange which takes place between both in the course of reproduction, and if one considers the real content of this process instead of the form in which it appears, then it is in fact evident that what the capitalist pays the worker (as well as the part of capital which confronts the worker as constant capital) is nothing but a part of the worker's product itself and, indeed, a part which does not have to be transformed into money, but which has already been sold, has already been transformed into money, since wages are paid in money, not in naturalibus. Under slavery, etc., the false appearance brought about by the previous transformation of the product into money—in so far as it is expended on wages—does not arise; it is therefore obvious that what the slave receives as wages is not, in fact, something that the slave-owner "advances" him, but simply the portion of the realised labour of the slave that returns to him in the form of means of subsistence. The same applies to the capitalist. He "advances" something only in
appearance. Since he pays for the work only after it has been done, he advances or rather [XIV-796] pays the worker as wages a part of the product produced by the worker and already transformed into money. A part of the worker’s product which the capitalist appropriates, which is deducted beforehand, returns to the worker in the form of wages—as an advance on the new product, if you like. It is quite unworthy of Mill to cling to this appearance of the transaction in order to explain the transaction itself (this sort of thing might suit McCulloch, Say or Bastiat). The capitalist can advance the worker nothing except what he has taken previously from the worker, i.e. what has been advanced to him by other people’s labour. Malthus himself says that what the capitalist advances consists not “of cloth” and “other commodities”, but “of labour”, a that is, precisely of that which he himself does not perform. He advances the worker’s own labour to the worker.

However, the whole paraphrase is of no use to Mill, for it does not help him to avoid resolving the question: how can the exchange between hoarded and immediate labour (and this is the way the exchange process between capital and labour is perceived by Ricardo and by Mill and others after him) correspond to the law of value, which it contradicts directly? One can see from the following passage that it is of no help to Mill:

“In what proportion are the products divided between the labourer and the capitalist, or what share [of the labourer] determines the rate of wages? ([Mill, Éléments d’économie politique,] ed. by Parisot, p. 34). The determination of the shares of the labourer and the capitalist is the subject of a bargain between them. All bargains, when left in freedom, are determined by competition, and the terms alter according to the state of supply and demand” (i.e., [pp.] 34-35). b

The worker is paid for his “share” of the product. This is said in order to transform him into an ordinary seller of a commodity (a product) vis-à-vis capital and to eliminate the specific feature of this relationship. The worker’s share of the product is his product, that is, the share of the product in which his newly added labour is realised. Quod non. c On the contrary, we now ask which is his “share” of the product, that is, which is his product? For the part of the product which belongs to him is his product, which he sells. We are now told that his product and his product are two quite different things. We must establish, first of all, what his product (in other words, his share of the product, that is, the part

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a T. R. Malthus, The Measure of Value Stated and Illustrated..., pp. 17-18.—Ed.
b Marx quotes Mill with some alterations.—Ed.
c But this is not the case.—Ed.
of the product that belongs to him) is. His product is thus a mere phrase, since the [quantity of] value which he receives from the capitalist is not determined by his own production. Mill has thus merely removed the difficulty one step. He has got no farther than he was at the beginning.

There is a quid pro quo here. Supposing that the exchange between capital and wage labour is a continuous activity—as it is if one does not isolate and consider one individual act or element of capitalist production—then the worker receives a part of the value of his product which he has replaced—the part of the value which he has given the capitalist for nothing. This is repeated continuously. Thus he receives in fact continuously a portion of the value of his own product, a part of, or a share in, the value he has produced. Whether his wages are high or low is not determined by his share of the product but, on the contrary, his share of the product is determined by the amount of his wages. He actually receives a share of the value of the product. But the share he receives is determined by the value of labour, not conversely, the value of labour—by his share in the product. The value of labour is determined by the labour time required by the worker for his own reproduction; it is determined by the sale of his labour capacity to the capitalist. This virtually determines his share of the product as well. It does not happen the other way round, that his share of the product is determined first, and as a result, the amount or value of his wages. This is precisely one of Ricardo's most important and most emphasised propositions, for otherwise the price of labour would be determined by the price of the commodity it produces, whereas, according to Ricardo, the price of labour determines nothing but the rate of profit.

And how does Mill determine the "share" of the product which the worker receives? By demand and supply, competition between workers and capitalists. What Mill says applies to all commodities:

"The determination of the shares" (read: in the value of commodities) "of the labourer and the capitalist" (seller and buyer) "is the subject of a bargain between [XIV-797] them. All bargains, when left in freedom, are determined by competition, and the terms alter according to the state of supply and demand." a

Here we have the gist of the matter. b [This is said by] Mill who, as a zealous Ricardian, proves that although demand and supply can, to be sure, determine the vacillations of the market price

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a Marx quotes Mill with some alterations. Cf. this volume, p. 283.—Ed.
b In the manuscript: Also das des Pudels Kern! (Goethe, Faust, Act I, Scene 4, "Faust's Study").—Ed.
either above or below the value of the commodity, they cannot
determine that value itself, that these are meaningless words when
applied to the determination of value, for the determination of
demand and supply presupposes the determination of value! In
order to determine the value of labour, the value of a commodity,
Mill now resorts to something for which Say had already
reproached Ricardo\(^\text{14}\): determination by demand and supply.\(^a\)

But even more.

Mill does not say which of the two parties represents supply and
which demand—which is of no importance to the matter here. Still,
since the capitalist offers money and the worker offers something
for the money, we will assume that demand is on the side of the
capitalist and supply on that of the worker. But what then does
the worker "sell"? What does he supply? His "share" of the
product which does not [yet] exist? But it is just his share in the
future product which has to be determined by competition
between him and the capitalist, by the "demand and supply"
relationship. One of the sides of this relationship—supply—
cannot be something which is itself the result of the struggle
between demand and supply. What then does the worker offer for
sale? His labour? If this is so, then Mill is back again at the original
difficulty he sought to evade, the exchange between hoarded and
immediate labour. And when he says that what is happening here is
not the exchange of equivalents, or that the value of labour, the
commodity sold, is not measured by "the labour time" itself, but
by competition, by demand and supply, then he admits that
Ricardo's theory breaks down, that his opponents are right, that
the determination of the value of commodities by labour time is
false, because the value of the most important commodity, labour
itself, contradicts this law of value of commodities. As we shall see
later, Wakefield says this quite explicitly.\(^b\) Mill can turn and twist as
he will, he cannot extricate himself from the dilemma. At best, to
use his own mode of expression, competition causes the workers
to offer a definite quantity of labour for a price which, according to
the relation of demand and supply, is equal to a larger or smaller
part of the product which they will produce with this quantity of
labour. That this price, this sum of money, which they receive in this
way, is equal to a larger or smaller part of the value of the
product to be manufactured, does not, however, de prime abord,\(^c\) in

\(^{a}\) See this volume, pp. 290-93.—Ed.

\(^{b}\) Ibid., p. 371.—Ed.

\(^{c}\) Here: as a matter of course.—Ed.
any way prevent a *definite amount of living labour* (*immediate labour*) from being exchanged for a greater or lesser amount of *money* (*accumulated labour*, existing moreover in the form of exchange value). It does not therefore prevent the exchange of unequal quantities of labour, that is, of less *hoarded labour* for more *immediate labour*. This was precisely the phenomenon that Mill had to explain and he wished to clear the problem up without violating the law of value. The phenomenon is not changed in the slightest, much less explained, by declaring that the proportion in which the worker exchanges his *immediate labour* for money is *expressed* at the end of the production process in the ratio of the value paid him to the value of the product he has produced. The original *unequal* exchange between capital and *labour* thus only *appears* in a different form.

How Mill boggles at direct exchange between *labour* and capital—which Ricardo takes as his point of departure without any embarrassment at all—is also shown by the way he proceeds. Thus he says:

[XIV-798] “Let us begin by supposing that there is a certain number of capitalists and a certain number of labourers. The proportion in which the commodities produced are divided between them, has fixed itself at some particular point. Let us next suppose that the labourers have increased in number without any increase in the quantity of capital. The additional labourers must endeavour to supplant those who have forestalled the employment. They must offer to work for a smaller reward. Wages, therefore, decline ... and vice versa... If the ratio which capital and population bear to one another remains the same, the wage rate will remain the same” (i.e., p. 35 et seq. passim).

What has to be determined is “the proportion in which they” (capitalists and workers) “divide the product”. In order to establish this by competition, Mill *assumes* that this proportion “*has fixed itself at some particular point*”. In order to establish the “share” of the worker by means of competition, he *assumes* that it is determined *before* competition “*at some particular point*”. Moreover, in order to demonstrate how competition alters the division of the product which is *determined* “*at some particular point*”, he assumes that workers “*offer to work for a smaller reward*” when their number grows more rapidly than the quantity of capital. Thus he says here outright that what the workers supply consists of “*labour*” and that they offer this labour for a “*reward*”, i.e. money, a definite quantity of “*hoarded labour*”. In order to avoid direct exchange between labour and capital, direct *sale of labour*, he has recourse to the theory of the “division of the product”. And in order to explain the proportion in which the product is divided, he presupposes *direct sale* of labour for money,
so that this original exchange between capital and labour is later expressed in the proportion of [the share] the worker receives of his product, and not that the original exchange is determined by his share of the product. And finally, if the number of workers and the amount of capital remain the same, then the "wage rate" will remain the same. But what is the wage rate when demand and supply balance? That is the point which has to be explained. It is not explained by declaring that this rate is altered when the equilibrium between demand and supply is upset. Mill's tautological circumlocutions only demonstrate that he feels there is a snag here in the Ricardian theory which he can only overcome by abandoning the theory altogether.

Against Malthus, Torrens, and others. Against the determination of the value of commodities by the value of capital, Mill remarks correctly:

"Capital is commodities. If the value of commodities, then, depends upon the value of capital, it depends upon the value of commodities; the value of commodities depends upon itself"* (Elements etc., 1st ed. London, 1821, [p.] 74).

Demand, supply, overproduction. Mill does not gloss over the contradiction between capital and labour. The rate of profit must be high so that the social class which is free from immediate labour may be important; and for that purpose wages must be relatively low. It is necessary that the mass of the labourers should not be masters of their own time and should be slaves of their own needs, so that human (social) capacities can develop freely in the classes for which the working class serves merely as a basis. The working class represents lack of development in order that other classes can represent human development. This in fact is the contradiction in which bourgeois [XIV-799] society develops, as has every hitherto existing society, and this is declared to be a necessary law, i.e. the existing state of affairs is declared to be absolutely reasonable.

"Man's perfectibilité, or the power of advancing continually from one degree of knowledge, and of happiness, to another, seem, in a great measure, to depend upon the existence of a class of men which have their time at their command; that is, who are rich enough to be freed from all solicitude with respect to the means of living in a certain state of enjoyment. It is by this class of men that knowledge is cultivated and enlarged; it is also by this class that it is diffused; it is this class of men whose children receive the best education, and are prepared for all the higher and more delicate functions of society, as legislators, judges, administrators, teachers, inventors in all the arts, and superintendents in all the more important works, by which the dominion of the human species is extended over the powers of nature" (l.c., [Elémens d'économie politique, tr. by Parisot, Paris, 1823, p.] 65).

"To enable a considerable proportion of the community to enjoy the advantages of leisure, the return to capital must evidently be large" (l.c., [p.] 67).
In addition to the above. Mill, as a Ricardian, defines labour and capital simply as different forms of labour.

* “Labour and Capital—the one, immediate labour... the other, hoarded labour” *

In another passage he says:

“Of these two species of labour, [two things] are to be observed. They are not always paid according to the same rate” ([Éléments d'économie politique,] Ed. by Parisot, [p.] 100).

Here he comes to the point. Since what pays for immediate labour is always hoarded labour, capital, the fact that it is not paid at the same rate means nothing more than that more immediate labour is exchanged for less hoarded labour, and that this is “always” the case, since otherwise hoarded labour would not be exchanged as “capital” for immediate labour and would not only fail to yield the very high return desired by Mill, but would yield none at all. The passage quoted thus contains the admission (since Mill along with Ricardo regards the exchange between capital and labour as a direct exchange of hoarded and immediate labour), that they are exchanged in unequal proportions, and that in respect of them the law of value—according to which equal quantities of labour are exchanged for one another—breaks down.

Mill advances as a basic law what Ricardo actually assumes in order to develop his theory of rent:

“The rate of agricultural profits determines the rate of all other profits” ([Elements of Political Economy,] 2nd Ed., London, 1824, [p.] 78).b

This is fundamentally wrong, since capitalist production develops first of all in industry, not in agriculture, and only embraces the latter by degrees, so that it is only as a result of the advance of capitalist production that the agricultural profits become equalised to the industrial profits and only as a result of this equalisation do the former [influence] the latter. Hence it is in the first place wrong historically. But secondly, once this equalisation is an accomplished fact—that is, presupposing a level of development of agriculture in which capital, in accordance with the rate of profit, flows from industry to agriculture and vice versa—it is equally wrong to state that from this point on agricultural profits become the determining force, instead of the influence being reciprocal. Incidentally, in order to develop the concept of rent, Ricardo himself assumes the opposite. The price of corn rises; as a

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a See this volume, pp. 99-101.—Ed.
b Marx quotes Mill with some alterations.—Ed.
result agricultural profits do not fall (as long as there are no new supplies either from inferior lands or from additional, less productive investments of capital)—for the rise in the price of corn more than compensates the farmer for the loss he incurs by the rise in wages following on the rise in the price of corn—but profits fall in industry, where no such compensation or over-compensation takes place. Consequently the industrial profit rate falls and hence capital which yields this lower rate of profit can therefore be employed on inferior lands. This would not be the case if the old profit rate prevailed. Only because the decline of industrial profits thus reacts on the agricultural profit yielded by the worse lands, does agricultural profit generally fall, [XIV-800] and a part of it is detached in the form of rent from the profit the better soils yield. This is the way Ricardo describes the process, according to which, therefore, industrial profit determines agricultural profit. If agricultural profit were to rise again as a result of improvements in agriculture, then industrial profit would also rise. But this does not by any means exclude the fact that—as originally the decline in industrial profit causes a decline in agricultural profit—a rise in industrial profit may bring about a rise in agricultural profit. This is always the case when industrial profit rises independently of the price of corn and of other agricultural necessaries which enter into the wages of the workers, that is, [when it rises] as a result of the fall in the value of commodities which constitute constant capital, etc. Rent moreover cannot possibly be explained if industrial profit does not regulate agricultural profit. The average rate of profit in industry is established as a result of equalisation of the profits of capitals and the consequent transformation of the values into cost prices. These cost prices—the value of the capital advanced+average profit—are the prerequisite received by agriculture from industry, since the equalisation of profits cannot take place in agriculture owing to landownership. If then the value of agricultural produce is higher than the cost price determined by the industrial average profit would be, the excess of this value over the cost price constitutes the absolute rent. But in order that this excess of value over cost price can be measured, the cost price must be the prius; it must therefore be imposed on agriculture as a law by industry.

A passage from Mill must be noted:

"That which is productively consumed is always capital. This is a particularly strange property of productive consumption. Whatever is consumed productively is capital, and it becomes capital because of the consumption" (i.e., [Éléments d'économie politique,] Ed. by Parisot, [pp. 241-]242).
"A demand means the will to purchase and means of purchasing... The equivalent object" (means of purchasing) "which a man brings is the instrument of demand. The extent of his demand is measured by the value of this object. The demand and the equivalent are convertible terms, and one may be substituted for the other... His" (a man's) "will, therefore, to purchase, and his means of purchasing, in other words, his demand, is exactly equal to the [value] of what he has produced, and does not mean to consume" (i.e., Ed. by Parisot, [pp.] 252-53).a

One sees here how the direct identity of demand and supply (HENCE the impossibility of a GENERAL glut) is proved. The product constitutes demand and the extent of this demand, moreover, is measured by the value of the product. The same abstract "reasoning" with which Mill demonstrates that buying and selling are but identical and do not differ; the same tautological phrases with which he shows that prices depend on the amount of money in circulation; the same methods used to prove that supply and demand (which are only more developed forms of buyer and seller) must balance each other. The logic is always the same. If a relationship includes opposites, it comprises not only opposites but also the unity of opposites. It is therefore a unity without opposites. This is Mill's logic, by which he eliminates the "contradictions".

Let us begin with supply. What I supply is commodities, a unity of use value and exchange value, for example, a definite quantity of iron=£3 (which=a definite quantity of labour time). According to the assumption I am a manufacturer of iron. I supply a use value—iron—and I supply a value, namely, the value expressed in the price of the iron, that is, in £3. But there is the following little difference. A definite quantity of iron is in reality placed on the market by me. The value of the iron, on the other hand, exists only as its price which must first be realised by the buyer of the iron, who represents, as far as I am concerned, the demand for iron. The demand of the seller of iron consists in the demand for the exchange value of the iron, which, although it is embodied in the iron, is not realised. It is possible for the same exchange value to be represented by very different quantities of iron. The supply of use value and the supply of value to be realised are thus by no means identical, since quite different quantities of use value [XIV-801] can represent the same quantity of exchange value.

The same value—£3—can be represented by 1, 3 or 10 tons [of iron]. The quantity of iron (use value) which I supply and the quantity of value I supply, are by no means proportionate to one another, since the latter quantity can remain unchanged no matter how much the former changes. No matter how large or small the

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a Marx quotes Mill with some alterations.—Ed.
quantity of iron I supply may be, it is assumed that I always want to realise the value of the iron, which is independent of the actual quantity of iron and in general of its existence as a use value. The value supplied (but not yet realised) and the quantity of iron which is realised, do not correspond to each other. No grounds exist therefore for assuming that the possibility of selling a commodity at its value corresponds in any way to the quantity of the commodity I bring to market. For the buyer, my commodity exists, above all, as use value. He buys it as such. But what he needs is a definite quantity of iron. His need for iron is just as little determined by the quantity produced by me as the value of my iron is commensurate with this quantity.

It is true that the man who buys has in his possession merely the converted form of a commodity—money—the commodity in the form of exchange value, and he can act as a buyer only because he or others have earlier acted as sellers of commodities which now exist in the form of money. This, however, is no reason why he should reconvert his money into my commodity or why his need for my commodity should be determined by the quantity of it that I have produced. In so far as he demands my commodity, he may want either a smaller quantity than I supply, or the entire quantity, but below its value. His demand does not have to correspond to my supply any more than the quantity I supply and the value at which I supply it are identical.

However, the inquiry into demand and supply does not belong here.

In so far as I supply iron, I do not demand iron, but money. I supply a particular use value and demand its value. My supply and demand are therefore as different as use value and exchange value. In so far as I supply a value in the iron itself, I demand the realisation of this value. My supply and demand are thus as different as something conceptual is from something real. Further, the quantity I supply and its value stand in no proportion to each other. The demand for the quantity of use value I supply is however measured not by the value I wish to realise, but by the quantity which the buyer requires at a definite price.

Yet another passage from Mill:

"It is evident, that each man contributes to the general supply the whole of what he has produced and does not mean to consume. In whatever shape any part of the annual produce has come into his hands, if he proposes to consume no part of it himself, he wishes to dispose of the whole; and the whole, therefore, becomes matter of supply: if he consumes a part, he wishes to dispose of all the rest, and all the rest becomes matter of supply" (I.c., p. 253).
In other words, this means nothing else but that all commodities placed on the market constitute supply.

"As every man's demand, therefore, = that part of the annual produce, or, in other words, = that part of the wealth, which he has to dispose of." a

// Halte là! b His demand is equal to the value (when it is realised) of the portion of products which he wants to dispose of. What he wants to dispose of is a certain quantity of use value; what he wishes to have is the value of this use value. Both things are anything but identical. //

"and each man's supply is exactly the same thing", //by no means; his demand does not consist in what he wishes to dispose of, i.e. the product, but in the demand for the value of this product; on the other hand, his supply really consists of this product, whereas the value is only conceptually supplied //

"the supply and demand of every individual are of necessity equal" [pp. 253-54].

(That is, the value of the commodity supplied by him and the value which he asks for it but does not possess are equal; provided he sells the commodity at its value, the value supplied (in the form of commodity) and the value received (in the form of money) are equal. But it does not follow that, because he wants to sell the commodity at its value, he actually does so. A quantity of commodities is supplied by him, and is on the market. He tries to get the value for it.)

"Demand and supply are terms [XIV-802] related in a peculiar manner. A commodity which is supplied, is always, at the same time, a commodity which is the instrument of demand. A commodity which is the instrument of demand, is always, at the same time, a commodity added to the stock of supply. Every commodity is always at one and the same time matter of demand and matter of supply. Of two men who perform an exchange, the one does not come with only a supply, the other with only a demand; the supply which he brings is the instrument of his demand; and his demand and supply are of course exactly equal to one another. But if the demand and supply of every individual are always equal to one another, then the demand and supply of all the individuals in the nation, taken aggregately, must be equal. Whatever, therefore, be the amount of the annual produce, it never can exceed the amount of the annual demand. The whole of the annual produce is divided into a number of shares equal to that of the people to whom it is distributed. The whole of the demand is equal to as much of the whole of the shares as the owners do not keep for their own consumption. But the whole of the shares is equal to the whole of the annual produce" (I.e., [pp.] 254-55).

Once Mill has assumed that supply and demand are equal for each individual, then the whole long-winded excursus to the effect

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a Marx quotes Mill with some alterations.— Ed
b Stop! — Ed
that supply and demand are also equal for all individuals, is quite superfluous.

How Mill was regarded by contemporary Ricardians can be seen, for instance, from the following:

"There is thus at least one case" //they say with regard to Mill's definition of the value of labour// "in which the price" (the price of labour) "is permanently determined by supply and demand relations" (Prévost, Réflexions [du traducteur] sur le système de Ricardo, appended to Discours sur [l'origine, les progrès, les objets particuliers, et l'importance de] l'économie politique, by McCulloch, translated by G-me Prévost, Geneva, [Paris,] 1825, [p.] 187).a

In the work cited, McCulloch says that Mill's object is

"to give a strictly logical deduction of the principles of political economy" (p. 88). Mill "touches on almost every topic of discussion. He has disentangled and simplified the most complex and difficult questions, has placed the various principles which compose the science in their natural order" (i.e.).

One can conclude from his logic that he takes over the quite illogical Ricardian structure, which we analysed earlier, and naively regards it on the whole as a "natural order".

As far as the above-mentioned Prévost is concerned, who made Mill's exposition of the Ricardian system the basis of his Réflexions etc., a number of his objections are founded on sheer, callow misunderstanding of Ricardo.

But the following remark about rent is noteworthy:

"One may entertain a doubt about the influence of inferior land on the determination of prices, if one bears in mind, as one should, its relative area" (Prévost, I.e., p. 177).

Prévost cites the following from Mill, which is also important for my argument, since Mill himself here thinks of one example where differential rent arises because the new demand, the additional demand, is supplied by a better, not by a worse soil, consequently, the ascending line.

"Mr. Mill uses this comparison: 'Suppose that all the land cultivated in the country were of one uniform quality, and yielded the same return to every portion of the capital employed upon it, with the exception of one acre; that acre, we shall suppose, yields six times as much as any other acre'" (Mill, Elements etc., 2nd Ed., p. 71). "It is certain—as Mr. Mill demonstrates—that the farmer who rents this last acre, cannot increase his rent" (that is, cannot make a higher profit than the other farmers; it is very badly expressed) "and that five-sixths of the product will go to the landowner."

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a This and the following passages from Prévost and McCulloch's Discours... are quoted in French in the manuscript. Below, in analysing Prévost's views, Marx uses quite a few French expressions.—Ed.


c Ibid., pp. 461-62, 489, 522-25.—Ed.
(Thus there is here differential rent without the lowering of the rate of profit and without any increase in the price of agricultural products.) (This must happen all the more frequently, since the situation [XIV-803] must improve continuously with the industrial development of the country, the growth of its means of communication and the increase in population, irrespective of the natural fertility, and the relatively better location has the same effect as [greater] natural fertility.)

"But had the ingenious author thought of making a similar supposition in the opposite case, he would have realised that the result would be different. Let us suppose that all the land was of equal quality with the exception of one acre of inferior land. The profit on the capital on this single acre amounted to one-sixth of the profit yielded by every other acre. Does he believe that the profit on several million acres would be reduced to one-sixth of their accustomed level? It is probable that this solitary acre would have no effect at all, because the various products (particularly corn), when they come onto the market, would not be markedly affected by such a minute amount. That is why we say that the assertions of Ricardo's supporters about the effect of inferior soil should be modified by taking the relative areas of land of different quality into account" (Prévost, l.c., [pp.] 177-78).

//Say, in his notes to Ricardo's book translated by Constancio, makes only one correct remark about foreign trade. Profit can also be made by cheating, one person gaining what the other loses. Loss and gain within a single country cancel each other out. But not so with trade between different countries. And even according to Ricardo's theory, 3 days of labour of one country can be exchanged against one of another country—a point not noted by Say. Here the law of value undergoes essential modification. The relationship between working days of different countries may be similar to that existing between skilled, composed labour and unskilled, simple [labour] within a country. In this case, the richer country exploits the poorer one, even where the latter gains by the exchange, as John Stuart Mill explains in his Some Unsettled Questions etc.//

"We admit that, in general, the rate of agricultural profit determines that of industrial profit. But at the same time we must point out that the latter also reacts of necessity on the former. If the price of corn rises to a certain point, industrial capitals turn to agriculture, and necessarily depress agricultural profits" (Prévost, l.c., [p.] 179).

The point is correct, but is conceived in a much too limited sense. See above.

The Ricardians insist that profit can fall only as a result of a rise in wages, because necessaries rise in price with [the growth of]
population; this, however, is a consequence of the accumulation of capital, since inferior soils are cultivated as a result of this accumulation. But Ricardo himself admits that profits can also fall when capitals increase faster than population, when the competition of capitals causes wages to rise. This [corresponds to] Adam Smith's theory.\textsuperscript{a} Prévost says:

“When the growing demand of the capitals increases the price of the labourer, that is, wages, does it not then appear that there are no grounds for asserting that the growing supply of these selfsame capitals never causes the price of capitals, in other words, profit, to fall?” (l.c., [p.] 188).

Prévost builds on the false Ricardian foundation—which can only explain falling profits as a result of decreasing surplus value, and therefore decreasing surplus labour, and consequently as a result of greater value or rising cost of the necessities consumed by the labourer, that is, increasing value of labour, although the real retribution of the labourer, instead of being ascending, declines—on this basis he seeks to prove that a continual decline in profits is not inevitable. He says first:

“To begin with, the state of prosperity increases profits”

(namely, agricultural profits, for the population increases with the state of prosperity, hence the demand for agricultural produce, hence surplus profits of the farmer)

“and this happens long before new land is taken into cultivation. The increased area under cultivation does indeed affect rent and decreases profits. But although profit is thus directly decreased, it still remains as high as before the advance... Why is the cultivation of land of inferior quality undertaken at certain times? It is undertaken in the expectation of a profit which is at least equal to the customary profit. And what circumstance can lead to the realisation of such a profit on this kind of land? Increase [XIV-804] of population. It presses on ... the existing means of subsistence, thereby raising the prices of food (especially of corn) so that agricultural capitals obtain high profits. The other capitals pour into agriculture, but since the soil is limited in area, this competition has its limits and the point is reached when even higher profits can be made than in trade or manufacture through the cultivation of inferior soils. If there is a sufficient area of inferior land available, then agricultural profit must be adjusted to the last capitals applied to the land. If one proceeds from the rate of profit prevailing at the beginning of the increasing prosperity" (division of profit into profit and rent), “then it will be found that profit has no tendency to decline. It rises with the increase in the population until agricultural profit rises to such a degree that it can suffer a considerable reduction (as a result of the cultivation of new land) without ever sinking below its original rate, or, to be more precise, below the average rate determined by various circumstances” ([pp.] 190-92).

Prévost obviously misunderstands the Ricardian view. As a result of prosperity, the population increases, hence the prices of agriculture-
AL PRODUCTS, HENCE AGRICULTURAL PROFITS. (Although it is not easy to see why, if this rise is constant, rents should not be increased after the leases run out and [why] these AGRICULTURAL SURPLUS PROFITS should not be collected in the form of rent even before the inferior land is cultivated.) But the same rise in [the price of] AGRICULTURAL PRODUCE which causes AGRICULTURAL PROFITS to go up, increases wages in all INDUSTRIES and consequently brings about a fall in INDUSTRIAL PROFITS. Thus a new rate of profit arises in industry. If at the existing market prices the inferior lands even pay only this LOWER RATE OF PROFIT, capitals can be transferred to the inferior land. They will be attracted to it by the high AGRICULTURAL PROFITS and the high market price of corn. As Prévost says, they may, before a sufficient amount of capital has been transferred, even yield higher profits than the INDUSTRIAL PROFIT, which has declined. But as soon as the ADDITIONAL SUPPLY is adequate, the market price falls, so that the inferior soils only yield the ORDINARY INDUSTRIAL PROFIT. The additional amount yielded by the product of the better [soils] is converted into rent. This is the Ricardian conception, whose basic premisses are accepted by Prévost and from which he reasons. Corn is now dearer than it was before the rise in AGRICULTURAL PROFIT. But the SURPLUS PROFIT which it brought the farmer is transformed into rent. In this way, therefore, profit also declines on the better land to the LOWER RATE OF INDUSTRIAL PROFIT brought about by the rise in [the price of] AGRICULTURAL PRODUCE. There is no reason for assuming that as a consequence profits do not have to fall below their "original rate" if no other modifying circumstances intervene. Other circumstances may, of course, intervene. According to the assumption, after the rise in [the price of] NECESSARIES, AGRICULTURAL PROFIT is in any case higher than INDUSTRIAL profit. If, however, as a result of the development of productive power, the part of the workers' necessaries supplied by industry has fallen to such a degree that wages (even though they are paid at their AVERAGE VALUE) do not rise as much as they would have done without the intervention of these paralysing circumstances, proportionally to the increased [price of] AGRICULTURAL PRODUCE; if, furthermore, the same development of productive power has reduced the price of the products of the extractive industries, ditto of AGRICULTURAL RAW MATERIALS which are not used as food (although the supposition is not very likely), INDUSTRIAL PROFIT need not fall, though it would be lower than AGRICULTURAL PROFIT. A decline of the latter as a result of a TRANSFER OF CAPITAL TO AGRICULTURE and the building-up of rent, [XIV-805] would only restore the old rate of PROFIT.

Prévost tries a different approach.
"Soils of inferior quality ... are only put into cultivation if they yield profits as high as—or even higher than—the profit yielded by industrial capitals. Under these conditions, the price of corn or of other agricultural products often remains very high despite the newly cultivated land. These high prices press on the working population, since rises in wages do not correspond exactly to rises in the prices of the goods used by wage workers. They are more or less a burden to the whole population, since nearly all commodities are affected by the rise in wages and in the prices of essential goods. This general pressure, linked with the increasing mortality brought about by too large a population, results in a decline in the number of wage workers and, consequently, in a rise in wages and a decline in agricultural profits. Further development now proceeds in the opposite direction to that taken previously. Capitals are withdrawn from the inferior soils and reinvested in industry. But the population principle soon begins to operate once again. As soon as poverty has been ended, the number of workers increases, their wages decline, and profits rise as a consequence. Such fluctuations follow one another repeatedly without bringing about a change in the average of profit. Profit may decline or rise for other reasons or as a result of these causes; it may alternately go up and down, and yet it may not be possible to attribute the average rise or fall to the necessity for cultivating new soils. The population is the regulator which establishes the natural order and keeps profit within certain limits" (I.e., [pp.] 194-96).

Although confused, this is correct according to the "population principle". It is however not in line with the assumption that agricultural profits rise until the ADDITIONAL SUPPLY required by the population has been produced. If this presupposes a constant increase in the prices of AGRICULTURAL PRODUCE, then it leads not to a decrease in population, but to a GENERAL LOWERING OF THE RATE OF PROFIT, HENCE OF ACCUMULATION, and, consequently, to a DECREASE OF POPULATION. According to the Ricardian-Malthusian view, the population would grow more slowly. But Prévost's basis is: that the process would depress wages below their AVERAGE level, this fall in wages and the poverty of the workers causes the price of corn to fall and HENCE profits to rise again.

This latter argument, however, does not belong here, for here it is assumed that the VALUE OF LABOUR is always paid; that is, that the workers receive the means of subsistence necessary for their reproduction.

This [exposition] of Prévost is important, because it demonstrates that the Ricardian view—along with the view he adopted from Malthus—can indeed explain fluctuations in the rate of profit, but cannot explain (constant) falls in the same without repercussions, for upon reaching a certain level the rise in corn prices and the drop in profit would force wages below their level.
bringing about a violent decrease in the population, and therefore a fall in the prices of corn and other necessaries, and this would lead again to a rise in profits.

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[XIV-806] 3) POLEMICAL WRITINGS

The period between 1820 and 1830 is metaphysically speaking the most important period in the history of English political economy—theoretical tilting for and against the Ricardian theory, a whole series of anonymous polemical works, the most important of which are quoted here, especially in relation to those matters which concern our subject. At the same time, however, it is a characteristic of these polemical writings that all of them, in actual fact, merely revolve around the definition of the concept of value and its relation to capital.

a) Observations on Certain Verbal Disputes in Political Economy, Particularly Relating to Value, and to Demand and Supply, London, 1821

This is not without a certain acuteness. The title Verbal Disputes is characteristic. Directed in part against Smith and Malthus, but also against Ricardo. The real sense of this work is that

* "disputes ... are entirely owing to the use of words in different senses by different persons; to the disputants looking, like the knights in the story, at different sides of the shield" * ([pp.] 59-60).

This kind of scepticism always heralds the dissolution of a theory, it is the harbinger of a frivolous and unprincipled eclecticism designed for domestic use.

First of all in relation to Ricardo's theory of value:

* "There is an obvious difficulty in supposing that labour is what we mentally allude to, when we talk of value or [of] real price, as opposed to nominal price; for we often want to speak of the value or price of labour itself. Where by labour, as the real price of a thing, we mean the labour which produced the thing, there is another difficulty besides; for we often want to speak of the value or price of land, but land is not produced by labour. This definition, then, will only apply to commodities" * (l.c., [p.] 8).

As far as labour is concerned, the objection to Ricardo is correct in so far as he presents capital as the immediate purchaser of
labour and consequently speaks directly of the value of labour, while what is bought and sold is the temporary use of labour capacity, itself a product. Instead of the problem being resolved, it is only emphasised here that a problem remains unsolved.

It is also quite correct that "THE VALUE OR PRICE OF LAND", which is not produced by labour, appears directly to contradict the concept of value and cannot be derived directly from it. This proposition is [all the more] insignificant when used against Ricardo, since its author does not attack Ricardo's theory of rent in which precisely Ricardo sets forth how the nominal value of land is evolved on the basis of capitalist production and does not contradict the definition of value. The value of land is nothing but the price which is paid for capitalised rent. Much more far-reaching developments have therefore to be presumed here than can be deduced prima facie from the simple consideration of the commodity and its value, just as from the simple concept of productive capital one cannot evolve fictitious capital,85 the object of gambling on the stock exchange, which is actually nothing but the selling and buying of entitlement to a certain part of the annual tax revenue.

The second objection—that Ricardo transforms value, which is a relative concept, into an absolute concept—is made the chief point of the attack on the whole Ricardian system in another polemical work (written by Bailey), which appeared later. In considering this latter work, we will also cite relevant passages from the Observations.a

A very pertinent observation about the source from which capital, which pays labour, arises, is contained in an incidental remark unconsciously made by the author, who on the contrary wants to use it to prove what is said in the following sentence not underlined [by me], namely, that the supply of labour itself constitutes a check on the tendency of labour to sink to its natural price.

* "An increased supply of labour is an increased supply of that which is to purchase labour. If we say, then, with Mr. Ricardo, that labour is at every moment tending to what he calls its natural price, we must only recollect, that the increase made in its supply, in order to tend to that, is itself one of the causes of [the] countering power, which prevents the tendency from being effectual" * (l.c., [pp.] 72-73).

No analysis is possible unless the average price of labour, i.e., the value of labour, is made the point of departure; just as little would it be possible if one failed to take the value of commodities in general

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a See this volume, pp. 312-20, 324.—Ed.
b Ibid., pp. 35-40.—Ed.
as the point of departure. Only on this basis is it possible to understand the real phenomena of price fluctuations.

[XIV-807] *"It is not meant to be asserted by him" (Ricardo), "that two particular lots of two different articles, as a hat and a pair of shoes, exchange with one another when those two particular lots were produced by equal quantities of labour. By 'commodity' we must here understand 'description of commodity', not a particular individual hat, pair of shoes, etc. The whole labour which produces all the hats in England is to be considered, to this purpose, as divided among all the hats. This seems to me not to have been expressed at first, and in the general statements of this doctrine"* (i.e., [pp.] 53-54). For example, Ricardo speaks of "A PORTION OF [the] LABOUR OF THE ENGINEER IN MAKING MACHINES" contained, for instance, in a pair of stockings.a *"Yet the 'total labour' that produced each single pair of stockings, if it is of a single pair we are speaking, includes the whole labour of the engineer, not a 'portion'; for one machine makes many pairs, and none of those pairs could have been done without any part of the machine"* (i.e., [p.] 54).

The last passus is based on a misunderstanding. The whole machine enters into the labour process, but only a part of it enters the valorisation process.

Apart from this, some things in the remark are correct.

We start with the commodity, this specific social form of the product, as the foundation and prerequisite of capitalist production. We take individual products and analyse those distinctions of form which they have as commodities, which stamp them as commodities. In earlier modes of production—preceding capitalist production—a large part of the output never enters into circulation, is never placed on the market, is not produced as commodities, and does not become commodities. On the other hand, at that time a large part of the products which enter into production are not commodities and do not enter into the process as commodities. The transformation of products into commodities only occurs in individual cases, is limited only to the surplus of production, etc., or only to individual spheres of production (manufactured products), etc. A whole range of products neither enter into the process as articles to be sold, nor arise from it as such. Nevertheless, the prerequisite, the starting-point, of the formation of capital and of capitalist production is the development of the product into a commodity, commodity circulation and consequently money circulation within certain limits, and consequently trade developed to a certain degree. It is as such a prerequisite that we treat the commodity, since we proceed from it as the simplest element in capitalist production. On the other hand, the product, the result of capitalist production, is the

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commodity. What appears as its element is later revealed to be its own product. Only on the basis of capitalist production does the commodity become the general form of the product and the more this production develops, the more do the products in the form of commodities enter into the process as ingredients. The commodity, as it emerges in capitalist production, is different from the commodity taken as the element, the starting-point of capitalist production. We are no longer faced with the individual commodity, the individual product. The individual commodity, the individual product, manifests itself not only as a real product but also as a commodity, as a \textit{part} both really and conceptually of production as a whole. Each individual commodity [represents] a definite portion of capital and of the surplus value created by it.

The value of the capital advanced+the surplus labour appropriated, for example, a value of £120 (if £100 is the capital and the surplus labour=£20), is, as far as its value is concerned, contained in the total product, let us say, in 1,200 yards of cotton. Each yard=$\frac{£120}{1,200} = \frac{1}{10}$ of £1=2s. It is not the individual commodity which appears as the result of the process, but the mass of the commodities in which the value of the total capital has been reproduced+a surplus value. The total value produced divided by the number of products determines the value of the individual product and it becomes a commodity only as such an aliquot part. It is no longer the labour expended on the individual particular commodity (in most cases, it can no longer be calculated, and may be greater in the case of one commodity than in that of another) but a proportional part of the total labour—the average of the total value [divided] by the number of products—determines the value of the individual product and establishes it as a commodity. Consequently, the total mass of commodities must also be sold, each commodity at its value, determined in this way, in order to replace the total capital together with a surplus value. If only 800 out of the 1,200 yards were sold, then the capital would not be replaced, still less would there be a profit. But each yard would also have been sold below its value, for its value is determined not in isolation but as an aliquot part of the total product.

\[ \text{[XIV-808]} \] *"If you call labour a commodity, it is not like a commodity which is first produced in order to exchange, and then brought to market where it must exchange with other commodities according to the respective quantities of each which there may be in the market at the time; labour is \textit{created} at the moment it is brought to market; nay, it is brought to market before it is created"* (I.e., [pp.] 75-76).
What is in fact brought to market is not labour, but the labourer. What he sells to the capitalist is not his labour but the temporary use of himself as a working power. This is the immediate object of the contract which the capitalist and the worker conclude, the purchase and sale which they transact.

Where payment is for piece-work, task-work, instead of according to the time for which the labour capacity is placed at the disposal of the employer, this is only another method of determining the time. It is measured by the product, a definite quantity of products being considered as a standard representing the socially necessary labour time. In many branches of industry in London where task-work is the rule, payment is thus made by the hour, but disputes often arise as to whether this or that piece of work constitutes "an hour" or not.

Irrespective of the individual form, it is the case not only with regard to task-work, but generally, that, although labour capacity is sold on definite terms before its use, it is only paid for after the work is completed, whether it is paid daily, weekly, etc. Here money becomes the means of payment after it has served previously as an abstract means of purchase, because the nominal transfer of the commodity to the buyer is distinct from the actual transfer. The sale of the commodity—labour capacity—the legal transfer of the use value and its actual alienation, do not occur at the same time. The realisation of the price therefore takes place later than the sale of the commodity (see the first part of my book, p. 122). It can also be seen that here it is the worker, not the capitalist, who does the advancing, just as in the case of the renting of a house, it is not the tenant but the landlord who advances use value. The worker will indeed be paid (or at least he may be, if the goods have not been ordered beforehand and so on) before the commodities produced by him have been sold. But his commodity, his labour capacity, has been consumed industrially, has been transferred into the hands of the buyer, the capitalist, before he, the worker, has been paid. And it is not a question of what the buyer of a commodity wants to do with it, whether he buys it in order to retain it as a use value or in order to sell it again. It is a question of the direct transaction between the first buyer and seller.

* "In different stages of society, the accumulation of capital, or [of] the means of employing labour, is more or less rapid, and must in all cases depend on the

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productive powers of labour. The productive powers of labour are generally greatest where there is an abundance of fertile land"* (Ricardo, [On the Principles of Political Economy,] 3RD ED., [London,] 1821, [p. ] 92)."a

The following remark on this passage of Ricardo's:

*"If, in the first sentence, the productive powers of labour mean the smallness of that aliquot part of any produce that goes to those whose manual labour produced it, the sentence is nearly identical, because the remaining aliquot part is the fund whence capital can, if the owner pleases, be accumulated"* [l.c.]

(This is a tacit admission that from the standpoint of the capitalist *"productive powers of labour mean the smallness of that aliquot part of any produce that goes to those whose manual labour produced it".* This sentence is very nice.)

*"But then this does not generally happen where there is most fertile land."*

(This is silly. Ricardo presupposes capitalist production. He does not investigate whether it develops more freely with fertile or relatively unfertile land. Where it exists, it is most productive where land is most fertile. Just as the social productive forces, the natural productive powers of labour, that is, those labour finds in inorganic nature, appear as the productive POWER of capital. Ricardo himself, in the passage cited above, rightly identifies productive powers of labour with labour productive of capital, productive of the wealth that commands labour, not of the wealth that belongs to labour. His expression, "CAPITAL, OR THE MEANS OF EMPLOYING LABOUR", is, in fact, the only one in which he grasps the real nature of capital.86 He himself is so much the prisoner of a [XIV-809] capitalist standpoint that this conversion, this quid pro quo, is for him a matter of course. The objective conditions of labour—created, moreover, by labour itself—RAW MATERIALS AND WORKING INSTRUMENTS, ARE NOT MEANS EMPLOYED BY LABOUR AS ITS MEANS, BUT, ON THE CONTRARY, THEY ARE THE MEANS OF EMPLOYING LABOUR. They are not employed by labour; they employ labour. For them labour is a means by which they are accumulated as capital, not a means to provide products, WEALTH for the worker.)

*"It does in North America, but that is an artificial state of things"* (that is, A CAPITALISTIC STATE OF THINGS). *"It does not in Mexico. It does not in New Holland."b The productive powers of labour are indeed, in another sense, greatest where there is much fertile land, viz. the power of man, if he chooses it, to raise much raw produce in proportion to the whole labour he performs. It is, indeed, a gift of nature, that men can raise more food than the lowest quantity that they could maintain and keep up the population on"*;

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a Here and below (pp. 303, 304) cf. present edition, Vol. 30, p. 254.— Ed.
b Old name of Australia.— Ed.
(This is the basis of the doctrine of the Physiocrats. The physical
basis of surplus value is this "gift of nature", most obvious in
agricultural labour, which originally satisfied nearly all human
needs. It is not so in manufacturing labour, because the product
must first be sold as a commodity. The Physiocrats, the first to
analyse surplus value, understand it in its natural form.)

*"but 'surplus produce' (the term used by Mr. Ricardo, p. 93), generally means
the excess of the whole price of a thing above that part of it which goes to the
labourers who made it;"*

(the fool does not see that where the land is fertile, the part of
the price of the produce that goes to the labourer, although that part
[may] be small, buys a sufficient quantity of necessaries; the part that goes
to the capitalist is greatest):

*"a point which is settled by human arrangement, and not fixed"* (i.e.,
[Observations on Certain Verbal Disputes..., pp.] 74-75).

If the last, concluding passus has any meaning at all, it is that
"surplus produce" in the capitalist sense must be strictly distin-
guished from the productivity of industry as such. The latter is of
interest to the capitalist only in so far as it realises profit for him.
Therein lies the narrowness and limitation of capitalist production.

*"When the demand for an article exceeds that which is, with reference to the
present rate of supply, the effectual demand; and when, consequently, the price
has risen, either additions can be made to the rate of supply at the same rate of
cost of production as before; in which case they will be made till the article is
brought to exchange at the same rate as before with other articles: or, secondly, no
possible additions can be made to the former rate of supply: and then the price,
which has risen, will not be brought down, but continue to afford, as Smith says, a
greater rent, or profits, or wages (or all three), to the particular land, capital, or
labour, employed in producing the article, or, thirdly, the additions which can be
made will require proportionally more land, or capital, or labour, or all three, than
were required for the periodical production"* (note these words) "of the amount
previously supplied. Then the addition will not be made till the demand is strong
enough, 1) to pay this increased price for the addition; 2) to pay the same
increased price upon the old amount of supply. For the person who has produced
the additional quantity will be no more able to get a high price for it than those
who produced the former quantity... There will then be surplus profits in this
trade... The surplus profits will be either in the hands of some particular producers
only... or, if the additional produce cannot be distinguished from the rest, will be a
surplus shared by all... People will give something to belong to a trade in which
such surplus profits can be made... What they so give, is rent"* (p. 79 et seq.).

Here, one need only say that in this book rent is for the first
time regarded as the general form of consolidated surplus profit.

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b See A. Smith, An Inquiry into the Nature and Causes of the Wealth of Nations,
Book I, Ch. VII.—Ed.
"Conversion of revenue into capital' is another of these verbal sources of controversy. One man means by it, that the capitalist lays out part of the profits he has made by his capital, in making additions to his capital, instead of spending it for [his] private use, as he might else have done: another man means by it, that a person lays out as capital something which he never got as profits, or any capital of his own, but received as rent, wages, salary" *(I.c., [pp.] 83-84).

This last passage—"ANOTHER OF THESE VERBAL SOURCES OF CONTROVERSY. ONE MAN MEANS BY IT ... ANOTHER MAN MEANS BY IT..."—testifies to the method used by this smart-alec.

b) An Inquiry into those Principles, 
Respecting the Nature of Demand and the Necessity of Consumption, 
lately Advocated by Mr. Malthus etc., London, 1821

[A] Ricardian [work]. Good against Malthus. Demonstrates the infinite narrow-mindedness to which the clairvoyance of these fellows is reduced as soon as they examine not LANDED PROPERTY, but capital. Nevertheless, it is one of the best of the polemical works of the decennium mentioned.

"If the capital employed in cutlery is increased as 100:101, and can only produce an increase of cutlery in the same proportion, the degree in which it will increase the command which its producers have over things in general, no increased production of them having by the supposition taken place, will be in a less proportion; and this, and not the increase of the quantity of cutlery, constitutes the employers' profits or the increase of their wealth. But if the like addition of 1% had been making at the same time to the capitals of all other trades, and with the like result as to produce, this [conclusion] would not follow: for the rate at which each article would exchange with the rest would remain unaltered, and therefore a given portion of each would give the same command as before over the rest" *(I.c., [p.] 9).

D'abord,* if there has been no increase of production (and of the capital devoted to production) except in the CUTLERY TRADE, as is assumed, then the RETURN will not be "IN A LESS PROPORTION", but *an absolute loss. There are then only three courses open to the cutlery monger. Either he must exchange his increased produce as he would have done his less produce, and so his increased production would result in a positive loss. Or he must try to get new consumers; if amongst the old circle, this could only be done by withdrawing customers from another trade and shifting his loss upon other shoulders; or he must enlarge his market beyond his former limits; but neither the one nor the other operation depends on his good will, nor on the mere existence of an

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* First of all.—Ed.
increased quantity of knives. Or, in the last instance, he must carry over his production to another year and diminish his new supply for that year, which, if his addition of capital did exist not only in additional wages, but in additional fixed capital, will equally result in a loss.

Furthermore: If all other capitals have accumulated at the same rate, it does not follow at all that their production has increased at the same rate. But if it has, it does not follow that they want one per cent more of cutlery, as their demand for cutlery is not at all connected, either with the increase of their own produce, or with their increased power of buying cutlery.* What follows is merely the tautology: If the increased capital used in each particular trade is *proportionate to the rate in which the wants of society increase the demand for each particular commodity, then the increase of one commodity secures a market for the increased supply of other commodities.*

Here, therefore, is presupposed: 1) capital*ist production, in which the production of each particular trade and its increase are not immediately regulated by the wants of society, and [XIV-811] controlled by it, but by the productive forces at the disposal of each individual capitalist, independent of the wants of society;

2) It is assumed that nevertheless production is *proportional* [to the requirements] as though capital were employed in the different trades directly by society in accordance with its needs.

On this assumption—if capitalist production were entirely socialist production—a *contradictio in adjecto*—no overproduction could, in fact, occur.

By the way, in the various trades in which the same accumulation of capital takes place //and this too is an unfortunate assumption that capital accumulates *at an equal rate in different trades*/, the amount of products corresponding to the increased capital employed may vary greatly, since the productive powers in the different trades or the total use values produced in relation to the labour employed differ considerably. The same value is produced in both cases, but the quantity of commodities in which it is represented is very different. It is quite incomprehensible, therefore, why trade A, because the value of its output has increased by 1% while the mass of its products has grown by 20%, must find a market in trade B where the value has likewise increased by 1%, but the quantity of its output only by 5%. Here,

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* Literally: a contradiction in terms; here: logical absurdity, nonsense.—Ed.
the author has failed to take into consideration the difference between use value and exchange value.

Say's earth-shaking discovery that "commodities can only be bought with commodities"\(^a\) simply means that money is itself the converted form of the commodity. It does not prove by any means that because I can buy only with commodities, I can buy with my commodity, or that my purchasing power is related to the quantity of commodities I produce. The same value can be embodied in very different quantities [of commodities]. But the use value—consumption—depends not on value, but on the quantity. It is quite unintelligible why I should buy 6 knives because I can get them for the same price that I previously paid for 1. Apart from the fact that the workers do not sell commodities, but labour, a great number of people who do not produce commodities at all buy things with money. Buyers and sellers of commodities are not identical. The landlord, the moneyed capitalist and others obtain in the form of money commodities produced by other people. They are buyers without being sellers of "commodities". Buying and selling occurs not only between industrial capitalists, but they also sell to workers; and likewise to owners of revenue who are not commodity producers. Finally, the purchases and sales transacted by them as capitalists are very different from the purchases they make as revenue-spenders.

* "Mr. Ricardo (2nd ed., p. 359),\(^b\) after quoting the doctrine of Smith about the cause of the fall of profits, adds: 'Mr. Say has, however, most satisfactorily shown, that there is no capital which may not be employed in a country, because demand is only limited by production.'"*

(This is very wise. Limited, indeed. *Nothing can be demanded which cannot be produced upon demand, or which the demand finds not ready made in the market. Hence, because demand is limited by production, it does by no means follow that production is, or was, limited by demand, and can never overstep the demand, particularly the demand at the market price.* This is Say-like acumen.)

* "'There cannot be accumulated' (p. 360) 'in a country any amount of capital which cannot be employed productively' (meaning, I assume,"*—says the author in brackets—*"with profit to the owner) 'until wages rise so high in consequence of the rise of necessaries, and so little consequently remains for the profits of stock, that the motive for accumulation ceases.'"*

\(^a\) J. B. Say, Traité d'économie politique..., 2nd ed., Vol. 2, Paris, 1814, p. 382. See also this volume, pp. 124-26, 130-31.—Ed.

\(^b\) On the Principles of Political Economy, and Taxation, London, 1819.—Ed.
(Ricardo here equates "PRODUCTIVELY" and "PROFITABLY", whereas it is precisely the fact that in capitalist production "PROFITABLY" alone is "PRODUCTIVELY", that constitutes the difference between it and absolute production, as well as its limitations. In order to produce "productively", production must be carried on in such a way that the mass of PRODUCERS are excluded from the DEMAND for a part of the PRODUCE. Production has to be carried on in opposition to a class [XIV-812] whose consumption stands in no relation to its production—since it is precisely in the excess of its production over its consumption that the profit of capital consists. On the other hand, production must be carried on for classes which consume without producing. It is not enough merely to give the SURPLUS PRODUCE a form in which it becomes an object of demand for these classes. On the other hand, the capitalist himself, if he wishes to accumulate, must not [be] a DEMANDER of his own products, in so far as they make up the REVENUE to the extent that he is their PRODUCER. Otherwise he cannot accumulate. That is why Malthus opposes to the capitalist classes whose task is not ACCUMULATION but EXPENDITURE. And while on the one hand all these contradictions are assumed, it is assumed on the other that production proceeds without any friction just as if these contradictions did not exist at all. Purchase is divorced from sale, commodity from money, use value from exchange value. It is assumed however that this separation does not exist, but that there is barter. Consumption and production are separated; [there are] producers who do not consume and consumers who do not produce. It is assumed that consumption and production are identical. The capitalist directly produces exchange value in order to increase his profit, and not for the sake of consumption. It is assumed that he produces directly for the sake of consumption and only for it. [If] it is assumed that the contradictions existing in bourgeois production—which, in fact, are reconciled by a process of adjustment which, at the same time, however, manifests itself as a crisis, violent fusion of disconnected factors operating independently of one another and yet correlated—if it is assumed that they do not exist, then these contradictions obviously cannot come into play. In every TRADE each individual capitalist produces IN PROPORTION TO HIS CAPITAL irrespective of the WANTS OF SOCIETY and especially irrespective of the COMPETITIVE SUPPLY of capitals in the same TRADE. It is assumed that he produces as if he were fulfilling orders placed by society. If there were no foreign trade, then LUXURIES could be produced AT HOME, WHATEVER their COST. In that case, labour, with the exception of [the branches producing] NECESSARIES, would, in actual fact, be very
unproductive. Hence accumulation of capital [would proceed at a low rate]. Thus every country would be able to employ all the capital accumulated there, since according to the assumption very little capital would have been accumulated.)

* "The latter sentence limits (not to say contradicts) the former, if 'which may not be employed', in the former, means 'employed productively', or rather, 'profitably'. And if it means simply 'employed', the proposition is useless; because neither Adam Smith nor any body else, I presume, denied that it might be 'employed', if you did not care what profits it brought"* (l.c., [pp.] 18-19).

Ricardo says indeed that all capital in a given land, at whatever rate accumulated, may be employed profitably; on the other hand he says that the very fact of the accumulation of capital checks its "profitable" employment, because it must result in lessening profits, that is, the rate of accumulation.

* "The very meaning of an increased demand by them" (the labourers) "is a disposition to take less themselves, and leave a larger share for their employers; and if it is said that this, by diminishing consumption, increases glut, I can only answer, that glut is synonymous with high profits"* (l.c., [p.] 59).a

This is indeed the secret basis of glut.

* "The labourers do not, considered as consumers, derive any benefit from machines, while flourishing (as Mr. Say says [in his] Letters to Malthus, 4[th] ed., p. 60) 87 unless the article, which the machines cheapen, is one that can be brought, by cheapening, within their use. Threshing-machines, windmills, may be a great thing for them in this view; but the invention of a veneering machine, [or] a block machine, or a lace frame, does not mend their condition much" (l.c., [pp.] 74-75).

"The habits of [the] labourers, where division of labour has been carried very far, are applicable only to the particular line they have been used to; they are a sort of machines. Then, there is a long period of idleness, that is, of labour lost; of wealth cut off at its root. It is quite useless to repeat, like a parrot, that things have a tendency to find their level. We must look about us, and see that they [XIV-813] cannot for a long time find a level; that when they do, it will be a far lower level than they set out from"* (l.c., [p.] 72).

This Ricardian, following Ricardo's example, recognises correctly crises resulting from a sudden change in the channels of trade.88 This was the case in England after the war of 1815. And consequently, whenever a crisis occurred, all later economists declared that the most obvious cause of the particular crisis was the only possible cause of all crises.

The author also admits that the credit system may be a cause of crises (p. 81 et seq.) (As if the credit system itself did not arise out of the difficulty of employing capital "productively", i.e. "profitably".) The English, for example, are forced to lend their capital to other countries in order to create a market for their commodities.

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a Cf. this volume, p. 252.—Ed.
Overproduction, the credit system, etc., are means by which capitalist production seeks to break through its own barriers and to produce over and above its own limits. Capitalist production, on the one hand, has this driving force; on the other hand, it only tolerates production commensurate with the profitable employment of existing capital. Hence crises arise, which simultaneously drive it onward and beyond [its own limits] and force it to put on seven-league boots, in order to reach a development of the productive forces which could only be achieved very slowly within its own bornes.*

What the author writes about Say is very true. This should be dealt with in connection with Say (see p. 134, Notebook VII*).

* "He" *(the worker)* "will agree to work part of his time for the capitalist, or, what comes to the same thing, to consider part of the whole produce, when raised and exchanged, as belonging to the capitalist. He must do so, or the capitalist would not have afforded him this assistance." *

(Namely capital. Very fine that it *comes to the same thing whether the capitalist owns the whole produce and pays part of it as wages to the labourer, or whether the labourer leaves, makes over to the capitalist part of his (the labourer's) produce. )

"But as the capitalist's motive was gain, and as these advantages always depend, in a certain degree, on the will to save, as well as on the power, the capitalist will be disposed to afford an additional portion of these assistances; and as he will find fewer people in want of this additional portion, than were in want of the original portion, he must expect to have a less share of the benefit to himself; he must be content to make a present" (!!!) "(as it were) to the labourer, of part of the benefit his assistance occasions, or else he would not get the other part; the profit is reduced, then, by competition" *(l.c., [pp.] 102-03)." *

This is very fine. If, as a consequence of the development of the productive powers of labour, capital accumulates so quickly that the demand for labour increases wages and the worker works for less time gratis for the capitalist and shares to some degree in the benefits of his more productive labour—the capitalist makes him a "present"!

The same author demonstrates in great detail that high wages are a poor encouragement for workers, although, speaking of the landlords, he considers that low profit is a discouragement for the capitalists (see p. 13, Notebook XII*).

"Adam Smith thought that *accumulation or increase of stock in general lowered the rate of profits in general, on the same principle which makes the increase of stock in any particular trade lower the profits of that trade. But such increase of stock in a particular trade means an increase more in proportion than stock is at the same time increased in other trades" *(l.c., [p.] 9)." *

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*a Limits.—*Ed
Against Say. (Notebook XII, p. 12.44)

* "The immediate market for capital, or field for capital, may be said to be labour. The amount of capital which can be invested at a given moment, in a given country, or the world, so as to return not less than a given rate of profits, seems principally to depend on the quantity of labour, which it is possible, by laying out that capital, to induce the then existing number of human beings to perform" (l.c., [p.] 20).

[XIV-814] "Profits do not depend on price, they depend on price compared with outgoings" (l.c., [p.] 28).

"The proposition of M. Say does not at all prove that capital opens a market for itself, but only that capital and labour open a market for one another"* (l.c., [p.] 111).

c) Dialogues of Three Templars on Political Economy, chiefly in Relation to the Principles of Mr. Ricardo


(author: Thomas De Quincey)

Attempt at a refutation of all the attacks made on Ricardo. That he is aware of what is at issue is to be seen from this sentence:

"All difficulties of political economy will be found reducible to this: *What is the ground of exchangeable value?"* (l.c., [Dialogues of Three Templars..., p.] 347).*

In this work, the inadequacies of the Ricardian view are often pointedly set forth, although the dialectical depth is more affected than real. The real difficulties, which arise not out of the determination of value, but from Ricardo's inadequate elaboration of his ideas on this basis, and from his arbitrary attempt to make concrete relations directly fit the simple relation of value, are in no way resolved or even grasped. But the work is characteristic of the period in which it appeared. It shows that in political economy consistency and thinking were still taken seriously at that time.

(A later work by the same author: The Logic of Political Economy, Edinburgh, 1845, is weaker.)

De Quincey very clearly outlines the differences between the Ricardian view and those which preceded it, and does not seek to mitigate them by re-interpretation or to abandon the essential features of the problems in actual fact while retaining them in a purely formal, verbal way as happened later on, thus opening the door wide to easy-going, unprincipled eclecticism.

One more point in the Ricardian doctrine which is especially emphasised by De Quincey and which should be mentioned here.

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* Marx quotes De Quincey with some alterations.— Ed.

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because it plays a role in the polemic against Ricardo to which we shall refer below, is that the command which one commodity has over other commodities (its purchasing power; in fact, its value expressed in terms of another commodity) is altogether different from its \textit{real value}.

"It is quite wrong to conclude *that the real value is great because the quantity it buys is great, or small because the quantity it buys is small... If A doubles its value, it will not therefore command double the former quantity of B. It may do so: and it may also command 500 times more or 500 times less...* No man has ever denied that A *by doubling its own value will command a double quantity of all things which have been stationary in value. But the question is whether universally, [by] doubling its value, A will command a double quantity"* (l.c., [p.] 552 et seq. \textit{passim}).

d) \textit{A Critical Dissertation on the Nature, Measures, and Causes of Value; }  
\textit{Chiefly in Reference to the Writings of Mr. Ricardo and His Followers.}  
By the Author of Essays on the Formation and Publication of Opinions (Samuel Bailey), London, 1825

This is the main work directed against Ricardo. (Also aimed against Malthus.) It seeks to overturn the foundation of the doctrine—\textit{value}.\textsuperscript{a} It is definitely worthless except for the definition of the "\textit{measure of value}'', or rather, of money in this function.\textsuperscript{b} Compare also the same author's: \textit{A Letter to a Political Economist; Occasioned by an Article in the Westminster Review on the Subject of Value etc.}, London, 1826.

Since, as has been mentioned,\textsuperscript{c} this work basically agrees with \textit{Observations on Certain Verbal Disputes in Political Economy}, it is here necessary to add the relevant passages from these \textit{Observations}.

The author of the \textit{Observations} accuses Ricardo of having transformed \textit{value} from a relative attribute of commodities in their relationship to one another, into something absolute.

The only thing that Ricardo can be accused of in this context is that, in elaborating the concept of value, he does not clearly distinguish between the various aspects, between the exchange value of the commodity, as it \textit{manifests itself}, \textit{appears} in the process of commodity exchange, and the existence of the commodity as

\textsuperscript{a} See present edition, Vol. 31, pp. 469-80.— \textit{Ed.}  
\textsuperscript{b} See this volume, pp. 319-25.— \textit{Ed.}  
\textsuperscript{c} Ibid., p. 299.— \textit{Ed.}
value as distinct from its existence as an object, product, use value.

[XIV-815] It is said in the Observations:

* "If the absolute quantity of labour, which produces the greater part of commodities, or all except one, is increased, would you say that the value of that one is unaltered? since it will exchange for less of every commodity besides. If, indeed, it is meant to be asserted that the meaning of increase or diminution of value, is increase or diminution in the quantity of labour that produced the commodity spoken of, the conclusions I have just been objecting to might be true enough. But to say, as Mr. Ricardo does, that the comparative quantities of labour that produce two commodities are the cause of the rate at which the two commodities will exchange with each other, i.e. of the exchangeable value of each,—is very different from saying that the exchangeable value of either means the quantity of labour which produced it, understood without any reference to the other, or to the existence of the other" (Observations etc., p. 15).

"Mr. Ricardo tells us indeed that 'the inquiry to which he wishes to draw the reader's attention relates to the effects of the variations in the relative value of commodities, and not in their absolute value' a; as if he there considered that there is such a thing as exchangeable value which is not relative" (l.c., [pp. 9-]10).

"That Mr. Ricardo has departed from his original use of the term value, and has made of it something absolute, instead of relative, is still more evident in his chapter entitled: 'Value and Riches, their distinctive Properties'. The question there discussed has been discussed also by others, and is simply verbal and useless" * (l.c., [p.] 15 et seq.).

Before dealing with this author, we shall add the following about Ricardo. In his chapter on "Value and Riches", he argues that social wealth does not depend on the value of the commodities produced, although this latter point is decisive for every individual producer. It should have been all the more clear to him that a form of production whose exclusive aim is surplus value, in other words, which is based on the relative poverty of the mass of the producers, cannot possibly be the absolute form of the production of wealth, as he constantly asserts.

Now to the "Observations" b of the "Verbal" wiseacre.

If all commodities except one increase in value because they cost more labour time than they did before, smaller amounts of these commodities will be exchanged for the single commodity whose labour time remains unchanged. Its exchange value, in so far as it is realised in other commodities—that is, its exchange value expressed in the use values of all other commodities—has been reduced. "Would you then say that the exchange value of that one is unaltered?" This is merely a formulation of the point at issue, and it calls neither for a positive nor for a negative reply. The same result would occur if the labour time required for the production

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b Observations on Certain Verbal Disputes...— Ed.
of the one commodity were reduced and that of all the others remained unchanged. A given quantity of this particular commodity would exchange for a reduced quantity of all the other commodities. The same phenomenon occurs in both cases although from directly opposite causes. Conversely, if the labour time required for the production of commodity A remained unchanged, while that of all others were reduced, then it would exchange for larger amounts of all the other commodities. The same would happen for the opposite reason, if the labour time required for the production of A increased and that required for all other commodities remained unchanged. Thus, sometimes commodity A exchanges for smaller quantities of all the other commodities, and this for either of two different and opposite reasons. At other times it exchanges for larger quantities of all the other commodities, again for two different and opposite reasons. But, nota bene, it is assumed that it always exchanges at its value, consequently for an equivalent. It always realises its value in the quantity of use values of the other commodities for which it exchanges, no matter how much the quantity of these use values varies. From this it obviously follows: that the rate at which commodities exchange for one another as use values, although it is an expression of their value, their realised value, is not their value itself, since the same proportion of value can be represented by quite different quantities of use values. Value as an aspect of the commodity is not expressed in its own use value, or in its existence as use value. Value manifests itself when commodities are expressed in other use values, that is, [it manifests itself] in the rate at which these other use values are exchanged for them. If 1 ounce of gold = 1 ton of iron, that is, if a small quantity of gold exchanges for a large quantity of iron, is therefore the value of the ounce of gold expressed in iron greater than the value of the iron expressed in gold? That commodities exchange for one another in proportion to the labour embodied in them, means that they are equal, alike, in so far as they represent the same quantity of labour. Consequently it means likewise that every commodity, considered in itself, is something different from its [XIV-816] own use value, from its own existence as use value.

The value of the same commodity can, without changing, be expressed in infinitely different quantities of use values, always according to whether I express it in the use value of this or of that commodity. This does not alter the value, although it does alter the way it is expressed. In the same way, all the various quantities of different use values in which the value of commodity A can be
expressed, are equivalents and are related to one another not only as values, but as equal values, so that when these very unequal quantities of use value replace one another, the value remains completely unchanged, as if it had not found expression in quite different use values.

When commodities are exchanged in the proportion in which they represent equal amounts of labour time, then it is their existence as objectified labour time, as embodied labour time, which manifests their substance, the identical element they contain. As such, they are qualitatively the same, and differ only quantitatively, according to whether they represent smaller or larger quantities of the same substance, i.e. labour time. They are values as expressions of the same element; and [they are] equal values, equivalents, in so far as they represent an equal amount of labour time. They can only be compared as magnitudes, because they are already homogeneous magnitudes, qualitatively identical.

It is as manifestations of this substance that these different things constitute values and are related to one another as values; their different magnitudes of value, their immanent measure of value are thus also given. And only because of this can the value of a commodity be represented, expressed, in the use values of other commodities as its equivalents. Hence the individual commodity as value, as the embodiment of this substance, is different from itself as use value, as an object, quite apart from the expression of its value in other commodities. As the embodiment of labour time, it is value in general, as the embodiment of a definite quantity of labour time, it is a definite magnitude of value.

It is therefore typical of our wiseacre when he says: *If we mean that, we do not mean that and vice versa. Our “meaning” has nothing at all to do with the essential characters of the thing we consider. If we speak of the value in exchange of a thing, we mean in the first instance of course the relative quantities of all other commodities that can be exchanged with the first commodity. But, on further consideration, we shall find that for the proportion, in which one thing exchanges with an infinite mass of other things, which have nothing at all in common with it—and even if there are natural or other similarities between those things, they are not considered in the exchange—[for the proportion] to be a fixed proportion, all those various heterogeneous things must be considered as proportionate representations, expressions of the same common unity, [of] an element quite different from their natural existence or appearances. We shall then furthermore find, that if our view has any sense, the value of a commodity is something by
which it not only differs from or is related to other commodities, but is a quality by which it differs from its own existence as a thing, a value in use.

"The rise of value of article A, only meant value estimated in articles B, C, etc., i.e. value in exchange for articles B, C, etc." (l.c., p. 16).

To estimate the value of A, a book for instance, in B, coals, and C, wine, A, B, C must be as value something different from their existences as books, coals or wine. To estimate a value of A in B, A must have a value independent of the estimation of that value in B, and both must be equal to a third thing, expressed in both of them.*

It is quite wrong to say that the value of a commodity is thereby transformed from something relative into something absolute. On the contrary, as a use value, the commodity appears as something independent. On the other hand, as value it appears as something merely posited, something merely determined by its relation to socially necessary, equal, simple labour time. It is to such an extent relative that when the labour time required for its reproduction changes, its value changes, although the labour time really contained in the commodity has remained unaltered.

[XIV-817] How deeply our wiseacre has sunk into fetishism and how he transforms what is relative into something positive, is demonstrated most strikingly in the following passage:

* "Value is a property of things, riches of men. Value, in this sense, necessarily implies exchange, riches do not"* (l.c., [p.] 16).

Riches here are use values. These, as far as men are concerned, are, of course, riches, but it is through its own property, its own qualities, that a thing is a use value and therefore an element of wealth for men. Take away from grapes the qualities that make them grapes, and their use value as grapes disappears for men and they cease to be an element of wealth for men. Riches which are identical with use values are properties of things that are made use of by men and which express a relation to their wants. But "value" is supposed to be a "property of things".

As values, commodities are social magnitudes, that is to say, something absolutely different from their "properties" as "things". As values, they constitute only relations of men in their productive activity. Value indeed "implies exchanges", but exchanges are exchanges of things between men; exchanges which in no way affect the things as such. A thing retains the same "properties" whether it be owned by A or by B. In actual fact, the concept "value" presupposes "exchanges" of the products. Where labour is communal, the
relations of men in their social production do not manifest themselves as *"values" of "things". Exchange of products as commodities is a certain method of exchanging labour, and [the form] of the dependence of the labour of each upon the labour of the others, a certain mode of social labour or social production.*

In the first part of my book,a I mentioned that it is characteristic of labour based on private exchange that the social character of labour "manifests itself" in a perverted form—as the "property" of things; that a social relation appears as a relation between things (between products, values in use, commodities). This appearance is accepted as something real by our fetish-worshipper, and he actually believes that the exchange value of things is determined by their properties as things, and is altogether a natural property of things. No scientist to date has yet discovered what natural qualities make definite proportions of snuff tobacco and paintings "equivalents" for one another. Thus he, the wiseacre, transforms value into something absolute, "a property of things", instead of seeing in it only something relative, the relation of things to social labour, social labour based on private exchange, a relation in which things are defined not as independent entities, but as mere expressions of social production.

But to say that "value" is not an absolute, is not conceived as an entity, is quite different from saying that commodities must impart to their value of exchange a separate expression which is different from and independent of their use value and of their existence as real products, in other words, that commodity circulation is bound to evolve money. Commodities express their exchange value in money, first of all in the price, in which they all present themselves as materialised forms of the same labour, as only quantitatively different expressions of the same substance. The fact that the exchange value of the commodity assumes an independent existence in money is itself the result of the process of exchange, the development of the contradiction of use value and exchange value embodied in the commodity, and of another no less important contradiction embodied in it, namely, that the definite, particular labour of the private individual must manifest itself as its opposite, as equal, necessary, general labour and, in this form, social labour. The representation of the commodity as money implies not only that the different magnitudes of commodity values are measured by expressing the values in the use value of one exclusive

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commodity, but at the same time that they are all expressed in a form in which they exist as the embodiment of social labour and are therefore exchangeable for every other commodity, that they are translatable at will into any use value desired. Their representation as money—in the price—therefore appears first only as something nominal, a representation which is realised only through actual sale.

Ricardo's mistake is that he is concerned only with the magnitude of value. Consequently his attention is concentrated on [XIV-818] the relative quantities of labour which the different commodities represent, or which the commodities as values embody. But the labour embodied in them must be represented as social labour, as alienated individual labour. In the price this representation is nominal; it becomes reality only in the sale. This transformation of the labour of private individuals contained in the commodities into uniform social labour, consequently into labour which can be expressed in all use values and can be exchanged for them, this qualitative aspect of the matter which is contained in the representation of exchange value as money, is not elaborated by Ricardo. This circumstance—the necessity of presenting labour contained in commodities as uniform social labour, i.e. as money—is overlooked by Ricardo.

For its part, the development of capital already presupposes the full development of the exchange value of commodities and consequently its independent existence as money. The point of departure in the process of the production and circulation of capital, is the independent form of value which maintains itself, increases, measures the increase against its original amount, whatever changes the commodities in which it manifests itself may undergo, and quite irrespective of whether it presents itself in the most varied use values and changes the commodities which serve as its embodiment. The relation between the value preposited to production and the value which results from it—capital as preposited value is capital in contrast to profit—constitutes the all-embracing and decisive factor in the whole process of capitalist production. It is not only an independent expression of value as in money, but dynamic value, value which maintains itself in a process in which use values pass through the most varied forms. Thus in capital the independent existence of value is raised to a higher power than in money.

From this we can judge the wisdom of our "verbal" wiseacre, who treats the independent existence of exchange value as a figure of speech, a manner of talking, a scholastic invention.
"Value, or _valeur_ in French, is not only used absolutely instead of relatively as a quality of things, but is even used by some as a measurable commodity, "Possessing a value", "Transferring a portion of value" * (a very important factor with regard to fixed capital), "the sum, or totality of values", etc. I do not know what this means" * (l.c., [p.] 57).

The fact that the value which has become independent acquires only a relative expression in money, because money itself is a commodity, and _hence of a changeable value_, makes no difference but is a shortcoming which arises from the nature of the commodity and the necessity of expressing its exchange value, as distinct from its use value. _Our man_ has made it abundantly clear that he _does not know_ this. This is shown by the kind of criticism which would like to talk out of existence the difficulties innate in the contradictory functions of things themselves, by declaring them to be the result of reflexions or of conflicting _definitions._

* "The _relative_ value of two things' is open to two meanings: the rate at which two things exchange or would exchange with _each other_, or the comparative portions of a _third_ for which each exchanges or would exchange" * (l.c., [p.] 53).

_D'abord,_ this is a fine definition. If 3 lbs of coffee _exchange_ for 1 lb. of tea _today_ or _would exchange tomorrow_, it does not at all mean that equivalents _have been exchanged for each other_. According to this, a commodity could always be _exchanged_ only at its value, for its value would constitute any quantity of some other commodity for which it had been accidentally exchanged. *This, however, is not what people generally _mean_, when they say that 3 lbs of coffee have been exchanged for their equivalent in tea._b They suppose that after, as before, the exchange, a _commodity of the same value_ is in the hands of either of the exchangers. The rate at which two commodities exchange does not determine their value, but their value determines the rate at which they exchange.* If value were nothing more than the quantity of commodities for which commodity A is accidentally exchanged, how is it possible *to express the value of A in the commodity B, C, etc.? Because [XIV-819] then, as there is no _immanent_ measure common to the two, the value of A could not be expressed in B before it had been exchanged against B.*

Relative value means first of all _magnitude of value_ in contradistinction to the quality of being value at all. For this reason, the latter is not something absolute. It means, secondly, the value of one commodity expressed in the use value of another commodity.

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* To begin with. _Ed._

b _In the manuscript: "sugar."_ _Ed._
This is only a relative expression of its value, namely, *in relation to the commodity in which it is expressed. The value of a pound of coffee is only relatively expressed in tea; to express it absolutely—even in a relative way, that is to say, not in regard to the time of labour, but to other commodities—it ought to be expressed in an infinite series of equations with all other commodities. This would be an absolute expression of its relative value; its absolute expression would be its expression in [the] time of labour, and by this absolute expression it would be expressed as something relative, but in the absolute relation, by which it is value.*

Let us now turn to Bailey.⁹⁴

His book has only one positive merit—that he was the first to give a more accurate definition of the MEASURE OF VALUE, that is, in fact, of one of the functions of money, or money in a particular, determinate form. In order to measure the value of commodities—to establish an external measure of value—it is not necessary that the value of the commodity in terms of which the other commodities are measured, should be invariable. (It must on the contrary be variable, as I have shown in the first part, because the measure of value is, and must be, a commodity since otherwise it would have no immanent measure in common with other commodities.) If, for example, the value of money changes, it changes to an equal degree in relation to all other commodities. Their relative values are therefore expressed in it just as correctly as if the value of money had remained unchanged. The problem of finding an “invariable measure of value” is thereby eliminated.⁶ But this problem itself (the interest in comparing the value of commodities in different historical periods, is, indeed, not an economic interest as such, [but] an academic interest) arose out of a misunderstanding and conceals a much more profound and important question. “Invariable measure of value” signifies de prime abord a measure of value which is itself of invariable value, and consequently, since value itself is a predicate of the commodity, a commodity of invariable value. For example, if gold and silver or corn, or labour, were such commodities, then it would be possible to establish, by comparison with them, the rate

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⁶ Cf. this volume, pp. 340-41.—Ed.
"Primarily.—Ed."
at which other commodities are exchanged for them, that is, to measure exactly the variations in the values of these other commodities by their prices in gold, silver, or corn, or their relation to wages. Stated in this way, the problem therefore presupposes from the outset that in the "measure of value" we are dealing simply with the commodity in which the values of all other commodities are expressed, whether it be the commodity by which they are really represented—money, the commodity which functions as money—or a commodity which, because its value remains invariable, would function as the money in terms of which the theoretician makes his calculations. It thus becomes evident that in this context it is in any case a question only of a kind of money which as the measure of value—either theoretically or practically—would itself not be subject to changes in value.

But for commodities to express their exchange value independently in money, in a third commodity, the exclusive commodity, the values of commodities must already be presupposed. Now the point is merely to compare them quantitatively. A homogeneity which makes them the same—makes them values—which as values makes them qualitatively equal, is already presupposed in order that their value and their differences in value can be represented in this way. For example, if all commodities express their value in gold, then this expression in gold, their gold price, their equation with gold, is an equation on the basis of which it is possible to elucidate and compute their value relation to one another, for they are now expressed as different quantities of gold and in this way the commodities are represented in their prices, as [XIV-820] comparable magnitudes of the same common denominator.

But in order to be represented in this way, the commodities must already be identical as values. Otherwise it would be impossible to solve the problem of expressing the value of each commodity in gold, if commodity and gold or any two commodities as values were not representations of the same substance, capable of being expressed in one another. In other words, this presupposition is already implicit in the problem itself. Commodities are already presumed as values, as values distinct from their use values, before the question of representing this value in a special commodity can arise. In order that two quantities of different use values can be equated as equivalents, it is already presumed that they are equal to a third, that they are qualitatively equal and only constitute different quantitative expressions of this qualitative equality.
The problem of an "invariable measure of value" was in fact simply a spurious name for the quest for the concept, the nature, of value itself, the definition of which could not be another value, and consequently could not be subject to variations as value. This was labour time, social labour, as it presents itself specifically in commodity production. A quantity of labour has no value, is not a commodity, but is that which transforms commodities into values, it is their common substance; as manifestations of it commodities are qualitatively equal and only quantitatively different. They [appear] as expressions of definite quantities of social labour time.

Let us assume that gold has an invariable value. If the value of all commodities were then expressed in gold one could measure variations in the values of commodities by their gold prices. But in order to express the value of commodities in gold, commodities and gold must be identical as values. Gold and commodities can only be considered to be identical as definite quantitative expressions of this value, as definite magnitudes of value. The invariable value of gold and the variable value of the other commodities would not prevent them, as value, from being the same, [consisting of] the same substance. Before the invariable value of gold can help us to make a step forward, the value of commodities must first be expressed, assessed, in gold—that is, gold and commodities must be represented as equivalents, as expressions of the same substance.

//In order that the commodities may be measured according to the quantity of labour embodied in them—and the measure of the quantity of labour is time—the different kinds of labour contained in the commodities must be reduced to uniform, simple labour, average labour, ordinary, unskilled labour. Only then can the amount of labour embodied [in] them be measured according to a common measure, according to time. The labour must be qualitatively equal so that its differences become merely quantitative, merely differences of magnitude. This reduction to simple, average labour is not, however, the only determinant of the quality of this labour to which as a unity the values of the commodities are reduced. That the quantity of labour embodied in a commodity is the quantity socially necessary for its production—the labour time being thus necessary labour time—is a definition which concerns only the magnitude of value. But the labour which constitutes the substance of value is not only uniform, simple, average labour; it is the labour of a private individual represented in a definite product. However, the product as value must be the embodiment of social labour and, as such, be directly convertible
from one use value into any other. (The particular use value in which labour is directly represented is irrelevant so that it can be converted from one form into another.) Thus the labour of individuals has to be directly represented as its opposite, social labour; this transformed labour is, as its immediate opposite, abstract, general labour, which is therefore represented in a general equivalent. Only by its alienation does individual labour manifest itself as its opposite. The commodity, however, must have this general expression before it is alienated. This necessity to express individual labour as general labour is equivalent to the necessity of expressing a commodity as money. The commodity receives this expression in so far as the money serves as a measure and expresses the value of the commodity in its price. It is only through sale, through its real transformation into money, that the commodity acquires its adequate expression as exchange value. The first transformation is merely a theoretical process, the second is a real one.

[XIV-821] Thus, in considering the existence of the commodity as money, it is not only necessary to emphasise that in money commodities acquire a definite measure of the magnitude of their value—since all commodities express their value in the use value of the same commodity—but that they all become manifestations of social, abstract, general labour; and as such they all possess the same form, they all appear as the direct incarnation of social labour; and as such they all act as social labour, they can be directly exchanged for all other commodities in proportion to the magnitude of their value; whereas in the hands of the people whose commodities have been transformed into money, they exist not as exchange value in the form of a particular use value, but as use value (gold, for example) which is merely a bearer of exchange value. A commodity may be sold either below or above its value. This is purely a matter of the magnitude of its value. But whenever a commodity is sold, transformed into money, its exchange value acquires an independent existence, separate from its use value. The commodity now exists only as a certain quantity of social labour time, and it proves that it is such by being directly exchangeable for any commodity whatsoever and convertible (in proportion to its quantity) into any use value whatsoever. This point must not be overlooked in relation to money any more than the formal transformation undergone by the labour a commodity contains as its element of value. But an examination of money—of that absolute exchangeability which the commodity possesses as money, of its absolute effectiveness as exchange value which has
nothing to do with magnitude of value—shows that it is not quantitatively, but qualitatively determined and that as a result of the very process through which the commodity itself passes, its exchange value becomes independent, and is really represented as a separate aspect alongside its use value as it is already nominally in its price.

This shows, therefore, that the "VERBAL OBSERVER" understands as little of the value and the nature of money as Bailey, since both regard the independent existence of value as a scholastic invention of economists. This independent existence becomes even more evident in capital, which, in one of its aspects, can be called value in process—and since value only exists independently in money, [it can accordingly be called] money in process, as it goes through a series of processes in which it preserves itself, departs from itself, and returns to itself increased in volume. It goes without saying that the paradox of reality is also reflected in paradoxes of speech which are at variance with common sense and with what vulgarians mean and believe they are talking of. The contradictions which arise from the fact that on the basis of commodity production the labour of the individual presents itself as general social labour, and the relations of people as relations between things and as things—these contradictions are innate in the subject-matter, not in its verbal expressions.//

Ricardo often gives the impression, and sometimes indeed writes, as if the quantity of labour is the solution to the false, or falsely conceived problem of an "INVARIA BLE MEASURE OF VALUE" in the same way as corn, money, wages, etc., were previously considered and advanced as nostra of this kind. In Ricardo's work this false impression arises because for him the decisive task is the definition of the magnitude of value. Because of this he does not understand the specific form in which labour is an element of value, and fails in particular to grasp that the labour of the individual must present itself as abstract general labour and, in this form, as social labour. Therefore he has not understood that the development of money is connected with the nature of value and with the determination of this value by labour time. Bailey's book has rendered a good service in so far as the objections he raises help to clear up the confusion between "MEASURE OF VALUE" expressed in money as a commodity along with other commodities, and the immanent measure and substance of value. But if he had analysed money as a "MEASURE OF VALUE", not only as a quantitative measure

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* a Here: secret remedy. See this volume, p. 322.—Ed.
but as a qualitative transformation of commodities, he would have arrived at a correct analysis of value. Instead of this, he contents himself with a mere superficial consideration of the external "MEASURE OF VALUE"—which already presupposes VALUE—and remains rooted in a purely frivolous approach to the question.

[XIV-822] There are, however, occasional passages in Ricardo in which he directly emphasises that the quantity of labour embodied in a commodity constitutes the immanent measure of the magnitude of its value, of the differences in the amount of its value, only because labour is the factor the different commodities have in common, which constitutes their uniformity, their substance, the intrinsic foundation of their value. The thing however he failed to investigate is the specific form in which labour plays that role.

* "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" ([Ricardo, On the Principles...], 3rd ed., [London] 1821, [p.] 80).

"To measure ... is to find how many times they" (the things measured) "contain ... units of the same description." A franc is not a measure of value for any thing, but for a quantity of the same metal of which francs are made, unless francs, and the thing to be measured, can be referred to some other measure which is common to both. This, I think, they can be, for they are both the result of labour; and, therefore"* (because LABOUR is their causa efficiens) "labour is a common measure, by which their real as well as their relative value may be estimated"* ([pp.] 333-34).

All commodities can be reduced to LABOUR as their common element. What Ricardo does not investigate is the specific form in which LABOUR manifests itself as the common element of commodities. That is why he does not understand money. That is why in his work the transformation of commodities into money appears to be something merely formal, which does not penetrate deeply into the very essence of capitalist production. He says however: only because LABOUR is the common factor of commodities, only because they are all mere manifestations of the same common element, of LABOUR, is LABOUR their MEASURE. It is their measure only because it forms their substance as values. Ricardo does not sufficiently differentiate between LABOUR in so far as it is represented in use values or in exchange value. LABOUR as the

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b Effective cause.—Ed.
foundation of value is not any particular labour, with particular qualities. Ricardo continuously confuses the labour which is represented in use value and that which is represented in exchange value. It is true that the latter species of labour is only the former species expressed in an abstract form.

By real value, Ricardo, in the passus cited above, understands the commodity as the embodiment of a definite amount of labour time. By relative value, he understands the labour time the commodity contains expressed in the use values of other commodities.

Now to Bailey.

Bailey clings to the form in which the exchange value of the commodity—as commodity—appears, manifests itself. It manifests itself in a general form when it is expressed in the use value of a third commodity, in which all other commodities likewise express their value—a commodity which serves as money—that is, in the money price of the commodity. It manifests itself in a particular form when the exchange value of any particular commodity is expressed in the use value of any other, that is, as the corn price, linen price, etc. In actual fact, the exchange value of the commodity always appears, manifests itself with regard to other commodities, only in the quantitative relationship in which they exchange. The individual commodity as such cannot express general labour time, or it can only express it in its equation with the commodity which constitutes money, in its money price. But then the value of commodity A is always expressed in a certain quantity of the use value of M, the commodity which functions as money. This is how matters appear directly. And Bailey clings to this. The most superficial form of exchange value, that is, the quantitative relationship in which commodities exchange with one another, constitutes, according to Bailey, their value. The advance from the surface to the core of the problem is not permitted. He even forgets the simple consideration that if \( y \) yards of linen = \( x \) lbs of straw, this [implies] a parity between two unequal things—linen and straw—making them equal magnitudes. This existence of theirs as things that are equal must surely be different [XIV-823] from their existence as straw and linen. It is not straw and linen that they are equated, but as equivalents. The one side of the equation must, therefore, express the same value as the other. The value of straw and linen must, therefore, be neither straw nor linen, but something common to both and different from both commodities considered as straw and linen. What is it? He does not answer this question. Instead, he wanders off into all
the categories of political economy in order to repeat the same
monotonous litany over and over again, [namely,] that value is the
exchange relation of commodities and consequently is not
anything different from this relation.

*"If the value of an object is its power of purchasing, there must be something to
purchase. Value denotes, consequently, nothing positive or intrinsic, but merely the
relation in which two objects stand to each other as exchangeable commodities"* ([A
Critical Dissertation..., pp.] 4-5).

His entire wisdom is, in fact, contained in this passage. *"If
value is nothing but power of purchasing" (a very fine definition
since "purchasing" [pre]supposes not only value, but the representa-
tion of value as "money"), "it denotes",* etc. However let us
first clear away from Bailey's proposition the absurdities which
have been smuggled in. "Purchasing" means transforming money
into commodities. Money already presupposes value and the
development of value. Consequently, out with the expression
"purchasing" first of all. Otherwise we are explaining value by value.
Instead of purchasing we must say "exchanging against other objects".
It is quite superfluous to say that "there must be something to
purchase". If the "object" was to be consumed by its producers as a
use value, if it was not merely a means of appropriating other
objects, not a "commodity", then obviously there could be no
question of value. First, it is a matter of an object. But then the
relation "in which two objects stand to each other" is transformed into
"the relation ... they stand to each other ... as exchangeable com-
modities". After all, the objects stand only in relation of exchange or
as exchangeable objects to each other. That is why they are "com-
modities", which is something other than "objects". On the other
hand, the "relation of exchangeable commodities" is either nonsense,
since "not exchangeable objects" are not commodities, or Mr. Bailey
has beaten himself. The objects shall not be exchanged in any proportion
whatever, but are to be exchanged as commodities, that is, they are to
stand to one another as exchangeable commodities, that is, as objects
each of which has a value, and which are to be exchanged with
one another in proportion to their equivalence. Bailey thereby admits
that the rate at which they are exchanged, that is, the power of
each of the commodities to purchase the other, is determined by
its value, but this value however is not determined by this power,
which is merely a corollary.

If we strip the passage of everything that is wrong, nonsensical
or smuggled in, then it will read like this.

But wait: we must dispose of yet another snare and piece of
nonsense. We have two sorts of expression. An object's "power" of
exchanging, etc. (since the term "purchasing" is unjustified and
makes no sense without the concept of money), and the relation in
which an object exchanges with others. If "power" is to be regarded as
something different from "relation", then one ought not to say
that "power of exchanging" is "merely the relation", etc. If it is meant
to be the same thing, then it is confusing to describe the same thing
with two different expressions which have nothing in common
with each other. The *relation* of a thing to another is a relation
of the two things and cannot be said to belong to either. Power of a
thing, on the contrary, is something intrinsic to the thing, although
this, its intrinsic quality, may only [XIV-824] manifest itself in its
relation to other things. For instance, power of attraction is a
power of the thing itself, although that power is "latent" as long
as there are no things to attract.* Here an attempt is made to
represent the value of the "object" as something intrinsic to it,
and yet as something merely existing as a "relation". That is
why [Bailey uses] first the word power and then the word relation.

Accurately expressed it would read as follows:

*"If the value of an object is the relation in which it exchanges with other
objects, value denotes, consequently" (viz., in consequence of the "if"), "nothing, but
merely the relation in which two objects stand to each other as exchangeable
objects"* (i.e., [pp.] 4-5).

Nobody will contest this tautology. What follows from it, by the
way, is that the "value" of an object "denotes nothing". For example,
1 lb. of coffee=4 lbs of cotton. What then is the value of 1 lb. of
coffee? 4 lbs of cotton. And of 4 lbs of cotton? 1 lb. of coffee. Since
the value of 1 lb. of coffee is 4 lbs of cotton, and, on the other
hand, the value of 4 lbs of cotton=1 lb. of coffee, then it is clear
that the value of 1 lb. of coffee=1 lb. of coffee (since 4 lbs of
cotton=1 lb. of coffee), \(a=b, b=a\), hence \(a=a\). What arises from
this explanation is, therefore, that the value of a use value= a
[certain] quantity of the same use value. Consequently, the value
of 1 lb. of coffee is nothing else than 1 lb. of coffee. If 1 lb. of
coffee=4 lbs of cotton, then it is clear that 1 lb. of coffee>3 lbs of
cotton and 1 lb. of coffee<5 lbs of cotton. To say that 1 lb. of
coffee>3 lbs of cotton and<5 lbs of cotton, expresses a relation
between coffee and cotton just as well as saying that 1 lb. of
coffee=4 lbs of cotton. The symbol = does not express any more of
a relation than does the symbol < or the symbol >, but simply a
different relation. Why is it then precisely the relation represented
by the sign of equality, by =, which expresses the value of the coffee in cotton and that of the cotton in cotton? Or is this sign of equality the result of the fact that these two amounts exchange for one another at all? Does this sign = merely express the fact of exchange? It cannot be denied that if coffee exchanges for cotton in any ratio whatever, they are exchanged for one another, and if the mere fact of their exchange constitutes the relation between the commodities, then the value of the coffee is equally well expressed in cotton whether it exchanges for 2, 3, 4 or 5 lbs of cotton. But what is then the word relation supposed to mean? Coffee in itself has no “intrinsic, positive” quality which determines the rate at which it exchanges for cotton. It is not a relation which is determined by any kind of determinant intrinsic to coffee and separate from real exchange. What is then the purpose of the word “relation”? What is the relation? The quantity of cotton against which a quantity of coffee is exchanged. Then one could not speak of a relation in which it exchanges but only of a relation in which it is or has been exchanged. For if the relation were determined before the exchange, then the exchange would be determined by the “relation” and not the relation by the exchange. We must therefore drop the relation as signifying something which stands over and above the coffee and the cotton and is distinct from them.

*“If the value of an object is the quantity of another object exchanged with it, value denotes, consequently, nothing, but merely the quantity of the other object exchanged with it.”*

As a commodity, a commodity can only express its value in other commodities, since general labour time does not exist for it as a commodity. If the value of one commodity is expressed in another commodity, the value of one commodity is nothing apart from this equation with another commodity. Bailey flaunts this piece of wisdom tirelessly—and all the more tiresomely. As he conceives it, it is a tautology, for he says: If the value of any commodity is nothing but its exchange relation with another commodity, it is nothing apart from this relation. He reveals his philosophical profundity in the following passage:

*“As we cannot speak of the distance of any object without implying some other object, between which and the former this relation exists, so we cannot speak of the value of a commodity but in reference to another commodity [XIV-825] compared with it. A thing cannot be valuable in itself without reference to another thing”* (Is social labour, to which the value of a commodity is related, not another thing?) “any more than a thing can be distant in itself without reference to another thing”* (I.e., [p.] 5).
If a thing is distant from another, the distance is in fact a relation between the one thing and the other; but at the same time, the distance is something different from this relation between the two things. It is a dimension of space, it is some length which may as well express the distance of two other things besides those compared. But this is not all. If we speak of the distance as a relation between two things, we suppose something "intrinsic", some "property" of the things themselves, which enables them to be distant from each other. What is the distance between the syllable A and a table? The question would be nonsensical. In speaking of the distance of two things, we speak of their difference in space. Thus we suppose both of them to be contained in space, to be points of space. Thus we equalise them as being both existences of space, and only after having them equalised sub specie spatiia we distinguish them as different points of space. To belong to space is their unity.*

But what is this unity of objects exchanged against each other? This exchange is not a relation which exists between them as natural things. It is likewise not a relation which they bear as natural things to human needs, for it is not the degree of their utility that determines the quantities in which they exchange. What is therefore their identity, which enables them to be exchanged in a certain measure against each other? As what do they become exchangeable?

* [XV-887] // The following has to be added with regard to Bailey's insipidity: When he says that A is distant from B, he does not thereby compare them with one another, equalise them, but separates them in space. They do not occupy the same space. Nevertheless he still declares that both are spatial things and are differentiated in virtue of being things which belong in space. He therefore makes them equal in advance, gives them the same unity. However, here it is a question of equation. If I say that the area of the A is equal to that of the B, this means not only that the area of the A is expressed in the △ and that of the □ in the A, but it means that if the height of the △=h and the base=b, then A=\frac{h \times b}{2}.

96 As areas, the △ and the □ are here declared to be equal, to be equivalents, although as a triangle and a parallelogram they are different. In order to equate these different things with one another, each must represent the same common element regardless of the other. If geometry, like the political economy of Mr. Bailey, contented itself with saying that the equality of the △ and of the □ means that the △ is expressed in the parallelogram, and the parallelogram in the triangle, it would be of little value.// [XV-887]

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a Under the aspect of space.— *Ed.*
b Marx wrote this paragraph in English.— *Ed.*
In fact, in all this Bailey is merely a *pedisequus* of the author of THE "VERBAL OBSERVATIONS".

*“It” (value) “cannot alter as to one of the objects compared, without altering as to the other”* (i.e., [p.] 5).

This again simply means that the expression of the value of one commodity in another commodity can only change as such an expression. And the expression as such presupposes not one but two commodities.

Mr. Bailey is of the opinion that if one were to consider *only two commodities*—in exchange with one another—one would automatically discover the mere relativity of value, in his sense. The fool. As if it were not just as necessary to say, in connection with [two] commodities which exchange with one another—two products which are related to one another as *commodities*—in what they are identical, as it would be in the case of a thousand. For that matter, if only two products existed, the products would never become commodities, and consequently the exchange value of commodities would never evolve either. The necessity for the labour in product I to manifest itself as social labour would not arise. Because the product is not produced as an immediate object of consumption for the producers, but only as a *bearer of value*, as a claim, so to speak, to a certain quantity of all materialised social labour, all products as *values* are compelled to assume a form of existence distinct from their existence as use values. And it is this development of the labour embodied in them as social labour, it is the development of their *value*, which determines the formation of money, the necessity for commodities to represent themselves in respect of one another as *money*—which means merely as independent forms of existence of exchange value—and they can only do this by setting apart one commodity from the mass of commodities, and all of them measuring their values in the use value of this excluded commodity, thereby directly transforming the labour embodied in this exclusive commodity into *general, social* labour. Mr. Bailey, with his *queer* way of thinking which only grasps the surface appearance of things, concludes on the contrary: Only because, besides commodities, *money* exists, and we are so used [to regarding] the value of commodities not in their relation to one another but as a relation to a *third*, as a [XIV-826] third relation distinct from the *direct* relation, is the concept of

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*a A servile follower.— Ed.*

*b Observations on Certain Verbal Disputes in Political Economy...—Ed.*

*c See present edition, Vol. 31, pp. 399-403.—Ed.*
value evolved—and consequently value is transformed from the merely quantitative relation in which commodities are exchanged for one another into something independent of this relation (and this, he thinks, transforms the value of commodities into something absolute, into a scholastic entity existing in isolation from the commodities). According to Bailey, it is not the determination of the product as value which leads to the establishment of money and which expresses itself in money, but it is the existence of money which leads to the fiction of the concept of value. Historically it is quite correct that the search for value is at first based on money, the visible expression of commodities as value, and that consequently the search for the definition of value is (wrongly) represented as a search for a commodity of "invariable value", or for a commodity which is an "invariable measure of value". Since Mr. Bailey now demonstrates that money as an external measure of value—and expression of value—has fulfilled its purpose, even though it has a variable value, he thinks he has done away with the question of the concept of value—which is not affected by the variability of the magnitudes of the value of commodities—and that in fact it is no longer necessary to attribute any meaning at all to value. Because the representation of the value of a commodity in money—in a third, exclusive commodity—does not exclude variation in the value of this third commodity, because the problem of an "invariable measure of value" disappears, the problem of the determination of value itself disappears. Bailey carries on this insipid rigmarole for hundreds of pages, with great self-satisfaction.

The following passages, in which he constantly repeats the same thing, are, in part, verbotenus\(^a\) copied from the *Verbal One*.\(^b\)

"Suppose that only two commodities are in existence, both exchangeable in proportion to the *quantity of labour. If A . . . should, at a subsequent period, require double the quantity of labour for its production, while B continued to require only the same, A would become of double value to B... But although B continued to be produced by the same labour, it would not continue of the same value, for it would exchange for only half the quantity of A, the only commodity, by the supposition, with which it could be compared" (l.c., [p.] 6).

"It is from this circumstance of constant reference to other commodities"* (instead of regarding value merely as a relation between two commodities)* "or to money, when we are speaking of the relation between any two commodities, that the notion of value, as something intrinsic and absolute, has arisen" (l.c., [p.] 8).

\(^a\) Verbatim.—*Ed.*

\(^b\) Observations on Certain Verbal Disputes in Political Economy.—*Ed.*
"What I assert is, that if all commodities were produced under exactly the same circumstances, as for instance, by labour alone, any commodity, which always required the same quantity of labour, could not be invariable in value"* // that is, INVARIAVLE IN THE EXPRESSION OF ITS VALUE IN OTHER COMMODITIES—a tautology//, *“while every other commodity underwent alteration” (l.c., [pp.] 20-21).

"Value is nothing intrinsic and absolute" (l.c., [p.] 23).*

"It is impossible to designate, or express the value of a commodity, except by a quantity of some other commodity” (l.c., [p.] 26).

(As impossible as it is to “designate” or “express” a thought except by a quantity of syllables. Hence Bailey concludes that a thought is—syllables.)

"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).

"Because the values of A and B, according to their doctrine, are to each other as the quantities of producing labour, or ... are determined by the quantities of producing labour, they appear to have concluded, that the value of A alone, without reference to anything else, is as the quantity of its producing labour. There is no meaning certainly in this last proposition”* (l.c., [pp.] 31-32).

They speak of *“value as a sort of general and independent property” ([p.] 35).

“The value of a commodity must be its value in something”* (l.c.).

We can see why it is so important for Bailey to limit value to two commodities, to understand it as the relation between two commodities. But a difficulty now arises:

*“The value of any commodity denoting its relation in exchange to some other commodity”*

(what is in this context the purpose of the “RELATION [XIV-827] IN EXCHANGE”? Why not, its “EXCHANGE”? But at the same time EXCHANGE is intended to express a definite relation, not merely the fact of exchange. HENCE VALUE=RELATION IN EXCHANGE)

*“we may speak of it as money-value, corn-value, cloth-value, according to the commodity with which it is compared; and then there are a thousand different kinds of value, as many kinds of value as there are commodities in existence, and all are equally real and equally nominal”* ([p.] 39).

Here we have it. VALUE = PRICE. THERE IS NO DIFFERENCE BETWEEN THEM. And THERE IS NO “INTRINSIC” DIFFERENCE BETWEEN MONEY PRICE AND ANY OTHER EXPRESSION OF PRICE, ALTHOUGH IT IS THE MONEY PRICE AND NOT THE CLOTH PRICE, ETC., WHICH EXPRESSES THE NOMINAL VALUE, THE GENERAL VALUE OF THE COMMODITY.

But although the commodity has a THOUSAND DIFFERENT KINDS OF VALUE, OR A THOUSAND DIFFERENT PRICES, AS MANY KINDS OF VALUE AS THERE ARE COMMODITIES IN EXISTENCE, ALL THESE THOUSAND EXPRESSIONS ALWAYS EXPRESS THE

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a Marx here sums up Bailey's argument in his own words.—Ed.
SAME VALUE. This proves that all these DIFFERENT EXPRESSIONS ARE EQUIVALENTS which not only can replace one another in this expression, but do replace one another in EXCHANGE itself. This relation of the commodity, with the price of which we are concerned, is expressed in a thousand DIFFERENT "RELATIONS IN EXCHANGE" to ALL the different commodities and yet always expresses the same relation. Thus this relation, which remains the same, is distinct from its thousand DIFFERENT EXPRESSIONS, or VALUE IS DIFFERENT FROM PRICE, and the PRICES ARE ONLY EXPRESSIONS OF VALUE; MONEY PRICE [is] ITS GENERAL EXPRESSION, OTHER PRICES [are] PARTICULAR EXPRESSIONS. It is not even this simple conclusion that Bailey arrives at. In this context Ricardo is not a fictionist but Bailey is a fetishist in that he conceives value, though not as a property of the individual object (considered in isolation), but as a relation of objects to one another, while it is only a representation in objects, an objective expression, of a relation between men, a social relation, the relationship of men to their reciprocal productive activity.

* "Mr. Ricardo, ingeniously enough, avoids a difficulty, which, on a first view, threatens to encumber his doctrine, that value depends on the quantity of labour employed in production. If this principle is rigidly adhered to, it follows that the value of labour depends on the quantity of labour employed in producing it—which is evidently absurd. By a dexterous turn, therefore, Mr. Ricardo makes the value of labour depend on the quantity of labour required to produce wages, or, to give him the benefit of his own language, he maintains that the value of labour is to be estimated by the quantity of labour required to produce wages; by which he means the quantity of labour required to produce the money or commodities given to the labourer. This is similar to saying, that the value of cloth is to be estimated, not by the quantity of labour bestowed on its production, but by the quantity of labour bestowed on the production of the silver, for which the cloth is exchanged" * (l.c., [pp.] 50-51). a

This is a justified criticism of Ricardo's mistake of making capital exchange directly with labour instead of with labour capacity. It is the same objection which we have already come across in another form. b Nothing else. Bailey's comparison cannot be applied to labour capacity. It is not CLOTH, but an organic product such as MUTTON, that he ought to compare with living labour capacity. Apart from the labour involved in tending livestock and that required for the production of their means of subsistence, the labour required for their production is not to be understood as meaning the labour which they themselves perform in the act of consumption, the act of eating, drinking, in short, the

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a Cf. this volume, pp. 34-35, and also present edition, Vol. 30, pp. 47-48.— Ed.
b See this volume, pp. 298-99.— Ed.
appropriation of those products or means of subsistence. It is just the same with labour capacity. The labour required for its production, or reproduction, consists solely of the labour involved in the reproduction of the means of subsistence which the labourer consumes—apart from the labour involved in developing his labour capacity, his education, his apprenticeship, which hardly arises in relation to unskilled labour. The appropriation of these means of subsistence is not "labour". [XIV-828] Any more than the labour contained in the cloth, in addition to the labour of the weaver and the labour which is contained in the wool, the dye-stuff, etc., comprises the chemical or physical action of the wool in absorbing the dye-stuff, etc., an action which corresponds to the appropriation of the means of subsistence by the worker or the cattle.

Bailey then seeks to invalidate Ricardo's law that the value of labour and profit stand in inverse proportion to one another. He seeks, moreover, to invalidate that part of it which is correct. Like Ricardo, he identifies surplus value with profit. He does not mention the one possible exception to this law, namely, when the working day is lengthened and workers and capitalists *share equally in that prolongation, but even then, since the value of the working power will be consumed more quickly—in fewer years—the surplus value rises at the expense of the working man's life, and his working power is depreciated as compared with the surplus value it yields to the capitalist.*

Bailey's reasoning is of the most superficial description. Its starting-point is his concept of value. The value of the commodity is the expression of its value in a certain quantity of other values in use (the use value of other commodities). Thus the value of labour—the quantity of other commodities (use values) for which it is exchanged. // The real problem, how it is possible to express the value in exchange of A in the value in use of B—does not even occur to him.// So long, therefore, as the worker receives the same quantity of commodities, the value of labour remains unchanged, because, as before, it is expressed in the same quantity of other useful things. Profit, on the other hand, expresses a relation to capital, or else to the total product. The *portion* received by the worker can, however, remain the same although the *portion* received by the capitalist rises if the productivity of labour increases.97 It is not clear why, in dealing with capital, we suddenly come to a proportion and of what use this *portion* is supposed to be to the capitalist, since the value of what he receives is determined not by the proportion, but by its "expression in other commodities".

The point he makes here has, in fact, already been mentioned
by Malthus. Wages = a quantity of use values. Profit, on the other hand, is (but Bailey must avoid saying so) a relation of value. If I measure wages according to use value and profit according to exchange value, it is quite evident that neither an inverse nor any other kind of relation exists between them, because I should then compare incommensurable magnitudes, things which have no common unity.

But what Bailey says here about the value of labour applies—according to his principle—to the value of every other commodity as well. It is nothing else but a certain quantity of other things exchanged against it. If I receive 20 lbs of twist for £1, then the value of the £1 always remains the same, and will therefore be always paid, although the labour required to produce 1 lb. of twist can on one occasion be double that required on another. The most ordinary merchant does not believe that he is getting the same value for his £1 when he receives 1 qr of wheat for it in a period of famine and in a period of glut. But the concept of value ends here. And there remains only the unexplained and inexplicable fact that a quantity of A is exchanged against a quantity of B in any proportion whatever. And whatever that proportion may be it is an equivalent. Even Bailey's formula, *the value of A expressed in B loses thus every sense. If the value of A is expressed in B, it is supposed that the same value is, if expressed once in A, and at another time in B, so that, if [it is] expressed in B, the value of A remains the same as it was before. But with Bailey there is no value of A [that could] be expressed in B, because neither A nor B have a value besides that expression. The value of A [expressed] in B must be something quite different from the value of A in C, as different as B and C are. And it is not the same value, identical in both expressions, but there are two relations of A which have nothing in common with each other, and of which it would be nonsense to say that they are equivalent expressions.

[XIV-829] "A rise or fall in the value of labour implies an increase or decrease in the quantity of the commodity given in exchange for it" (i.e., [p.] 62).

Nonsense! [From Bailey's standpoint] there can be no rise or fall in the value of labour, nor of any other thing. I get today 3 Bs for one A, tomorrow 6 Bs and [the day] after tomorrow 2 Bs. But [according to Bailey] in all these cases the value of A is nothing but the quantity of B for which it has [been] exchanged. It was 3 Bs, it is now 6 Bs. How can its value be said to have risen or fallen? The A expressed in 3 Bs had another value from that expressed in 6 or 2 Bs. But then it is not the identical A which at

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See this volume, p. 227.—Ed.
the identical time has been exchanged for 3 or 2 or 6 Bs. The identical A at the identical time has always been expressed in the same quantity of B. It is only with regard to different times that it could be said the value of A had changed. But it is only with "contemporaneous" commodities that A can be exchanged, and it is only the fact (not even the mere possibility of exchange) of exchange with other commodities which constitutes [according to Bailey] A to be a value. It is only the actual "relation in exchange" which constitutes its value; and the actual "relation in exchange" can of course only take place for the same A at the identical time.* Bailey therefore declares the comparison of commodity values at different periods to be nonsense. But at the same time he should also have declared the *rise or fall of value—[which is] impossible if there is no comparison between its [a commodity's] value at one time and its value at another time*—to be nonsense and consequently, also, the *"rise or fall in the value of labour".*

"Labour is an exchangeable thing, or one which commands other things in exchange; but the term profits denotes only a share or proportion of commodities, not an article which can be exchanged against other articles. When we ask whether wages have risen, we mean, whether a definite portion of labour exchanges for a greater quantity of other things than before"*

(thus when corn becomes dearer, the value of labour falls because less corn is exchanged for it. On the other hand, if cloth becomes cheaper at the same time, the value of labour rises simultaneously, because more cloth can be exchanged for it. Thus the value of labour both rises and falls at the same time and the two expressions of its value—in corn and [in] cloth—are not identical, not equivalent, because its increased value cannot be equal to its reduced value);

*"but when we ask whether profits have risen, we ... mean ... whether the gain of the capitalist bears a higher ratio to the capital employed" ([pp.] 62-63).

"The value of labour does not entirely depend on the proportion of the whole produce, which is given to the labourers in exchange for their labour, but also on the productiveness of labour" ([pp.] 63-64).

"The proposition, that when labour rises profits must fall, is true only when its rise is not owing to an increase in its productive powers" ([p.] 64).

"If this productive power be augmented, that is, if the same labour produce more commodities in the same time, labour may rise in value without a fall, nay even with a rise of profits"* ([p.] 66).

(Accordingly it can also be said of every other commodity that *a rise in its value does not imply a fall in the value of the other

commodity with which it exchanges, nay, may even imply a rise in value on the other side. For instance, supposing the same labour which produced 1 qr of corn, now produces 3 qrs. The 3 qrs cost £1, as the one qr did before. If 2 qrs be now exchanged against £1, the value of money has risen, because it is expressed in 2 qrs instead of one. Thus the purchaser of corn gets a greater value for his money. But the seller who sells for £1 what has cost him only \( \frac{2}{3} \) gains \( \frac{1}{3} \). And thus the value of his corn has risen at the same time that the money price of corn has fallen.)

[XIV-830] “Whatever the produce of the labour of 6 men might be, whether 100 or 200 or 300 qrs of corn, yet so long as the proportion of the capitalist was one-fourth of the produce, that fourth part estimated in labour would be invariably the same.”

// And so would the \( \frac{3}{4} \) of the produce accruing to the labourer, if estimated in labour.//

“Were the produce 100 qrs, then, as 75 qrs would be given to 6 men, the 25 accruing to the capitalist would command the labour of two men;”

(and that given to the labourers would command the labour of 6 men)

“If the produce were 300 qrs, the 6 men would obtain 225 qrs, and the 75 falling to the capitalist would still command 2 men and no more.”

(Thus the 225 qrs falling to the 6 men would still command 4 \(^a\) men and no more.) (Why does the almighty Bailey then forbid Ricardo to estimate the portion of the men, as well as that of the capitalist, in labour, and compare their mutual value as expressed in labour?)

“Thus a rise in the proportion which went to the capitalist would be the same as an increase of the value of profits estimated in labour.”

(how can he speak of the value of profits, and an increase in their value, if “[the term] profits denotes ... not an article which can be exchanged against other articles” (see above) and, consequently, denotes no “value”? And, on the other hand, is a rise in the proportion which went to the capitalist possible without a fall in the proportion that goes to the labourer?)

“or, in other words, an increase in their power of commanding labour” ([p.] 69).

(And is this increase in the power of the capitalist to appropriate the labour of others not exactly identical with the decrease in the power of the labourer to appropriate his own labour?)

\(^a\) This is apparently a slip of the pen: it should definitely be “6”.—Ed.
"Should it be objected to the doctrine of profits and the value of labour rising at the same time, that as the commodity produced is the only source whence the capitalist and the labourer can obtain their remuneration, it necessarily follows that [what] one gains the other loses, the reply is obvious. So long as the product continues the same, this is undeniably true; but it is equally undeniable, that if the product be doubled the portion of both may be increased, although the proportion of one is lessened and that of the other is augmented."*

(This is just what Ricardo says. The *proportion* of both cannot increase, and if the *portion* of both increases, it cannot increase in the same proportion, as otherwise portion and proportion would be identical. The proportion of the one cannot increase but by that of the other decreasing.*97 However, that Mr. Bailey calls the *portion of the labour* "value" of "wages", and the *proportion* [of the capitalist] value of "profits", that the same commodity has 2 values for him, one in the hands of the labourer, and the other in the hands of the capitalist, is nonsense of his own.)

"So long as the produce continues the same, this is undeniably true; but it [is] equally undeniable, that if the product be doubled the portion of both may be increased, although the *portion* of one is lessened and that of the other augmented. Now it is an increase in the *portion* of the product assigned to [the] labourer which constitutes a rise in the *value* of his labour"

(because here we understand by *value* a certain quantity of articles);

"but it is an increase in the *portion* assigned to the capitalist which constitutes a rise in [his] profits"

(because here we understand by *value* the same articles not estimated by their quantity, but by the labour worked up in them).

"Whence"* 

(that is, because of the absurd use of two measures, in the one case *articles*, in the other case *the value of the same articles*)

"it clearly follows, that there is nothing inconsistent in the supposition of a *simultaneous rise in both*"* ([p.] 70).

This absurd argument against Ricardo is quite [XIV-831] futile since he merely declares that the *value* of the two portions must *rise* and *fall* in inverse proportion to one another. It merely amounts to a repetition by Bailey of his proposition that *value is the quantity of articles exchanged for an article*. In dealing with *profit* he was bound to find himself in an embarrassing position. For here, the value of capital is compared with the value of the

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*b* See this volume, pp. 52-56.—*Ed.*
product. Here he seeks refuge in taking value to mean the value of an article estimated in labour (in the Malthusian manner").

* "Value is a relation between contemporary commodities, because such only admit of being exchanged for each other; and if we compare the value of a commodity at one time with its value at another, it is only a comparison of the relation in which it stood at these different times to some other commodity"* (l.c., [p.] 72).

Consequently, as has been stated, there can be neither [a] rise nor [a] fall [in] value for this always involves comparing the value of a commodity at one time with its value at another. A commodity cannot be sold below its value any more than [above] it, for its value is what it is sold for. Value and market price are identical. In fact one cannot speak either of "contemporary" commodities, or of present values, but only of past ones. What is the value of 1 qr of wheat? The £1 for which it was sold yesterday. For its value is only what is got in exchange for it, and as long as it is not exchanged, its "relation to money" is only imaginary. But as soon as the exchange has been transacted, we have £1 instead of 1 qr [of wheat] and we can no longer speak of the value of 1 qr [of wheat]. In comparing values at different periods, Bailey has in mind merely academic researches into the different values of commodities, for example in the 18th and the 16th centuries. There the difficulty arises from the fact that the same monetary expression of value—owing to the vicissitudes in the value of money itself—denotes different values. The difficulty here lies in reducing the money prices to values. But what a fool he is! Is it not a fact that, in the process of circulation or the process of reproduction of capital, comparing the value of one period to that of another is always an operation upon which production itself is based?

Mr. Bailey does not understand at all what the expressions—to determine the value of commodities by labour time or by the value of labour—mean. He simply does not understand the difference.

* "I beg not to be understood as contending, either that the values of commodities are to each other as the quantities of labour necessary for their production, or that the values of commodities are to each other as the values of the labour: all that I intend to insist upon is, that if the former is true, the latter cannot be false"* (l.c., [p.] 92).

The determination of the value of commodities by the value of another commodity (and in so far as they are determined by the "value of labour", they are determined by another commodity; for value of labour presupposes labour as a commodity) or its determination by a third entity, which has neither value nor is itself a commodity, but is the substance of value, and that which

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[a] See this volume, pp. 211-12, 225-26.—Ed.
first turns products into commodities, are for Bailey identical. In the first case, it is a question of a measure of the value of commodities, that is, in fact, of money, of a commodity in which the other commodities express their value. In order that this can happen, the values of the commodities must already be preposited. The commodity which measures as well as that to be measured must have a third element in common. In the second case, this identity itself is first posited; later it is expressed in the price, either money price or any other price.

Bailey identifies the "invariable measure of value" with the search for an immanent measure of value, that is, the concept of value itself. So long as the two are confused it is even a reasonable instinct which leads to the search for an "invariable measure of value". Variability is precisely the characteristic of value. The term "invariable" expresses the fact that the immanent measure of value must not itself be a commodity, a value, but rather something which constitutes value and which is therefore also the immanent measure of its [the commodity's] value. Bailey demonstrates [XIV-832] that commodity values can find a monetary expression and that, if the value relation of commodities is given, all commodities can express their value in one commodity, although the value of this commodity may change. But it nevertheless always remains the same for the other commodities at a given time, since it changes simultaneously in relation to all of them. From this he concludes that no value relation between commodities is necessary nor is there any need to look for one. Because he finds it reflected in the monetary expression, he does not need to "understand" how this expression becomes possible, how it is determined, and what in fact it expresses.

These remarks, in general, apply to Bailey as they do to Malthus, since he believes that one is concerned with the same question, on the same plane, whether one makes quantity of labour or value of labour the measure of value. In the latter case, one presupposes the values whose measure is being sought, [their] external measure, [their] representation as value. In the first case one investigates the genesis and immanent nature of value itself. In the second, the development of the commodity into money or the form which exchange value acquires in the process of the exchange of commodities. In the first, we are concerned with value, independent of this representation, or rather antecedent to this representation. Bailey has this in common with the other fools: to determine the value of commodities means to find their monetary expression, an external measure of their values. They say,
however, impelled by a reasonable instinct, that this measure then must have invariable value, and must itself in fact stand outside the category of value, whereas Bailey says that one does not need to understand it, since one does find the expression of value in practice, and this expression itself has and can have variable value without prejudice to its function.

In particular, he himself has informed us that 100, 200 or 300 qrs can be the product of the labour of 6 men, that is, of the same quantity of labour, whereas "value of labour" only means for him the aliquot part of the 100, 200 or 300 qrs which the 6 men receive. This could be 50, 60 or 70 qrs per man. The quantity of labour and the value of the same quantity of labour are therefore, according to Bailey himself, very different expressions. And how can it be the same if the value is expressed first in one thing and then in something essentially different? If the same labour which formerly produced 3 qrs of corn now produces 1 qr, while the same labour which formerly produced 20 yards of cloth (or 3 qrs of corn) still produces 20 yards, then, reckoned according to labour time, 1 qr of corn is now equal to 20 yards of cloth, or 20 yards of cloth to 1 qr of corn, and 3 qrs of corn = 60 yards instead of 20. Thus the values of the quarter of corn and the yard of linen have been altered relatively. But they have by no means been altered according to the "value of labour", for 1 qr of corn and 20 yards of cloth remain the same use values as before. And it is possible that 1 qr of corn does not command a larger quantity of labour than before.

If we take a single commodity, then Bailey's assertion makes no sense whatever. If the labour time required for the production of shoes decreases and now only one-tenth of the labour time formerly required is necessary, then the value of shoes drops to one-tenth of the former value; and this also holds true when the shoes are compared with, or expressed in, all other commodities, when the labour required for their production has remained the same or has not decreased at the same rate. Nevertheless, the value of labour—for example the daily wage in shoemaking as well as in all other industries—may have remained the same; or it may even have increased. Less labour is contained in the individual shoe, hence also less paid labour. But when one speaks of the value of labour, one does not mean that for one hour's labour, for a smaller quantity of labour, less is paid than for a greater quantity. Bailey's proposition could have meaning only in relation to the total product of capital. Suppose 200 pairs of shoes are the product of the same capital (and the same labour) which formerly produced
100 pairs. In this case, the value of the 200 pairs is the same as [previously] that of 100 pairs. And it could be said that the 200 pairs of shoes are to 1,000 yards of linen (say the product of £200 of capital) as the *value* of the labour set in motion by the two amounts of capital. In what sense? In the sense in which it would *also* apply [XIV-833] to the relation of the individual pair of shoes to the single yard of linen?

The *value* of labour is the part of the labour time contained in a commodity which the worker himself appropriates; it is the part of the product in which the *labour time which belongs* to the worker *himself is embodied*. If the entire value of a commodity is reduced to paid and unpaid labour time—and if the rate of unpaid to paid labour is the same, that is, if surplus value constitutes the same proportion of total value in all commodities—then it is clear that if the ratio of one commodity to another is proportional to the total quantity of labour they contain, they must also represent *equal* aliquot parts of these total quantities of labour, and their ratio must therefore also be as that of the paid labour time in one commodity to the paid labour time in the other.

\[
\frac{C}{C'} = \frac{TLT}{TLT'}
\]

or the commodities are to one another as the *quantities of paid labour time contained in them*, that is, as the *values of the labour contained in them*.

The *value of labour* is then, however, not determined in the way Bailey would like, but by the labour time [contained in the commodity].

Further, disregarding the conversion of values into prices of production and considering only the values themselves, capitals consist of different *aliquot parts of variable and constant capital*. Hence, as far as values are considered, the surplus values are not equal, or the paid labour is not an equal aliquot part of the total labour advanced.

In general, *wages*—or *values of labour*—would here be *indices of*...
the values of commodities, not as values, not in so far as wages rise or fall, but in so far as the quantity of paid labour—represented by wages—contained in a commodity would be an index of the total quantity of the labour contained in the corresponding commodities.

In a word, the point is that, if the values of commodities are to one another as $LT$ to $LT'$ (the amounts of labour time contained in them), then their ratio is likewise as $\frac{LT}{x}$ to $\frac{LT'}{x}$, i.e. the amounts of paid labour time embodied in them, if the proportion of the paid labour time to the unpaid is the same in all commodities, that is, if the paid labour time always equals the total labour time, whatever this may be, divided by $x$. But the "if" does not correspond to the real state of affairs. Supposing that the workers in different industries work the same amount of surplus labour time, the relation of paid to actually employed labour time is nevertheless different in different industries, because the ratio of immediate labour employed to accumulated labour employed is different. [Let us take two capitals consisting,] for example, [the one of] $50v$ [variable] and $50c$ [constant] and [the other of] $10v$ and $90c$. In both cases, let the unpaid labour $=\frac{1}{10}$. [The value of] the first commodity would accordingly be $105$, [of] the second $101$. The paid labour time would $=\frac{1}{2}$ of the labour advanced in the first case, and only $\frac{1}{10}$ in the second.

[XIV-834] Bailey says:

*"If the commodities are to each other as the quantities, they must also be to each other as the values of the producing labour; for the contrary would necessarily imply, that the two commodities A and B might be equal in value, although the value of the labour employed in one was greater or less than the value of the labour employed in the other; or that A and B might be unequal in value, if the labour employed in each was equal in value. But this difference in the value of two commodities, which were produced by labour of equal value, would be inconsistent with the acknowledged equality of profits, which Mr. Ricardo maintains in common with other writers"* (I.e., [pp.] 79-80).

In this last phrase, he stumbles unconsciously on a real objection to Ricardo, who directly identifies profit with surplus value and values with cost prices. Correctly stated, it is—if the commodities are sold at their value, they yield unequal profits, for then profit=the surplus value embodied in them. And this is correct. But this objection does not refer to the theory of value, but to a blunder of Ricardo's in applying this theory.

How little Bailey himself, in the above passage, can have correctly understood the problem, is shown in the following statement:
"Ricardo on the other hand maintains *‘that labour may rise and fall in value without affecting the value of the commodity’. This is obviously a very different proposition from the other, and depends in fact on the falsity of the other, or on the contrary proposition”* etc. (l.c., [p.] 81).

The fool himself previously asserted that the result of the same labour may be 100, 300 or 200 qrs [of corn]. This determines the relation of a quarter to other commodities irrespective of the changing value of labour, that is, irrespective of how much of the 100, 200 or 300 qrs falls to the labourer himself. The fool would have shown some consistency if he had said: the VALUES OF LABOUR may rise or fall, nevertheless the VALUES OF COMMODITIES are as the VALUES OF LABOUR, because—according to a false assumption—the rise or fall *of wages being general, and the value of wages being always the same proportionate part of the whole quantity of labour employed.

"The capability of expressing the values of commodities has nothing to do with the constancy of their values"

//indeed not! but it has much to do with first finding the value, before expressing it; finding in what way the values in use, so different from each other, fall under the common category and denomination of values, so that the value of the one may be expressed in the other //

“either to each other or to the medium employed; neither has the capability of comparing these expressions of value anything to do with it”.

//If the values of different commodities are expressed in the same third commodity, however variable its value may be, it is of course very easy to compare these expressions, already possessed of a common denomination.//

“Whether A is worth 4B or 6B”

(the difficulty consists in equalising A with any portion of B; and this is only possible if there exists a common entity for A and B, or if A and B are different representations of the same entity. If all commodities are to be expressed in gold, [or] money, the difficulty remains the same. There must be a common entity to gold and each of the other commodities)

“and whether C is worth 8B or 12B, are circumstances which make no difference in the power of expressing the value of A and C in B, and certainly no difference in the power of comparing the value of A and C when expressed” ([pp.] 104-05).

But how to express A in B or in C? To express “them” in each other, or, what comes to the same thing, to treat them as equivalent expressions of the same unity, A, B, C must all be
considered as something different from what they are as things, products, values in use. A = 4B. Then the value of A is expressed in 4B, and the value of 4B in A, so that both sides express the same. They are equivalents. They are both equal expressions of value. It would be the same if they were unequal ones or A > 4B, A < 4B. In all these cases they are, as far [XIV-835] as they are values, only different or equal in quantity, but [they are] always quantities of the same quality. The difficulty is to find this quality.

"The requisite condition in the process is, that the commodities to be measured should be reduced to a common denomination" *

//for example, in order to compare a \( \Delta \) with any of the other polygons it is only necessary to transform the latter into \( \Delta \), *to express them in triangles. But to do this the \( \Delta \) and the polygon are in fact supposed [to be] identities, different figurations of the same [thing]—space //

"which may be done at all times with equal facility; or rather it is ready done to our hands, since it is the prices of commodities which are recorded, or their relations in value to money" (l.c., [p.] 112).

"Estimating value is the same thing as expressing it" * (l.c., [p.] 152).

We have the fellow here. We find the values measured, expressed in the prices. We can therefore content ourselves with not knowing what value is. He confuses the development of the measure of value into money and further the development of money as the standard of price with the discovery of the concept of value itself in its development as the immanent measure of commodities in exchange. He is right in thinking that this money need not be a commodity of invariable value; from this he concludes that no separate determination of value independent of the commodity itself is necessary.

As soon as the value of commodities, as the element they have in common, is given, the measurement of their relative value and the expression of this value coincide. But we can never arrive at the expression so long as we do not find the common factor, which is different from the immediate existence of the commodities.

This is shown by the very example he gives, the distance between A and B.* When one speaks of their distance one already presupposes that they are points (or lines) in space. Having been reduced to points, and points of the same line, their distance may be expressed in inches, or feet, etc. The identity of the two commodities A and B is, at first sight, their exchangeability. They are "exchangeable" objects. As "exchangeable" objects they are magnitudes of the same denomination. But

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* See this volume, p. 330.—Ed.
THIS "THEIR" EXISTENCE AS "EXCHANGEABLE" OBJECTS MUST BE DIFFERENT FROM THEIR EXISTENCE AS VALUES IN USE. WHAT IS IT?

Money is already a *representation* of value, and presupposes it. As the *standard* of price money, for its part, already presupposes the (hypothetical) transformation of the commodity into money. If the values of all commodities are represented in money prices, then one can compare them, they are *in fact* already compared. But for the value to be represented as price, the value of commodities must have been expressed previously as money. Money is merely the form in which the value of commodities appears in the process of circulation. But how can one express \( x \) COTTON in \( x \) money? This question resolves itself into this—how is it at all possible to express one commodity in another, or how to present commodities as equivalents? Only the elaboration of value, independent of the representation of one commodity in another, provides the answer.

* "Mistake . . . that the relation of value can exist between commodities at different periods, which is in the nature of the case impossible; and if no relation exists there can be no measurement"* ((p.) 113).

We have already had the same nonsense before. "THE RELATION OF VALUE BETWEEN COMMODITIES AT DIFFERENT PERIODS" already exists when money acts as means of payment. The whole circulation process is a perpetual comparison of VALUES OF COMMODITIES AT DIFFERENT PERIODS.

* "If it" (money) "is not a good medium of comparison between commodities at different periods,*... [it asserts] its *incapability of performing a function in a case where there is no function for it to perform"* ((p.) 118).

Money has this FUNCTION TO PERFORM as means of payment and as treasure.

*All this is simply copied from the "VERBAL OBSERVER"*\(^{b}\) and in fact the secret of the whole nonsense OODSES OUT IN THE FOLLOWING PHRASE which has also convinced me that the "VERBAL OBSERVATIONS" which were very carefully concealed by Bailey, were used by him in the manner of a plagiarist.

[XIV-836] * "Riches are the attribute of men, value is the attribute of commodities. A man or [a] community is rich; a pearl or a diamond is valuable" ([p.] 165).\(^{c}\)

A pearl or a diamond is valuable as a pearl or a diamond, that is, by their qualities, as values in use for men, that is, as riches. But there is nothing in a pearl or a diamond by which a relation of

\(^{a}\) See ibid., pp. 337, 339-40.—*Ed.*

\(^{b}\) The anonymous author of *Observations on Certain Verbal Disputes in Political Economy*...—*Ed.*

\(^{c}\) Cf. this volume, p. 316.—*Ed.*
exchange between them is given,* etc.

Bailey now becomes a profound philosopher:

"Difference between labour as cause and measure, and in general between cause and measure of value" ([p.] 170 et seq.).

There is, in actual fact, a very significant difference (which Bailey does not notice) between "measure" (in the sense of money) and "cause of value". The "cause" of value transforms use values into value. The external measure of value already presupposes the existence of value. For example, gold can only measure the value of cotton if gold and cotton—as values—possess a common factor which is different from both. The "cause" of value is the substance of value and hence also its immanent measure.

* "Whatever circumstances ... act with assignable influence, whether mediately or immediately, on the mind in the interchange of commodities, may be considered as causes of value"* ([pp.] 182-83).

This in fact means nothing more than: the cause of the value of a commodity or of the fact that two commodities are equivalent are the circumstances which cause the seller, or perhaps both the buyer and the seller, to consider something to be the value or the equivalent of a commodity. The "circumstances" which determine the value of a commodity are by no means further elucidated by being described as circumstances which influence the "mind" of those engaging in exchange.

(These same circumstances (independent of the mind, but influencing it), which compel the producers to sell their products as commodities—circumstances which differentiate one form of social production from another—provide their products with an exchange value which (also in their mind) is independent of their use value. Their "mind", their consciousness, may be completely ignorant of, unaware of the existence of, what in fact determines the value of their commodities or their products as values. They are placed in conditions which determine their reasoning but they may not know it. Anyone can use money as money without necessarily understanding what money is. Economic categories are reflected in the mind in a very distorted fashion.) He [Bailey] transfers the problem into the mental sphere, because his theory has nothing further to offer. The circumstances which, as such, likewise exist (or perhaps they do not, or perhaps they are incorrectly conceived) in the consciousness of those engaging in exchange.

Instead of explaining what he himself understands by "value" (or "cause of value") Bailey tells us that it is something which buyers
and sellers imagine in the act of exchange.

In fact, however, the following considerations are the basis of the would-be philosophical proposition.

1) The market price is determined by various circumstances which express themselves in the relation of demand and supply and which, as such, influence "the mind" of the operators on the market. This is a very important discovery!

2) In connection with the conversion of commodity values into cost prices, "various circumstances" are taken into account which as "reasons for compensation" influence the mind or are reflected in it. All these reasons for compensation, however, affect only the mind of the capitalist as capitalist and stem from the nature of capitalist production itself, and not from the subjective notions of buyers and sellers. In their mind they exist rather as self-evident "eternal truths".

Like his predecessors, Bailey catches hold of Ricardo's confusion of values and cost prices in order to prove that value is not determined by labour, because cost prices are deviations from values. Although this is quite correct in relation to Ricardo's identification, it is incorrect as far as the question itself is concerned.

In this context, Bailey quotes first from Ricardo himself about the change in the relative values of [XIV-837] commodities in consequence of a rise in the value of labour. He quotes further the "effect of time" (different times of production though the labour time remains unchanged), the same case which aroused scruples in Mill. He does not notice the real general contradiction — the very existence of an average rate of profit, despite the different composition of capital, its different times of circulation, etc. He simply repeats the particular forms in which the contradiction appears, and which Ricardo himself — and his followers — had already noticed. Here he merely echoes what has been previously said but does not advance criticism a step forward.

He emphasises further that the costs of production are the main cause of "value", and therefore the main element in value. However, he stresses correctly — as was done [by other writers] after Ricardo — that the concept of production costs itself varies. He himself in the last analysis expresses his agreement with Torrens that value is determined by the capital advanced, which is correct

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a See present edition, Vol. 31, pp. 405-25.—Ed.
b See this volume, pp. 276-77, and also K. Marx, Outlines of the Critique of Political Economy... (present edition, Vol. 29, pp. 58-60).—Ed.
c See this volume, pp. 265-66, 270-71, and also K. Marx, Outlines of the Critique of Political Economy... (present edition, Vol. 29, p. 196).—Ed.
in relation to cost prices but meaningless if it is not evolved on the basis of value itself, that is, if the value of a commodity is to be derived from a more developed relationship, the value of capital, and not the other way round.

His last objection is this: The value of commodities cannot be measured by labour time if the labour time in one trade is not the same as in the others, so that the commodity in which, for example, 12 hours of an engineer's labour is embodied has perhaps twice the value of the commodity in which 12 hours of the labour of a field labourer is embodied. What this amounts to is the following: A simple working day, for example, is not a measure of value if there are other working days which, compared with days of simple labour, have the effect of composite [working] days. Ricardo showed that this fact does not prevent the measurement of commodities by labour time if the relation between simple and composite labour is given. He has indeed not described how this relation develops and is determined. This belongs to the definition of wages, and, in the last analysis, can be reduced to the different values of labour capacity itself, that is, its varying production costs (determined by labour time).

The passages in which Bailey expresses what has been summarised above are:

"It is not, indeed, disputed, that the main circumstance, which determines the quantities in which articles of this class" (where no monopoly exists and where it is possible to increase [output] by expanding industry) "are exchanged, is the cost of production; but our best economists do not exactly agree on the meaning to be attached to this term; some contending that the quantity of labour expended on the production of an article constitutes its cost; others, that the capital employed upon it is entitled to that appellation" (i.e., [p.] 200).

"What the labourer produces without capital, costs him his labour; what the capitalist produces costs him his capital" ([p.] 201).

(This is the factor which determines Torrens' views. The labour which the capitalist employs, costs him nothing apart from the capital he lays out in wages.)

"The mass of commodities are determined in value by the capital expended upon them" ([p.] 206).

Against the determination of the value of commodities simply by the quantity of labour contained in them:

"Now this cannot be true if we can find any instances of the following nature: 1) Cases in which two commodities have been produced by an equal quantity of labour, and yet sell for different quantities of money; 2) Cases in which two

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commodities, once equal in value, have become unequal in value, without any change in the quantity of labour respectively employed in each" ([p.] 209).

"It is no answer" * (with regard to cases of the first kind) * "to say, with Mr. Ricardo, that 'the estimation in which different qualities of labour are held, comes soon to be adjusted in the market with sufficient precision for all practical purposes'"; or with Mr. Mill, that 'in estimating equal quantities of labour, an allowance would, of course, be included for different degrees of hardness and skill'. Instances of this kind entirely destroy the integrity of the rule" ([p.] 210).

"There are only two possible methods of comparing one quantity of labour with another; one is to compare them by the time expended, the other by the result produced" * (the latter is done in the TASK-WORK system). * "The former is applicable to all kinds of labour; the latter can be used only in comparing labour bestowed on similar articles. If, therefore, in estimating two different sorts of work, the time spent will not determine the proportion between the quantities of labour, it must remain undetermined and undeterminable" * ([p.] 215).

With reference to 2: * "Take any two commodities of equal value, A and B, one produced by fixed capital and the other by labour, without the intervention of machinery; and suppose, that without any change whatever in the fixed capital or the quantity of labour, there should happen to be a rise in the value of labour; according to Mr. Ricardo's own showing, A and B would be instantly altered in their relation to each other; that is, they would become unequal in value" ([p.] 215-16).

"To these cases we may add the effect of time on value. If a commodity take more time than another for its production, although no more capital and labour, its value will be greater. The influence of this cause is admitted by Mr. Ricardo, but Mr. Mill contends", * etc. (l.c. [p. 217]).

Finally Bailey remarks, and this is the only new contribution he makes in this respect:

"The 3 types of commodities" // this is again taken from the author of the VERBAL OBSERVATIONS, I mean the 3 types// (namely, [the commodities produced] under absolute monopoly, or limited monopoly, as is the case with corn, or completely free competition) "cannot be entirely distinguished from one another. They are all not only promiscuously exchanged for each other, but blended in production. A commodity, therefore, may owe part of its value to monopoly, and part to those causes which determine the value of unmonopolised products. An article, for instance, may be manufactured amidst the freest competition out of a raw material, which a complete monopoly enables its producer to sell at 6 times the actual cost" ([p.] 223). c "In this case it is obvious, that although the value of the article might be correctly said to be determined by the quantity of capital expended upon it by the manufacturer, yet no analysis could possibly resolve the value of the capital into quantity of labour" * ([p.] 223-24).

This remark is correct. But monopoly does not concern us here, where we are dealing with two things only, value and cost price. It is clear that the conversion of value into cost price works in two ways. First, the profit which is added to the capital advanced may

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c Marx quotes Bailey with some alterations.— Ed.
be either above or below the surplus value which is contained in the commodity itself, that is, it may represent more or less unpaid labour than the commodity itself contains. This applies to the variable part of capital and its reproduction in the commodity. But apart from this, the cost price of constant capital—or of the commodities which enter into the value of the newly produced commodity as raw materials, matières instrumentales⁸ and instruments and conditions of—may likewise be either above or below its value. Thus the commodity comprises a portion of the price which differs from value, and this portion is independent of the quantity of labour newly added, or of the labour whereby these conditions of production with given cost prices are transformed into a new product. It is clear that what applies to the difference between the cost price and the value of the commodity as such—as a result of the production process—likewise applies to the commodity in so far as, in the form of constant capital, it becomes an ingredient, a precondition, of the production process. Variable capital, whatever difference between value and cost price it may contain, is replaced by a certain quantity of labour which forms a constituent part of the value of the new commodity, irrespective of whether its price expresses its value correctly or stands above or below the value. On the other hand, the difference between cost price and value, in so far as it enters into the price of the new commodity independently of its own production process, is incorporated into the value of the new commodity as a presupposed element. The difference between the cost price and the value of the commodity is thus brought about in two ways: by the difference between the cost price and the value of commodities which constitute the preconditions of the process of production of the new commodity; by the difference between the surplus value which is really added to the conditions of production and the profit which is calculated. But every commodity which enters into another commodity as constant capital, itself emerges as the result, the product, of another production process. And so the commodity appears alternately as a precondition for the production of other commodities and as the result of a process in which the existence of other commodities is the precondition for its own production. In agriculture (cattle-breeding), the same commodity appears at one point of time as a product and at another as a condition of production.

⁸ Instrumental materials.—Ed
This important deviation of cost prices from values brought about by capitalist production does not alter the fact that cost prices continue to be determined by values.

The vulgariser of Ricardian political economy and simultaneously the most pitiful embodiment of its decline.

He vulgarises not only Ricardo but also James Mill.

He is moreover a vulgar economist in everything and an apologist for the existing state of affairs. His only fear, driven to ridiculous extremes, is the tendency of profit to fall; he is perfectly contented with the position of the workers, and in general, with all the contradictions of bourgeois economy which weigh heavily upon the working class. Here everything is green. He even knows that

* "the introduction of machines into any employment necessarily occasions an equal or greater demand for the disengaged labourers in some other employment".\(\text{**}^a\)

Here he deviates from Ricardo, and in his later writings, he also becomes very mealy-mouthed about the landowners. But his whole tender anxiety is reserved for the poor capitalists, considering the tendency of the rate of profit to fall!

"Mr. McCulloch, unlike other exponents of science, seems to look not *for characteristic differences, but only for resemblances: and proceeding upon this principle, he is led to confound material with immaterial objects; productive with unproductive labour; capital with revenue; the food of the labourer with the labourer himself; production with consumption; and labour with profits" (Malthus, Definitions in Political Economy etc., London, 1827, [pp.] 69-70).

"Mr. McCulloch, in his Principles of Political Economy, London, 1825,\(^{100}\) divides value into real and relative or exchangeable value; the former, he says, (p. 225) is dependent on the quantity of labour expended in its appropriation or production, and the latter on the quantity of labour, or of any other commodity for which it will exchange; and these two values are, he says (p. 215), identical in the ordinary state of things, that is, when the supply of commodities in the market is exactly proportioned to the effectual demand for them. Now, if they be identical, the two quantities of labour which he refers to must be identical also; but, at page 221, he tells us that they are not, for that the one includes profits, while the other excludes them"* ([J. Cazenove,] Outlines of Political Economy etc., London, 1832, [p.] 25).

Namely McCulloch says on page 221 of his Principles of Political Economy:

*"In point of fact, it"* (the commodity) *"will always exchange for more"* //labour than that by which it has been produced//; *"and it is this excess that constitutes profits."* *

This is a brilliant example of the methods used by this archhumbug of a Scotsman. The arguments of Malthus, Bailey, etc., compel him to differentiate between **real value** and **exchangeable or relative value**. But he does so, basically, in the way he finds the difference dealt with by Ricardo. **Real value** means the commodity examined with regard to the labour required for its production; **relative value** implies the consideration of the proportions of different commodities which can be produced in the same amount of time, which are consequently equivalents, and the value of one of which can therefore be expressed in the quantity of use value of the other which costs the same amount of labour time. The **relative value** of commodities, in this Ricardian sense, is only another expression for their **real value** and means nothing more than that the commodities exchange with one another in proportion to the labour time embodied in them, in other words, that the labour time embodied in both is equal. If, therefore, the market price of a commodity is equal to its **exchangeable value** (as is the case when demand and supply are in equilibrium), then the commodity bought contains as much labour as that which is sold. It merely realises its **exchangeable value**, or it is only sold at its **exchangeable value** when one receives the same amount of labour in exchange for it as one hands over.

McCulloch relates all this, correctly repeating what has already been said.a But he goes too far here since the Malthusian definition of **exchangeable value**—the quantity of wage labour which a commodity commands—already sticks in his throat. He therefore defines **relative value** as the "quantity of labour, or of any other commodity for which a commodity will exchange". Ricardo, in dealing with **relative value**, always speaks only of commodities exclusive of labour, because in the exchange of commodities only a profit is realised, because in the exchange between commodity and labour equal quantities of labour are not exchanged. By putting the main emphasis right at the beginning of his book on the fact that the determination of the value [XIV-841] of a commodity by the labour time embodied in it differs toto coelob from the determination of this value by the

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*b* Immensely.—Ed.
quantity of labour which it can buy,\textsuperscript{a} Ricardo, on the one hand, posits the difference between the quantity of labour contained in a commodity and the quantity of labour which it commands. On the other hand, he excludes the exchange of commodity and labour from the \textit{relative value of a commodity}. Because, if a commodity exchanges with a commodity, equal quantities of labour are exchanged. If it exchanges with labour itself, unequal quantities of labour are exchanged, and capitalistic production rests on the inequality of this exchange. Ricardo does not explain how this \textit{exception} fits in with the concept of value. This is the reason for the arguments amongst his followers. But his instinct is sound when he makes the \textit{exception}. (In actual fact, there is no exception; it exists only in \textit{his} formulation.) Thus McCulloch goes farther than Ricardo and is apparently more consistent than he.

There is no flaw in his system; it is all of a piece. Whether a commodity is exchanged for a commodity or for labour, this ratio of exchange is in both cases \textit{the relative value of a commodity}. And if the commodities exchanged are sold at their value (i.e. if demand and supply are in equilibrium), this relative value is always the expression of the \textit{real value}. That is, there are equal quantities of labour at both poles of the exchange. Thus "in the ordinary state of things" a commodity only exchanges for a quantity of wage labour equal to the quantity of labour contained in it. The workman receives in wages just as much \textit{materialised labour} as he gives back to capital in the form of \textit{immediate labour}. With this the source of \textit{surplus value} disappears and the whole Ricardian theory collapses. Thus Mr. McCulloch first destroys it under the appearance of making it more consistent.

And what next? He then flits shamelessly from Ricardo to Malthus, according to whom the value of a commodity is determined by the quantity of labour which it buys and which must always be greater than that which the commodity itself contains. The only difference is that in Malthus this is plainly stated to be what it is, \textit{opposition} to Ricardo, and Mr. McCulloch adopts this opposite viewpoint after he has adopted the Ricardian formula with an apparent consistency (that is, with the consistency of incogitancy) which destroys the whole sense of the Ricardian theory. McCulloch therefore does not understand the essential kernel of Ricardo's teaching—how profit is realised because commodities exchange \textit{at their value}—and abandons it. Since

EXCHANGEABLE VALUE—which in "THE ORDINARY STATE OF THE MARKET" is, according to McCulloch, equal to the REAL VALUE but "IN POINT OF FACT" is always greater, since profit is based on this surplus (a fine contradiction and a fine discourse based on a "POINT OF FACT")—is "THE QUANTITY OF LABOUR, OR OF ANY OTHER COMMODITY", for which the commodity is exchanged, hence what applies to "LABOUR" applies to "ANY OTHER COMMODITY". This means that the commodity is not only exchanged for a greater amount of IMMEDIATE LABOUR than it itself contains, but for more MATERIALISED LABOUR IN THE OTHER COMMODITIES than it itself contains; in other words, profit is "profit UPON EXPROPRIATION" and with this we are back again amongst the Mercantilists. Malthus draws this conclusion. With McCulloch this conclusion follows naturally but with the pretence that this constitutes an elaboration of the Ricardian system.

And this total decline of the Ricardian system into twaddle—a decline which prides itself on being its most consistent exposition—has been accepted by the MOB, especially by the CONTINENTAL MOB (with Mr. Roscher naturally amongst them), as the conclusion of the Ricardian system carried too far, to its extreme limit; they thus believe Mr. McCulloch that the Ricardian mode of "coughing and spitting", which he uses to conceal his helpless, thoughtless and unprincipled eclecticism, is in fact a scientific attempt to set forth this system consistently.

McCulloch is simply a man who wanted to turn Ricardian economics to his own advantage—an aim in which he succeeded in a most remarkable degree. In the same way Say used Smith, but Say at least made a contribution by bringing Smith's theories into a certain formal order and, apart from misconceptions, he occasionally also ventured to advance theoretical objections. Since McCulloch first obtained a professorial chair in London on account of Ricardian economics in the beginning he had to come forward as a Ricardian and especially to participate in the struggle against the landlords. As soon as he had obtained a foothold and climbed to a position on Ricardo's shoulders, his main effort was directed to expounding political economy, especially Ricardian economics, within the framework of Whiggism and to eliminate all conclusions which were distasteful to the Whigs. His last works on money, taxes, etc., are mere PLAIDOYERS on behalf of the Whig Cabinet of the day. In this way

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a See this volume, p. 212, and also present edition, Vol. 30, pp. 405-25.—Ed.
the man secured a lucrative job. His statistical writings are merely catchpennies. The incogitant decline and vulgarisation of the theory likewise reveal the fellow himself as "a vulgarian", a matter to which we shall have to return before we have done with that speculating Scotsman. 

In 1828 McCulloch published Smith’s Wealth of Nations, and the 4th volume of this edition contains his own notes and dissertations in which, to pad out the volume, he reprints in part some mediocre essays which he had published previously, e.g., on "entail", etc., and which have absolutely nothing to do with the matter, and in part, his lectures on the history of political economy repeated almost verbotenus; he himself says that he “largely draws upon them”; in part, however, he tries in his own way to assimilate the new ideas advanced in the interim by Mill and by Ricardo’s opponents.

In his Principles of Political Economy, Mr. McCulloch presents us with nothing more than a copy of his “notes” and “dissertations” which he had already copied from his earlier “scattered manuscripts”. But things turned out slightly worse in the Principles, for inconsistencies are of less importance in “notes” than in an allegedly methodical treatment. Thus the passages quoted above, though they are, in part, taken verbatim from the “notes”, etc., look rather less inconsistent in these “notes” than they do in the Principles. // In addition the Principles contain plagiarisms of Mill amplified by absurd illustrations, and reprints of articles on corn trade, etc., which he has repeatedly published, maybe verbotenus, under 20 different titles in different periodicals, often even in the same periodical at different periods. //

In the above-mentioned volume IV of his edition of Adam Smith (London, 1828), Mac says (he repeats the same thing word for word in his Principles of Political Economy but without making the distinctions which he still felt to be necessary in the “notes”):

*“It is necessary to distinguish between the exchangeable value... and the real or cost value of commodities or products. By the first, or the exchangeable value of a commodity or product, is meant its power or capacity of exchanging either for other commodities or for labour; and by the second, or its real or cost value, is meant the quantity of labour which it required for its production or appropriation,

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\[ b \] See this volume, pp. 366-70.—Ed.


\[ d \] Verbatim.—Ed.
or rather the quantity which would be required for the production or appropriation of a similar commodity at the time when the investigation is made" (l.c., [pp.] 85-86).

"A commodity produced by a certain quantity of labour will" //when the supply of commodities is equal to the effectual demand // "uniformly exchange for, or buy any other commodity produced by the same quantity of labour. It will never, however, exchange for, or buy exactly the same quantity of labour that produced it; but though it will not do this, it will always exchange for, or buy the same quantity of labour as any other commodity produced under the same circumstances, or by means of the same quantity of labour, as itself" (l.c., [pp.] 96-97).

"In point of fact"* (this phrase is repeated literally in the Principles, since, IN POINT OF FACT, this "IN POINT OF FACT" constitutes the whole of his deduction,*) * "it" (the commodity) "will always exchange for more" //viz., [for] more labour than that by which it was produced //; "and it is this excess that constitutes profits. No capitalist would have any motive"* (as if the "MOTIVES" of the buyer was the point in question when dealing with the exchange of commodities and the investigation of their value) * "to exchange the produce of a given quantity of labour already performed [XIV-843] for the produce of the same quantity of labour to be performed. This would be to lend" // "to exchange" would be to "lend"// "without receiving any interest on the loan"* (l.c., p. 96).

Let us start at the end.

If the capitalist did not get back more labour than the amount he advances in wages, he would "lend" without "profit". What has to be explained is how profit is possible if commodities (labour or other commodities) are exchanged at their value. And the answer is that no profit would be possible if equivalents were exchanged. It is assumed, first of all, that capitalist and worker "exchange". And then, in order to explain profit, it is assumed that they do "not" exchange, but that one of the parties lends (i.e. gives commodities) and the other borrows, that is, pays only after he has received the commodities. In other words, in order to explain profit, it is said that the capitalist secures "no interest" if he makes no profit. This is putting the thing wrongly. The commodities in which the capitalist pays wages and the commodities which he gets back as a result of the labour, are different use values. He does not therefore receive back what he advanced, any more than he does when he exchanges one commodity for another. Whether he buys another commodity, or whether he buys the specific labour which produces the other commodity for him, amounts to the same. For the use value he advances he receives back another use value, as happens in all exchanges of commodities. If, on the other hand, one pays attention only to the value of the commodity, then it is no longer a contradiction to exchange "a given quantity of labour already performed" against "the same quantity to be performed" (although the capitalist in

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*a See this volume, p. 354.—Ed.
FACT pays only after the labour *has been* performed), nor [is it a contradiction] to exchange a quantity of labour performed against the same quantity of labour performed. This latter is an insipid tautology. The first part of the passage implies that "the labour to be performed" is materialised in another value of use as the labour performed. In this case there is thus a difference [between the objects to be exchanged] and, consequently, a motive for exchange arising out of the relationship itself, but this is not so in the other case, since A only exchanges for A in so far as in this exchange it is a matter of the quantity of labour. This is why Mr. Mac has recourse to the *motive*. The motive of the capitalist is to receive back a greater "quantity of labour" than he advances. Profit is here explained by the fact that the capitalist has the *motive* to make "profit". But the same thing can be said about the sale of goods by the merchant and about every sale of commodities not for consumption but for gain: *He has no motive to exchange the same quantity of performed labour against the same quantity of performed labour. His motive is to get in return more performed labour than he gives away. Hence he *must* get more performed labour in the form of money or commodities than he gives away in the form of a commodity or of money. He must, therefore, buy cheaper than he sells, and sell dearer than he has bought.* Profit upon alienation is thus explained, not by the fact that it corresponds to the law of value, but by declaring that buyers and sellers have no "motive" for buying and selling in accordance with the law of value. This is Mac's first "sublime" discovery, it fits beautifully into the Ricardian system, which seeks to show how the law of value asserts itself despite the "motives" of seller and buyer. [XIV-844] For the rest, Mac's presentation in the "notes" differs from the one in the *Principles* only in the following:

In the *Principles* he makes a distinction between "real value" and "relative value" and says that both are equal "under ordinary circumstances" but "in point of fact" they cannot be equal if there is to be a profit. He therefore says merely that the "fact" contradicts the "principle".

In the "notes" he distinguishes three sorts of value: "real value", the "relative value" of a commodity in its exchange with other commodities, and the relative value of a commodity exchanged with labour. The "relative value" of a commodity in its exchange with another commodity is its real value expressed in another commodity, or in an "equivalent". On the other hand, its relative value in exchange with labour is its real value expressed in another real value that is greater than itself. That means, its value is the exchange with a greater value, with a non-
equivalent. If it were exchanged for an equivalent in labour, then there would be no profit. The value of a commodity in its exchange with labour is a greater value.

Problem: The Ricardian definition of value conflicts with the exchange of a commodity with labour.

Mac's solution: In the exchange of a commodity with labour the law of value does not exist, but its contrary. Otherwise profit could not be explained. Profit for him, the Ricardian, is to be explained by the law of value.

Solution: The law of value (in this case) is profit. "In point of fact" Mac only reiterates what the opponents of the Ricardian theory say, namely, that there would be no profit if the law of value applied to exchange between capital and labour. Consequently, they say, the Ricardian law of value is invalid. He says that in this case, which he must explain by the Ricardian law, the law does not exist and that in this case "value" "means" something else.

From this it is obvious how little he understands of the Ricardian law. Otherwise he would have had to say that profit arising in exchange between commodities which are exchanged in proportion to the labour time, is due to the fact that "unpaid" labour is contained in the commodities. In other words, the unequal exchange between capital and labour explains the exchange of commodities at their value and the profit which is realised in the course of this exchange. Instead of this he says: Commodities which contain the same amount of labour time command the same amount of surplus labour, which is not contained in them. He believes that in this way he has reconciled Ricardo's propositions with those of Malthus, by establishing an identity between the determination of the value of commodities by labour time and the determination of the value of commodities by the labour they command. But what does it mean when he says that commodities which contain the same amount of labour time command the same amount of surplus labour in addition to the labour contained in them? It means nothing more than that a commodity in which a definite amount of labour time is embodied commands a definite quantity of surplus labour [that is, more labour] than it itself contains. That this applies not only to commodity A, in which \( x \) hours of labour time are embodied, but also to commodity B, in which \( x \) hours of labour time are also embodied, follows by definition from the Malthusian formula itself.

The contradiction is therefore solved by Mac in this way: If the Ricardian law of value were really a valid one, then profit, and
hence capital and capitalist production, would be impossible. This is exactly what Ricardo’s opponents assert. And this is what Mac answers them, how he refutes them. And in so doing, he does not notice the beauty of an explanation of exchangeable value in [exchange with] labour which amounts to saying that value is exchange for something which has no value.

[XIV-845] After Mr. Mac has thus abandoned the basis of Ricardian political economy, he proceeds even further and destroys the basis of this basis.

The first difficulty in the Ricardian system was the exchange of capital and labour—so as to be corresponding to the “law of value”.

The second difficulty was that capitals of equal magnitude, no matter what their organic composition, yield equal profits or the general rate of profit. This is indeed the unrecognised problem of how values are converted into cost prices.

The difficulty arose because capitals of equal magnitude, but of unequal composition—whether unequal proportions of constant and variable capital, whether of fixed and circulated capital, whether of unequal times of circulation—set in motion unequal quantities of immediate labour, and therefore unequal quantities of unpaid labour; consequently they cannot appropriate equal quantities of surplus value or surplus produce in the process of production. Hence they cannot yield equal profit if profit is nothing but the surplus value calculated in regard to the value of the whole capital advanced. If, however, the surplus value were something different from (unpaid) labour, then labour could after all not be the “foundation and measure” of the value of commodities.a

The difficulties arising in this context were discovered by Ricardo himself (although not in their general form) and set forth by him as exceptions to the rule of value.b Malthus used these exceptions to throw the whole rule overboard on the grounds that the exceptions constituted the rule.c Torrens, who also criticised Ricardo, indicated the problem at any rate when he said that capitals of equal size set unequal quantities of labour in motion, and nevertheless produce commodities of equal “values”, hence value cannot be determined by labour.d Ditto Bailey,etc. Mill for his part accepted the exceptions noted by Ricardo as exceptions,

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a See this volume, p. 325.—Ed.
b See present edition, Vol. 31, pp. 401-03, and also this volume, pp. 261-62.—Ed.
d See this volume, pp. 262-64.—Ed.
e Ibid., pp. 349-50.—Ed.
and he had no scruples about them except with regard to one single form. One particular cause of the equalisation of the profits of the capitalists he found incompatible with the rule. It was the following. Certain commodities remain in the process of production (for example, wine in the cellar) without any labour being applied to them; there is a period during which they are subject to certain natural processes (for example, prolonged breaks in labour occur in agriculture and in tanning before certain new chemicals are applied—these cases are not mentioned by Mill). These periods are nevertheless considered as profit-yielding. The period of time during which the commodity is not being worked on by labour [is regarded] as labour time (the same thing in general applies where a longer period of circulation time is involved). Mill "lied" his way—so to speak—out of the difficulty by saying that one can consider the time in which the wine, for example, is in the cellar as a period when it is soaking up labour, although according to the assumption this is, in point of fact, not the case. Otherwise one would have to say that "time" creates profit and time as such is "sound and fury". McCulloch uses this balderdash of Mill as a starting-point, or rather he reproduces it in his customary affected, plagiarist manner in a general form in which the latent nonsense becomes apparent and the last vestiges of the Ricardian system, as of all economic thinking whatsoever, are happily discarded.

On closer consideration, all the difficulties mentioned above resolve themselves into the following difficulty.

That part of capital which enters into the production process in the form of commodities, as raw materials or tools, does not add more value to the product than it possessed before production. For it only has value in so far as it is embodied labour and the labour contained in it is in no way altered by its entry into the production process. It is to such an extent independent of the production process into which it enters and dependent on the socially determined labour required for its own production that its own value changes when more labour time or less labour time than it itself contains is required for its reproduction. As value, this part of capital therefore enters unchanged into the production process and emerges from it unchanged. In so far as it really enters into the production process and is changed, this change affects only its

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a See this volume, p. 276.—Ed.
b Ibid.—Ed.
use value, i.e. it undergoes a change as use value. And all operations undergone by the raw material or carried out by the instrument of labour are merely processes to which they are submitted as specific kinds of raw material, etc., and particular tools (spindles, etc.), processes which affect their use value, but which, as processes, have nothing to do with their exchange value. Exchange value is maintained in this [XIV-846] change. Voilà tout.

It is different with that part of capital which is exchanged against labour capacity. The use value of labour capacity is labour, the element which produces exchange value. Since the labour provided by labour capacity in industrial consumption is greater than the labour which is required for its own reproduction, which provides an equivalent of its wages, the value which the capitalist receives from the worker in exchange is greater than the price he pays for this labour. It follows from this that, if equal rates of exploitation are assumed, of 2 capitals of equal size, that which sets less living labour in motion—whether this is due to the fact that the proportion of variable to constant capital is less from the start, or to the fact that it has a [longer] period of circulation or period of production during which it is not exchanged against labour, does not come into contact with it, does not absorb it—will produce less surplus value, and, in general, commodities of less value. How then can the values created be equal and the surplus values proportional to the capital advanced? Ricardo was unable to answer this question because, put in this way, it is absurd since, in fact, neither equal values nor [equal] surplus values are produced. Ricardo, however, did not understand the genesis of the general rate of profit nor, consequently, the transformation of values into cost prices which differ specifically from them.

Mac, however, eliminates the difficulty by basing himself on Mill’s insipid “evasion”. One gets round the inconvenience by talking out of existence by means of a phrase the characteristic difference out of which it arose. This is the characteristic difference: The use value of labour capacity is labour; it consequently produces exchange value. The use value of the other commodities is use value as distinct from exchange value, therefore no change which this use value undergoes can change the predetermined exchange value. One gets round the inconvenience by calling the use values of commodities—exchange value, and the operations in which they are involved as use values, the services they render as use values in production—labour. For after all, in

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*That is all.—Ed.*
ordinary life we speak of working animals, working machines, and even say poetically that the iron works in the furnace, or works under the blows of the hammer. It even screams. And nothing is easier than to prove that every "operation" is labour, for labour is—an operation. In the same way one can prove that everything material experiences sensation, for everything which experiences sensation is—material.

*"Labour may properly be defined to be any sort of action or operation, whether performed by man, the lower animals, machinery, or natural agents, that tends to bring about a desirable result"* (i.e., [MacCulloch, Supplemental Notes and Dissertations to Smith’s "Wealth of Nations", Vol. IV.] p. 75).

And this does not by any means apply [solely] to instruments of labour. It is in the nature of things that this applies equally to raw materials. Wool undergoes a physical action or operation when it is dyed. In general, nothing can be acted upon physically, mechanically, chemically, etc., in order “to bring about a desirable result” without the thing itself reacting. It cannot therefore be worked upon without itself working. Thus all commodities which enter into the production process bring about an increase in value not only by retaining their own value, but by creating new value, because they “work” and are not merely objectified labour. In this way, all the difficulties are naturally eliminated. In reality, this is merely a paraphrase, a new name for Say’s “productive services of capital”, “productive services of land”, etc., which Ricardo attacked continuously and against which Mac—mirabile dictum—himself polemicses in the same “dissertation” or “note” where he pompously presents his discovery, borrowed from Mill and embellished still further. In criticising Say, McCulloch makes lavish use of recollected passages from Ricardo and remembers that these “productive services” are in fact only the attributes displayed by things as use values in the production process. But naturally, all this is changed when he calls these “productive services” by the sacramental name of “labour”.

[XIV-847] After Mac has happily transformed commodities into workers, it goes without saying that these workers also draw wages and that, in addition to the value they possess as “accumulated labour”, they must be paid wages for their “operations” or “action”. These wages of the commodities are pocketed by the

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*b Wonderful to tell.—*Ed.

*c See this volume, pp. 277, 357-58.—*Ed.*
capitalists \textit{[per] procreationem}; they are "\textit{wages of accumulated labour}"—alias \textit{profit}\textsuperscript{a} And this is proof that equal profit on equal capitals, whether they set large or small amounts of labour in motion, follows directly from the determination of value by \textit{labour time}.

The most extraordinary thing about all this, as we have already noted, is the way Mac, at the very moment when he is basing himself on Mill and appropriating Say, hurls Ricardian phrases against Say. How literally he copies Say—except that where Say speaks of \textit{action}, he calls this \textit{action labour}\textsuperscript{b}—can best be seen from the following passages from Ricardo where the latter polemises against Say:

* "M. Say ... imputes to him" (Adam Smith), "as an error, that 'he attributes to the \textit{labour of man alone}, the power of producing value. A more correct analysis shows us that value is owing to the action of labour, or rather the industry of man, combined with \textit{the action of those agents} which nature supplies, and \textit{with that of capital}. His ignorance of this principle prevented him from establishing the true theory of the influence of machinery in the production of wealth."\textsuperscript{c} In contradiction to the opinion of Adam Smith, M. Say ... speaks of the value which is given to commodities by natural agents, etc. But these natural agents, though they add greatly to \textit{value in use}, never add \textit{exchangeable value}, of which M. Say is speaking" (Principles, 3rd ed., [pp.] 334-36).\textsuperscript{d} "\textit{Machines and natural agents might very greatly add to the riches of a country, ... not ... any thing to the value of those riches}" ([p.] 335, note).\textsuperscript{e}*

Like all economists \textit{worth naming}, [including] Adam Smith (although in a fit of humour he once called the ox \textit{a productive labourer}\textsuperscript{f}), Ricardo emphasises that labour as \textit{human activity}, even more, as socially determined \textit{human activity}, is the sole source of value. It is precisely through the consistency with which he treats the value of commodities as a mere "\textit{representation}" of socially determined labour, that Ricardo differs from the other economists. All these economists understand more or less clearly, but Ricardo more clearly than the others, that the exchange value of \textit{things} is a mere expression, a specific social form, of the productive activity of men, something \textit{toto genere}\textsuperscript{f} different from things and their \textit{use} as things, whether in industrial or in non-industrial consumption. For them, value is, in fact, simply an

\textsuperscript{a} Ibid., p. 369.—\textit{Ed.}
\textsuperscript{d} Cf. this volume, p. 179.—\textit{Ed.}
\textsuperscript{e} See present edition, Vol. 31, p. 162.—\textit{Ed.}
\textsuperscript{f} Entirely.—\textit{Ed.}
objectively expressed relation of the productive activity of men, of
the different types of labour to one another. When he argues
against Say, Ricardo explicitly quotes the words of Destutt de
Tracy, as expressing his own views:

*"As it is certain that our physical and moral faculties are alone our original
riches, the employment of those faculties"* (the faculties of men), *"labour of some
kind"* (that is, labour as the realisation of the faculties of men), *"is our only
original treasure, and it is always from this employment, that all those things are
created which we call riches... It is certain too, that all those things only represent
the labour which has created them, and if they have a value, or even two distinct values,
they can only derive them from ... the labour from which they emanate"*
(Ricardo, l.c., [p.] 334).

Thus commodities, things in general, have value only because they represent human [XIV-848] labour, not in so far as they are things in themselves, but in so far as they are incarnations of social labour.

And yet some persons have had the temerity to say that the miserable Mac has taken Ricardo to extremes, he who, in his incogitant efforts to "utilise" the Ricardian theory eclectically along with those opposed to it, identifies its principle and that of all political economy—labour itself as human activity and as socially determined human activity—with the physical, etc., action, which commodities possess as use values, as things. He who abandons the very concept of labour itself!

Rendered insolent by Mill's "evasion", he plagiarises Say while arguing against him, and copies precisely those phrases of Say which Ricardo in Chapter 20 [of his book], entitled "Value and Riches", attacks as being fundamentally opposed to his own ideas and those of Smith. (Roscher naturally repeats that Mac has carried Ricardo to extremes.) Mac, however, is sillier than Say, who does not call the "action" of fire, machinery, etc., labour. And more inconsistent. While Say attributes the creation of "value" to wind, fire, etc., Mac considers that only those use values, things, which can be monopolised create value, as if it were possible to utilise the wind, or steam, or water as motive power without the possession of windmills, steam-driven machinery or waterwheels! As if those who own, monopolise, the things whose possession alone enables them to employ the natural agents did not also monopolise the natural agents. I can have as much air, water, etc., as I like. But I possess them as productive agents only if I have the commodities, the things, by the

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b W. Roscher, Die Grundlagen der Nationalökonomie..., pp. 82 and 191.—Ed.
use of which these agents will operate as such. Thus Mac is even lower than Say.

This vulgarisation of Ricardo represents the most complete and most frivolous decline of Ricardo’s theory.

*“In so far, however, as that result” (the result produced by the action or operation of any thing) “is effected by the labour or operation of natural agents, that can neither be monopolised nor appropriated by a greater or smaller number of individuals to the exclusion of others, it has no value. What is done by these agents is done gratuitously”* (Mac[culloch, Supplemental Notes and Dissertations to Smith’s “Wealth of Nations”, Vol. IV], l.c., p. 75).

As if what is done by cotton, wool, iron or machinery, were not also done “gratuitously”. The machine costs money, but the operation of the machine is not paid for. No use value of any kind of commodity costs anything after its exchange value has been paid.

*“The man who sells oil makes no charge for its natural qualities. In estimating its cost he puts down the value of the labour employed in its pursuit, and such is its value”* (Carey, Principles of Political Economy, Part I, Philadelphia, 1837, [p.] 47).

In arguing against Say, Ricardo emphasises precisely that the action of the machine, for example, costs just as little as that of wind and water.

*“The services which ... natural agents and machinery perform for us ... are serviceable to us ... by adding to value in use; but as they perform their work gratuitously ... the assistance which they afford us, adds nothing to value in exchange”* (Ricardo, [l.c.] pp. 336-37).

Thus Mac has not understood the most elementary propositions of Ricardo. But the sly dog thinks: if the use value of cotton, machinery, etc., costs nothing, is not paid for apart from its exchange value, then, on the other hand, this use value is sold by those who use cotton, machinery, etc. They sell what costs them nothing.

[XIV-849] The brutal thoughtlessness of this fellow is evident, for after accepting Say’s “principle”, he sets forth rent with great emphasis, plagiarising extensively from Ricardo.

Land is a natural agent ... monopolised or appropriated by a greater or smaller number of individuals to the exclusion of others”*²

and its natural, vegetative action or “labour”, its productive power, consequently has value, and rent is thus ascribed to the productive power of land, as is done by the Physiocrats.² This is an outstanding

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² Cf. above on this page.— Ed.

example of Mac's way of vulgarising Ricardo. On the one hand, he copies Ricardo's arguments, which only make sense if they are based on the Ricardian assumptions, and on the other hand, he takes from others the direct negation of these assumptions (with the reservation that he uses his "nomenclature" or makes some small changes in the propositions). He should have said: "Rent is the wages of land" pocketed by the landowner.

* "If a capitalist expends the same sum in paying the wages of labourers, in maintaining horses, or in hiring a machine, and if the men, the horses, and the machine can all perform the same piece of work, its value will obviously be the same by whichever of them it may be performed"* ([MacCulloch], I.e., p. 77).

In other words: the value of the product depends on the value of the capital laid out. This is the problem to be solved. The formulation of the problem is, according to Mac, "obviously" the solution of it. But since the machine, for example, performs a greater piece of work than the men displaced by it, it is even more "obvious" that the product of the machine will not fall but rise in value compared with [the value of the product of] the men who "perform the same work". Since the machine can produce 10,000 pieces of work where a man can only produce 1, and every piece has the same value, the product of the machine should be 10,000 times as dear as that "of man".

Moreover, in his anxiety to distinguish himself from Say by stating that value is produced not by the action of natural agents but only by the action of monopolised agents, or agents produced by labour, Mac gets into difficulties and falls back on Ricardian phrases. For example,

The *labour of [the] wind produces the desired effect* on the *ship (produces a change in it). "But the *value of that change is not increased by, and is in no degree dependent on, the operation or labour of the natural agents concerned, but on the amount of capital, or the produce of previous labour, that co-operated in the production of the effect; just as the cost of grinding corn does not depend on the action of the wind or water that turns the mill, but on the amount of capital wasted in that operation"* ([p.] 79).

Here, all of a sudden, grinding is viewed as adding value to the corn in so far only as capital—"the produce of previous labour"—is "wasted" in the act of grinding. That is, it is not due to the millstone "working", but to the fact that along with the "waste" of the millstone, the value contained in it, the labour embodied in it, is also "wasted".

After these pretty arguments, Mac sums up the wisdom (borrowed from Mill and Say) in which he brings the concept of value into harmony with all kinds of contradictory phenomena, in the following way:
*"The word labour means ... in all discussions respecting value ... either the immediate labour of man, or the labour of the capital produced by man, or both"*

Hence labour [XIV-850] is to be understood as meaning the labour of man, then his accumulated labour, and finally, the practical application, that is, the physical, etc., properties of use values evolved in (industrial) consumption. Apart from these properties, use value means nothing at all. Use value operates only in consumption. Consequently, by the exchange value of the products of labour, we understand the use value of these products, for this use value consists only in its action, or, as Mac calls it, "labour", in consumption, regardless of whether this is industrial consumption or not. However, the types of "operation", "action", or "labour" of use values, as well as their physical measures, are as varied as the use values themselves. But what is the unity, the measure by means of which we compare them? This is established by the general word "labour" which is substituted for these quite different applications of use values, after labour itself has been reduced to the words "operation" or "action". Thus, with the identification of use value and exchange value ends this vulgarisation of Ricardo, which we must therefore consider as the last and most sordid expression of the disintegration of the Ricardian school as such.

*"The profits of capital are only another name for the wages of accumulated labour"* (Mac[culloch], Principles etc., 1825,100 p. 291),

that is, for the wages paid to commodities for the services they render as use values in production.

In addition, these wages of accumulated labour have their own mysterious connotation as far as Mr. McCulloch is concerned. We have already mentioned a that, apart from his plagiarism of Ricardo, Mill, Malthus and Say, which constitutes the real basis of his writings, he himself continually reprints and sells his "accumulated labour" under various titles, always "largely drawing" upon what he had got paid before. This method of drawing the "wages of accumulated labour" was discussed at great length as early as 1826 in a special work, and what has not McCulloch done since then—from 1826 to 1862—with regard to drawing wages for accumulated labour! (This miserable phrase has also been adopted by Roscher in his role of Thucydides. b)

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a See this volume, pp. 357-58.—Ed.
b See W. Roscher, Die Grundlagen der Nationalökonomie..., p. 353.—Ed.
The book referred to is called: Some Illustrations of Mr. McCulloch's Principles of Political Economy, Edinburgh, 1826, by Mordecai Mullion. It traces how our chevalier d'industrie made a name for himself. Nine-tenths of his work is copied from Adam Smith, Ricardo and others, the remaining tenth being culled repeatedly from his own accumulated labour "most shamelessly and damnabley reiterated" [p. 4]. Mullion shows, for example, not only that McCulloch sold the same articles to The Edinburgh Review and The Scotsman and the Encyclopaedia Britannica as his own "dissertations" and as new works, but also that he published the same articles word for word and with only a few transpositions and under new titles in different issues of The Edinburgh Review over the years. In this respect Mullion says the following about "this most incredible cobbler" [p. 31], "this most economical of all the economists" [p. 66]:

*"Mr. McCulloch's articles are as unlike as may be to the heavenly bodies—but, in one respect, they resemble such luminaries—they have stated times of return"*

([p.] 21).

No wonder he believes in the "wages of accumulated labour".

Mr. Mac's fame illustrates the power of fraudulent baseness.

[XIV-850a] In order to perceive how McCulloch exploits some of Ricardo's propositions to give himself airs, see, inter alia, The Edinburgh Review for March 1824, where this friend of the wages of accumulated labour gives vent to a veritable jeremiad about the fall in the rate of profit. (This claptrap is called "Considerations on the Accumulation of Capital").

"The author ... expresses the fears inspired in him by the decline in profit as follows: 'The condition of England however prosperous in appearance, is bad and unsound at bottom; the plague of poverty is secretly creeping on the mass of her citizens, and the foundations of her power and greatness have been shaken... Where the rate of interest is low, as in England, the rate of profit is also low, and the prosperity of the nation has passed its culminating point.' These observations must surprise everybody acquainted with England's splendid situation" (Prévost, l.c., [Réflexions du traducteur sur le système de Ricardo], p. 197).

There was no need for Mr. Mac to distress himself over the fact that "land" gets better "wages" than "iron, bricks, etc." The cause must be that it "labours" harder.
Wakefield’s real contribution to the understanding of capital has already been dealt with in the previous section on the Conversion of Surplus Value into Capital. Here we shall only deal with what is directly relevant to the “topic”.

*“Treating labour as a commodity, and capital, the produce of labour, as another, then, if the value of these two commodities were regulated by equal quantities of labour, a given amount of labour would, under all circumstances, exchange for that quantity of capital which had been produced by the same amount of labour; antecedent labour would always exchange for the same amount of present labour. But the value of labour, in relation to other commodities, in so far, at least, as wages depend upon share, is determined, not by equal quantities of labour, but by the proportion between supply and demand”* (Wakefield’s edition of Smith’s Wealth of Nations, Vol. I, London, 1835, p. 230-231, note).

Thus, according to Wakefield, profit would be inexplicable if wages corresponded to the value of labour.

In Volume II of his edition of Adam Smith’s work Wakefield remarks:

*“Surplus produce always constitutes rent: still rent may be paid, which does not consist of surplus produce”* (l.c., [p.] 216).

“If, as in Ireland, *the bulk of a people be brought to live upon potatoes, and in hovels and rags, and to pay, for permission so to live, all [that] they can produce beyond hovels, rags, and potatoes, then, in proportion as they put up with less, the owner of the land on which they live, obtains more, even though the return to capital or labour should remain unaltered. What the miserable tenants give up, the landlord gathers. So a fall in the standard of living amongst the cultivators of the earth is another cause of surplus produce... When wages fall, the effect upon surplus produce is the same as a fall in the standard of living; the whole produce remaining the same, the surplus part is greater; the producers have less, and the landlord more”* ([pp.] 220-21).

In this case, profit is called rent, just as it is called interest when, for example, as in India, the worker (although nominally independent) works with advances he receives from the capitalist and has to hand over all the surplus produce to the capitalist.

6) STIRLING (P A T R I C K J A M E S), THE PHILOSOPHY OF TRADE ETC., EDINBURGH, 1846

“The quantity of every commodity must be so regulated that the supply of each commodity shall bear a less proportion to the demand for it than the supply of labour bears to the demand for labour. The difference between the price or value of the commodity, and the price or value of the labour worked up in it constitutes the profit or surplus which Ricardo cannot explain on the basis of his theory” ([pp.] 72-73). *Marx quotes Stirling with some alterations.—Ed.*
[XIV-851] The same author informs us:

"When the values of commodities relate to each other according to their production costs, this may be called PAR OF VALUE" (p[p. 16]-18).a

Thus if demand and supply of labour correspond with one another, then labour would be sold at its value (whatever Stirling may understand by value). And if demand and supply of the commodities in which the labour is worked up do correspond, then the commodities would be sold at their production costs, by which Stirling understands the VALUE OF LABOUR. The price of the commodity would then be equal to the value of the labour worked up in it. And the price of labour would be on a par with its own value. Hence the price of the commodity=the price of the labour worked up in it. Hence, there would be no profit or surplus. Stirling explains profit, or the surplus, in this way:

The supply of labour in relation to the demand for it must be greater than the supply of commodities in which the labour is worked up in relation to the demand for them. The matter must be so arranged that the commodity is sold at a higher price than that paid for the labour contained in it. This is what Mr. Stirling calls explaining the phenomenon of the surplus, whereas it is, in fact, nothing but a paraphrase of what is supposed to be explained. If we go into it further, then there are only 3 possibilities. [1] The price of labour is on "a par with value", that is, the demand for and supply of labour balance in such a way that the price of labour=the value of labour. In these circumstances, the commodities must be sold above their value, or things must be arranged in such a way that the supply is below the demand. This is tout purb "profit upon alienation", except that the condition is stated under which it is possible. [2] Or the demand for labour is greater than the supply and the price is higher than its value. In these circumstances, the capitalist has paid the worker more than the value of the commodity, and the buyer must then pay the capitalist a twofold surplus—first to replace the amount he [the capitalist] has d'abord paid to the worker and then his profit. [3] Or the price of labour is below its value and the supply of labour above the demand for it. The surplus would then arise from the fact that labour is paid below its value and is sold at its value or, at least, above its price.

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a Here Marx is summarising pages 16-18 of Stirling's book.—Ed.  
b Pure.—Ed.
If one strips this of all nonsense, then Stirling's surplus is [here] due to the fact that labour is bought by the capitalist below its value and is sold again above its price in the form of commodities.

The other cases, divested of their ridiculous form—according to which the producer has to "arrange" matters in such a way that he is able to sell his commodity above its value, or above "the par of value"—mean nothing but that the market price of a commodity rises above its value, if the demand for it is greater than the supply. This is certainly not a new discovery and explains one sort of "surplus" which never caused Ricardo or anyone else the slightest difficulty.

7) JOHN STUART MILL, SOME UNSETTLED QUESTIONS ETC., LONDON, 1844

In a previous notebook a I have traced in detail how Mill violently attempts to derive Ricardo's law of the rate of profit (in inverse proportion to wages) directly from the theory of value without distinguishing between surplus value and profit.

This whole account of the Ricardian school shows that it declines at 2 points.

1) Exchange between capital and labour corresponding to the law of value.

2) Elaboration of the general rate of profit. Identification of surplus value and profit. Failure to understand the relation between values and cost prices. b

[XIV-852] l) OPPOSITION TO THE ECONOMISTS (BASED ON THE RICARDIAN THEORY)

During the Ricardian period of political economy its antithesis, communism (Owen) and socialism (Fourier, St. Simon, the latter only in his first beginnings), [comes] also [into being]. According to our plan, however, we are here concerned only with that opposition which takes as its starting-point the premisses of the economists. 108

a See present edition, Vol. 31, pp. 35-60.—Ed.
b See this volume, pp. 7-8.—Ed.
It will be seen from the works which we quote that in fact they all derive from the Ricardian form.

1) THE SOURCE AND REMEDY OF THE NATIONAL DIFFICULTIES ETC.
A LETTER TO LORD JOHN RUSSELL, LONDON, 1821 (ANONYMOUS)

This scarcely known pamphlet (ABOUT 40 PAGES) [which appeared] at a time when MacCulloch, "THIS INCREDIBLE COBBLER", began to make a stir, contains an important advance on Ricardo. It bluntly describes SURPLUS VALUE — or "profit", as Ricardo calls it (often also "SURPLUS PRODUCE"), or "INTEREST", as the author of the pamphlet terms it — as "SURPLUS LABOUR", the labour which the worker performs gratis, the labour he performs over and above the quantity of labour by which the value of his labour capacity is replaced, i.e. by which he produces an equivalent for his WAGES. Important as it was to reduce VALUE to LABOUR, it was equally important to present SURPLUS VALUE, which manifests itself in SURPLUS PRODUCE, as SURPLUS LABOUR. This was in fact already stated by Adam Smith and constitutes one of the main elements in Ricardo's argumentation. But nowhere did he clearly express it and record it in an absolute form.

Whereas the only concern of Ricardo and others is to understand the conditions of capitalist production, and to assert them as the absolute forms of production, the pamphlet and the other works of this kind to be mentioned seize on the mysteries of capitalist production which have been brought to light in order to combat the latter from the standpoint of the industrial proletariat.

* "Whatever may be due to the capitalist" (from the viewpoint of capital) * "he can only receive the surplus labour of the labourer; for the labourer must live" (i.e., [p.] 23).

To be sure, these conditions of life, the minimum on which the worker can live, and consequently also the quantity of surplus labour which can be squeezed out of him, are relative magnitudes.

* "If capital does not decrease in value as it increases in amount, the capitalists will exact from the labourers the produce of every hour's labour beyond what it is possible for the labourer to subsist on: and however horrid and disgusting it may seem, the capitalist may eventually speculate on the food that requires the least labour to produce it, and eventually say to the labourer: 'You sha'n't eat bread, because barley meal is cheaper; you sha'n't eat meat, because it is possible to subsist on beet root and potatoes.' And to this point have we come" ([pp. 23-]24).

"If the labourer can be brought to feed on potatoes instead of bread, it is indisputably true that more can be extracted from his labour; i.e. if when he fed on

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bread he was obliged to retain for the maintenance of himself and family the labour of Monday and Tuesday, he will, on potatoes, receive only the half of Monday; and the remaining half of Monday and the whole of Tuesday are available either for the service of the state or the capitalist. * ([p.] 26).a

Here profit, etc., is reduced directly to appropriation of the labour time for which the worker receives no equivalent.

*“It is admitted that the interest paid to the capitalists, whether in the nature of rents, interests of money, or profits of trade, is paid out of the labour of others”* ([p.] 23).

Rent, money interest, industrial profit, are thus merely different forms of “interest of capital”, which again is reduced to the “surplus labour of the labourer”. This surplus labour takes the form of surplus produce. The capitalist is the possessor b of the surplus labour or of the surplus produce.

The surplus produce is capital.

*“Suppose ... there is no surplus labour, consequently, nothing that can be allowed to accumulate as capital”* ([p.] 4).

And immediately after this he says:

*“the possessors of [the] surplus produce or capital”* (l.c.).

The author says, in a quite different sense from the whining Ricardians:

*“The natural and necessary consequence of an increased capital, is its decreasing value”* ([pp. 21-]22).

And in reference to Ricardo:

*“Why set out by telling us that no accumulation of capital will lower profits, because nothing will lower profits but increased wages, when it appears that if population does not increase with capital, wages would increase from the [dis]proportion between capital and labour; and if population does increase, wages would increase from the difficulty of procuring food”* ([p.] 23).

[XIV-853] If the value of capital, that is, the interest of capital, i.e. the surplus labour which it commands, which it appropriates, did not decrease when the amount of capital increases, the [accumulation of] interest from interest would follow in geometrical progression, c and just as, calculated in money (see Price d), this presupposes an impossible accumulation (rate of accumulation), so, reduced to its real element—labour, it would swallow up not only the surplus labour, but also the necessary labour as “being due” to

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a Cf. present edition, Vol. 30, p. 204.—Ed.
b In the manuscript: “Professor”.—Ed.
c See this volume, p. 543.—Ed.
capital. (We shall return to Price's fantasy in the section on revenue and its sources.\footnote{110})

*"If it were possible to continue to increase capital and keep up the value of capital, which is proved by the interest of money continuing the same, the interest to be paid for capital would soon exceed the whole produce of labour. ...capital tends in more than arithmetical progression to increase capital. It is admitted that the interest paid to the capitalists, whether in the nature of rents, interests of money, or profits of trade, is paid out of the labour of others. Consequently, if capital go on accumulating, the labour to be given for the use of the capital must go on increasing, interest paid for capital continuing the same, till all the labour of all the labourers of the society is engrossed by the capitalist. But this is impossible to happen: for whatever may be due to the capitalist, he can only receive the surplus labour of the labourer; for the labourer must live"* ([p.] 23).

But it is not clear to him how the value of capital decreases. He himself says, when dealing with Ricardo, that this recurs because wages rise when capital accumulates more rapidly than the population grows, or because the value of wages (not their quantity) increases when the population grows more rapidly than capital accumulates (or even if population increases simultaneously) as a result of decreasing productivity of agriculture. But how does he explain it? He does not accept the latter alternative; he assumes that wages are reduced more and more to the minimum possible. [A reduction of interest on capital] can only take place, [he] says, because the portion of capital which is exchanged for living labour declines relatively, although the worker is exploited more than, or just as much as, before.

In any case, it is a step forward that the nonsense about the geometrical progression of interest is reduced to its true sense, that is, nonsense.\footnote{See this volume, p. 543.—Ed.}

There are, incidentally, according to the pamphleteer, two ways in which the growth of surplus produce of surplus labour prevents capital from being forced to give a steadily growing share of its plunder back to the workers.

The first is the conversion of surplus produce into fixed capital, which prevents the labour fund—or the part of the product consumed by the worker—from necessarily increasing with the accumulation of capital.

The second is foreign trade, which enables the capitalist to exchange the surplus produce for foreign luxury articles and thus to consume it himself. In this way, even that part of the product which exists as necessaries may quite well increase without the need for it to be returned to the workers in the form of a proportionate increase in wages.
It should be noted that the first way—which is only effective for a time and then neutralises its own effect (at least as regards the fixed capital consisting of machinery, etc., itself used in the production of necessaries)—implies the transformation of surplus produce into capital, whereas the 2nd way implies consumption of an ever increasing portion of the surplus produce by the capitalists—increasing consumption on the part of the capitalists, and not the reconversion of surplus produce into capital. If the same surplus produce were to remain in the form in which it immediately exists, a larger part of it would have to be exchanged with the workers as variable capital. The result would be an increase in wages and a reduction in the amount of absolute or relative surplus value. Here is the real secret of the necessity for increasing consumption by "the rich", advocated by Malthus, in order that the part of the product which is exchanged for labour and converted into capital, should have great value, yield large profits, absorb a large amount of surplus labour.\(^a\) He does not however propose that the industrial capitalists themselves should increase their consumption, but [allots] this function to landlords, sinecurists, etc., because the urge for accumulation and the urge for expenditure, if united in the same person, would play tricks on each other. It is here also that the erroneousness of the view of Barton, Ricardo,\(^b\) and others stands out. Wages are not determined by that portion of the total product that is either consumed as, or can be converted into, variable capital, but by that part of it which is actually converted into variable capital. A part can be consumed by retainers even in its natural form, another can be consumed in the shape of luxury products by means of foreign trade, etc.

Our pamphleteer overlooks two things:

As a result of the introduction of machinery, a mass of workers is constantly being thrown out of employment, [a section of] the population is thus made redundant; the surplus produce therefore finds fresh labour for which it can be exchanged without any increase in population and without any need to extend the absolute labour time. Let us assume that 500 workers were employed previously, whereas now there are 300 workers, who perform relatively more surplus labour. The 200 can be employed by the surplus produce as soon as it has increased sufficiently. One portion of the old [variable] capital is converted into fixed capital, the other gives employment to fewer workers but extracts from them more surplus

\(^a\) In the manuscript, Marx wrote "Malthus" in the margin.—Ed.

\(^b\) See this volume, pp. 177-208.—Ed.
The transformation of necessaries into luxuries by means of foreign trade, as interpreted in the pamphlet, is correct in itself:

1) because it puts an end to the nonsensical idea that wages depend on the amount of necessaries produced, as if these necessaries had to be consumed in this form by the producers or even by the whole body of people engaged in production, in other words as if they must be turned back into variable capital or “circulating capital”, as it is termed by Barton and Ricardo;

2) because it determines the whole social pattern of backward nations—for example, the slave-holding states in the United States of North America (see Cairnes\(^a\)) or Poland, etc. (as was already understood by old Büssch\(^b\), unless he stole the idea from Steuart)—which are associated with a world market based on capitalist production. No matter how large the surplus produce they extract from the surplus labour of their slaves in the simple form of cotton or corn, they can adhere to this simple, undifferentiated labour because foreign trade enables them [to convert] these simple products into any kind of use value.

The assertion that the portion of the annual product which must be expended as wages depends on the size of the “circulating capital”, would be *al pari*\(^c\) to the assertion that, when a large part of the product consists of “buildings”, and houses for workers are built in large numbers relative to the size of the working population, the workers must consequently live in cheap and well-built houses because the supply of houses increases more quickly than the demand for them.

It is correct, on the other hand, that, if the surplus produce is large and the large part of it is to be employed as capital, then there must be an increase in the demand for labour and therefore also in that part of the surplus produce which is exchanged for wages (provided large numbers of workers did not have to be thrown out of work in order to obtain a surplus produce of this size). At all events, it is not the *absolute size* of the surplus produce (in whatever


\(^{b}\) J. G. Büssch, *Theoretisch-praktische Darstellung der Handlung in ihren mannichfaltigen Geschäften*, Hamburg, 1808, Book 5, Ch. 2.—Ed.

\(^{c}\) Equal.—Ed.
form it may exist, even that of necessaries) which necessarily requires it to be expended as variable capital and which consequently causes an increase in wages, but it is the desire to capitalise which results in a large part of the surplus produce being laid out in variable capital, and this would consequently make wages grow with the accumulation of capital if machinery did not constantly make [a section of] the population redundant and if an ever greater portion of capital (in particular as a result of foreign trade) were not exchanged for capital, not for labour. The portion of surplus produce which is already produced directly in a form in which it can only serve as capital, and that portion of it which acquires this form as a result of foreign trade, grow more rapidly than the portion which must be exchanged against immediate labour.

The proposition that wages depend on existing capital and that therefore a rapid accumulation of capital is the sole means by which wages are made to rise, amounts to this:

On the one hand, to a tautology, if we disregard the form in which the conditions of labour exist as capital. How rapidly the number of workers can be increased without worsening their living conditions depends on the productivity of labour which a given number of workers perform. The more raw materials, tools and means of subsistence they produce, the greater the means at their disposal not only to bring up their children so long as these cannot work themselves, but to realise the labour of the new, growing generation, and consequently to make the growth of population keep up with, and even outdo, the growth of production, since with the growth of the population, the [workers'] skill increases, division of labour grows, the possibility [for using] machinery grows, constant capital grows, in short, the productivity of labour grows.

While the growth of population depends on the productivity of labour, the productivity of labour depends on the growth of population. It is a case of reciprocity. But this, expressed in capitalist terms, signifies that the means of subsistence of the working population depend on the productivity of capital, on the largest possible portion of their product confronting them as a force which commands their labour. Ricardo himself expresses the matter correctly—I mean the tautology—when he makes wages depend on the productivity of capital, and the latter dependent on the productivity of labour. That labour depends on the growth of capital signifies nothing more than, on the one hand, the tautology

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a See this volume, pp. 169-70, 303.—Ed.
[XIV-854] that the increase in the means of subsistence and the means of employment of the population depends on the productivity of the population's own labour and, secondly, expressed in capitalist terms, that it depends on the fact that the population's own product confronts them as alien property and that as a consequence, their own productivity confronts them as the productivity of the things which they create.

In practice this means that the worker must appropriate the smallest possible part of his product in order that the largest possible part of it may confront him as capital; he must surrender as much as possible to the capitalist gratis, in order that the latter's means for purchasing his labour anew—with what has been taken away from the worker without compensation—may increase as much as possible. In this case it can happen that, if the capitalist has made the worker work a great deal for nothing, he may then, in exchange for what he has received for nothing, allow the worker to do a little less work for nothing. However, since this prevents the achievement of what is aimed at, namely, accumulation of capital as rapidly as possible, the worker must live in such circumstances that this reduction in the amount of labour he performs for nothing is in turn counteracted by a growth of the working population, either relatively as a result of the use of machinery, or absolutely as a result of early marriage. (It is the same relationship which is derided by the Ricardians when the Malthusians preach it between landlords and capitalists.) The workers must relinquish the largest possible part of their product to capital without receiving anything in return, so as, when conditions are more favourable, to buy back with new labour a part of the product so relinquished. However, since the conditions for the favourable change are at the same time counteracted by this favourable change, it can only be temporary and must turn again into its own opposite.

3) What applies to the transformation of necessaries into luxuries by means of foreign trade, applies in general to luxury production, whose unlimited diversification and expansion depends, however, on foreign trade. Although the workers engaged in luxury production produce capital for their employers, their product, in natura, cannot be turned back into capital, either constant or variable capital.

Luxury products, apart from those which are sent abroad to be exchanged for necessaries which enter into variable capital either in whole or in part, simply constitute surplus labour and moreover surplus labour which is immediately in that shape of surplus produce
which the rich consume as revenue. But they do not represent only the surplus labour of the workers who produce them. On the average, these perform the same surplus labour as the workers in other branches of industry. But in the same way as \( \frac{1}{3} \) of the product, which contains \( \frac{1}{3} \) of the surplus labour, can be considered as the embodiment of this surplus labour, and the remaining \( \frac{2}{3} \) as reproduction of the capital advanced, so the surplus labour of the producers of the necessaries which constitutes the wages of the producers of luxuries can also be considered as the necessary labour of the working class as a whole. Their surplus labour consists 1) of that part of the necessaries which is consumed by the capitalists and their retainers; and 2) of the total amount of luxuries. With regard to the individual capitalist or different trades the matter appears quite different. For the capitalist, one part of the luxuries created by him represents merely an equivalent for the capital laid out.

If too large a part of surplus labour is embodied directly in luxuries, then clearly, accumulation and the degree of reproduction will stagnate, because too small a part is reconverted into capital. If too small a part is embodied in luxuries, then the accumulation of capital (that is, of that part of the surplus produce which can in natura serve as capital again) will proceed more rapidly than increase in population, and the rate of profit will fall, unless a foreign market for necessaries exists.

In the exchange between capital and revenue\(^a\) I have regarded wages, too, as revenue and in general have merely examined the relationship of constant capital to revenue. The fact that the revenue of the worker appears at the same time as variable capital is important only in so far as in the accumulation of capital—the formation of new capital—the surplus consisting of means of subsistence (necessaries) in the possession of the capitalist producing them can be exchanged directly for the surplus consisting of raw materials or machinery in the possession of the capitalist producing constant capital. Here one form of revenue is exchanged for the other, [XIV-855] and, once the exchange is effected, the revenue of A is converted into the constant capital of B and the revenue of B into the variable capital of A.

In considering this circulation, reproduction and manner of replacement of the different capitals, etc., one must d’abord\(^b\) disregard foreign trade.

\(^a\) See present edition, Vol. 31, pp. 130-51.—Ed.
\(^b\) First of all.—Ed.
Secondly, it is necessary to distinguish between the two aspects of the phenomenon:
1) Reproduction on the existing scale,
2) reproduction on an extended scale, or accumulation; transformation of revenue into capital.

Ad 1) I have shown:
That what the producers of the means of subsistence have to replace is 1) their constant capital, 2) their variable capital. The part of the value of their product in excess of these two constitutes the surplus produce, the material existence of surplus value, which in its turn is only the representative of surplus labour.

Variable capital, that part of their product which represents it, is made up of wages, the revenue of the worker. This part already exists here in the natural form in which it serves as variable capital once again. With this part, the equivalent reproduced by the worker, the labour of the worker is bought once again. This is the exchange of capital for immediate labour. The worker receives this part in the form of money with which he buys back his own product, or other products of the same category. This is the exchange of the different portions of the variable part of capital for one another after the worker has in the form of money received an assignment to his quota. This is exchange of one part of newly added labour for another part within the same category (means of subsistence).

The part of the surplus produce (newly added labour) consumed by the capitalists (who produce means of subsistence) themselves, is either consumed by them in natura or they exchange one type of surplus produce existing in consumable form against another type. This is the exchange of revenue for revenue, both of them consisting of newly added labour.

We cannot really speak of exchange between revenue and capital in the above transaction. Capital (necessaries) is exchanged against labour (labour capacity). This is therefore not an exchange of revenue for capital. It is true that as soon as the worker receives his wages, he consumes them. But what he exchanges for capital is not his revenue, but his labour.

The 3rd part, constant capital, is exchanged for a part of the product of those manufacturers who produce constant capital; namely, for that part which represents newly added labour. This consists of an equivalent for the wages (that is, of variable capital) and of the surplus produce, the surplus value, the revenue of the capitalists which exists in a form in which it can only be consumed industrially and not individually. On the one hand, this is
therefore exchange of the variable capital of these producers for a part of the means of subsistence which constitute constant capital. In fact they exchange a part of their product which constitutes variable capital but exists in the form of constant capital, for a part of the product of those manufacturers who produce the means of subsistence, a part which constitutes constant capital but exists in the form of variable capital. Here newly added labour is exchanged for constant capital.

On the other hand, that part of the product which represents surplus produce but exists in the form of constant capital is exchanged for a portion of the means of subsistence which represents constant capital for its producers. Here revenue is exchanged for capital. The revenue of the capitalists who produce constant capital is exchanged for the means of subsistence and replaces the constant capital of the capitalists who produce the means of subsistence.

Finally, a part of the product of the capitalists who produce constant capital, namely, that part which itself represents constant capital, is replaced partly in natura, partly through barter (concealed by money) between the producers of constant capital.

It is assumed in all this that the scale of reproduction = the original scale of production.

If we enquire now what part of the total annual product is made up of newly added labour, then the calculation is quite simple.

A) Consumable articles, which consist of 3 parts. [Firstly,] the revenue of the capitalists = the surplus labour added during the year. Secondly, wages, i.e. variable capital which is equal to the newly added labour by which the workers have reproduced their wages.

Finally, the third part, raw materials, machinery, etc. This is constant capital, that part of the value of the product which is only retained, not produced. That is, it is not labour newly added during the course of the year.

[XIV-856] If we call constant capital c, variable capital v, and surplus produce, the revenue r, then this category consists of:

c (which constitutes a part of the product) is merely retained value and does not consist of newly added labour; on the other hand, v + r consist of labour newly added during the course of the year.

The total product (or its value) Pa after deduction of c, therefore, consists of newly added labour.

Thus the product of category A,

Pa − c' = the labour newly added during the course of the year.

B) Articles for industrial consumption.
Here also \( v^{II} + r^{II} \) are made up of newly added labour. But not \( c^{II} \), the constant capital which operates in this sphere. But \( v^{II} + r^{II} = c^{I} \) for which they are exchanged. \( c^{I} \) is transformed into variable capital and \textit{revenue} for B. On the other hand, \( v^{II} \) and \( r^{II} \) are transformed into \( c^{I} \), into constant capital for A.

The product of category \( P^{b} \),
\[ P^{b} - c^{II} = \text{the labour newly added during the course of the year}. \]
But \( P^{b} - c^{II} = c^{I} \), for the whole product of \( P^{b} \) after deduction of \( c^{II} \), the constant capital employed in this category, is exchanged for \( c^{I} \).

After \( v^{II} + r^{II} \) have been exchanged for \( c^{I} \), the matter can be presented as follows:

\( P^{a} \) consists solely of newly added labour, the product of which is divided between profits and \textit{wages}, that is, it constitutes the \textit{equivalent of necessary labour} and the \textit{equivalent of surplus labour}. For the \( v^{II} + r^{II} \) which now replace \( c^{I} \) are equal to the newly added labour in category B.

Thus the whole product of \( P^{a} \)—not only its \textit{surplus produce}, but also its variable capital and its constant capital—consists of the products of labour newly added during the course of the year.

On the other hand, \( P^{b} \) can be regarded in such a way that it does not represent any part of the newly added labour, but merely old labour which is retained. For its part \( c^{II} \) does not represent newly added labour. Neither does the part \( c^{I} \) which it has received in exchange for \( v^{II} + r^{II} \), for this \( c^{I} \) represents the constant capital laid out in A, and not newly added labour.

The whole part of the annual product which, as variable capital, constitutes the \textit{revenue} of the workers and as \textit{surplus produce} constitutes the consumption fund of the capitalists, therefore can be resolved into newly added labour, whereas the remaining part of the product, which represents constant capital, can be resolved into nothing but old labour which has been retained and simply replaces constant capital.

Consequently, just as it is correct to say that the whole portion of the annual product which is consumed as \textit{revenue wages} and \textit{profits} (together with the \textit{branches of profit}, \textit{rent}, \textit{interest}, etc., as well as the \textit{wages of the unproductive labourers}) consists of newly added labour, so it is false to assert that the total annual product can be resolved into \textit{revenue, wages and profits} and thus merely into portions of newly added labour. A part of the annual product can be resolved into constant capital, which regarded as value does \textit{not} constitute newly added labour and, as regards \textit{use}, does not form part of either \textit{wages of profits}. Regarded as value it represents \textit{accumulated labour in
the real sense of the word, and its use value is the use of this accumulated previous labour. On the other hand, it is equally correct that the labour added during the year is not represented entirely by that part of the product which can be resolved into wages and profits. For these wages and profits buy services, that is, labour which does not enter into the product of which wages and profits form [a part]. These services are labour which is used up in the consumption of the product and does not enter into its immediate production.

[XIV-857] Ad 2). It is a different matter with regard to accumulation, transformation of revenue into capital, reproduction on an extended scale, in so far as this latter does not simply result from more productive employment of the old capital. Here the whole new capital consists of newly added labour, that is, of surplus labour in the form of profit, etc. But although it is correct that here the entire element in new production arises from and consists of newly added labour—which is a part of the surplus labour of the labourers—it is wrong to assume, as the economists do, that, when it is converted into capital, it can be resolved into variable capital alone, that is, wages. Let us suppose for example that a part of the surplus produce of the farmer is exchanged for a part of the surplus produce of the machine manufacturer. It is then possible that the latter will convert the corn into variable capital and employ more workers, directly or indirectly. On the other hand, the farmer has converted a part of his surplus produce into constant capital, and it is possible that, as a result of this conversion, he will discharge some of his old workers instead of taking on new ones. The farmer may cultivate more land. In this case, a part of his corn will be converted not into wages, but into constant capital, etc.

It is precisely accumulation which reveals clearly that everything—i.e. revenue, variable capital and constant capital—is nothing but appropriated alien labour; and that both the conditions of labour with which the worker works, and the equivalent he receives for his labour, consist of labour performed by the worker and appropriated by the capitalist, who has not given any equivalent for it.

[The same applies] even to original accumulation. Let us assume that I have saved £500 from my wages. In fact, therefore, this sum represents not only accumulated labour but, in contrast to the "accumulated labour" of the capitalist, my own labour accumulated by me and for me. I convert the £500 into capital, buy raw material, etc., and take on workers. Profit is, say, 20%, that is, £100 a year. In 5 years I shall have "eaten up" my capital in the form of revenue (provided new accumulation does not continuously
take place and the £100 is consumed). In the 6th year, my capital of £500 itself consists of other people's labour appropriated without any equivalent. If, on the other hand, I had always accumulated \( \frac{1}{2} \) of the profit made, the process would have been slower, for I would not have consumed so much and would have accumulated more rapidly.

<table>
<thead>
<tr>
<th>Capital</th>
<th>Profit</th>
<th>Consumed</th>
</tr>
</thead>
<tbody>
<tr>
<td>First year</td>
<td>500</td>
<td>100</td>
</tr>
<tr>
<td>Second year</td>
<td>550</td>
<td>110</td>
</tr>
<tr>
<td>Third year</td>
<td>605</td>
<td>121</td>
</tr>
<tr>
<td>Fourth year</td>
<td>665</td>
<td>133</td>
</tr>
<tr>
<td>Fifth year</td>
<td>731</td>
<td>146</td>
</tr>
<tr>
<td>Sixth year</td>
<td>804</td>
<td>160</td>
</tr>
<tr>
<td>Seventh year</td>
<td>884</td>
<td>176</td>
</tr>
<tr>
<td>Eighth year</td>
<td>972</td>
<td>194</td>
</tr>
</tbody>
</table>

My capital will have been almost doubled by the 8th year although I have consumed more than my original capital. The capital of 972 does not contain a single farthing of paid labour or of labour for which I have returned any kind of equivalent. I have consumed my entire original capital in the form of revenue, that is, I have received an equivalent for it, which I have consumed. The new capital consists solely of the appropriated labour of other people.

In considering surplus value as such, the original form of the product, hence of the surplus produce, is of no consequence. It becomes important when considering the actual process of reproduction, partly in order to understand its forms, and partly in order to grasp the influence of luxury production, etc., on reproduction. Here is another example of how use value as such acquires economic significance.

[XIV-858] Now to return to our pamphlet.

* "Suppose the whole labour of the country to raise just sufficient for the support of the whole population; it is evident there is no surplus labour, consequently, nothing that can be allowed to accumulate as capital. Suppose the whole labour of the country to raise as much in one year as could maintain it two years, it is evident one year's consumption must perish, or for one year men must
Theories of Surplus Value. Opposition to Economists

cease from productive labour. But the possessors of the surplus produce, or capital, will neither maintain the population the following year in idleness, nor allow the produce to perish; they will employ them upon something not directly and immediately productive, for instance, in the erection of machinery, etc. But the third year, the whole population may again return to productive labour, and the machinery erected in the last year coming now into operation,* it is evident the produce will be greater than the first year's produce for the produce of the machinery in addition. This surplus produce,* that is an even larger amount, must perish or be put to use as before; and this usance again adds to the productive power of the society till men must cease from productive labour for a time, or the produce of their labour must perish. This is the palpable consequence in the simplest state of society" ([pp.] 4-5).

*"The demand of other countries is limited, not only by our power to produce, but by their power to produce,"*

/*This is the answer to Say's assertion that we do not produce too much, but they produce too little." Their power to produce is not necessarily equal to our power to produce.*/

*"For do what you will, in a series of years the whole world can take little more of us, than we take of the world, so that all your foreign trade, of which there is so much talking, never did, never could, nor ever can, add one shilling, or one doit to the wealth of the country, as for every bale of silk, chest of tea, pipe of wine that ever was imported, something of equal value was exported; and even the profits made by our merchants in their foreign trade are paid by the consumer of the return goods here" ([pp.] 17-18).

"Foreign trade is mere barter and exchange for the convenience and enjoyment of the capitalist: he has not a hundred bodies, nor a hundred legs: he cannot consume, in cloth and cotton stockings, all the cloth and cotton stockings that are manufactured; therefore they are exchanged for wines and silks; but those wines and silks represent the surplus labour of our own population, as much as the cloths and cottons, and in this way the destructive power of the capitalist is increased beyond all bounds: by foreign trade the capitalists contrive to outwit nature, who had put a 1,000 natural limits to their exactions, and to their wishes to exact; there is no limit now, either to their power, or desires"* (I. e., [p.] 18).

One sees that he accepts Ricardo's teaching on foreign trade. In Ricardo's work its only purpose is to support his theory of value or to demonstrate that his views on foreign trade are not at variance with it. But the pamphlet stresses that it is not only national labour, but also national surplus labour which is embodied in the outcome of foreign trade.

If surplus labour or surplus value were represented only in the national surplus produce, then the increase of value for the sake of value and therefore the exaction of surplus labour would be restricted by the limited, narrow circle of use values in which the value of labour would be represented. But it is foreign trade which develops its [the surplus value's] real nature as value by

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a In the pamphlet: "surplus labour".—Ed.
b Marx quotes with some abridgements.—Ed.
developing the labour embodied in it as social labour which manifests itself in an unlimited range of different use values, and this in fact gives meaning to abstract wealth.

*"It is the infinite variety of wants, and of the kinds of commodities"* //and therefore also the *infinite variety of real labour, which produces those different kinds of commodities// “necessary to their gratification, which alone renders the passion for wealth” //and hence the passion for appropriating other people’s labour// “indefinite and insatiable” (Wakefield’s edition* of Adam Smith, [An Inquiry into the Nature and Causes of the Wealth of Nations], Vol. I, London, 1835,13 p. 64, note).

But it is only FOREIGN TRADE, the development of the market to a world market, which causes money to develop into world money and abstract labour into social labour. Abstract wealth, value, money, HENCE abstract labour, develop in the measure that concrete labour becomes a totality of different modes of labour embracing the world market. Capitalist production rests on the value or the development of the labour embodied in the product as social labour. But this is only [possible] on the basis of FOREIGN TRADE and of the world market. This is at once the precondition and the result of capitalist production.

[XIV-859] The pamphlet is no theoretical treatise. [It is a] protest against the false reasons given by the economists for the DISTRESS and the “NATIONAL DIFFICULTIES” of the times. It does not, consequently, make the claim that its conception of SURPLUS VALUE as SURPLUS LABOUR carries with it a general criticism of the entire system of economic categories, nor can this be expected of it. The author stands rather on Ricardian ground and is only consistent in stating one of the consequences inherent in the system itself and he advances it in the interests of the working class against capital.

For the rest, the author remains a captive of the economic categories as he finds them. Just as in the case of Ricardo the confusion of SURPLUS VALUE with profit leads to undesirable contradictions, so in his case the fact that he christens SURPLUS VALUE the INTEREST OF CAPITAL.

To be sure, he is in advance of Ricardo in that he first of all reduces all SURPLUS VALUE to SURPLUS LABOUR, and when he calls SURPLUS VALUE INTEREST OF CAPITAL, he at the same time emphasises that by this he understands the general form of SURPLUS LABOUR in contrast to its particular forms—rent, interest of money and industrial profit.

*"Interest paid to the capitalists, whether in the nature”* (it should be *shape, form) “of rents, interests of money, or profits of trade”* ([The Source and Remedy..., p.] 23).
He thus distinguishes the general form of surplus labour or surplus value from their particular forms, something which neither Ricardo nor Adam Smith [does], at least not consciously or consistently. But on the other hand, he applies the name of one of these particular forms—interest—to the general form. And this suffices to make him relapse into economic slang.

*“The progress of increasing capital would, in established societies, be marked by the decreasing interest of money, or, what comes to the same, the decreasing quantity of the labour of others that would be given for its use”* ([p.] 6).

This passage reminds one of Carey. But with him it is not the labourer who uses capital, but capital which uses labour. Since by interest he understands surplus labour in any form, the matter of the remedy of our “national difficulties” amounts to an increase in wages; for the reduction of interest means a reduction of surplus labour. However, what he really means is that in the exchange of capital for labour the appropriation of alien labour should be reduced or that the worker should appropriate more of his own labour and capital less.

Reduction of surplus labour can mean two things:
Less work should be performed over and above the time which is necessary to reproduce the labour capacity, that is, to create an equivalent for wages;
or, less of the total quantity of labour should assume the form of surplus labour, that is, the form of time worked gratis for the capitalist; therefore less of the product in which labour manifests itself should take the form of surplus produce; in other words, the worker should receive more of his own product and less of it should go to the capitalist.

The author is not quite clear about this himself, as can be seen from the following passage which is really the last word in this matter as far as the pamphlet is concerned:

A nation is really rich only if no interest is paid for the use of capital; if the working day is only 6 hours rather than twelve. Wealth is disposable time and nothing more ([p.] 6).

Since what is understood by interest here is profit, rent, interest on money—in short, all the forms of surplus value—and since, according to the author himself, capital is nothing but the produce of labour, accumulated labour which is able to exact in exchange for itself not only an equal quantity of labour, but surplus labour, according to

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b This is a summary of the ideas set forth in the pamphlet. Cf. present edition, Vol. 30, p. 204.—Ed.
him the phrase: capital bears no interest, therefore means that capital [XIV-860] does not exist. The product is not transformed into capital. No surpluse produce and no surpluse labour exist. Only then is a nation really rich.

This can mean however: There is no produce and no labour over and above the product and the labour required for the reproduction of the workers. Or, they [the workers] themselves appropriate this surplus either of the product or of the labour.

That the author does not simply mean the latter is, however, clear from the fact that the words “no interest [is paid] for the use of capital” are juxtaposed to [the proposition that] “A nation is really rich if the working day is 6 hours rather than twelve”; “wealth is disposable time, and nothing more”.

This can now mean:

If everybody has to work, if the contradiction between those who have to work too much and those who are idlers disappears—and this would in any case be the result of capital ceasing to exist, of the product ceasing to provide a title to alien surplus labour—and if, in addition, the development of the productive forces brought about by capital is taken into account, society will produce the necessary abundance in 6 hours, [producing] more than it does now in 12, and, moreover, all will have 6 hours of “disposable time”, that is, real wealth; time which will not be absorbed in direct productive labour, but will be available for enjoyment, for leisure, thus giving scope for free activity and development. Time is scope for the development of man’s faculties, etc. It will be recalled that the economists themselves justify the slave labour of the wage labourers by saying that it creates leisure, free time for others, for another section of society—and thereby also for the society of wage labourers.

Or it can also mean: The workers now work 6 hours more than the time (now) required for their own reproduction. (This can hardly be the author’s view, since he describes what they use now as an inhuman minimum.) If capital ceases to exist, then the workers will work for 6 hours only and the idlers will have to work the same amount of time. The material wealth of all would thus be depressed to the level of the workers. But all would have disposable time, that is, free time for their development.

The author himself is obviously not clear about this. Nevertheless, there remains the fine statement:

A nation is really rich if the working day is 6 hours rather than twelve. Wealth is disposable time, and nothing more.
Ricardo himself, in the chapter entitled "Value and Riches, Their Distinctive Properties," also says that real wealth consists in producing the greatest possible amount of values in use having the least possible value. This means, in other words, that the greatest possible abundance of material wealth is created in the shortest possible labour time. Here also, the "disposable time" and the enjoyment of that which is produced in the labour time of others, [appear] as the true wealth, but like everything in capitalist production—and consequently in its interpreters—[it appears] in the form of a contradiction. In Ricardo's work the contradiction between riches and value later [appears] in the form that the net product should be as large as possible in relation to the gross product, which again, in this contradictory form, amounts to saying that those classes in society whose time is only partly or not at all absorbed in material production although they enjoy its fruits, should be as numerous as possible in comparison with those classes whose time is totally absorbed in material production and whose consumption is, as a consequence, a mere item in production costs, a mere condition for their existence as beasts of burden. There is always the wish that the smallest possible portion of society should be doomed to the slavery of labour, to forced labour. This is the utmost that can be accomplished from the capitalist standpoint.

The author puts an end to this. Time of labour, even if exchange value is eliminated, always remains the creative substance of wealth and the measure of the cost of its production. But free time, disposable time, is wealth itself, partly for the enjoyment of the product, partly for free activity which—unlike labour—is not determined by a compelling extraneous purpose which must be fulfilled, and the fulfilment of which is regarded as a natural necessity or a social duty, according to one's inclination.

It is self-evident that if time of labour is reduced to a normal length and, furthermore, labour is no longer performed for someone else, but for myself, and, at the same time, the social contradictions between master and men, etc., being abolished, it acquires a quite different, a free character, it becomes real social labour, and finally the basis of disposable time—the time of labour of a man who has also disposable time, must be of a much higher quality than that of the beast of burden.

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26–733
A most remarkable work.

The author of the pamphlet discussed above understands surplus value in its original form, i.e. that of surplus labour. Consequently his attention is mainly centred on the extent of labour time. In particular, the conception of surplus labour of value in its absolute form; the extension of labour time beyond that required for the reproduction of the labourer himself, not the reduction of necessary labour as a result of the development of the productive powers of labour.

The reduction of this necessary labour is the principal aspect examined by Ricardo, but in the way it is carried out in capitalist production, namely, as a means for extending the amount of labour time accruing to capital. This pamphlet, on the contrary, declares that the final aim is the reduction of the producers' labour time and the cessation of labour for the possessor of surplus produce.

Ravenstone seems to assume the working day as given. Hence, what he is particularly interested in—just as was also the author of the pamphlet previously discussed, so that the theoretical questions only crop up incidentally—is relative surplus value or the surplus produce (which accrues to capital) as a result of the development of the productive power of labour. As is usual with those who adopt this standpoint, surplus labour is conceived here more in the form of surplus produce, whereas in the previous pamphlet, surplus produce is conceived more in the form of surplus labour.

* "To teach that the wealth and power of a nation depend on its capital, is to make industry ancillary to riches, to make men subservient to property"* ([p.] 7).

The opposition evoked by the Ricardian theory—on [the basis of] its own assumptions—has the following characteristic feature.

To the same extent as political economy developed—and this development finds its most trenchant expression in Ricardo, as far as fundamental principles are concerned—it presented labour as the sole element of value and the only creator of use value, and the development of the productive forces as the only real means for increasing wealth; the greatest possible development of the productive powers of labour as the economic basis of society. This is, in fact, the foundation of capitalist production. Ricardo's work,* in particular, since it demonstrates that the law of value is not

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*a On the Principles of Political Economy, and Taxation.—Ed.*
invalidated either by landed property or by capitalist accumulation, etc., is, in reality, only concerned with eliminating all contradictions or phenomena which appear to run counter to this conception. But in the same measure as it is understood that labour is the *sole* source of exchange value and the active source of use value, "*capital*" is likewise conceived by the same economists, in particular by Ricardo (and even more by Torrens, Malthus, Bailey, and others after him), as the regulator of production, the source of wealth and the aim of production, whereas labour is regarded as wage labour, whose representative and real instrument is inevitably a pauper (to which Malthus' theory of population contributed), a mere production cost and instrument of production dependent on a minimum wage and forced to drop even below this minimum as soon as the existing quantity of labour is "superfluous" for capital. In this contradiction, political economy merely expressed the essence of capitalist production or, if you like, of wage labour, of labour alienated from itself, which stands confronted by the wealth it has created as alien wealth, by its own productive power as the productive power of its product, by its enrichment as its own impoverishment and by its social power as the power of society. But this definite, specific, historical form of social labour, as it appears in capitalist production, is proclaimed by these economists as the general, eternal form, as something determined by nature and *these* relations of production as the absolutely (not historically) necessary, natural and reasonable relations of social labour. Their thoughts being entirely confined within the bounds of capitalist production, they assert that the *contradictory* form in which social labour manifests itself there, is just as necessary as the form itself freed from this contradiction. Since in the selfsame breath they proclaim, on the one hand, *labour* as such (for them, labour is synonymous with wage labour) and on the other, *capital* as such—that is, the poverty of the workers and the wealth of the non-workers—to be the sole source of wealth, they are perpetually involved in absolute contradictions without being in the slightest degree aware of them. (*Sismondi* was epoch-making in political economy because he had an inkling of this contradiction.) Ricardo's phrase "*labour or capital*" reveals in a most striking fashion both the contradiction inherent in the terms and the naïvety with which they are stated to be identical.

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a See this volume, pp. 247-48.—Ed.
Since the same real development which provided bourgeois political economy with this striking theoretical expression, unfolded the real contradictions contained in it, especially the contradiction between the growing wealth of the English "nation" and the growing misery of the workers, and since moreover these contradictions are given a theoretically compelling if unconscious expression in the Ricardian theory, etc., it was natural for those [XV-862] thinkers who rallied to the side of the proletariat to seize on this contradiction, for which they found the theoretical ground already prepared. Labour is the sole source of exchange value and the only active creator of use value. This is what you say. On the other hand, you say that *capital* is everything, and the worker is nothing or a mere production cost of capital. You have refuted yourselves. Capital is *nothing* but defrauding of the worker. *Labour* is *everything*.

This, in fact, is the ultimate meaning of all the writings which defend the interests of the proletariat from the Ricardian standpoint basing themselves on his assumptions. Just as little as he [Ricardo] understands the identity of *capital* and *labour* in his own system, do they understand the contradiction they describe. That is why the most important among them—Hodgskin, for example—accept all the economic preconditions of capitalist production as eternal forms and only desire to eliminate capital, which is both the basis and necessary consequence [of these preconditions].

*Ravenstone’s* main idea is as follows: The development of the productive powers of labour creates *capital or property*, in other words a surplus produce for "idle", non-workers; and indeed the more the productive power of labour develops, the more it produces this, its parasitical excrecence which sucks it dry. Whether the title to this surplus produce accrues to the non-worker because he already possesses wealth, or because he possesses land, landed property, does not affect the case. Both are *capital*, that is, mastery over the product of other people's labour. For Ravenstone *property* is merely *appropriation* of the products of other people's labour and this is only possible in so far as and in the degree that productive *industry* develops. By productive *industry* Ravenstone understands industry which produces *necessaries*. *Unproductive industry*, the *industry of consumption*, is a consequence of the development of *capital*, or *property*. Ravenstone appears ascetic like the author of

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*See this volume, pp. 401-10, 445-46.—* *Ed.*

*In the manuscript, this word is followed by its German equivalent.—* *Ed.*

*See this volume, p. 396.—* *Ed.*
the pamphlet discussed above. In this respect he himself remains a captive of the notions set forth by the economists. Without capital, without property, the necessaries of the workers would be produced in abundance, but there would be no luxury industry. Or it can also be said that Ravenstone, like the author of the pamphlet discussed above, understands or at least in fact admits the historical necessity of capital; since capital, according to the author of the pamphlet, produces surplus labour over and above the labour strictly necessary for the maintenance [of the worker] and at the same time leads to the creation of machinery (what he calls fixed capital) and gives rise to foreign trade, the world market, in order to utilise the surplus produce filched from the workers partly to increase productive power, partly to give this surplus produce the most diverse forms of use value far removed from those required by necessity. Similarly, according to Ravenstone, no “conveniences”, no machinery, no luxury products would be produced without capital and property, neither would the development of the natural sciences have taken place, nor the literary and artistic productions which owe their existence to leisure or the urge of the wealthy to receive an equivalent for their surplus produce from the non-workers.

Ravenstone and the pamphleteer do not say this in justification of capital, but simply seize on it as a point of attack because all this is done in opposition to the workers and not for them. But in fact they thus admit that this is a result of capitalist production, which is therefore a historical form of social development, even though it stands in contradiction to that part of the population which constitutes the basis of that whole development. In this respect they share the narrow-mindedness of the economists (although from a diametrically opposite position) for they confuse the contradictory form of this development with its content. The latter wish to perpetuate the contradiction on account of its results. The former are determined to sacrifice the fruits which have developed within this antagonistic form, in order to get rid of the contradiction. This distinguishes their opposition to political economy from that of contemporary people like Owen; likewise from that of Sismondi, who harks back to antiquated forms of the contradiction in order to be rid of it in its acute form.

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a The Source and Remedy of the National Difficulties...— Ed.
b See R. Owen, The Book of the New Moral World..., London, 1836.— Ed.
c See this volume, pp. 247-48, and also K. Marx, The Poverty of Philosophy. Answer to the “Philosophy of Poverty” by M. Proudhon (present edition, Vol. 6, p. 137).— Ed.
It is the "WANTS" of the poor which "CONSTITUTE HIS" (the rich man's) "WEALTH... When all were equal, none would labour for another. *The necessaries of life would be overabundant whilst its comforts were entirely wanting" ([p.] 10).

"The industry which produces is the parent of property; that which aids consumption is its child" ([p.] 12).

"The growth of property, this greater ability to maintain idle men, and unproductive industry, that in political economy is called capital" ([p.] 13).

"As the destination of property is expense, as without that it is wholly useless to its owner, its existence is intimately connected with that [XV-863] of the industry of consumption" (l.c.).

"If each man's labour were but enough to procure his own food, there could be no property, and no part of a people's industry could be turned away to work for the wants of the imagination" ([pp.] 14-15).

"In every stage of society, as increased numbers and better contrivances add to each man's power of production, the number of those who labour is gradually diminished... Property grows from the improvement of the means of production; its sole business is [the] encouragement of idleness. When each man's labour is barely sufficient for his own subsistence, as there can be no property, there will be no idle men. When one man's labour can maintain five, there will be four idle men for one employed in production: in no other way can the produce be consumed. ...the object of society is to magnify the idle at the expense of the industrious, to create power out of plenty"* ([p.] 11).

(With regard to rent he says (not quite correctly, for it is precisely here that it is necessary to explain why [rent] accrues to the landlord and not to the farmer, the industrial capitalist) what applies to surplus value in general, in so far as it develops as a result of the increase in the productive power of labour.

* "In the early stages of society, when men have no artificial assistance to their powers of industry, the proportion of their earnings which can be afforded to rent is exceedingly small; for land has no natural value, it owes all its produce to industry. But every increase of skill adds to the proportion which can be reserved for rent.* Where the labour of 9 is required for the maintenance of 10, only 1/10 of the gross produce can go to rent. Where one man's labour is sufficient for 5, 4/5 will go to rent, or the other charges of the state, which can only be provided for out of the surplus produce of industry. The first proportion seems to have prevailed in England at the time of the CONQUEST,112 the last is that which actually takes place now since only 1/5 part of the people are [...] employed in the cultivation of the land" ([pp. 45-46]).

* "So true it is that society turns every improvement but to the increase of idleness"* ([p.] 48.)

Note. An original piece of work. Its real subject is the modern system of national debt, as its title indicates.

Amongst other things he says:

"The entire war against the French Revolution *has achieved no higher adventure than the turning of a few Jews into gentlemen, and a few blockheads into political economists"* ([pp.] 66[67]).

"The funding system has one beneficial consequence although *the ancient gentry of the land* *are robbed *of a large portion of their property to transfer it to these new fangled hidalgos as a reward for their skill in the arts of fraud and
peculation ... if it encourage fraud and meanness; if it clothe quackery and pretension in the garb of wisdom; if it turn a whole people in[to] a nation of jobbers ... if it break down all the prejudices of rank and birth to render money the only distinction among men ... it destroys the perpetuity of property"* ([pp.] 51-52).

3) LABOUR DEFENDED AGAINST THE CLAIMS OF CAPITAL;
OR, THE UNPRODUCTIVENESS OF CAPITAL PROVED.
BY A LABOURER, LONDON, 1825.
(WITH REFERENCE TO THE PRESENT COMBINATIONS AMONGST JOURNEYMEN)

4) THOMAS HODGSKIN. POPULAR POLITICAL ECONOMY.
FOUR LECTURES DELIVERED AT THE LONDON MECHANICS' INSTITUTION,
LONDON, 1827

The anonymous first work is also by Hodgskin. Whereas the pamphlets mentioned previously and a series of similar ones have disappeared without trace, these writings, especially the first one, made a considerable stir and are still regarded as belonging to the major works of English political economy (cf. John Lalor, Money and Morals, London, 1852 [pp. XXIV and 319-22]). We shall consider each of these works in turn.

Labour Defended etc. As the title indicates, the author wishes to prove the "UNPRODUCTIVENESS OF CAPITAL". Ricardo does not assert that capital is PRODUCTIVE OF VALUE. It only adds its own value to the product, and its own value depends on the labour time required for its reproduction. It only has value as ACCUMULATED LABOUR (or rather [XV-864], REALISED LABOUR) and it only adds this—its value—to the product in which it is embodied. It is true that he is inconsistent when discussing the general rate of profit. But this is precisely the contradiction which his opponents attacked.

As far as the productivity of capital in relation to use value is concerned, this is construed by Smith, Ricardo and others, and by political economists in general, as meaning nothing else than that products of previous useful work serve anew as means of production, as objects of labour, instruments of labour and means of subsistence for the worker. The objective conditions of labour do not face the worker, as in the primitive stages, as mere natural objects (as such, they are never capital), but as natural objects already transformed by human activity. But in this sense the word "capital" is quite superfluous and meaningless. Wheat is nourishing not because it is capital but because it is wheat. The use value of wool derives from the fact that it is wool, not capital. In the same way, the action of the steam engine has nothing in common with its existence as capital. It would do exactly the same work if it
were not "capital" and if it belonged, not to the factory owner, but to the workers. All these things serve in the real labour process because of the relationship which exists between them as *use values*—not as exchange values and still less as capital—and the labour which is embodied in them. Their productivity in the real labour process, or rather the productivity of the labour materialised in them, is due to their nature as objective conditions of real labour and not to their *social existence* as *alienated, independent conditions* which *confront* the worker and are embodied in the capitalist, the *master* over living labour. It is as *wealth*, as *Hopkins* (not our Hodgskin) rightly says,¹ and not as "*net*" *wealth*, as *produce* and not as "*net*" *produce*, that they are here consumed and used. It is true that the particular social form of these things in relation to labour and their real determinateness as factors of the labour process are as confused and inseparably interwoven with one another in the minds of the economists as they are in the mind of the capitalist. Nevertheless, as soon as they analyse the labour process, they are compelled to abandon the term capital completely and to speak of *material of labour, means of labour, and means of subsistence*.¹³ But the determinate form of the product as material, instrument and means of subsistence of the worker expresses nothing but the relationship of these *objective* conditions to labour; labour itself appears as the activity which dominates them. It says however nothing at all about [the relationship of] labour and capital, only about the relationship of the purposeful activity of men to their own products in the process of reproduction. They neither cease to be products of labour nor mere objects which are at the disposal of labour. They merely express the relationship in which labour appropriates the objective world which it has created itself, at any rate in this form; but they do not by any means express any *other domination of these things over labour*, apart from the fact that activity must be appropriate to the material, otherwise it would not be purposeful activity, labour.

One can only speak of the *productivity* of capital if one regards capital as the embodiment of definite social relations of production. But if it is conceived in this way, then the historically transitory character of these relations becomes at once evident, and the general recognition of this fact is incompatible with the continued existence of this relationship, which itself creates the means for its abolition.

But the economists do not regard capital as such a relationship because they cannot admit its *relative* character, and do not understand it either. They simply express in theoretical terms the notions of the practical men who are engrossed in capitalist production, dominated by it and interested in it.

In his polemic, Hodgskin himself starts out from a standpoint which is economically narrow-minded. In so far as they [the economists] define capital as an eternal production relation, they reduce it to the general relations of labour, to its material conditions, relations which are common to all modes of production and do not express the specific nature of capital. In so far as they hold that capital produces "value", the best of them and Ricardo included, admit that it does not produce any value which it has not previously received and constantly continues to receive from labour, since the value of a product is determined by the labour time necessary to reproduce it, that is, its value is the result of living, present labour and not of past labour. And as Ricardo emphasises, increase in the productivity of labour is marked by the continuous devaluation of the products of past labour. On the other hand, the economists continually mix up the definite, specific form in which these things constitute capital with their nature as things and as simple elements of every labour process. The mystification contained in capital—as *employer of labour*—is not explained by them, but it is constantly expressed by them unconsciously, for it is inseparable from the material aspect of capital.

[XV-867] The first pamphlet draws the correct conclusions from Ricardo and reduces *surplus value* to *surplus labour*. This is in contrast to Ricardo's opponents and followers who continue to adhere to his confusion of *surplus value* with profit.

In opposition to them, the second pamphlet defines relative *surplus value* more exactly as being dependent on the level of development of the productive power of labour. Ricardo says the same thing, but he avoids the conclusion drawn by the second pamphlet, namely, that the increase in the productive power of labour only increases capital, the wealth of others which dominates labour.

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[a] See this volume, p. 394.—*Ed.*

[b] See p. XXI—1317 of Marx's manuscript (present edition, Vol. 34); cf. also this volume, pp. 302-03.—*Ed.*

[c] *The Source and Remedy of the National Difficulties*...—*Ed.*

Finally, the third pamphlet bursts forth with the general statement, which is the inevitable consequence of Ricardo's presentation—that *capital is unproductive*. This is in contrast to Torrens, Malthus and others who, taking one aspect of the Ricardian theory as their point of departure, turn Ricardo's statement that labour is the creator of value into the opposite—that capital is the creator of value. The pamphlet, moreover, disputes [the statement]—which recurs in all of them, from Smith to Malthus, especially in the latter where it is elevated into an absolute dogma (ditto in the case of James Mill)—that labour is absolutely dependent on the *amount of capital available*, as this is the condition of its existence.

Pamphlet No. 1 ends with the statement:

*“Wealth is nothing but disposable time.”*  

According to Hodgskin, *circulating capital* is nothing but the *juxtaposition* of the different kinds of social labour (*coexisting labour*) and accumulation is nothing but the amassing of the productive powers of social labour, so that the accumulation of the skill and knowledge (*scientific power*) of the workers themselves is the chief [form of] accumulation, and infinitely more important than the accumulation—which goes hand in hand with it and merely represents it—of the *existing objective* conditions of this accumulated activity. These objective conditions are only nominally accumulated and must be constantly produced anew and consumed anew.

*“Productive capital and skilled labour are one.” “Capital and a labouring population are precisely synonymous”*  

These are simply further elaborations of Galiani's [thesis]:

“The real wealth ... is man” (*Della Moneta*, Custodi, Parte Moderna, t. III, [p.] 229).c

The whole objective world, the “world of commodities”, vanishes here as a mere aspect, as the merely passing activity, constantly performed anew, of socially producing men. Compare this “idealism” with the crude, material fetishism into which the Ricardian theory develops “in [the writings of] THIS INCREDIBLE COBBLER”.109 McCulloch, where not only the difference between man

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a [Th. Hodgskin,] *Labour Defended against the Claims of Capital; or, the Unproductiveness of Capital Proved.*, London, 1825—*Ed.*

b See this volume, pp. 389-90.—*Ed.*

c Marx quotes in Italian.—*Ed.*
and animal disappears but even the difference between a living organism and an inanimate object. And then let them say that as against the lofty idealism of bourgeois political economy, the proletarian opposition has been preaching a crude materialism directed exclusively towards the satisfaction of coarse appetites.

In his investigations into the productivity of capital, Hodgskin is remiss in that he does not distinguish between how far it is a question of producing use values or exchange values.

Further—but this has historical justification—he takes capital as it is defined by the economists. On the one hand (in so far as it operates in the real process of labour) as a merely physical condition of labour, and therefore of importance only as a material element of labour, and (in the process of valorisation) nothing more than the quantity of labour measured by time, that is, nothing different from this quantity of labour itself. On the other hand, although in fact, in so far as it appears in the real process of production, it is a mere name for, and rechristening of, labour itself, it is represented as the power dominating and engendering labour, as the basis of the productivity of labour and as wealth alien to labour. And this without any intermediate links. This is how he found it. And he counterposes the real aspect of economic development to its bourgeois humbug.

*"Capital is a sort of cabalistic word, like church or state, or any other of those general terms which are invented by those who fleece the rest of mankind to conceal the hand that shears them"* (Labour Defended..., [p.] 17).

In accordance with the tradition he found prevailing among the economists, he distinguishes between circulating and fixed capital; circulating capital moreover is described as mainly that part which consists of, or is used as, means of subsistence for the workers.

It is maintained that "division of labour is impossible without previous accumulation of capital" [p. 8]. But *"the effects attributed to a stock of commodities, under the name of circulating capital, are caused by co-existing labour"* ([p.] 9).

Faced with the crude conception of the economists, it is quite correct to say that "circulating capital" is only the "name" for a "stock of" peculiar "commodities". Since the economists have not analysed the specific social relationship which is represented in the metamorphosis of commodities, they can understand only the material aspect of "circulating" capital. All the differentiations in capital arising from the circulation process [XV-868]—in fact the

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*a Hodgskin quotes McCulloch here.— Ed.*
circulation process itself—are actually nothing but the metamorphosis of commodities—a (determined by their relationship to wage labour as capital) as an aspect of the reproduction process.

**Division of labour** is, in one sense, nothing but co-existing labour, that is, the co-existence of different kinds of labour which are represented in different kinds of produce or rather commodities. The division of labour in the capitalist sense, as the breaking down of the particular labour which produces a definite commodity into a series of simple and co-ordinated operations divided up amongst different workers, presupposes the division of labour within society outside the workshop, as separation of occupations. On the other hand, it [division of labour] increases it [separation of occupations]. The product is increasingly produced as a commodity in the strict sense of the word, its exchange value becomes the more independent of its immediate existence as use value, and its production becomes more and more independent of its consumption by the producers and of its existence as use value for the producers, the more one-sided it itself becomes, and the greater the variety of commodities for which it is exchanged, the greater the kinds of use values in which its exchange value is expressed, and the larger the market for it becomes. The more this happens, the more the product can be produced as a commodity; therefore also on an increasingly large scale. The producer's indifference to the use value of his product is expressed quantitatively in the amounts in which he produces it, which bear no relation to his own consumption needs, even when he is at the same time a consumer of his own product. The division of labour within the workshop is one of the methods used in this production en masse and consequently in the production of the product. Thus the division of labour within the workshop is based on the division of occupations in society.

The size of the market has two aspects. First, the mass of consumers, their numbers. But secondly, also, the number of occupations which are independent of one another. The latter is possible without the former. For example, when spinning and weaving become divorced from domestic industry and agriculture, all those engaged in agriculture become a market for spinners and weavers. They likewise [form markets] for one another as a consequence of the separation of their occupations. What the division of labour in society presupposes above all, is that the

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different kinds of labour have become independent of one another in such a way that their products confront one another as commodities and must be exchanged, that is, undergo the metamorphosis of commodities and stand in relation to one another as commodities. (This is why in the Middle Ages, the towns prohibited the spread of as many professions as possible to the countryside, not merely for the purpose of preventing competition—the only aspect seen by Adam Smith—but in order to create markets for themselves.) On the other hand, the proper development of the division of labour presupposes a certain density of population. The development of the division of labour in the workshop depends even more on this density of population. This latter division is, to a certain extent, a precondition for the former and in turn intensifies it still further. It does this by splitting formerly correlated occupations into separate and independent ones, also by increasing and differentiating the indirect preliminary work they require; and as a result of the increase in both production and the population and the freeing of capital and labour it creates new wants and new modes of their satisfaction.

Therefore when Hodgskin says “division of labour” is the effect not of a stock of commodities called circulating capital but of “co-existing labour”, it would be tautologous if in this context he understood by division of labour the separation of trades. It would only mean that division of labour is the cause or the effect of the division of labour. He can therefore only mean that division of labour within the workshop depends on the separation of occupations, the social division of labour, and is, in a certain sense, its effect.

It is not a “stock of commodities” which gives rise to this separation of occupations and with it the division of labour in the workshop, but it is the separation of occupations (and division of labour) that is manifested in the stock of commodities, or rather in the fact that a stock of products becomes a stock of commodities. // The property, the characteristic feature of the capitalist mode of production and therefore of capital itself in so far as it expresses a definite relation of the producers to one another and to their product, is inevitably always described by the economists as the property of the thing. // [XV-869] If, however, “previous accumulation of capital” is being discussed from an economic standpoint (see Turgot, Smith, etc.)
as a condition for the division of labour, then what is understood by this is the previous concentration of a stock of commodities as capital in the possession of the buyer of labour, since the kind of cooperation characteristic of the division of labour presupposes a conglomerate of workers—consequently, accumulation of the means of subsistence necessary for them while they are working—increased productivity of labour—consequently, increase in the amount of raw materials, instruments and matières instrumentales which must be available in order that labour proceeds continuously, since it constantly requires large amounts of these things—in short, the objective conditions of production on a large scale.

Here, accumulation of capital cannot mean increase in the amount of means of subsistence, raw materials and instruments of labour as a condition for the division of labour, for in so far as the accumulation of capital is taken to mean this, it is a consequence of the division of labour, not its precondition.

Similarly, accumulation of capital cannot here mean that means of subsistence for the workers must be available in general before new necessaries are reproduced, or that products of their labour must constitute the raw material and means of labour for the new production which they carry out. For this is the condition of labour in general and was just as true before the development of the division of labour as it is after it.

On the one hand: if we consider the material element of accumulation, it means nothing more than that the division of labour requires the concentration of means of subsistence and means of labour at particular points, whereas formerly these were scattered and dispersed as long as the workers in individual trades—which could not have been very numerous under these conditions—themselves carried out all the manifold and consecutive operations required for the production of one or more products. Not an increase in absolute terms is presupposed, but concentration, the gathering together of more at a given point, and of relatively more [means of labour] compared with the numbers of workers brought together there. More flax, for example, [is used] by the workers in manufacture (in proportion to their numbers) than the relative amount of flax required in proportion to all the peasants—both men and women—who used to spin flax as a sideline. Hence, conglomerate of workers, concentration of raw materials, instruments, and means of subsistence.

On the other hand: if we consider the historical foundation on which this process develops, from which manufacture arises, the
industrial mode of production whose characteristic feature is the division of labour, then this concentration can only take place in the form that these workers are assembled together as wage workers, that is, as workers who must sell their labour capacity because their conditions of labour confront them as alien property, as an independent, alien force. This implies that these conditions of labour confront them as capital; in other words, these means of subsistence and means of labour (or, what amounts to the same thing, the disposal of them through the intermediary of money) are in the hands of individual owners of money or of commodities, who, as a result, become capitalists. The loss of the conditions of labour by the workers is expressed in the fact that these conditions become independent as capital or as things at the disposal of the capitalists.

Thus primitive accumulation, as I have already shown, means nothing but the separation of labour and the worker from the conditions of labour, which confront him as independent forces. The course of history shows that this separation is a factor in social development. Once capital exists, the capitalist mode of production itself evolves in such a way that it maintains and reproduces this separation on a constantly increasing scale until the historical reversal takes place.

It is not the ownership of money which makes the capitalist a capitalist. For money to be transformed into capital, the prerequisites for capitalist production must exist, whose first historical presupposition is that separation. The separation, and therefore the existence of the conditions of labour as capital, is given in capitalist production; this separation which constantly reproduces itself and expands, is the foundation of production.

Accumulation by means of the reconversion of profit, or surplus produce, into capital now becomes a continuous process as a result of which the increased products of labour which are at the same time its objective conditions, conditions of reproduction, continuously confront labour as capital, i.e. as forces—personified in the capitalist—which are alienated from labour and dominate it. Consequently, it becomes a specific function of the capitalist to accumulate, that is, to reconvert a part of the surplus produce into conditions of labour. And the stupid economist concludes from this that if this operation did not proceed in this contradictory, specific way, it could not take place at all. Reproduction on an

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extended scale is inseparably connected in his mind with accumulation, the capitalist form of this reproduction.

[XV-870] Accumulation merely presents as a continuous process what in primitive accumulation appears as a distinct historical process, as the process of the emergence of capital and as a transition from one mode of production to another.

The economists, caught as they are in the toils of the notions proper to the agents of the capitalist mode of production, advance a double quid pro quo, each side of which depends on the other.

On the one hand, they transform capital from a relationship into a thing, a stock of commodities (already forgetting that commodities themselves are not things) which, in so far as they serve as conditions of production for new labour, are called capital and, with regard to their mode of reproduction, are called circulating capital.

On the other hand, they transform things into capital, that is, they consider the social relationship which is represented in them and through them as an attribute which belongs to the thing as such as soon as it enters as an element into the labour process or the technological process.

The concentration in the hands of non-workers of raw materials and of the disposition over the means of subsistence as powers dominating labour, the preliminary condition for the division of labour (later on, the division of labour increases not only concentration, but also the amount [available for] concentration by increasing the productive power of labour), in other words the preliminary accumulation of capital as the condition for the division of labour therefore means for them the augmentation or concentration (they do not differentiate between the two) of means of subsistence and means of labour.

On the other hand, these necessaries and means of labour would not operate as objective conditions of production if these things did not possess the attribute of being capital, if the product of labour, the condition of labour, did not absorb labour itself, if past labour did not absorb living labour, and if these things did not belong to themselves or per procurationem to the capitalist instead of to the worker.

As if the division of labour was not just as possible if its conditions belonged to the associated workers (although historically it could not at first appear in this form, but can only achieve it as a result of capitalist production) and were regarded by the

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* By proxy.—Ed.
latter as their own products and the material elements of their own activity, which they are by their very nature.

Furthermore, because in capitalist production capital appropriates the surplus produce of the worker, consequently, because it has appropriated the products of labour and these now confront the worker in the form of capital, it is clear that the conversion of the surplus produce into conditions of labour can only be initiated by the capitalist and only in the form that he turns the product of labour—which he has appropriated without any equivalent—into a means of production of new labour performed without receiving an equivalent. Consequently, the extension of reproduction appears as the transformation of profit into capital and as a saving by the capitalist who, instead of consuming the surplus produce which he has acquired gratis, converts it anew into a means of exploitation of labour but is able to do this only in so far as he converts it again into productive capital; this entails the conversion of surplus produce into means of labour. As a result, the economists conclude that the surplus produce cannot serve as an element of new production if it has not been transformed previously from the product of the worker into the property of his employer in order to serve as capital once again and to repeat the old process of exploitation. The more inferior economists add to this the idea of hoarding and the accumulation of treasure. Even the better ones—Ricardo, for example—transfer the notion of renunciation from the hoarder to the capitalist.

The economists do not conceive capital as a relation. They cannot do so without at the same time conceiving it as a historically transitory, i.e. a relative—not an absolute—form of production. Hodgskin himself does not share this concept. In so far as it justifies capital it does not justify its justification by the economists, but on the contrary refutes it. Thus Hodgskin is not concerned in all this.

As far as matters stood between him and the economists, the kind of polemic he had to wage seemed to be mapped out beforehand and quite simple. To put it simply, he had to vindicate the one aspect which the economists elaborate "scientifically" against the fetishistic conception they accept sans raison, naively and unconsciously from the capitalist way of looking at things. The utilisation of the products of previous labour, of labour in general, as materials, tools and means of subsistence, is necessary if the worker wants to use his products for new production. This

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a Without thinking.—Ed.
particular mode of consumption of his product is productive. But what on earth has this kind of utilisation, this mode of consumption of his product, to do with the domination of this product over him, with its existence as capital, with the concentration [XV-870a] in the hands of individual capitalists of the right to dispose of raw materials and means of subsistence and the exclusion of the workers from ownership of their product? What has it to do with the fact that first of all they have to hand over their product gratis to a third party in order to buy it back again with their own labour and, what is more, they have to give him more labour in exchange than is contained in the product and thus have to create more surplus produce for him?

*Past labour* exists here in two forms. As *product, use value*. The process of production requires that the workers consume one portion of this product [and use] another portion as raw materials and instruments of labour. This applies to the technological process and merely demonstrates the relations that have to exist in industrial production between the workers and the products of their own labour, their own products, in order to turn them into means of production.

Or, [as] *value*. This only shows that the value of their new product represents not only their present, but also their past labour, and that by increasing it they retain the old value, because they increase it.

The claim put forward by the capitalist has nothing to do with this process as such. It is true that he has appropriated the products of labour, of past labour, and that he therefore possesses a means for appropriating new products and living labour. This, however, is precisely the kind of procedure against which protests are made. The preliminary concentration and accumulation necessary for the "division of labour" must not take the form of accumulation of capital. It does not follow that because they are necessary, the capitalist must inevitably have the disposal of the conditions of labour of today created by the labour of yesterday. If accumulation of capital is supposed to be nothing but accumulated labour, it by no means implies that accumulation of other people's labour has to take place.

Hodgskin however does not follow this simple path, and at first this seems strange. In his polemic against the productivity of capital, to begin with, against circulating and then even more, against fixed capital, he seems to oppose or to reject the importance of *past labour*, or of its *product* for reproduction as a condition of new labour. From this follows the importance of past
labour embodied in products for labour as present ἐνέργεια. Why this change?

Since the economists identify past labour with capital—past labour being understood in this case not only in the sense of concrete labour embodied in the product, but also in the sense of social labour, materialised labour time—it is understandable that they, the Pindars of capital, emphasise the objective elements of production and overestimate their importance as against the subjective element, living, immediate labour. For them, labour only becomes efficacious when it becomes capital and confronts itself, the passive element confronting its active counterpart. The producer is therefore controlled by the product, the subject by the object, labour which is being embodied by labour embodied in an object, etc. In all these conceptions, past labour appears not merely as an objective factor of living labour, subsumed by it, but vice versa; not as an element of the power of living labour, but as a power over this labour. The economists ascribe a false importance to the objective factor of labour compared with labour itself in order to have also a technological justification for the specific social form, i.e. the capitalist form, in which the relationship of labour to the conditions of labour is turned upside-down, so that it is not the worker who makes use of the conditions of labour, but the conditions of labour which make use of the worker. It is for this reason that Hodgskin asserts on the contrary that this objective factor, that is, the entire material wealth, is quite unimportant compared with the living process of production and that, in fact, this wealth has no value in itself, but only in so far as it is a factor in the living production process. In doing so, he underestimates somewhat the value which the labour of the past has for the labour of the present, but in opposing economic fetishism this is quite all right. If in capitalist production—hence in political economy, its theoretical expression—past labour were met with only as a pedestal, etc., created for labour by labour itself, then such a controversial issue would not have arisen. It only exists because in the real life of capitalist production, as well as in its theory, materialised labour appears as a contradiction to itself, to living labour. In exactly the same way in religiously constrained reasoning, the product of thought not only claims but exercises domination over thought itself.

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[a Activity.— Ed

27*
The proposition

*"The effects attributed to a stock of commodities, under the name of circulating capital, are caused by co-existing labour"* ([p.] 9).

means first of all:

The simultaneous co-existence of living labour brings about a large part of the effects which are attributed to the product of previous labour under the name of circulating capital.

For example, a part of circulating capital consists of the stock of means of subsistence which the capitalist is said to have stored up to support the labourer while working.

The formation of a reserve stock is by no means a feature peculiar to capitalist production although, since under it production and consumption are greater than ever before, the amount of commodities on the market—the amount of commodities in the sphere of circulation—is likewise greater than ever before. Here memories of hoarding, of accumulation of treasure by hoarders are still discernible.

The consumption fund must be disregarded first of all because we are speaking here of capital and of industrial production. What has reached the sphere of individual consumption, whether it is consumed more quickly or more slowly, has ceased to be capital. // Although it can be partly reconverted into capital, for instance, houses, parks, crockery, etc. //

*"Do all the capitalists of Europe possess at this moment one week's food and clothing for all the labourers they employ? Let us first examine the question as to food. One portion of the food of the people is Bread, which is never prepared till within a few hours of the time when it is eaten... The produce of the baker cannot be stored up. In no case can the material of bread, whether it exist as corn or flour, be preserved without continual labour."* The conviction of the worker employed by the *cotton spinner, that he will obtain bread when he requires it, and his master's conviction that the money he pays him will enable him to obtain it, arise simply from the fact that the bread has always been obtained when required" (l.c., [p.] 10).

"Another article of the labourer's food is milk, and milk is manufactured... twice a day. If it be said that the cattle to supply it are already there, why, the answer is, they require constant attention and constant labour, and their food, through the greater part of the year, is of daily growth. The fields in which they pasture, require the hand of man.* The same applies to *meat; it cannot be stored up, for it begins instantly to deteriorate after it is brought to market"* ([p.] 10).

Because of moths, even of clothing *"only a very small stock is ever prepared, compared to the general consumption"* ([p.] 11).

"Mill says, and says justly, *what is annually produced is annually consumed,* so

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\[ \text{Note a: Cf. this volume, p. 401.— Ed.} \]

that, in fact, to enable men to carry on all those operations which extend beyond a year, there cannot be any stock of commodities stored up. Those who undertake them must rely, therefore, not on any commodities already created, but that other men will labour and produce what they are to subsist on till their own products are completed. Thus, should the labourer admit that some accumulation of circulating capital is necessary for operations terminated within the year ... it is plain, that in all operations which extend beyond a year, the labourer does not, and cannot, rely on accumulated capital” ([p.] 12).

“If we duly consider the number and importance of those wealth producing operations which are not completed within the year, and the numberless products of daily labour, necessary to subsistence, which are consumed as soon as produced, we shall be sensible that the success and productive power of every different species of labour is at all times more dependent on the co-existing productive labour of other men than on any accumulation of circulating capital” ([p.] 13).

“It is by the command the capitalist possesses over the labour of some men, not by his possessing a stock of commodities, that he is enabled to support and consequently employ other labourers” ([p.] 14).

“The only thing which can be said to be stored up or previously prepared, is the skill of the labourer” ([p.] 12).

“All the effects usually attributed to accumulation of circulating capital are derived from the accumulation and storing up of skilled labour, and this most important operation is performed, as far as the great mass of the labourers is concerned, without any circulating capital whatever” ([p.] 13).

“The number of labourers must at all times depend on the quantity of circulating capital, or, as I should say, on the quantity of the products of co-existing labour, which labourers are allowed to consume” ([p.] 20).

[XV-866] “Circulating capital ... is created only for consumption; while fixed capital ... is made, not to be consumed, but to aid the labourer in producing those things which are to be consumed”* ([p.] 19).

Thus first of all:

“The success and productive power of every different species of labour is at all times more dependent on the co-existing productive labour of other men than on any accumulation of circulating capital”, that is, of “COMMODITIES ALREADY CREATED”. These “ALREADY CREATED COMMODITIES” confront “THE PRODUCTS OF CO-EXISTING LABOUR”.

// The part of capital which consists of instruments and materials of labour is as “COMMODITIES ALREADY CREATED” always a precondition in each particular trade. It is impossible to spin cotton which has not yet been “created”, to operate spindles which have yet to be manufactured, or to burn coal which has not yet been brought up from the mine. These always enter the process as forms of existence of PREVIOUS LABOUR. EXISTING LABOUR thus depends on antecedent labour and not only on co-existing labour, although this antecedent labour, whether in the form of means of labour or materials of labour, can only be of any use (productive use) when it is in contact

* Cf. above on this page.—Ed.
with living labour as a material element of it. Only as an element of industrial consumption, i.e. consumption by labour.

But when considering circulation and the reproduction process, we have seen that it is only possible to reproduce the commodity after it is finished and converted into money, because simultaneously all its elements have been produced and reproduced by means of co-existing labour.

A twofold progression takes place in production. Cotton, for example, advances from one phase of production to another. It is produced first of all as raw material, then it is subjected to a number of operations until it is fit to be exported or, if it is further worked up in the same country, it is handed over to a spinner. It then goes on from the spinner to the weaver and from the weaver to the bleacher, dyer, finisher, and thence to various workshops where it is worked up for definite uses, i.e. articles of clothing, bed-linen, etc. Finally it leaves the last producer for the consumer and enters into individual consumption if it does not enter into industrial consumption as means (not material) of labour. But whether it is to be consumed industrially or individually, it has acquired its final form as use value. What emerges from one sphere of production as a product enters another as a condition of production, and in this way, goes through many successive phases until it receives its last finish as use value. Here previous labour appears continually as the condition for co-existing labour.

Simultaneously, however, while the product is advancing in this way from one phase to another, while it is undergoing this real metamorphosis, production is being carried on in every phase. While the weaver spins the yarn, the spinner is simultaneously spinning cotton, and fresh quantities of [raw] cotton are in the process of production.

Since the continuous, constantly repeated process of production is, at the same time, a process of reproduction, it is therefore equally dependent on the co-existing labour which produces the various phases of the product simultaneously, while the product is passing through metamorphoses from one phase to another. Cotton, yarn, fabric, are not only produced one after the other and from one another, but they are produced and reproduced simultaneously, alongside one another. What appears as the effect of antecedent labour, if one considers the production process of the

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individual commodity, presents itself at the same time as the effect of co-existing labour, if one considers the reproduction process of the commodity, that is, if one considers this production process in its continuous motion and in the entirety of its conditions, and not merely an isolated action or limited in its scope. There exists not only a cycle comprising various phases, but all the phases of the commodity are simultaneously produced in the various spheres and branches of production. If the same peasant first plants flax, then spins it, then weaves it, these operations are performed in succession, but not simultaneously as the mode of production based on the division of labour within society presupposes.

No matter what phase of the production process of an individual commodity is considered, the antecedent labour only acquires significance as a result of the living labour which it provides with the necessary conditions of production. On the other hand, however, these conditions of production without which living labour cannot realise itself always appear in the process as the result of antecedent labour. Thus the cooperating labour of the contributing branches of labour always appears as a passive factor and, as such a passive factor, it is a precondition. The economists emphasise this aspect. In reproduction and circulation, on the other hand, the mediating social labour on which the [production] process of the commodity in each particular phase depends and by which it is determined, appears as present, co-existing, contemporaneous labour. The incipient forms of the commodity and its successive or completed forms are produced simultaneously. Unless this happened it would not be possible, after it has undergone its real metamorphosis, to reconvert it from money into its conditions of existence. [XV-870b] A commodity is thus the product of antecedent labour only in so far as it is the product of contemporaneous living labour. From the capitalist point of view, therefore, all material wealth appears only as a fleeting aspect of the flow of production as a whole, which includes the process of circulation. //

Hodgskin examines only one of the constituent parts of circulating capital. One part of circulating capital is however continuously converted into fixed capital and matière instrumentale and only the other part is converted into articles of consumption. Moreover, even that part of circulating capital which is ultimately transformed into commodities intended for individual consumption always exists, alongside the final form in which it emerges from the finishing phase as end product, simultaneously in the earlier phases in its incipient forms—as raw material or semi-manufactured goods, removed in various degrees from the final
form of the product—in which it cannot as yet enter into consumption.\(^a\)

The problem Hodgskin is concerned with is: what is the relation of the present labour performed by the worker for the capitalist to the labour contained in those articles on which his wages are spent, which, in actual fact, are the use values of which variable capital consists? It is admitted that the worker cannot work without finding these articles ready for consumption. And that is why the economists say that circulating capital—the previous labour, commodities already created which the capitalist has stored up—is the condition for labour and, amongst other things, also the condition for the division of labour.

When the conditions of production, and especially circulating capital are being discussed in the sense Hodgskin views them, it is usual to declare that the capitalist must have accumulated the means of subsistence which the worker has to consume before his new commodity is finished, that is, while he works, while the commodity he produces is only \textit{in statu nascendi}.\(^b\) This is shot through with the notion that the capitalist either gathers things like a hoarder or that he stores up a supply of means of subsistence like the bees their honey.

This however is merely a \textit{modus loquendi}.\(^c\)

First of all, we are not speaking here of the shopkeepers who sell means of subsistence. These must naturally always have a full stock in trade. Their stores, shops, etc., are simply reservoirs in which the various commodities are stored once they are ready for circulation. This kind of storing is merely an \textit{interim period} in which the commodity remains until it leaves the sphere of circulation and enters that of consumption. It is its mode of existence as a commodity on the market. Strictly speaking, as a commodity it exists only in this form. It does not affect the matter whether, instead of being in the possession of the first seller (the producer), the commodity is in the possession of the 3rd or 4th and finally passes into the possession of the seller who sells it to the real consumer. (It merely means that, in the intermediate stages, exchange of capital (really of capital+profit, for the producer sells not only the capital in the commodity but also the profit made on the capital), for capital is taking place, and in the last stage

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\(^a\) In the manuscript, Marx wrote “Circulating capital” in the margin near the paragraph.—\textit{Ed}.

\(^b\) In the nascent state.—\textit{Ed}.

\(^c\) A mode of expression, a figure of speech.—\textit{Ed}.
exchange of capital for revenue (provided the commodity is intended not for industrial but for individual consumption, as is assumed here). The commodity which is a finished use value and marketable, enters the market as a commodity, in the phase of circulation; all commodities enter this phase when they undergo their first metamorphosis, the transformation into money. If this is called "storing up" then it means nothing more than "circulation" or the existence of commodities as commodities.) This kind of "storing" is exactly the opposite of treasure-hoarding, the aim of which is to retain commodities permanently in the form in which they are capable of entering into circulation, and it achieves this only by withdrawing commodities in the form of money from circulation. If production, and therefore also consumption, is varied and on a mass scale, then a great quantity of the most diverse commodities will be found continually at this stopping place, at this intermediate station, in a word, in circulation or on the market. Regarded from the standpoint of quantity, storing on a large scale in this context means nothing more than production and consumption on a large scale.

The stop made by the commodities, their sojourn at this stage of the process, their presence on the market instead of in the mill or in a private house (as articles of consumption) or in the shop or the store of the shopkeeper, is only a [XV-871] tiny fraction of time in their life-process. The immobile, independent existence of this "world of commodities", "of things", is only illusory. The station is always full, but always full of different travellers. The same commodities (commodities of the same kind) are constantly produced anew in the sphere of production, available on the market and absorbed in consumption. Not the identical commodities, but commodities of the same type, can always be found in these 3 stages simultaneously. If the interval is prolonged so that the commodities which emerge anew from the sphere of production find the market still occupied by the old ones, then it becomes overcrowded, a stoppage occurs, the market is surcharged, the commodities decline in value, there is overproduction. Where, therefore, the intermediate stage of circulation acquires independent existence so that the flow of the stream is not merely held up, where the existence of the commodities in the circulation phase appears as storing up, then this is not brought about by a free act on the part of the producer, it is not an aim or an immanent aspect of production, any more than the flow of blood to the head leading to apoplexy is an immanent aspect of the circulation of the blood. Capital as commodity capital (and this is
the form in which it appears in the circulation phase, on the market) must not become stationary, it must only constitute a pause in the movement. Otherwise the reproduction process is interrupted and the whole mechanism is thrown into confusion. This objectified wealth which is concentrated at a few points is—and can only be—very small in comparison to the continuous stream of production and consumption. Wealth, therefore, according to Smith, is “the annual” reproduction. It is not, that is to say, something out of the dim past. It is always something which emerges from yesterday. If, on the other hand, reproduction were to stagnate due to some disturbances or others, then the stores, etc., would soon empty, there would be shortages and it would soon be evident that the permanency which the existing wealth appears to possess, is only the permanency of its being replaced, of its reproduction, that it is a continuous objectification of social labour.

The movement $C\rightarrow M\rightarrow C$ also takes place in the transactions of the shopkeeper. In so far as he makes a “profit”, it is a matter which does not concern us here. He sells a commodity and buys the same commodity (the same type of commodities) over again. He sells them to the consumer and buys them again from the producer. Here the same (type of) commodity is converted perpetually into money and money back again continuously into the same commodity. This movement, however, simply represents continuous reproduction, continuous production and consumption, for reproduction includes consumption. (The commodity must be sold, must reach the sphere of consumption in order that it can be reproduced.) It must be accepted as a use value. (For $C\rightarrow M$ for the seller is $M\rightarrow C$ for the buyer, that is, the conversion of money into a commodity as a use value.) The reproduction process, since it is a unity of circulation and production, includes consumption, which is itself an aspect of circulation. Consumption is itself both an aspect and a condition of the reproduction process. If one considers the process in its entirety, the shopkeeper, in fact, pays the producer of the commodities with the same sum of money as the consumer pays him when he buys from him. He represents the consumer in his dealings with the producer and the producer in his dealings with the consumer. He is both seller and buyer of the same commodity. The money with which he buys is, in fact, considered from a purely formal standpoint, the final metamor-

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phosis of the consumer's commodity. The latter transforms his money into the commodity as a use value. The passing of the money into the shopkeeper's hands thus signifies the consumption of the commodity or, considered formally, the transition of the commodity from circulation into consumption. In so far as he buys again from the producer with the money, this constitutes the first metamorphosis of the producer's commodity and signifies the transition of the commodity into the interval, where it remains as a commodity in the sphere of circulation. \( C - M - C \), in so far as it represents the transformation of the commodity into the consumer's money and the transformation back again of the money, whose owner is now the shopkeeper, into the same commodity (a commodity of the same kind), expresses merely the constant passing over of commodities into consumption, for the vacuum left by the commodity reaching the sphere of consumption must be filled by the commodity emerging from the production process and now entering this stage.

[XV-872] The period during which the commodity stays in circulation and is replaced by a new commodity naturally depends also on the length of time in which the commodities remain in the production sphere, that is, on the duration of their reproduction time, and varies in accordance with their different length. For example, the reproduction of corn requires a year. The corn harvested in the autumn, for example, of 1862 (in so far as it is not used again for seed) must suffice for the whole coming year—until autumn 1863. It is thrown all at once into circulation (it is already in circulation when it is placed in the farmers' granaries) and absorbed in the various reservoirs of circulation—storehouses, corn merchants, millers, etc. These reservoirs serve as channels both for the commodities issuing from production and those going to the consumer. As long as the commodities remain in them, they are commodities and are therefore on the market, in circulation. They are withdrawn only piecemeal, in small quantities, by the annual consumption. The replacement, the stream of new commodities which are to displace them, arrives only in the following year. Thus these reservoirs are only depleted gradually, in the measure that their replacements move forward. If there is a surplus and if the new harvest is above the average, then a stoppage takes place. The space which these particular commodities were to have occupied in the market is overstocked. In order to permit the whole quantity to find a place on the market, the price of the commodities is reduced, and this causes them to move again. If the total quantity of use values is too large, they accommodate
themselves to the space they occupy by a contraction of their prices. If the quantity is too small, it is expanded by an increase of their prices.

On the other hand, commodities which quickly deteriorate as use values remain only for a very short time in the reservoirs of circulation. The period of time during which they have to be converted into money and reproduced, is prescribed by the nature of their use value which, if it is not consumed daily or almost daily, is spoilt and consequently ceases to be a commodity. For exchange value along with its basis, use value, disappears provided the disappearance of use value is not itself an act of production.

In general, it is clear that although in absolute terms the quantity of the commodities which have been stored up in the reservoirs of circulation increases as a result of the development of industry, because production and consumption increase, this same quantity represents a decrease in comparison with the total annual production and consumption. The transition of commodities from circulation to consumption takes place more rapidly. And for the following reasons. The speed of reproduction increases:

1) When the commodity passes rapidly through its various production phases, that is, when each production phase of the production process is reduced in length; this is due to the fact that the labour time necessary to produce the commodity in each one of its forms is reduced; this is a result, therefore, of the development of the division of labour, use of machinery, application of chemical processes, etc. (The development of chemistry makes it possible to artificially speed up the transition of commodities from one state of aggregation to another, their combination with other material which, for instance, occurs in dyeing, their separation from [other] substances as in bleaching; in short, both [modifications in] the form of the same substance (its state of aggregation) as well as changes to be brought about in the substance, are artificially accelerated quite apart from the fact, that for vegetative and organic reproduction, plants, animals, etc., are supplied with cheaper substances, that is, substances which cost less labour time.)

2) Partly as a result of the combination of various branches of industry, that is, the establishment of centres of production for particular industrial branches, [partly] through the development of means of communication, the commodity proceeds rapidly from one phase to another; in other words, the interim period, the interval during which the commodity remains in the intermediate station between one production phase and another is reduced, that is, the
transition from one phase of production to another is shortened.

3) This whole development—the shortening both of production phases and of the transition from one phase to another—presupposes production on a large scale, mass production and, at the same time, production based on a large amount of constant capital, especially fixed capital; [it requires] therefore a continuous flow of production. But not in the sense in which we have earlier considered the flow, that is, not as the closing and overlapping of the separate production phases, but in the sense that there are no deliberate breaks in production. These occur as long as work is done to order, as in [XV-873] the handicrafts, and continue even in manufacture properly so called (in so far as this has not been reshaped by large-scale industry). But now, however, work is carried out on the scale allowed by the capital. This process does not wait on demand, but is a function of capital. Capital works on the same scale continuously (if one disregards accumulation or expansion) and constantly develops and extends the productive forces. Production is therefore not only rapid, so that the commodity quickly acquires the form in which it is suitable for circulation, but it is continuous. Production here appears only as constant reproduction and at the same time it takes place on a mass scale.

Thus if the commodities remain in the circulation reservoirs for a long time—if they accumulate there—then they will soon glut them as a result of the speed with which the waves of production follow one another and the huge amount of goods which they deposit continuously in the reservoirs. It is in this sense that Corbet, for example, says the market is always overstocked. But the same circumstances which produce this speed and mass scale of reproduction likewise reduce the necessity for the accumulation of commodities in these reservoirs. In part—in so far as it is concerned with industrial consumption—this is already implied by the close succession of the production phases which the commodity itself or its ingredients have to undergo. If coal is produced daily on a mass scale and brought to the manufacturer's door by railways, steamships, etc., he does not need to keep a stock of coal, or at most only a very small one; or, what amounts to the same thing, if a shopkeeper acts as an intermediary, he only needs to keep a small amount of stock over and above the amount he sells daily.

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a Th. Corbet, An Inquiry into the Causes and Modes of the Wealth of Individuals; or the Principles of Trade and Speculation Explained, Part I, London, 1841, pp. 115-17; cf. also this volume, p. 130.—Ed.
and which is daily delivered to him. The same applies to yarn, iron, etc. But apart from industrial consumption, in which the stock of commodities (that is, the stock of the ingredients of commodities) must decline in this way, the shopkeeper likewise enjoys the benefits of the speed of communications first of all, and secondly, the certainty of a continuous and rapid renewal and delivery. Although his stock of commodities may grow in size, each element of it will remain in his reservoir, in a state of transition, for a shorter period of time. In relation to the total amount of commodities which he sells, that is, in relation to the scale of both production and consumption, the stock of commodities which he accumulates and keeps in store, will be small. It is different in the less developed stages of production where reproduction proceeds slowly—where therefore more commodities must remain in the circulation reservoirs—, the means of transport are slow, the communications difficult and, as a consequence, the renewal of stock can be interrupted and a great deal of time elapses as a result between the emptying and the refilling of the reservoir—that is, the renewal of the stock in hand. The position is then similar to that of products whose reproduction takes place yearly or half-yearly, that is, in more or less prolonged periods of time, owing to the nature of their use values.

(For example, cotton is an illustration of how transport and communications affect the emptying of the reservoirs. Since ships continually ply between Liverpool and the United States—speed of communications is one factor, continuity another—all the cotton supply is not shipped at once. It comes on to the market gradually (the producer likewise does not want to flood the market all at once). It lies at the docks in Liverpool, that is, already in a kind of circulation reservoir, but not in such quantities—in relation to the total consumption of the article—as would be required if the ship from America arrived only once or twice [a year.] after a journey of six months. The cotton manufacturer in Manchester and other places stocks his warehouse roughly in accordance with his immediate consumption needs, since the electric telegraph and the railway make the transfer from Liverpool to Manchester possible at a moment's notice.)

Special filling of the reservoirs—in so far as this is not due to the overstocking of the market, which can happen much more easily in these circumstances than under archaically slow conditions—occurs only for speculative reasons and merely in exceptional cases because of a real or suspected fall or rise of prices. Regarding this relative decline in stock, that is, the commodities which are in
circulation, compared with the amount of production and consumption, see Lalor,\textsuperscript{a} [The] \textit{Economist}, Corbet\textsuperscript{b} (give the corresponding quotations [XV-874] after Hodgskin). Sismondi wrongly saw something lamentable in all this (his writings to be looked up as well).\textsuperscript{c}

(On the other hand, there is indeed a continuous \textit{extension of the market} and in the degree that the \textit{interval of time} decreases in which the commodity remains on the market, its \textit{flow in space} increases, that is, the market expands spatially, and the periphery in relation to the centre, the production sphere of the commodity, is circumscribed by a constantly extending radius.)

The fact that consumption lives from hand to mouth, changes its linen and its coat as rapidly as it does its opinions, and does not wear the same coat ten years running, etc., is connected with the speed of reproduction, or is another expression of it. To an increasing extent consumption—even of articles where this is not demanded by the nature of their use value—takes place almost simultaneously with production and becomes therefore more and more dependent on the \textit{present, co-existing labour} (since it is, \textit{in fact}, exchange of \textit{co-existing labour}). This takes place in the same degree in which past labour becomes an ever more important factor of production, even though this past itself is after all a very recent and only relative one.

(The following example demonstrates how closely the keeping of a stock is linked with deficiencies of production. As long as it is difficult to keep cattle throughout the winter, there is no fresh meat in winter. As soon as stock-farming is able to overcome this difficulty, the \textit{stock} previously made up of substitutes for fresh meat—pickled or smoked varieties—ceases of itself.)

(The product only becomes a commodity where it enters into circulation. The production of goods as commodities, hence circulation, expands enormously as a result of capitalist production for the following reasons:

1. \textit{Production} takes place on a large scale; the \textit{quantity}, the \textit{huge amounts produced}, therefore, do not stand in any kind of quantitative relationship to the producer's needs; \textit{in fact} it is \textit{pure chance} whether he consumes any, even a small part of his own

\textsuperscript{a} J. Lalor, \textit{Money and Morals: a Book for the Times}, London, 1852, pp. 43-44.\textsuperscript{— Ed}

\textsuperscript{b} Th. Corbet, \textit{An Inquiry into the Causes and Modes of the Wealth of Individuals}...\textsuperscript{— Ed}

\textsuperscript{c} J. Ch. L. Simonde de Sismondi, \textit{Études sur l'économie politique}, Vol. 1, Brussels, 1837, p. 49 ff.\textsuperscript{— Ed}
product. He only consumes his own product on a mass scale where he produces part of the ingredients of his own capital. On the other hand, in the earlier stages only those products which exceed the amount required by the producer himself become commodities or, at any rate, this is mainly the case.

2. The narrow range of goods produced [stands] in inverse ratio to the increased variety of needs. This leads to previously combined branches of production becoming increasingly separated and independent—in short, to increasing division of labour within society—a contributing factor is the establishment of new branches of production and the multiplication of kinds of commodities produced. ([To be inserted] at the end, after Hodgskin, also Wakefield about this.) This variegation and differentiation of commodities arises in two ways. The different phases of one and the same product, as well as the auxiliary operations (that is, the labour connected with various constituent parts, etc.) are separated and become different branches of labour, independent of one another; or various phases of one product become different kinds of commodities. But secondly, owing to labour and capital (or labour and surplus product) becoming free; on the other hand, to the discovery of new practical applications of the same use value, either because new needs arise as a result of the modification of No. 1 (for example, the need for more rapid and universal means of transport and communication arising with the application of steam in industry) and therefore new means of satisfying them, or new possibilities of utilising the same use value are discovered, or new substances or new methods (plastic-galvanisation, for instance) for treating well-known substance in different ways, etc. All this amounts to the following: *One produce in its successive phases or conditions converted into different commodities. Creation of new products or new values in use as commodities.*

3. Transformation of the majority of the population who formerly consumed a mass of products in naturalibus into wage workers.

4. Transformation of the tenant farmer into an industrial capitalist (and with it the conversion of rent into money rent) and generally of all payments in kind (taxes, etc., rent) into money payments. In general—industrial exploitation of the land with the result that it is no longer confined to its own muck-heap as previously, but that both its chemical and mechanical conditions of production—even seeds, fertilisers, cattle, etc.—are subjected to the process of exchange of matter.

a In kind, in this context it means: within the framework of a natural economy.—Ed.
5. Mobilisation of a mass of previously “inalienable” possessions [by conversion] into commodities and the creation of forms of property which only exist in negotiable papers. On the one hand, alienation of landed property. //The lack of property of the masses causes them, for example, to regard the dwelling in which they live as a commodity.// [On the other hand,] railway shares, in short, all kinds of shares.

[XV-875] Back again to Hodgskin now.

It is obvious that by “storing up” [means of subsistence] for the workers by the capitalists one cannot understand that commodities which are passing from production into consumption are in the circulation reservoirs, in the circulation system, on the market. This would mean that the products circulate for the benefit of the worker and become commodities for his sake; and that in general, the production of products as commodities is undertaken for his sake. The worker shares with every other [commodity owner] the need to transform the commodity he sells—which in actual fact, though not in form, is his labour—at first into money in order to convert the money back again into commodities which he can consume. It is perfectly obvious that [no] division of labour (in so far as it is based on commodity production), [no] wage labour and, in general, no capitalist production can take place without commodities—whether they be means of consumption or means of production—being available on the market; that this kind of production is impossible without commodity circulation, [without] the commodities spending a period of time in the circulation reservoirs. For the product is a commodity κατ’ ἐξοχήν only within the framework of circulation. It is as true for the worker as for anybody else that he must find his means of subsistence in the form of commodities.

The worker, moreover, does not confront the shopkeeper as a worker confronts a capitalist, but as money confronts the commodity, as a buyer faces the seller. There is no relationship of wage labour to capital here, except, of course, where the shopkeeper is dealing with his own workers. But even they, in so far as they buy things from him, do not confront him as workers. They confront him as workers only in so far as he buys from them. Let us therefore leave this circulation agent.

But as far as the industrial capitalist is concerned, his stock, his accumulation, consists of:

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\[a\] In the strict sense of the word.—Ed.
The Production Process of Capital

[First,] his fixed capital, i.e. buildings, machinery, etc., which the worker does not consume or, in so far as he does consume them, does so through labour, and thus consumes them industrially for the capitalist, and although they are means of labour they are not means of subsistence for him.

Secondly, his raw materials and matières instrumentales, the stock of which, in so far as it does not enter directly into production, declines, as we have seen. This likewise does not consist of means of subsistence for the workers. This "accumulation" by the capitalist for the worker means nothing more than that he does the worker the favour of depriving the latter of his conditions of labour as property and converting the means of his labour (which are themselves merely the transformed product of his labour) into means for the exploitation of labour. In any case, the worker, while he uses the machines and the raw materials as means of labour, does not live on them.

Thirdly, the commodities, which he keeps in the storehouse or warehouse before they enter into circulation. These are products of labour, not means of subsistence stored in order to maintain it, labour, during the course of production.

Thus the "accumulation" of means of subsistence by the capitalist for the worker means merely that he must possess enough money in order to pay wages with which the worker withdraws the articles of consumption he needs from the circulation reservoirs (and, if we consider the class as a whole, with which he buys back part of his own product). This money, however, is simply the transformed form of the commodity which the worker has sold and handed over. In this sense, the means of subsistence are "stored up" for him in the same way as they are stored up for his capitalist, who likewise buys consumption goods, etc., with money (the transformed form of the same commodity). This money may be a mere token of value, it therefore does not have to be a representation "of previous labour" but, in the hands of whoever possesses it, simply expresses the realised price not of past labour (or previously [sold] commodities) but of the contemporaneous labour of commodities which he sells. [Money has] merely a formal existence. Or—since in previous modes of production the worker also had to eat and consume during the course of production irrespective of the period of time required for the

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a Instrumental materials.—Ed.
production of his product—"storing up" may mean that the worker must first of all transform the product of his labour into the product of the capitalist, into capital, [XV-876] in order to receive back a portion of it in the form of money, in lieu of payment.

What interests Hodgskin about this whole process (with regard to the process as such it is indeed a matter of indifference whether the worker receives the product of contemporaneous or previous labour, just as it does not matter whether he receives the product of his own previous labour or the product of labour performed simultaneously in a different branch) is this:

A great part, [or] the greatest part of the products consumed daily by the worker—which he must consume whether his own product is finished or not—represents by no means stored up labour of bygone times. On the contrary they are to a great degree products of labour performed the same day or during the same week in which the worker produces his own commodity. For example, bread, meat, beer, milk, newspapers, etc. Hodgskin could also have added that they are partly the products of future labour, for the worker who buys an overcoat with what he has saved out of 6 months' wages buys one which has only been made at the end of the 6 months, etc. (We have seen that the whole of production presupposes simultaneous reproduction of the required constituent parts and products in their different forms as raw materials, semi-manufactured goods, etc. But all fixed capital presupposes future labour for its reproduction and for the reproduction of its equivalent, without which it cannot be reproduced.) Hodgskin says that during the course of the year the worker must rely to some degree on previous labour (because of the nature of the production of corn, vegetable raw materials, etc.). (This does not apply to a house, for example. As regards use values which, by their nature, only wear out slowly, are not consumed at once, but gradually used up, it is not due to any action specially devised for the benefit of the workers that these products of previous labour are available on the "market". The worker also used to have a "dwelling" before the capitalist "piled up" deadly stinkholes for him. (See Laing on this.)) (Apart from the enormous mass of day-to-day needs which are of decisive importance especially to the worker, who, at best, can only satisfy his everyday needs, we have seen that, in general, consumption becomes more and more

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\[a\] S. Laing, National Distress; its Causes and Remedies, London, 1844, pp. 149-54.—Ed.
CONTEMPORANEOUS with production, and therefore, if one considers society as a whole, consumption depends more and more on simultaneous production, or rather on the products of simultaneous production.) But when operations extend over several years, the worker must "depend" on his own production, on the simultaneous and future producers of other commodities.

The worker always has to find his means of subsistence in the form of commodities on the market (the "services" he buys are eo ipso only brought into being at the moment they are bought); they are relative, the PRODUCE OF ANTECEDENT LABOUR, that is of labour which is ANTECEDENT to their existence as produce but which is by no means ANTECEDENT TO HIS OWN LABOUR WITH WHOSE PRICE HE BUYS THIS PRODUCE. They can be CONTEMPORANEOUS PRODUCTS, and are so most of all for those who live from hand to mouth.

TAKING IT ALL IN ALL the "storing up" of means of subsistence for the worker by the capitalist comes to this:

1) Commodity production presupposes that articles of consumption which one does not produce oneself are available on the market as commodities, or that in general, commodities are produced as commodities.

2) The majority of the commodities consumed by the worker in the final form in which they confront him as commodities, are IN FACT products of simultaneous labour (they are therefore by no means stored up by the capitalist).

3) In capitalist production, the means of labour and the means of subsistence produced by the worker himself confront him as capital, the one as constant, the other as variable capital; these, the worker's conditions of production, appear as the property of the capitalist; their transfer from the worker to the capitalist and the partial return of the worker's product to the worker, or of the value of his product to the worker, is called the "storing up" of circulating capital for the worker. These means of subsistence which the worker must always consume before his product is finished, become "circulating capital" because he, instead of buying them direct or paying for them with the value either of his past or of his future [XV-877] product, must first of all receive a draft (money) on it; a draft moreover which the capitalist is entitled to issue only thanks to the worker's past, present or future product.

Hodgskin is concerned here with demonstrating the dependence of the worker on the Co-Existing Labour of other workers as against his dependence on previous labour,

\(^a\) By that fact.—Ed.
1) in order to do away with the phrase about "storing up";
2) because "present labour" confronts capital, whereas the economists always consider "previous labour" to be capital eo ipso, that is, an alienated and independent form of labour which is hostile to labour itself.

To grasp the all-round significance of contemporaneous labour as against previous labour is however in itself a very important achievement.

Hodgskin thus arrives at the following:
Capital is either a mere name and pretext or it does not express a thing; the social relation of the labour of one person to the co-existing labour of another, and the consequences, the effects of this relationship, are ascribed to the things which make up so-called circulating capital. Despite the fact that the commodity exists as money, its realisation in use values depends on contemporaneous labour. ([The labour performed in] the course of a year is itself contemporaneous.) Only a small portion of the commodities entering into direct consumption are the product of more than one year's labour and when they are—such as cattle, etc., they require renewed labour every year. All operations requiring more than a year depend on continuous annual production.

* "It is by the command the capitalist possesses over the labour of some men, not by his possessing a stock of commodities, that he is enabled to support and consequently employ other labourers"* ([p.] 14).

Money however gives everyone "command" over "the labour of some men", over the labour embodied in their commodities as well as over the reproduction of this labour, and to that extent therefore over labour itself.

What is really "stored up", not however as a dead mass but as something living, is the skill of the worker, the level of development of labour. (It is true, however, that the stage of the development of the productive power of labour which exists at any particular time and serves as the starting-point, comprises not only the skill and capacity of the worker, but likewise the material means which this labour has created for itself and which it daily renews. (Hodgskin does not emphasise this because, in opposing the crude views of the economists, it is important for him to lay the stress on the subject—so to speak, on the subjective in the subject—in contrast to the object.)) This is really the primary factor, the point of departure and it is the result of a process of development. Accumulation in this context means assimilation, continual preservation and at the same time transformation of what has already been
handed over and realised. In this way Darwin makes "accumulation" through inheritance the driving principle in the formation of all organic things, of plants and animals; thus the various organisms themselves are formed as a result of "accumulation" and are only "inventions", gradually accumulated inventions of living beings.* But this is not the only prerequisite of production. Such a prerequisite in the case of animals and plants is external nature, that is both inorganic nature and their relationship with other animals and plants. Man, who produces in society, likewise faces an already modified nature (and in particular natural factors which have been transformed into means of his own activity) and definite relations existing between the producers. This accumulation is in part the result of the historical process, in part, as far as the individual worker is concerned, *transmission of skill. Hodgskin says that as far as the majority of the workers are concerned, circulating capital plays no part in this accumulation.

He has demonstrated that "the stock of commodities" (means of subsistence) "prepared" is always small in comparison with the total amount of consumption and production. On the other hand, the *degree of skill of the existing population is always the precondition of production as a whole; it is therefore the principal accumulation of wealth and the most important result of *antecedent labour; its form of existence, however, is living labour itself.

[XV-878] *"All the effects usually attributed to accumulation of circulating capital are derived from the accumulation and storing up of skilled labour, and this most important operation is performed, as far as the great mass of the labourers is concerned, without any circulating capital whatever"* ([p.] 13).

With regard to the assertion of the economists that the number of workers (and therefore the well-being or poverty of the existing working population) depends on the amount of circulating capital available, Hodgskin comments correctly, as follows:

*"The number of labourers must at all times depend on the quantity of circulating capital, or, as I should say, on the quantity of the products of co-existing labour, which labourers are allowed to consume"* ([p.] 20).

What is attributed to *circulating capital, to a stock of commodities, is the effect of "co-existing labour"*. In other words, Hodgskin says that the effects of a certain social form of labour are ascribed to objects, to the products of this labour; the relationship itself is imagined to exist in *material* form. We have already seen that this is a characteristic of labour based on commodity production, on

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* See Ch. Darwin, *On the Origin of Species by Means of Natural Selection, or the Preservation of Favoured Races in the Struggle for Life.*—Ed.
exchange value, and this *quid pro quo* is revealed in the commodity, in money (Hodgskin does not see this), and to a still higher degree in capital.\(^a\) The effects of things as materialised aspects of the labour process are attributed to them in capital, in their personification, their independence in respect of labour. They would cease to have these effects if they were to cease to confront labour in this *alienated form*. The *capitalist*, as capitalist, is simply the personification of capital, that creation of labour endowed with its own will and personality which stands in opposition to labour. Hodgskin regards this as a pure subjective illusion which conceals the deceit and the interests of the exploiting classes. He does not see that the way of looking at things arises out of the actual relationship itself; the latter is not an expression of the former, but vice versa. In the same way, English socialists say: "We need capital, but not the capitalist."\(^b\) But if one eliminates the capitalist, the means of production cease to be *capital*.

//The "VERBAL OBSERVER", Bailey, and others remark\(^c\) that "VALUE", "valeur" express a property of things. In fact the terms originally express nothing but the use value of things for people, those qualities which make them useful or agreeable, etc., to people. It is in the nature of things that "VALUE", "valeur", "Werth" can have no other etymological origin. Use value expresses the natural relationship between things and men, in fact the existence of things for men. *Exchange value*, as the result of the social development which created it, was later superimposed on the word *value=use value*. It [exchange-value] is the social existence of things.

*Sanskrit Wer* [means] cover, protect, consequently respect, honour and love, cherish. From these the adjective *Wertas* (EXCELLENT, RESPECTABLE) is derived; *Gothic*, wairths; *Teutonic*, wert; *Anglo-Saxon*, weorth, vordh, wurth; *English*, WORTH, WORTHY; *Dutch*, waard, waardig; *Alemannic*, werth; *Lithuanian*, werthas (respectable, precious, dear, estimable). *Sanskrit*, Wertis; *Latin*, virtus; *Gothic*, wairthi; *Teutonic*, Werth.\(^d\)

The value of a thing is, in fact, its own *virtus*,\(^e\) while its exchange value is quite independent of its material *QUALITIES*.

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\(^b\) See J. F. Bray, *Labour's Wrongs and Labour's Remedy; or, the Age of Might and the Age of Right*, Leeds, 1839, p. 59; also present edition, Vol. 31, p. 247.—*Ed.*

\(^c\) See this volume, pp. 316 and 347.—*Ed.*


\(^e\) *Virtue*.—*Ed.*
Hodgskin now turns to fixed capital. It is productive power which has been produced and, in its development in large-scale industry, it is an instrument which social labour has created for itself.

As far as fixed capital is concerned:

*"... all instruments and machines are the produce of labour" ([p. 14).f "As long as they are merely the result of previous labour, and are not applied to their respective uses by labourers, they do not repay the expense of making them. ... most of them diminish in value from being kept... Fixed capital does not derive its utility from previous, but present labour; and does not bring its owner a profit because it has been stored up, but because it is a means of obtaining command over labour"* ([pp. 14-15]).

Here at last, the nature of capital is understood correctly.

[XV-879] *"After any instruments have been made, what do they effect? Nothing. On the contrary they begin to rust or decay unless used or applied by labour" ([p. 15). "Whether an instrument shall be regarded as productive capital or not, depends entirely on its being used, or not, by some productive labourer"

(1pp. 15-16).

"One easily comprehends why ... the road-maker should receive some of the benefits, accruing only to the road-user; but I do not comprehend why all these benefits should go to the road itself; and be appropriated by a set of persons who neither make nor use it, under the name of profit for their capital" ([p. 16).

"The vast utility of the steam-engine does not depend on stored up iron and wood, but on that practical and living knowledge of the powers of nature which enables some men to construct it, and others to guide it" ([p. 17).

"Without knowledge they" (the machines) "could not be invented; without manual skill and dexterity they could not be made, and without skill and labour they could not be productively used. But there is nothing more than the knowledge, skill, and labour required, on which the capitalist can found a claim to any share of the produce" ([p. 18).

"After he" (man) "has inherited the knowledge of several generations, and when he lives congregated into great masses, he is enabled by his mental faculties to complete the work of nature" (l.c.).

"It is not the quantity but the quality of the fixed capital on which the productive industry of a country depends. ... fixed capital as a means of nourishing and supporting men, depends for its efficiency, altogether on the skill of the labourer, and consequently the productive industry of a country, as far as fixed capital is concerned, is in proportion to the knowledge and skill of the people" ([pp. 19-20).

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a To surround with a wall, to fortify, to defend.— Ed.

b To be strong, vigorous.— Ed.
c Wall.— Ed.
d Rule, govern, control.— Ed.
e See [H. J.] Chavée, op. cit., p. 70.— Ed.

f Here and below, Marx quotes from [Th. Hodgskin.] Labour Defended...— Ed.
Compound interest.

"A mere glance must satisfy every mind that simple profit does not decrease but increase in the progress of society, i.e. the same quantity of labour which at any former period produced 100 qrs of wheat, and 100 steam-engines, will now produce somewhat more.... In fact, also, we find that a much greater number of persons now live in opulence on profit in this country than formerly. It is clear, however, that no labour, no productive power, no ingenuity, and no art, *can answer the overwhelming demands of compound interest*. But all saving *is made from the revenue of the capitalist*" *(that is from *simple profit), so that actually these demands are constantly made, and as constantly the productive power of labour refuses to satisfy them. A sort of balance is, therefore, constantly struck" *(p. 23).

For example, if the profit were always accumulated, a capital of 100 at 10% would amount to something like 673, or—since a little plus ou moins makes no difference here—say 700, in 20 years. Thus the capital will have multiplied itself sevenfold over a period of 20 years. According to this yardstick, if only simple interest were paid, it would have to be 30% per annum instead of 10, that is, three times as much profit, and the more we increase the number of years that elapse, the more the rate of interest or the rate of profit calculated at simple interest per annum will increase, and this increase is the more rapid, the larger the capital becomes.

In fact, however, capitalist accumulation is nothing but the reconversion of interest into capital (since interest and profit for our purpose, i.e. for the purpose of our calculation, are identical). Thus it is compound interest. First there is a capital of 100; it yields 10[%] profit (or interest). This is added to the capital which is now 110. This now becomes the capital. The interest on this amount is therefore not simply interest on a capital of 100 but interest on 100C+10I. That is compound interest. Thus, at the end of the 2nd year, we have (100C+10I)+10I+1I=(100+10I)+11I=121. This is the capital at the beginning of the 3rd year. In the 3rd year we get (100C+10I)+11I+121/10I, so that at the end of it the capital is 1331/10.

[XV-880] We have:

<table>
<thead>
<tr>
<th>Capital</th>
<th>Interest</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>First year 100</td>
<td>10</td>
<td>110</td>
</tr>
<tr>
<td>Second year (100+10)</td>
<td>10+1'</td>
<td>121</td>
</tr>
<tr>
<td>Third year (100+20I+1I')=121</td>
<td>10+2' +1/10'</td>
<td>1331/10</td>
</tr>
<tr>
<td>Fourth year (100+30I+1I'++[2]' +1/10')=1331/10</td>
<td>(10+3'+1/10'+2/10'' + + 1/100&quot;')=</td>
<td>14641/100</td>
</tr>
</tbody>
</table>

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*a More or less.—Ed.*
In the 2nd year the capital comprises 10 interest (simple)  
In the 3rd year the capital comprises 21 interest  
In the 4th year the capital comprises 31/10 interest  
In the 5th year the capital comprises 4641/100 interest  

\[
\begin{array}{ccc}
\text{In the 6th year the capital} & \text{In the 7th year the capital} & \text{In the 8th year [the capital]} \\
161^{51}/1,000, & 177^{561}/10,000, & 194^{87,171}/100,000, \\
\text{comprises } 61^{51}/1,000 \text{ interest} & \text{comprises } 77^{561}/10,000 \text{ interest} & \text{comprises } 94^{87,171}/100,000 \text{ interest} \\
\end{array}
\]

\[
\begin{array}{ccc}
= 194^{558,881}/1,000,000, & \text{which comprises } 114^{558,881}/1,000,000 \text{ interest} \\
\end{array}
\]

* The sign ' indicates interest on interest.

In other words, more than half the capital is made up of interest in the 9th year and the portion of capital consisting of interest thus increases in geometrical progression.

We have seen that over 20 years, capital increased sevenfold, whereas, even according to the "most extreme" assumption of Malthus, the population can only double itself every 25 years. But let us assume that it doubles itself in 20 years, and therefore the working population as well. Taking one year with another, the interest would have to be 30%—three times greater than it is. If one assumes, however, that the rate of exploitation remained unchanged, in 20 years the doubled population (and it would be unfit for work during a considerable part of these 20 years, scarcely during half this period would it be able to work, in spite of the employment of children) would only be able to produce twice as much labour as it did previously, and therefore only twice as much surplus labour, but not three times as much.

The rate of profit (and consequently the rate of interest) is determined:

1) If the rate of exploitation is assumed to be constant—by the number of workers in employment, by the absolute mass of workers employed, that is, by the growth of the population. Although this number increases, its ratio to the total amount of capital employed declines with the accumulation of capital and with industrial development (consequently the rate of profit [declines] if the rate of exploitation remains the same). Likewise
The theories of surplus value. Opposition to Economists

The population does not by any means [increase] in the same geometrical progression as the computed compound interest. The growth of the population at a given stage of industrial development is the explanation for the increase in the amount of surplus value and of profit, but also for the fall in the rate of profit.

2) [By] the absolute length of the normal working day, that is, by increasing the rate of surplus value. Thus the rate of profit can increase as a result of the extension of labour time beyond the normal working day. However, this has its physical and—by and large—its social limits. That in the same measure as workers set more capital in motion, the same capital commands more absolute labour time [XV-881] is out of the question.

3) If the normal working day remains the same, surplus labour can be increased relatively by reducing the necessary labour time and reducing the prices of the necessaries which the worker consumes, in comparison with the development of the productive power of labour. But this very development of productive power reduces variable capital relative to constant. It is physically impossible that the surplus labour time of, say, 2 men who displace 20, can, by any conceivable increase of the absolute or relative labour time, equal that of the 20. If each of the 20 men only work 2 hours of surplus labour a day, the total will be 40 hours of surplus labour, whereas the total life span of the 2 men amounts only to 48 hours in one day.

The value of labour capacity does not fall in the same degree as the productive power of the workers or of capital increases. This increase in productive power likewise increases the ratio between constant and variable capital in all branches of industry which do not produce necessaries (either directly or indirectly) without giving rise to any kind of alteration in the value of labour. The development of productive power is not even. It is in the nature of capitalist production that it develops industry more rapidly than agriculture. This is not due to the nature of the land, but to the fact that, in order to be exploited really in accordance with its nature, land requires different social relations. Capitalist production turns towards the land only after its influence has exhausted it and after it has devastated its natural qualities. An additional factor is that, as a consequence of landownership, agricultural products are more expensive compared with other commodities, because they are sold at their value and are not reduced to their cost price. They form, however, the principal constituent of the necessaries. Furthermore, if $\frac{1}{10}$ of the land is dearer to exploit than
the other \(^{9}/_{10}\), these latter are likewise hit “artificially” by this relative infertility, as a result of the law of competition.\(^a\)

The rate of profit would in fact have to grow if it is to remain constant while accumulation of capital is taking place. As long as capital yields 10% of surplus labour, the same worker must, as soon as interest accumulates on interest and thus increases the capital employed, produce threefold, fourfold, fivefold in progression of compound interest, which is nonsense.

The amount of capital which the worker sets in motion, and whose value is maintained and reproduced by his labour, is something quite different from the value which he adds, and therefore from the surplus value. If the amount of capital=1,000 and the labour added=100, then the capital reproduced=1,100. If the amount=100 and the labour added=20, then the capital reproduced=120. The rate of profit in the first case=10% and in the second=20%. Nevertheless, more can be accumulated from 100 than from 20. Thus the flow of capital or its “accumulation” continues apart from depreciation as a result of the increase in productive power in proportion to the force it already possesses, but not in proportion to the size of the rate of profit. This explains that accumulation—its amount—may increase in spite of a falling rate of profit, apart from the fact that, while productivity rises, a larger portion of the revenue can be accumulated, even when the rate of profit declines, than when there is a high rate of profit together with lower productivity. A high rate of profit—in so far as it is based on a high rate of surplus value—is possible if very long hours are worked, although the labour is unproductive. It is possible because the workers’ needs, and therefore the minimum wage, are very small, although the labour is unproductive. The lack of energy with which the labour is performed will correspond to the low level of the minimum [wage]. Capital is accumulated slowly in both cases despite the high rate of profit. The population is stagnant and the labour time which the product costs is high, although the wages received by the workers are small.

[XV-882] I have explained the decline in the rate of profit in spite of the fact that the rate of surplus value remains the same or even rises, by the decrease of the variable capital in relation to the constant, that is, of the living present labour in relation to the past labour which is employed and reproduced.\(^b\) Hodgskin and the man who

\(^a\) See present edition, Vol. 31, pp. 427-32, 484-87, 519-21.—Ed.

\(^b\) See this volume, pp. 73-74, 543.—Ed.
wrote *The Causes and Remedy of Distress* explain it by the fact that it is impossible for the worker to fulfil the demands of capital which accumulates like *compound interest*.

*"No labour, no productive power, no ingenuity, and no art, can answer the overwhelming demands of compound interest. But all saving is made from the revenue of the capitalist"* (that is from *simple profit) "so that actually these demands are constantly made, and as constantly the productive power of labour refuses to satisfy them. A sort of balance is, therefore, constantly struck"*\(^1\) (l.c., [p.] 23).\(^b\)

In its general sense, this amounts to the same thing. If I say that, as capital accumulates, the rate of profit declines because constant capital increases in relation to variable capital, it means that, disregarding the specific form of the different portions of capital, the capital employed increases in relation to the labour employed. The profit falls not because the worker is exploited less, but because altogether less labour is employed in relation to the capital employed. For example, let us assume that the ratio of variable to constant capital=1:1. Then, if the total capital=1,000, \(c=500\) and \(v=500\). If the rate of surplus value=50%, then 50% of 500=50\(\times\)5=250. Thus the rate of profit on 1,000 yields a profit of 250,\(=\frac{250}{1,000}\)=25\(\%\).

If the total capital=1,000 and if \(c=750\) and \(v=250\), then at 50\(\%\) [the rate of surplus value] 250 will yield 125. But \(\frac{125}{1,000}=\frac{25}{200}=\frac{5}{40}=\frac{1}{8}=12\frac{1}{8}\%\).

But in comparison with the first case [less] living labour is employed in the second case. If we assume that the annual wage of the worker=£25, then in the first case £500 employed=20 workers; in the second case wages=£250=10 workers. The same capital employs 20 workers in one case and only 10 in the other. In the first case, the ratio of total capital to the number of working days=1,000:20; in the second, 1,000:10. In the first case, for each of the 20 workers £50 capital (constant and variable) is used (for 20\(\times\)50=500\(\times\)2=1,000). In the second case, the capital employed per individual worker is £100 (for 100\(\times\)10=1,000). Consequently, in both cases, the capital which is allocated to wages is, *pro rata*, the same.

The formula I have given provides a new ground for explaining why, with accumulation, less workers are employed by the same amount of capital or, what amounts to the same thing, why a greater amount of capital has to be used for *the same amount* of

\(^a\) A reference to *The Source and Remedy of the National Difficulties*...— *Ed.*

\(^b\) [Th. Hodgskin,] *Labour Defended*...; cf. also this volume, p. 431.— *Ed.*
labour. It comes to the same thing if I say that 1 worker is employed for a capital outlay of 50 in one case, and 1 worker for a capital outlay of 100 in the other, that therefore only half a worker is employed by a capital of 50; in other words, if I say that in one case there is 1 worker for 50 capital and only half a worker for 50 capital in the other, or if I say that in one case 50 capital is used by 1 worker and in the other case 50×2 capital is used by 1 worker.

This latter formula is the one used by Hodgskin and others. According to them, accumulation means in general the demand for compound interest; in other words, that more capital is expended on one worker and that he has therefore to produce more surplus labour proportionally to the amount of capital expended on him. Since the capital expended on him increases at the same rate as compound interest, but on the other hand, his labour time has very definite limits which even relatively "no productive powers" can reduce in accordance with the demands of this compound interest, "a sort of balance is constantly struck". "Simple profit" remains the same, or rather it grows. (This is in fact the surplus labour or surplus value.) But as the result of the accumulation of capital it is compound interest which is disguised in the form of simple interest.

[XV-883] It is clear furthermore that if compound interest=accumulation, then, apart from the absolute limits of accumulation, the growth of this interest depends on the extent, the intensity, etc., of the accumulation process itself, that is, on the mode of production. Otherwise compound interest is nothing but appropriation of the capital (property) of others in the form of interest as was the case in Rome and in general with usurers.

Hodgskin's view is as follows: Originally £50 capital, for example, falls pro rata to one worker, on which he produces, let us say, a profit of [£]25. Later, as a result of the conversion of a part of the interest into capital and of the fact that this process repeats itself again and again, a capital of £200 is allocated to the worker. If the entire interest of 50% received per annum were always capitalised, the process would be complete in less than 4 years. Just as the worker produced [a profit of] 25 on [a capital of] 50, he is now expected to produce 100 on a capital of 200, or 4 times as much. But that is impossible. To do that either the worker would have to work 4 times as long, that is, 48 hours a day if he worked 12 hours previously, or the value of labour would have to fall by 75 per cent as a result of increased productive power of labour.
If the working day = 12 hours, £25 the [annual] wage, and the worker produces £25 profit [per annum], then he has to work as much for the capitalist as he does for himself. That is for 6 hours or half the working day. In order to produce 100, he would have to work 4×6 hours for the capitalist in a 12-hour working day—which is nonsense. Let us assume that the working day is lengthened to 15 hours, then the worker still cannot produce 24 hours work in 15 hours. And still less can he work for 30 hours, which is what would be necessary, since [he would have to work] 24 hours for the capitalist and 6 for himself. If he worked the whole of his labour time for the capitalist, he would be able to produce only 50; he would only double the amount of interest, that is, he would produce 50 [profit] on a capital of 200, whereas he produced 25 for 50 capital. The rate of profit = 50% in the second case and 25% in the first. But even this is impossible, since the worker must live. No matter how much productive power increases, if, as in the above example, the value of 12 hours = 75, then that of 24 hours = 2×75 = 150. And since the worker must live, he can never produce 150 profit, still less 200. His surplus labour is always a part of his working day, from which it does not at all follow, as Mr. Rodbertus thinks, that profit can never = 100%. It can never = 100% if it is calculated on the working day as a whole (for it is itself included in it). But it can most certainly be 100% in relation to that part of the working day which is paid for.

Let us take the above example of 50%.

<table>
<thead>
<tr>
<th>Capital</th>
<th>Surplus value</th>
<th>Rate of surplus value</th>
<th>Rate of profit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constant</td>
<td>Variable</td>
<td>25</td>
<td>100%</td>
</tr>
</tbody>
</table>

Here the profit, half a working day = $\frac{1}{3}$ of the whole [product]. [XV-884] Then the surplus value = 100%.

If the worker worked $\frac{5}{4}$ of the working day for the capitalist, then:

<table>
<thead>
<tr>
<th>Capital</th>
<th>Surplus value</th>
<th>[Rate of profit]</th>
<th>Rate of surplus value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constant</td>
<td>Variable</td>
<td>$37\frac{1}{2}$</td>
<td>300%</td>
</tr>
</tbody>
</table>

Total capital $37\frac{1}{2}$ $37\frac{1}{2}$ 100%

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*a See present edition, Vol. 31, pp. 319-21.—**Ed.**
For 100:

<table>
<thead>
<tr>
<th>Capital</th>
<th>Surplus value</th>
<th>Rate of surplus value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constant</td>
<td>Variable</td>
<td>100</td>
</tr>
</tbody>
</table>

[Total capital] 100

Rate of profit 100%

Let us examine this a little more closely and see what is implied by the view that [the rate of] profit falls because, in consequence of progressive accumulation, it does not constitute *simple profit* (consequently the rate of exploitation of the worker does not decline but, as Hodgskin says, increases3) but *compound profit* and it is impossible for labour to keep pace with the demands of *compound interest*.

It has to be noted first of all that this has to be defined in more detail if it is to make any sense at all. Regarded as a product of accumulation (that is, of the appropriation of surplus labour)—and this approach is necessary if one considers reproduction as a whole—all capital is made up of profit (or of interest, if this word is considered to be synonymous with profit and not with interest in the strict sense). If the rate of profit = 10%, then this is "compound interest", compound profit. And it would be impossible to see how 10 to 100 could—in economic terms—differ from 11 to 110. So what emerges is that "simple profit" too is impossible, or at least that simple profit must also decline, because, in fact, simple profit is made up in exactly the same way as compound profit. If one narrows the problem, that is, considers solely interest-bearing capital, then compound interest would swallow up profit and more than profit; and the fact that the producer (capitalist or not) has to pay the lender compound interest means that sooner or later, in addition to profit, he has to pay him part of his capital as well.

Thus it should be noted first of all that Hodgskin's view only has meaning if it is assumed that capital grows more rapidly than population, that is, than the working population. (Even this latter is a relative growth. It is in the nature of capital to overwork one section of the working population while it turns another into paupers.) If the population grows at the same rate as capital, then there is no reason whatsoever why I should [not] be able to extract from 8 x workers with £800 the same surplus labour that I can extract from x workers with £100. [XV-885] Eight times 100

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3 See this volume, pp. 431-32.—Ed.
capital makes no greater demand on \( 8 \) times \( x \) workers than \( 100 \) capital on \( x \) workers. Thus "Hodgskin's" argument becomes groundless. (In reality, things turn out differently. Even if the population grows at the same rate as capital, capitalist development nevertheless results in one part of the population being made redundant, because constant capital develops at the expense of variable capital.)

// *"It is very material, with reference to labour, whether you distribute them" (goods) "so as to induce a greater supply of labour or a less: whether you distribute them where they will be conditions for labour, or where they will be opportunities for idleness" (An Inquiry into those Principles respecting the Nature of Demand etc., London, 1821, [p.] 57).

"That increased supply (of labour) is promoted by the increased numbers of mankind" (l.c., [p.] 58).

"The not being able to command so much labour as before, too, is only important where the labour would produce no more than before. If labour has been rendered more productive, production will not be checked, though the existing mass of commodities should command less labour than before" * (l.c., [p.] 60).

This is directed against Malthus. True, production would not be checked, but the rate of profit would. These cynical propositions stating that a "mass of commodities commands labour", reflect the same cynicism which finds expression in Malthus' explanation of value; command of the commodity over labour is very good and is absolutely characteristic of the nature of capital.

The same author makes the following correct observation directed against West:

* "The author of An Essay on the Application of Capital to Land says [p. 24] that more will be given for labour when there is most increase of stock, and that ... will be when the profits on stock are highest. 'The greater the profits of stock,' he adds, 'the higher will be the wages of labour.' The fault of this is, that a word or two is left out: 'The greater have been the profits of stock, ... The higher will be the wages of labour'... The high profits and the high wages are not simultaneous; they do not occur in the same bargain; the one counteracts the other, and reduces it to a level. It might as well be argued, 'the supply of a commodity is most rapid when the price is highest; therefore, large supply and high price go together.' It is a mixing up of cause and effect" * (l.c., [pp.] 100-01).//

Hodgskin's proposition, therefore, has meaning only if, as a result of the process of accumulation, more capital is set in motion by the same worker, or if the capital grows pro rata to labour. That is, if, for example, the capital was 100 and becomes 110 by accumulation, and if the same worker who produced a surplus

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a In the manuscript, this word is followed by its German equivalent.—Ed.

b See this volume, pp. 211-12 and 225.—Ed.
value of 10, is to produce a surplus value of 11, corresponding to the growth of capital, i.e. compound interest. So that it is not simply the same capital he set in motion previously which, after its reproduction, is to yield the same profit (simple profit) but this capital has been increased by his surplus labour [so that] he has to provide surplus labour for the original capital (or its value) + his own accumulated (i.e. capitalised) surplus labour. And since this capital increases every year, the same worker would constantly have to furnish more labour.

It is however only possible for more capital to be applied per worker:

First. If the productive power of labour remains the same, then this is only possible if the worker prolongs his labour time absolutely, i.e., for example, if he works 15 hours instead of 12 hours, or if he works more intensively and performs 15 hours' labour in 12 hours, does 5 hours' labour in 4 hours or 5/15 hour's labour in 4/5 of an hour. Since he reproduces his means of subsistence in a definite number of hours, then, in this case, 3 hours of labour are won for the capitalist in the same way as if the productive power of labour had been increased, while, in fact, it is labour which has been increased, not its productive power. If the intensification of labour were to become general, then the value of commodities would fall in proportion to the reduced labour time which they cost. The degree of intensity would become the average intensity of labour, its natural quality. If, however [XV-886], this only occurs in particular spheres, then it amounts to more complex labour, simple labour raised to a higher power. [Less than] an hour of more intensive labour then counts as much—and creates as much value—as an hour of the more extensive labour. For example, in the above case, 4/5 of an hour [produces] as much as 5/5, or an hour.

Both the extension of labour time and the increase of labour through its greater intensification by means of the compression of the pores of labour as it were, have their limits (although the London bakers, for example, regularly work 17 hours [a day] if not more), very definite, physical, limitations, and it is when encountering these that compound interest—composite profit—ceases.

Within these limitations the following applies:

If the capitalist pays nothing for the extension of intensification of labour, then his surplus value (his profit as well, provided there is no change in the value of the constant capital, for we assume that the mode of production remains the same)—and, in accordance
Theories of Surplus Value. Opposition to Economists

with the proviso, his profit—increases more rapidly than his capital. He pays no necessary labour for the capital which has been added.

If he pays for the surplus labour at the same rate as previously, then the growth of the surplus value is proportionate to the increase in capital. The profit grows more rapidly. For there is a more rapid turnover of fixed capital, while the more intensive use of the machinery does not cause the wear and tear to increase at the same rate. There is a reduction of expenditure on fixed capital, for less machinery, workshops, etc., are required for 100 workers who work longer hours than for 200 workers employed simultaneously. Likewise fewer overseers, etc. (This gives rise to a most satisfactory situation for the capitalist, who is able to expand or contract his production without hindrance, in accordance with the market conditions. In addition, his power grows, since that portion of labour which is over-employed, has its counterpart in an unemployed or semi-employed reserve army, so that competition amongst the workers increases.)

Although there is in this case no change in the purely numerical ratio between necessary labour and surplus labour—this is however the only case where both can simultaneously increase in the same proportion—the exploitation of labour has nevertheless grown, both by means of an extension of the working day and by its intensification (condensation) provided the working day is not shortened at the same time (as with the Ten Hours Bill\textsuperscript{118}). The period for which the worker is fit to work is reduced and his labour capacity is exhausted in a much greater measure than his wages increase and he becomes even more of a work machine. But disregarding the latter aspect, if he lives for 20 years working a normal working day and only 15 years when his working day is extended or intensified, then he sells the value of his labour capacity in 15 years in the latter case and in 20 years in the former. In one case it has to be replaced in 15 years, in the other, in 20 years. A value of 100 which lasts for 20 years is replaced if 5% is paid on it annually, for $5 \times 20 = 100$. A value of 100 which lasts 15 years is replaced if $6^{10/15}$ or $6^{2/3}$% is paid on it annually. But in the given case, the worker receives for 3 hours of additional labour only an amount equivalent to the daily value of his labour capacity calculated over 20 years. Assuming that he works 8 hours necessary labour and 4 hours surplus labour, then he receives $2/3$ of each hour, for $\frac{12 \times 2}{3} = 8$. And in the same way he receives 2 out of the 3 hours overtime that he works. Or $2/3$ of each
hour. But this is only the value of his hourly labour capacity on the assumption that it will last for 20 years. If he uses it up in 15 years, its value [per hour] increases.

Anticipation of the future—real anticipation—occurs in the production of wealth only in relation to the worker and to the land. The future can indeed be anticipated and ruined in both cases by premature over-exertion and exhaustion, and by the disturbance of the balance between expenditure and income. In capitalist production this happens to both the worker and the land. As far as so-called anticipation is concerned, in relation to the national debt, for example, Ravenstone remarks with justice:

[XV-887] * "In pretending to stave off the expenses of the present hour to a future day, in contending that you can burthen posterity to supply the wants of the existing generation,* they assert the absurd proposition *that you can consume what does not yet exist, that you can feed on provisions before their seeds have been sown in the earth" (Ravenstone, i.e., [Thoughts on the Funding System, and Its Effects, p.] 8).

"All the wisdom of our statesmen will have ended in a great transfer of property from one class of persons to another, in creating an enormous fund for the reward of jobs and peculation** (i.e., [p.] 9).

It is different in the case of the worker and the land. What is expended here exists as δύναμις and the life span of this δύναμις is shortened as a result of accelerated expenditure.

Finally, if the capitalist is forced to pay more for overtime than for normal labour time, then, according to the facts outlined above, this is by no means an increase in wages, but only compensation for the increased value of overtime—and in reality overtime pay is rarely sufficient to cover this. In fact, in order to pay for the increased wear and tear of the labour capacity, when overtime is worked, a higher rate ought to be paid for every working hour not merely for overtime. Thus there is under all circumstances an increased exploitation of labour. At the same time, as a result of the accumulation of capital, a [relative] reduction in surplus value takes place at all events and also a decline in the rate of profit, in so far as this is not counteracted by saving on constant capital.119

This is therefore a situation where, in consequence of the accumulation of capital—of the appearance of composite profit—the rate of profit must decline. If on a capital of 300 (the original amount) the rate of profit was 10[%] (that is [profit came to] 30), and if for an additional 100 it is 6[%,] then profit is 36 for 400.

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a Power, capacity.—Ed.
Thus on the whole it is 9 for 100. And the rate of profit has fallen from 10[\%] to 9.

But, as has been stated, on this basis (if the productivity of labour remains the same) not only must the profit on additional capital fall, but at a certain point it must cease altogether, thus the whole accumulation based on this composite profit would be stopped. In this case, the decline in profit is linked with increased exploitation of labour and the stoppage of profit at a certain point is not due to the worker or somebody else receiving the whole product of his labour, but to the fact that it is physically impossible to work over and above a certain amount of labour time or to increase the intensity of labour beyond a certain degree.

Second. The only other case, where, with the number of workers remaining constant, more capital is applied per worker, and therefore the surplus capital can be laid out and used for the increased exploitation of the same number [XV-888] of workers occurs when the productivity of labour increases, i.e. the method of production is changed. This presupposes a change in the organic ratio between constant and variable capital. In other words, the increase in the capital in relation to labour is here identical with the increase of constant capital as compared with variable capital and, in general, with the amount of living labour employed.

This is where Hodgskin's view merges with the general law which I have outlined. The surplus value, i.e. the exploitation of the worker, increases, but, at the same time, the rate of profit falls because the variable capital declines as against the constant capital, because in general, the amount of living labour falls relatively in comparison with the amount of capital which sets it in motion. A larger portion of the annual product of labour is appropriated by the capitalist under the signboard of capital, and a smaller portion under the signboard of profit.

(Hence the phantasy of the Rev. Thomas Chalmers to the effect that the smaller the amount of the annual product laid out by the capitalists as capital, the larger the profit they pocket.\footnote{See Th. Chalmers, On Political Economy in Connexion with the Moral Prospects of Society, 2nd ed., Glasgow, 1832, pp. 88-89.— Ed.} The Established Church then comes to their assistance and sees to it that a large part of the surplus produce is consumed instead of being capitalised. The miserable priest confuses cause with effect. Moreover, with a smaller rate the amount of profit increases as the size of the capital laid out grows. In addition, the quantity of use values which this smaller proportion represents,
increases. At the same time, however, this leads to the centralisation of capital, since the conditions of production now demand the application of capital on a mass scale. It brings about the swallowing up of the smaller capitalists by the bigger ones and the "decapitalisation" of the former. This is once again, only in a different form, the separation of the conditions of labour from capital // for there is still a great deal of self-employment amongst the smaller capitalists; in general the labour done by the capitalist stands in inverse proportion to the size of his capital, that is, to the degree in which he is a capitalist. This process would soon bring capitalist production to a head if it were not for the fact that, alongside the centripetal forces, countering tendencies exist, which continuously exert a decentralising influence; this need not be described here, for it belongs to the chapter dealing with the competition of capitals //. 30 It is this separation which constitutes the concept of capital and of primitive accumulation, which then appears as a continual process in the accumulation of capital and here finally takes the form of the centralisation of already existing capitals in a few hands and of many being divested of capital.)

The fact that the (proportionally) declining quantity of labour is not fully offset by increased productivity, or that the ratio of surplus labour to the capital expended does not increase at the same rate as the amount of labour employed declines, is due partly to the fact that the development of the productivity of labour reduces the value of labour, the necessary labour, only in certain capital investment spheres, and that, even in these spheres, it does not develop uniformly, and that factors exist which nullify this effect; for example, the workers themselves, although they cannot prevent reductions in (the value of) wages, will not permit them to be reduced to the absolute minimum; on the contrary, they can compel a certain quantitative participation in the general growth of wealth.

But this growth of surplus labour too is relative, [and is only possible] within certain limits. In order to make this growth correspond to the demands of composite interest, the necessary labour time in this case would have to be reduced to zero in the same way as [the surplus labour time] had to be extended endlessly in the case considered previously.

The rise and fall in the rate of profit—in so far as it is determined by the rise or fall of wages resulting from the conditions of demand and supply [in the labour market], or caused by the temporary rise or fall in the prices of necessaries compared with those of luxuries, as a result of the changes in
demand and supply and the rise or fall in wages to which this leads—has as little to do with the general law of [XV-889] the rise or fall in the profit rate as the rise or fall in the market prices of commodities has to do with the determination of value in general. This has to be analysed in the chapter on the real movement of wages. If the balance of demand and supply is favourable to the workers, then wages rise, then it is possible (but by no means certain) that the prices of certain necessaries, especially food, will rise correspondingly for a time. The author of the Inquiry into Those Principles etc. rightly remarks in this connection:

In this case *there will be "an increase of demand for necessaries, in proportion to that for superfluities, as compared with what would have been the proportion between those two sorts of demand, if he had exerted that command"* (i.e. the capitalist, his command over commodities) *“to procure things for his own consumption. Necessaries will thereby exchange for more of things in general... And, in part, at least, these necessaries will be food"* (l.c., [pp. 21-]22).

He then correctly expresses the Ricardian view as follows:

* "At all events, then, the increased price of corn was not the original cause of that rise of wages which made profits fall, but, on the contrary, the rise of wages was the cause of the increased price of corn at first, and the nature of land, yielding less and less proportional returns to increased tillage, made part of that increase of price permanent, prevented a complete reaction from taking place through the principle of population"* (l.c., [p. 23).

Hodgskin and the author of The Cause and Remedy, since they explain the fall of profits by the impossibility of living labour to come up to the demands of “compound interest”, and although they do not go into detail, are much nearer the truth than Smith and Ricardo, who explain the fall of profits by the rise in wages, one of them, in real and nominal wages, the other, in nominal wages, with rather a decrease of real wages. Hodgskin and all the other proletarian opponents have enough common sense to emphasise the fact that the proportional number of those who live on profit has increased with the development of capital.

Now a few concluding passages from Hodgskin’s Labour Defended etc.

The treatment of the exchange value of the product, hence of the labour embodied in the commodity, as social labour:

* “Almost every product of art and skill is the result of joint and combined labour.”*

(This is the result of capitalist production.)

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* The Source and Remedy of the National Difficulties.— Ed.
*"So dependent is man on man, and so much does this dependence *increase as society advances, that hardly any labour of any single individual ... is of the least value but as forming a part of the great social task."*

// This passage has to be quoted, and in doing so [it is necessary to emphasise] that it is only on the basis of capital that *commodity* production or the production of products as commodities becomes all-embracing and affects the nature of the products themselves. //

*"... Wherever the division of labour is introduced, the judgement of other men intervenes before the labourer can realise his earnings, and there is no longer any thing which we can call the material *a* reward of individual labour. Each labourer produces only some part of a whole, and each part, having no value or utility of itself, there is nothing on which the labourer can seize and say: 'this is my product, this I will keep to myself'. Between the commencement of any joint operation, such as that of making cloth, and the division of its product among the different persons whose combined exertions have produced it, the judgement of men must intervene several times, and the question is how much of this joint product should go to each of the individuals whose united labour produced it?" ([p.] 25).

"I know no way of deciding this [XV-890] but by leaving it to be settled by the unfettered judgements of the labourers themselves" (l.c.).

"I must add that it is doubtful whether one species of labour is more valuable than another; certainly it is not more necessary"* ([p.] 26).

Finally Hodgskin writes about the *relation of capital* [and labour]:

*"Masters are *labourers* as well as their journeymen. In this character their interest is precisely the same as that of their men. But they are also either capitalists or the agents of the capitalist, and in this respect their interest is decidedly opposed to the interest of the workmen" (l.c., [p.] 27).

"The wide spread of education among the journeyman mechanics of this country, diminishes daily the value of the labour and skill of almost all masters and employers, by increasing the numbers of persons who possess their peculiar knowledge" ([p.] 30).

"The capitalist is the *oppressive middleman*" between the different labourers.* If he is put out of view, *"it is plain that *capital* or the *power to employ labour and co-existing labour* are one; and *productive capital* and *skilled labour* are also one; consequently capital and a labouring population are precisely synonymous. In the system of nature, mouths are united with hands and with intelligence" * ([p.] 33).

The capitalist mode of production disappears with the form of alienation which the various aspects of social labour bear to one another and which is represented in *capital.* This is the conclusion arrived at by Hodgskin.

*The primitive accumulation of capital.* Includes the *centralisation*

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*a* Hodgskin has "the natural".— *Ed.

*b* See this volume, pp. 385-86, 405-06 and pp. XXII—1395-97, 1402-07, 1438-40, 1461-63 of the manuscript (present edition, Vol. 34), and also Marx's *Outlines of the Critique of Political Economy*... (present edition, Vol. 28, pp. 387-99).— *Ed.*
of the conditions of labour. It means that the conditions of labour acquire an independent existence in relation to the worker and to labour itself. This historical act is the historical genesis of capital, the historical process of separation which transforms the conditions of labour into capital and labour into wage labour. This provides the basis for capitalist production.

Accumulation of capital on the basis of capital itself, and therefore also on the basis of the relationship of capital and wage labour, reproduces the separation and the independent existence of material wealth as against labour on an ever increasing scale.

Concentration of capital. Accumulation of large amounts of capital by the destruction of the smaller capitals. Attraction. Decapitalisation of the intermediate links between capital and labour. This is only the last degree and the final form of the process which transforms the conditions of labour into capital, then reproduces capital and the separate capitals on a larger scale and finally separates from their owners the various capitals which have come into existence at many points of society, and centralises them in the hands of big capitalists. It is in this extreme form of the contradiction and conflict that production—even though in alienated form—is transformed into social production. There is social labour, and in the real labour process the instruments of production are used in common. As functionaries of the process which at the same time accelerates this social production and thereby also the development of the productive forces, the capitalists become superfluous in the measure that they, on behalf of society, enjoy the usufruct and that they become overbearing as owners of this social wealth and commanders of social labour. Their position is similar to that of the feudal lords whose exactions in the measure that their services became superfluous with the rise of bourgeois society, became mere outdated and inappropriate privileges and who therefore rushed headlong to destruction.

[* Revenue and Its Sources*] 121

[XV-891] The form of revenue and the sources of revenue are the most fetishistic expression of the relations of capitalist production. It is their form of existence as it appears on the surface, divorced from the hidden connections and the intermediate connecting links. Thus the land becomes the source of rent, capital the source of profit, and labour the source of wages. The distorted form in which the real inversion is expressed is naturally reproduced in
the views of the agents of this mode of production. It is a kind of fiction without fantasy, a religion of the vulgar. In fact, the vulgar economists—by no means to be confused with the economic investigators we have been criticising—translate the concepts, motives, etc., of the representatives of capitalist production who are held in thrall to this system of production and in whose consciousness only its superficial appearance is reflected. They translate them into a doctrinaire language, but they do so from the standpoint of the ruling section, i.e. the capitalists, and their treatment is therefore not naïve and objective, but apologetic. The narrow and pedantic expression of vulgar conceptions which are bound to arise among the representatives of this mode of production is very different from the urge of political economists like the Physiocrats, Adam Smith and Ricardo to grasp the inner connection of the phenomena.

However, of all these forms, the most complete fetish is interest-bearing capital. This is the original starting-point of capital—money—and the formula $M-C-M$ is reduced to its two extremes—$M-M$—money which creates more money. It is the original and general formula of capital reduced to a meaningless résumé.

The land or nature as the source of rent, i.e. of landed property, is fetishistic enough. But as a result of a convenient confusion of use value with exchange value, the common imagination is still able to have recourse to the productive power of nature itself, which, by some kind of hocus-pocus, is personified in the landlord.

Labour as the source of wages, that is, of the worker's share in his product, which is determined by the specific social form of labour; labour as the cause of the fact that the worker by means of his labour buys the permission to produce from the product (i.e. from capital considered in its material aspect) and has in labour the source by which a part of his product is returned to him in the form of payment made by this product as his employer—this is pretty enough. But the common conception is in so far in accord with the facts that, even though labour is confused with wage labour and, consequently, wages, the product of wage labour, with the product of labour, it is nevertheless obvious to anybody who has common sense that labour itself produces its own wages.

Capital, in so far as it is considered in the production process, still continues to a certain extent to be regarded as an instrument for

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*a* See also this volume, pp. 456-58, 488-90 and 494-95.—*Ed.*
acquiring the labour of others. This may be treated as "right" or "wrong", as justified or not justified, but here the relation of the capitalist to the worker is always presupposed and assumed.

*Capital*, in so far as it appears in the *circulation process*, confronts the ordinary observer mainly in the form of *merchant capital*, that is, a kind of capital which is engaged only in this operation, hence profit in this field is in part linked with a vague notion of general swindling, or more specifically, with the idea that the merchant swindles the industrial capitalist or the consumer in the same way as the industrial capitalist swindles the worker, or as the producers swindle one another. In any case, profit here is explained as a result of *exchange*, that is, as arising from a social relation and not from a thing.

On the other hand, *interest-bearing capital* is the perfect fetish. It is capital in its finished form—as such representing the unity of the production process and the circulation process—and therefore yields a definite profit in a definite period of time. In the form of interest-bearing capital only this function remains, without the mediation of either production process or circulation process. Memories of the past still remain in capital and profit, although because of the divergence of profit from surplus value and the uniform profit yielded by all capitals—that is, the general rate of profit—capital becomes [XV-892] very much obscured, something dark and mysterious.

Interest-bearing capital is the consummate *automatic fetish*, the self-valorising value the money-making money, and in this form it no longer bears any trace of its origin. The social relation is consummated as a relation of things (money, commodities) to themselves.

This is not the place for a more detailed examination of interest and its relation to profit; nor is it the place for an examination of the ratio in which profit is divided into industrial profit and interest. It is clear that capital, as the mysterious and self-generating source of interest, that is, source of its [own] increase, finds its consummation in capital and interest. It is therefore especially in this form that capital is imagined. It is capital *par excellence*.

Since, on the basis of capitalist production, a certain sum of values represented in money or commodities—actually in money, the converted form of the commodity—makes it possible to extract a certain amount of labour gratis from the workers and to appropriate a certain amount of *surplus value, surplus labour, surplus produce*, it is obvious that money itself can be sold as capital, that is,
as a commodity *sui generis*, or that capital can be bought in the form of commodities or of money.

It can be sold as the source of profit. I enable someone else by means of money, etc., to appropriate *surplus value*. Thus it is quite in order for me to receive part of this *surplus value*. Just as land has value because it enables me to intercept a portion of *surplus value*, and I therefore pay for this land only the *surplus value* which can be intercepted thanks to it, so I pay for capital the *surplus value* which is created by means of it. Since, in the capitalist production process, the value of capital is perpetuated and reproduced in addition to its surplus value, it is therefore quite in order that, when money or commodities are sold as capital, they return to the seller after a period of time and he does not alienate it [money] in the same way as he would a commodity but retains ownership of it. In this way, money or commodities are not sold as money or commodities, but in their second power, as *capital*, as self-increasing money, or commodity value. Money is not only increased, but is preserved in the total process of production. It therefore remains capital for the seller, and comes back to him. The sale consists in the fact that another person, who uses it as productive capital, has to pay its owner a certain part of his profit, which he only makes through this capital. Like land, it is rented out as a value-creating thing which in this process of generating value is preserved and continually returned, and therefore can also be returned to the original seller. It is only capital in virtue of its return to him. Otherwise he would sell it as a commodity or buy with it as money.

In any case, the form considered in itself (in fact, it [money] is alienated periodically as a means for exploiting labour, for making surplus value) is this, that the thing now appears as capital and capital appears as a mere thing; the whole result of the capitalist production and circulation process appears as a property inherent in a thing, and it depends on the owner of money, i.e. of the commodity in its constantly exchangeable form, whether he expends it as money or rents it out as capital.

We have here the relation of capital as *principal* to itself as *fructus* and the profit which it yields is measured against its own value, which (in accordance with the nature of capital) is not diminished in this process. It is thus clear why superficial criticism—in exactly the same way as it wants [to maintain] commodities and combats money—now turns its wisdom and

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* Yield.— *Ed.*
reforming zeal against interest-bearing capital without touching upon real capitalist production, but merely attacking one of its consequences. This polemic against interest-bearing capital, undertaken from the standpoint of capitalist production, a polemic which today parades as "socialism", occurs, incidentally, as a phase in the development of capital itself, for example, in the 17th century, when the industrial capitalist had to assert himself against the old-fashioned usurer who, at that time, still [confronted] him as a superior power.a

[XV-893] The complete objectification, inversion and derangement of capital as interest-bearing capital—in which, however, the inner nature of capitalist production, [its] derangement, merely appears in its most palpable form—is capital which yields "compound interest". It appears as a Moloch demanding the whole world as a sacrifice belonging to it of right, whose legitimate demands, arising from its very nature, are however never met and are always frustrated by a mysterious fate.

The characteristic movement of capital, both in the production and in the circulation processes, is the return of the money or commodity to its starting-point—to the capitalist. This expresses, on the one hand, the real metamorphosis, the conversion of the commodity into its conditions of production, and the conversion of the conditions of production back into the form of the commodity—i.e. reproduction, and, on the other hand, the formal metamorphosis, the conversion of the commodity into money and of the money back into the commodity. Finally, the multiplication of value: \( M \rightarrow C \rightarrow M' \). The original value, which is however increased during the process, always remains in the possession of the same capitalist. Only the forms change in which he possesses it: money, commodity, or the form of the production process itself. In the case of interest-bearing capital, this return of capital to its starting-point acquires a quite external aspect, divorced from the real movement whose form it is. A spends his money not as money but as capital. No change takes place here in the money. It only changes hands. Its real conversion into capital takes place only while it is in the hands of B. But it has become capital for A as a result of the transfer of the money from A's hands into those of B. The real return of capital from the production and circulation process takes place for B. But for A, the return takes place in the same way as the alienation did. The money passes

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from B back again to A. He lends the money instead of spending it.

In the real production process of capital, each particular movement of money expresses an aspect of reproduction, whether it be the conversion of money into labour, the conversion of the finished commodity into money (the end of the act of production) or the reconversion of the money into commodities (renewal of the production process, recommencement of reproduction). The movement of money when it is lent as capital, that is, when it is not converted into capital but enters into circulation as capital, expresses nothing more than the transfer of the same money from one person to another. The property rights remain with the lender, but the possession is transferred to the industrial capitalist. For the lender, however, the conversion of the money into capital begins at the moment when he spends it as capital instead of spending it as money, i.e. when he hands it over to the industrial capitalist. (It remains capital for him even if he does not lend it to the industrial capitalist but to a spendthrift, or to a worker who cannot pay his rent. The whole pawnshop business [is based on this].) True, the other person converts it into capital, but this is an operation beyond that in which the lender and the borrower are involved. This mediation is effaced, is not visible, is not directly included in it. Instead of the real conversion of money into capital, there appears only the empty form of this process. Just as in the case of labour capacity, the use value of money here becomes that of creating exchange value, more exchange value than it itself contains. It is lent as self-valorising value, as a commodity, but a commodity which, precisely because of this quality, differs from commodities as such and therefore also possesses a specific form of alienation.

The starting-point of capital is the commodity owner, the owner of money, in short, the capitalist. Since in the case of capital both starting-point and point of return coincide, it returns to the capitalist. But the capitalist exists here in a dual form, as the owner of capital and as the industrial capitalist who really converts money into capital. The capital actually issues [XV-894] from him [the industrial capitalist] and returns again to him. But only as possessor. The capitalist exists in a dual form—juridically and economically. The capital as property consequently returns to the juridical capitalist, the left-handed Sam. But the return of the

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capital, which includes the maintenance of its value and posits it as a self-maintaining and self-perpetuating value, is indeed brought about by intermediate steps for capitalist II but not for capitalist I. In this case therefore, the return is not the consequence and result of a series of economic processes but is effected by a particular juridical transaction between buyer and seller, by the fact that it is *lent instead of being sold, and therefore it is posited only temporarily*. What is *sold* is, in fact, *its use value*, whose *function in this case is to produce exchange value*, to yield profit, to produce more value than it itself contains. As money it does not change through being used. It is however expended as money and it flows back as money.

The form in which it returns depends on the mode of reproduction of the capital. If it is loaned as money, then it comes back in the form of circulating capital, that is, its whole value is returned + surplus value, in this case, that part of surplus value or of profit which consists of interest; the sum of money loaned + the additional amount which has arisen from it.

If it is loaned out in the form of machinery, buildings, etc., in short, in a material form in which it functions as fixed capital in the process of production, then it returns in the form of fixed capital, as an annuity, that is, for example, as an annual amount = to the replacement of the wear and tear = to that part of the value which has entered the circulation process + that part of the *surplus value* which is calculated as profit (in this case a part of the profit), interest on the fixed capital (not in so far as it is fixed capital, but in so far as in general it is capital of a definite amount).

In profit as such, *surplus value*, and consequently its real source, is already obscured and mystified:

1) Because, considered from the formal standpoint, profit is *surplus value* calculated on the whole of the capital advanced, so that each part of capital — fixed and circulating — laid out on raw materials, machinery or labour, yields an equal amount of profit.

2) Because, just as in the case of a single given capital of 500, for example, every fifth part yields 10%, if the *surplus value* = 50, so now, as a result of the establishment of the *general rate of profit*, every capital of 500 or 100, no matter which sphere it operates in, irrespective of the relative proportions of variable and constant capital, no matter how varied the periods of turnover, etc., will yield the same average profit — say 10% — in the same period of time as any other capital under quite different organic conditions. Because, therefore, the *profit* of individual capitals regarded in
isolation and the *surplus value* which is produced by them in their own sphere of production become in fact different magnitudes.

It is true that point 2 merely develops further what has already been implied in point 1.

The basis of interest however is this already externalised form of surplus value, i.e. its existence as *profit*. This form differs from its first simple appearance, in which it still reveals the umbilical cord of its birth, and is, at first sight, by no means recognisable as a form of surplus value. Interest directly presupposes not surplus value, but *profit*, of which it is merely a part placed in a special category or division. It is therefore much more difficult to recognise surplus value in interest than in profit, since interest is directly connected with surplus value only in the form of profit.

The time needed for the return [of capital] depends on the real production process; in the case of interest-bearing capital, its return as capital *appears* to depend merely on the agreement between lender and borrower. So that the return of the capital in this transaction no longer appears to be a result determined by the production process, but it seems that the capital never loses the form of money for a single instant. These transactions are nevertheless determined by the real returns. But this is not evident in the transaction itself.

[XV-895] Interest, as distinct from profit, represents the *value* of mere ownership of *capital*—i.e. it transforms the ownership of *money* (of a sum of values, commodities, whatever the form may be) in itself, into ownership of capital, and consequently commodities or money as such into self-valorising value. The conditions of labour are of course capital only so far as they confront the worker as his non-property and consequently function as someone else's property. But they can function in this way only in contradiction to labour. The antagonistic existence of these conditions in relation to labour makes their owners capitalists, and turns these conditions owned by them into capital. But capital in the hands of *moneyed* capitalist *A* does not have this contradictory character which turns it into capital and which therefore makes ownership of money appear as ownership of capital. The actual formal determinant by means of which money or a commodity is converted into capital is obliterated. *Moneyed* capitalist *A* does not confront the worker at all, but only another capitalist—capitalist *B*. What he sells him is actually the "use" of the money, the results it will produce when converted into productive capital. But in fact it is not the use which he sells directly. If I sell a commodity, then I sell a specific use value. If I buy money with commodities, then I buy
the functional use value which money, as the converted form of commodities, possesses. I do not sell the use value of the commodity along with its exchange value, nor do I buy the particular use value of the money along with the money itself. But money as money—before its conversion into and its function as capital, a function which it does not perform while it is in the hands of the money-lender—has no other use value than that which it possesses as a commodity (gold, silver, its material substance) or as money which is the converted form of a commodity. What the money-lender sells in actual fact to the industrial capitalist, what really happens in the transaction, is simply this: he transfers the ownership of the money to the industrial capitalist for a certain period of time. He disposes of his ownership title for a certain term, and as a result the industrial capitalist has bought the ownership for a certain term. Thus his money appears to be capital before it is alienated and the mere ownership of money or a commodity—separated from the capitalist production process—[is regarded] as capital.

The fact that it becomes capital only after it has been alienated makes no difference, any more than the use value of cotton is altered by the fact that its use value only emerges after it has been alienated to the spinner or that the use value of meat only becomes apparent after it has been transferred from the butcher's shop to the consumer's table. Hence money, once it is not spent on consumption, and commodities, once they are not used as means of consumption by their owners, transform those who possess them into capitalists and are in themselves—separated from the capitalist production process and even before their conversion into "productive" capital—capital, that is, they are self-valorising, self-preserving and self-increasing value. It is their immanent attribute to create value, to yield interest, just as the attribute of the pear tree is to produce pears. And it is as such an interest-bearing thing that the money-lender sells his money to the industrial capitalist. Because money preserves itself, i.e. is value which preserves itself, the industrial capitalist can return it at any time fixed by contract. Since it produces a definite amount of surplus value, interest, annually, or rather since value accrues to it over any period of time, he can also pay back this surplus value to the lender annually or in any other conventionally established period of time. Money as capital yields surplus value daily in exactly the same way as wage labour. While interest is simply a part of the profit established under a special name, it appears here as [the surplus value specifically created by] capital as such, separated
from the production process, and consequently deriving only from the mere ownership of capital, the ownership of money and commodities, separated from the relations which give rise to the contradiction between this property and labour, thus turning it into capitalist property. [Interest seems to be] a specific kind of surplus value the generation of which is due to the mere ownership of capital and therefore to an intrinsic characteristic of capital; whereas on the contrary, industrial profit appears to be a mere addition which the borrower obtains by employing capital productively, that is, by exploiting the workers with the help of the capital borrowed (or, as people also say, by his work as a capitalist, the function of the capitalist being equated here with labour, and even identified with wage labour, since the [XV-896] industrial capitalist, by really taking part in the production process, appears in fact as an active agent in production, as a worker, in contrast to the idle, inactive money-lender whose function of property owner is separate from and outside the production process).

Thus it is interest, not profit, which appears to be the creation of value arising from capital as such and therefore from the mere ownership of capital; consequently it is regarded as the specific revenue created by capital. This is also the form in which it is conceived by the vulgar economists. In this form all intermediate links are obliterated, and the fetishistic face of capital, as also the concept of the capital-fetish, is complete. This form arises necessarily, because the juridical aspect of property is separated from its economic aspect and one part of the profit under the name of interest accrues to capital in itself\textsuperscript{122} which is completely separated from the production process, or to the owner of this capital.

To the vulgar economist who desires to represent capital as an independent source of value, a source which creates value, this form is of course a godsend, a form in which the source of profit is no longer recognisable and the result of the capitalist process—separated from the process itself—acquires an independent existence. In $M\rightarrow C\rightarrow M'$ an intermediate link is still retained. In $M\rightarrow M'$ we have the incomprehensible form of capital, the most extreme inversion and materialisation of production relations.

A general rate of interest corresponds naturally to the general rate of profit. It is not our intention to discuss this further here, since the analysis of interest-bearing capital does not belong to this general section but to that dealing with credit.\textsuperscript{123} However, the observation that the general rate of profit appears much less as a
palpable, solid fact than does the *rate of interest* is important to fully work out these manifestations of capital. True, the rate of interest fluctuates continuously. [It may be] 2% today (on the money market for the industrial capitalist—and this is all we are discussing), 3% tomorrow, and 5% the day after. But it is 2 per cent, 3 per cent, 5 per cent for all borrowers. It is a general condition that every sum of money of £100 yields 2%, 3% or 5%, while the same value in its real function as capital yields very different amounts of real profit in the different spheres of production. The real profit deviates from the ideal average level, which is established only by a continuous process, a reaction, and this only takes place during long periods of circulation of capital. The rate of profit is in certain spheres higher for some years, while it is lower in succeeding years. Taking the years together, or taking a series of such evolutions, one will in general obtain the average profit. Thus it never appears as something directly given, but only as the average result of contradictory oscillations. It is different with the rate of interest. In its *generality*, it is a fact which is established daily, a fact which the industrial capitalist even regards as a precondition and an *item* of calculation in his operations. The general rate of profit exists indeed only as an ideal *average figure*, in so far as it serves to estimate the real profit; it exists only as an average figure, as an abstraction, in so far as it is established as something which is in itself complete, definite, given. In reality, however, it exists only as the determining tendency in the movement of equalisation of the real different rates of profit, whether of individual capitals in the same sphere or of different capitals in the different spheres of production.

[XV-897] What the lender demands of the capitalist is calculated on the *general (average)* rate of profit, not on individual deviations from it. Here the *average* becomes the *precondition*. The rate of interest itself *varies*, but does so for all borrowers.

A definite, equal rate of interest, on the other hand, exists not only on the average but in actual fact (even though it is accompanied by variations between minimum and maximum rates according to whether or not the borrower is *first-rate*) and the deviations appear rather as exceptions brought about by special circumstances. The meteorological bulletins do not indicate the state of the barometer more exactly than stock-exchange bulletins do the state of interest rates, not for this or that capital, but for

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the capital available on the money market, that is, capital available for lending.

This is not the place to go into the reasons for this greater stability and equality of the rate of interest on loan capital in contradistinction to the less tangible form of the general rate of profit. Such a discussion belongs to the section on credit. But this much is obvious: the fluctuations in the rate of profit in every sphere—quite apart from the special advantages which individual capitalists in the same sphere of production may enjoy—depend on the existing level of market prices and their fluctuations around cost prices. The difference in the rates of profit in the various spheres can only be discerned by comparison of the market prices in the different spheres, that is, the market prices of the different commodities, with the cost prices of these different commodities. A decline in the rate of profit below the ideal average in any particular sphere, if prolonged, suffices to bring about a withdrawal of capital from this sphere, or to prevent the entry of the average amount of new capital into it. For it is the inflow of new, additional capital, even more than the redistribution of capital already invested, that equalises the distribution of capital in the different spheres. The surplus profit in the different spheres, on the other hand, is discernible only by comparison of the market prices with cost prices. As soon as any difference becomes apparent in one way or another, then an outflow or inflow of capital from or to the particular spheres begins. Apart from the fact that this act of equalisation requires time, the average profit in each sphere becomes evident only in the average profit rates obtained, for example, over a cycle of 7 years, etc., according to the nature of the capital. Mere fluctuations—below and above—if they do not exceed the average extent and do not assume extraordinary forms, are therefore not sufficient to bring about a transfer of capital, and in addition the transfer of fixed capital presents certain difficulties. Momentary booms can only have a limited effect, and are more likely to attract or repel additional capital than to bring about a redistribution of the capital invested in the different spheres. One can see that all this involves a very complex movement in which, on the one hand, the market prices in each particular sphere, the relative cost prices of the different commodities, the position with regard to demand and supply within each individual sphere, and, on the other hand, competition among the capitalists in the different spheres, play a part, and, in addition, the speed of the equalisation process, whether it is quicker or slower, depends on the particular organic composi-
tion of the different capitals (more fixed or circulating capital, for example) and on the particular nature of their commodities, that is, whether their nature as use values facilitates rapid withdrawal from the market and the diminution or increase of supply, in accordance with the level of the market prices.

In the case of money capital on the other hand, only two sorts of buyers and sellers, only two types of demand and supply, confront each other on the money market. On the one side, the borrowing class of capitalists—on the other, the money-lenders. The commodity has only one form—money. All the different forms assumed by capital according to the different spheres of production or circulation in which it is invested, are obliterated here. It exists here in the undifferentiated, always identical form, that of independent exchange value, i.e. of money. Here competition between the different spheres ceases; they are all lumped together as borrowers of money, and capital too confronts them all in a form in which it is still indifferent to the way it is utilised. Whereas productive capital [XV-898] emerges only in movement and competition between the different spheres as the joint capital of the whole class, capital here actually—as regards the pressure exerted—acts as such in the demand for capital. On the other hand, money capital (the capital on the money market) really possesses the form which enables it as a common element, irrespective of its particular employment, to be distributed amongst the different spheres, amongst the capitalist class, according to the production needs of each separate sphere. With the development of large-scale industry, moreover, money capital, in so far as it appears on the market, is represented less and less by the individual capitalist, the owner of this or that parcel of capital available on the market, but is concentrated, organised and is [subject] in quite a different way from real production to the control of the bankers who represent the capital. So that in so far as the form of the demand is concerned, the weight of a class confronts it [this capital]; and as far as supply is concerned, it appears as loan capital en masse, the loan capital of society, concentrated in a few reservoirs.

These are some of the reasons why the general rate of profit appears as a hazy mirage in contrast to the fixed rate of interest which, although it fluctuates in magnitude, nevertheless fluctuates in the same measure for all borrowers and therefore always confronts them as something fixed, given; just as money despite the changes in its value has the same value for all commodities. Just as the market prices of commodities fluctuate daily, which does not prevent them from being quoted daily, so it is with the
rate of interest, which is likewise quoted regularly as the *price* of money. This is the established price of capital, for capital is here offered as a special kind of commodity—*money*—and consequently its *market price* is established in the same way as that of all other commodities. The rate of interest is therefore always expressed as the *general rate of interest*, as a fixed amount [to be paid] for a certain amount of money; whereas the rate of profit within a *particular* sphere may vary although the market prices of commodities are the same (depending on the conditions under which individual capitals produce the same commodities; since the individual rate of profit does not depend on the market price of the commodity but on the difference between the market price and the cost price⁶) and it is equalised in the different spheres in the course of operations only as a result of constant fluctuations. In short, only in *moneyed capital*, the money capital which can be lent, does capital become a *commodity*, whose quality of self-valorisation has a *fixed price*, which is quoted as the prevailing rate of interest.

Thus capital acquires its pure fetish form in *interest-bearing* capital, and indeed in its direct form of *interest-bearing money capital* (the other forms of interest-bearing capital, which do not concern us here, are in turn derived from this form and presuppose it). Firstly, as a result of its continuous existence as *money*, a form in which all its determining features are obliterated and its real elements invisible; in this form it represents merely independent exchange value, value which has become independent. The money form is a transient form in the real process of capital. On the money market capital always exists in this form. Secondly, the surplus value it produces, which again assumes the form of money, seems to accrue to capital as such, consequently to the mere owner of money capital, i.e. of capital separated from its process. Here *M—C—M* becomes *M—M*, and just as its form here is the undifferentiated money form (for money is precisely the form in which the differences between commodities as use values are obliterated, consequently also the *differences between productive capitals, which are made up of the conditions of existence of these commodities, the particular forms of the productive capitals themselves are obliterated*) so the surplus value it produces, the surplus money which it is or which it becomes, appears as a definite rate measured by the amount of the money. If the rate of interest is 5%, then 100 used as capital becomes 105. This is the quite tangible form of self-valorising value or of money-making money, and at the same time the quite irrational form, the
incomprehensible, mystified form. In the discussion of capital we started from $M-C-M$, of which $M-M'$ was only the result.\(^a\) We now find $M-M'$ as the subject. Just as growth is characteristic of trees, so money-bearing (τόκος\(^b\)) is characteristic of capital in this, its pure form as money. The incomprehensible superficial form we encounter and which has therefore constituted the starting-point of our analysis, is found again as the result of the process in which the form of capital is gradually more and more alienated and rendered independent of its inner substance.

[XV-899] We started with money as the converted form of the commodity. What we arrive at is money as the converted form of capital, just as we have perceived that the commodity is the precondition and the result of the production process of capital.

This aspect of capital, which is the most fantastic and at the same time comes nearest to the popular notion of it, is both regarded as the "basic form" by the vulgar economists and made the first point of attack by superficial critics; the former, partly because the inner connections are least apparent here and capital emerges in a form in which it appears to be an independent source of value, partly because its contradictory character is totally concealed and effaced in this form and no contradiction to labour [is evident]. On the other hand, [capital is subjected to] attack because it is the form in which it is at its most irrational and provides the easiest point of attack for the vulgar socialists.\(^{124}\)

The polemic waged by the bourgeois economists of the 17th century (Child, Culpeper\(^c\) and others) against interest as an independent form of surplus value merely reflects the struggle of the rising industrial bourgeoisie against the old-fashioned usurers, who monopolised the pecuniary resources at that time. Interest-bearing capital in this case is still an antediluvian form of capital which has yet to be subordinated to industrial capital and to acquire the dependent position which it must assume— theoretically and practically—on the basis of capitalist production. The bourgeoisie did not hesitate to accept State aid in this as in other cases, where it was a question of making the traditional production relations which it found, adequate to its own.

\(^a\) See present edition, Vol. 30, pp. 9-20.—Ed.

\(^b\) Tokos—to bear, produce, the product; figuratively: interest on money lent.—Ed.

\(^c\) See J. Child, Traité sur le commerce et sur les avantages qui résultent de la réduction de l'interest de l'argent; avec un petit traité contre l'usure; par Thomas Culpeper. Amsterdam and Berlin, 1754. See also this volume, p. 540, and Marx's Outline of the Critique of Political Economy... (present edition, Vol. 29, pp. 225 and 250).—Ed.
It is clear that any other kind of division of profit between various kinds of capitalists, that is, increasing the industrial profit by reducing the rate of interest and vice versa, does not affect the essence of capitalist production in any way. The kind of socialism which attacks interest-bearing capital as the “basic form” of capital not only remains completely within the bounds of the bourgeois horizon. In so far as its polemic is not a misconceived attack and criticism prompted by a vague notion and directed against capital itself, though identifying it with one of its derived forms, it is nothing but a drive, disguised as socialism, for the development of bourgeois credit and consequently only expresses the low level of development of the existing conditions in a country where such a polemic can masquerade as socialist, and is itself only a theoretical symptom of capitalist development although this bourgeois striving can assume quite startling forms such as that of “crédit gratuit” for example. The same applies to Saint-Simonism with its glorification of banking (Crédit mobilier later).

The commercial and interest-bearing forms of capital are older than industrial capital, which, in capitalist production, is the basic form of the capital relation, as it dominates bourgeois society—and all other forms are only derived from it or secondary: derived as is the case with interest-bearing capital; secondary means that the capital fulfils a special function (which belongs to the circulation process) as for instance commercial capital. In the course of its evolution, industrial capital must therefore subjugate these forms and transform them into derived or special functions of itself. It encounters these older forms in the epoch of its formation and development. It encounters them as antecedents, but not as antecedents established by itself, not as forms of its own life-process. In the same way as it originally finds the commodity already in existence, but not as its own product, and likewise finds money circulation, but not as an element in its own reproduction. Where capitalist production has developed all its manifold forms and has become the dominant mode of production, interest-bearing capital is dominated by industrial capital, and commercial capital becomes merely a form of industrial capital, derived from the circulation process. But both of them must first be destroyed as independent forms [XV-900] and subordinated to industrial

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capital. Violence (the State) is used against interest-bearing capital by means of compulsory reduction of interest rates, so that it is no longer able to dictate terms to industrial capital. But this is a method characteristic of the least developed stages of capitalist production. The real way in which industrial capital subjugates interest-bearing capital is the creation of a procedure specific to itself—the credit system. The compulsory reduction of interest rates is a measure which industrial capital itself borrows from the methods of an earlier mode of production and which it rejects as useless and inexpedient as soon as it becomes strong and conquers its territory. The credit system is its own creation, and is itself a form of industrial capital which begins with manufacture and develops further with large-scale industry. The credit system originally is a polemical form directed against the old-fashioned usurers (goldsmiths in England, Jews, Lombards, and others). The 17th-century writings in which its first mysteries are discussed are all produced in this polemical form.\(^a\)

Commercial capital is subordinated to industrial capital in various ways or, what amounts to the same thing, it becomes a function of the latter, it is industrial capital engaged in a special function.\(^b\) The merchant, instead of buying commodities, buys wage labour with which he produces the commodities which he intends to sell on the market. But commercial capital thereby loses the fixed form which it previously possessed in contrast to production. This was the way the medieval guilds were undermined by manufacture and the handicrafts confined to a narrower sphere. The merchant in the Middle Ages was simply a dealer in commodities produced either by the town guilds or by the peasants (apart from sporadic areas where manufacture developed, for instance in Italy and Spain).\(^c\)

This transformation of the merchant into an industrial capitalist is at the same time the transformation of commercial capital into a mere form of industrial capital. The producer, conversely, becomes a merchant. For example, the clothier himself buys material in accordance with the size of his capital, etc., instead of gradually obtaining his material in small amounts from the merchant and

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\(^a\) See, for instance, J. Child, *Traités sur le commerce et sur les avantages...*, and also this volume, p. 537 and pp. XV—950a-950b of the manuscript (present edition, Vol. 33).—Ed.

\(^b\) In the manuscript, this sentence is crossed out with a pencil.—Ed.

working for him. The conditions of production enter into the process [of production] as commodities which he himself has bought. And instead of producing for individual merchants or for particular customers, he now produces for the world of commerce.

In the first form, the merchant dominates production and commercial capital dominates the handicrafts or rural domestic industry which it sets in motion. The crafts are subordinated to him. In the second form, production becomes capitalist production. The producer is himself a merchant, merchant capital now acts as an intermediary only in the circulation process, thus fulfilling a definite function in the reproduction process of capital. These are the 2 forms. The merchant as such becomes a producer, an industrialist. The industrialist, the producer, becomes a merchant. Industrial capital only emerges with commodity circulation as its precondition, and moreover the commodity circulation that has developed into trade.\(^a\) Originally, \textit{trade} is the precondition for the transformation of guild, rural domestic and feudal agricultural production into capitalist production. It develops the product into a commodity, partly by creating a market for it, partly by giving rise to new commodity equivalents and partly by supplying production with new materials and thereby initiating new kinds of production which are based on trade from the very beginning because they depend both on production for the market and on elements of production derived from the world market. In the 16th century, it was the discoveries and \textit{mercantile adventurers} that called forth manufacture.\(^b\) As soon as it gains strength (and this applies to an even greater extent to large-scale industry), it in turn creates the market, conquers it, opens up, partly by force, markets which it conquers, however, by means of its \textit{commodities}. From now on, trade is merely a servant of industrial production for which a constantly expanding market has become a very condition of existence, since constantly expanding mass production, circumscribed not by the existing limits of trade (in so far as trade is only an expression of the existing level of demand), but solely by the amount of capital available and the level of productive power of labour, always floods the existing market and consequently seeks constantly to expand and remove its boundaries. Trade is now the servant of industrial capital, and carries out one of the functions emanating from the conditions of production of industrial capital.

\(^a\) In the manuscript, this sentence is crossed out with a pencil.—\textit{Ed.}

\(^b\) In the manuscript, this sentence is crossed out with a pencil. "It" in the next sentence is replaced with "manufacture".—\textit{Ed.}
During its first stages of development, industrial capital seeks to secure a market and markets by force, by the *colonial system* (together with the prohibition system). The industrial capitalist faces the world market; [he] therefore compares [XV-901] and must constantly compare his own cost prices with market prices not only *at home*, but also on the *whole market of the world*. He always produces taking this into account. In the earlier period this comparison is carried out only by the merchant estate, thus enabling merchant capital to dominate over productive capital.

//DIFFERENT FORMS OF CAPITAL. 128

I) *The Abstract Form*. $M-C-M$. And $M-M'$. But the latter only as the result. This abstract form corresponds to *all* the forms of capital, including the pre-industrial ones. Directly, $M-C-M$ even appears only as the expression of *commercial capital*, and $M-M'$, in so far as it is not perceived as a result of the latter, appears as *interest-bearing capital*. As an independent form of capital, commercial capital does not presuppose the capitalist mode of production and contradicts the production of products as *commodities*, determined in view of this by their value, by labour time, not only in the sale but also in the production itself. It conditions *modes of production* other than the capitalist one if it is the dominant form of capital. Still more so $M-M'$ as *interest-bearing capital*. It presupposes commodity production, money, money and commodity circulation; as the dominant form of capital, it completely excludes capital from production itself.

II) *The Principal Form of Modern Capital*, or of *Capital Dominating the Mode of Production*. As such, this can only be a form of capital dominating the production process itself, and thus is *"productive capital"*. (It must be a form which, while it presupposes circulation as a premiss, manifests its specificity, or the conditions of the production process, in the production process itself.) *The conditions of labour as capital become independent* over against labour as *wage labour*. The conditions of labour as master of labour itself, but a mastery mediated through simple commodity exchange, circulation, sale and purchase. *Increase of exchange value*—the goal of production.

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a In the manuscript, this sentence is crossed out with a pencil. "It" in the next sentence is replaced with "Commercial capital".—Ed.
III) Special Forms of Capital in the Production Process Itself:
Constant capital and variable capital; the part of capital which is exchanged for commodities as its elements and the part which is exchanged for living labour as a commodity.

IV) 1) Productive Capital or Circulating Capital. First Form:
Capital in the production process; Second Form: Capital in the process of circulation.

2) From the form of circulation of productive capital follow the differences: Fixed capital, circulating capital. Or, in relation to the reproduction process of capital, one part appears only as circulating, the other as fixed.

First distinction: According to the forms which it assumes in the circulation process. Commodity capital, money capital and productive capital. In this last form, it is again dissolved into its production elements and constantly appears here as commodity and labour. But with the transformation into productive capital it again returns from the sphere of circulation into the sphere of production, appearing now as reproduction.

Second distinction: The return to the sphere of production becomes real only when labour is bought and the commodity is posited as raw material, etc., in short, as elements of the labour process.

There are, however, intervals in the circulation process. 1) Commodity capital in the interval before it is converted into money. Thus, it is a process. Conversion of commodity into money or the sale of commodity. 2) Conversion of money into commodity. Second interval. Second process: purchase. Thus selling in order to buy, and to that extent in order to sell—for money is only converted into conditions of production in order to convert the latter again into commodity and this again into money—appears here as [XV-902] capital in the circulation process and the reproduction process; the production process itself as a moment of the circulation process, and the circulation process as a moment of the production process, contains—as a function of capital—capital determined by this particular function.

In the movement of capital, the transition of commodity capital into money capital and vice versa appears only as transition, as forms through which it constantly runs but which merely constitute a moment of its reproduction process. There is always, constantly, a part of capital (though not of the same capital) which is present in the market as commodity, in order to become money, and present in the market as money in order to become
commodity. And this part is constantly in the movement of conversion from commodity to money, from money to commodity, from commodity to money. In so far as this function of circulating capital becomes the distinct function of a particular capital, establishes itself as a distinct function, this capital is commercial capital, merchant capital, etc. //

Interest is therefore nothing but a part of the profit (which, in its turn, is itself nothing but surplus value, unpaid labour), which the industrial capitalist pays to the owner of the borrowed capital with which he "works", either exclusively or partially. Interest is a part of profit—of surplus value—which, established as a special category, is separated from the total profit under its own name, a separation which is by no means based on its origin, but only on the manner in which it is paid out or appropriated. Instead of being appropriated by the industrial capitalist himself—although he is the person who at first holds the whole surplus value in his hands no matter how it may be distributed between himself and other people under the names of rent, industrial profit and interest—this part of the profit is deducted by the industrial capitalist from his own revenue and paid to the owner of capital.

If the rate of profit is given, then the relative level of the rate of interest depends on the ratio in which profit is divided between interest and industrial profit. If the ratio of this division is given, then the absolute level of the rate of interest (that is, the ratio of interest to capital) depends on the rate of profit. It is not intended to investigate here how this ratio is determined. This belongs to the analysis of the real movement of capital, i.e. of capitals, while we are concerned here with the general forms of capital.

The formation of interest-bearing capital, its separation from industrial capital, is a necessary product of the development of industrial capital, of the capitalist mode of production itself. Money (a sum of value, which is always convertible into the conditions of production) or the conditions of production into which it can be converted at any time and of which it is only the converted form—money employed as capital, commands a definite quantity of other people's labour, more labour than it itself contains. It not only preserves its value in exchange with labour, but increases it, posits surplus value. The value of money or of commodities as capital is not determined by the value they possess as money or as commodities, but by the amount of surplus value which they "produce" for their owners. The product of capital is profit. On the basis of capitalist production, whether money is
spent as money or as capital depends only on the different ways in which money is employed. Money (a commodity) in itself is capital on the basis of capitalist production (just as labour capacity in itself is labour) since, 1) it can be converted into the conditions of production and is, as it exists, only an abstract expression of them, their existence as value; and 2) the material elements of wealth in themselves possess the property of being capital because their opposite—wage labour, which turns them into capital—is present as the basis for social production.

Rent is likewise simply a name for a part of the surplus value which the industrialist has to pay out, in the same way as interest is another part of surplus value which, although it accrues to him (like rent), has to be handed over to someone else. But the great difference here is the following: through landed property, the landowner prevents capital from making the value of agricultural products equal to their cost prices. Monopoly of landed property enables the landowner to do this. It enables him to pocket the difference between value and cost price. On the other hand—as far as differential rent is concerned—this monopoly enables the landowner to pocket the excess of the market value over the individual value of the product of a particular piece of land, in contrast to the other trades, where this difference in the form of surplus profit flows into the pockets of the capitalists who operate under more favourable conditions than the average conditions which satisfy the greater part of demand, thus determining the bulk of production and consequently regulating the market value of each particular sphere of production. Landed property is a means for grabbing a part of the surplus value produced by industrial capital. On the other hand, loan capital—pro tanto that the capitalist operates with borrowed capital—is a means for producing the whole of the [XV-903] surplus value. That money (commodities) can be loaned out as capital means nothing more than that it is in itself capital. The abolition of landed property in the Ricardian sense, that is, its conversion into State property so that rent is paid to the State instead of to the landowner, is the ideal, the heart's desire, which springs from the deepest, inmost essence of capital. Capital cannot abolish landed property. But by converting it into rent the capitalists as a class appropriate it and use it to defray their State expenses, thus appropriating in a roundabout way what cannot be retained directly. Abolition of

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\[a\] To the extent.—Ed

\[b\] In the manuscript: "FARMER".—Ed
interest and of interest-bearing capital, on the other hand, means
the abolition of capital and of capitalist production itself. As long
as money (commodities) can serve as capital, it can be sold as
capital. It is therefore quite in keeping with the views of the
petty-bourgeois Utopians that they want to keep commodities but
not money, industrial capital but not interest-bearing capital, profit
but not interest.

There are not two different kinds of capital—interest-bearing
and profit-yielding—but the same capital which operates in the
process as capital, produces a profit which is divided between two
different capitalists—one standing outside the process, and, as
owner, representing capital in itself //but it is an essential condition
of this capital that it is represented by a private owner; without this
it does not become capital as opposed to wage labour///, and the
other representing operating capital, capital which takes part in
the process.\textsuperscript{129}

The further “ossification” or transformation of the division of
profit into something independent appears in such a way that the
profit on every single capital—and therefore also the average
profit based on the equalisation of capitals—is split or divided into
two component parts separated from, or independent of, each
other, namely, interest and industrial profit, which is now
sometimes called simply profit or acquires new names such as wages
of labour of superintendence, etc. If the rate of profit (average
profit)=15\% and the rate of interest (which, as we have seen, is
always established in the general form)=5\% (the general rate being
always quoted in the money market as the “value” or “price” of
money), then the capitalist—even when he is the owner of the
capital and has not borrowed any part of it, so that the profit does
not have to be divided between two capitalists—considers that 5\%
of these 15\% represents interest on his capital, and only 10\%
represents the profit he makes by the productive employment of
the capital. This 5 per cent interest, which he as an “industrial
capitalist” owes to himself as “owner” of the capital, is due to his
capital in itself, and consequently it is due to him as owner of the
capital in itself (which is at one and the same time the existence of
capital for itself, or the existence of capital as the capitalist, as
property which debars other people from owning it), capital
abstracted from the production process as opposed to operating
capital, capital involved in the production process, and to the
“industrial capitalist” as representative of this operating, “work-
ing” capital. “Interest” is the fruit of capital in so far as it does
not "work" or operate, and profit is the fruit of "working", operating capital. This is similar to the way in which the farming capitalist—who is at the same time also a landowner, the owner of the soil which he exploits in capitalist fashion—assigns that part of his profit which constitutes rent, this surplus profit, to himself not as capitalist but as landowner, attributing it not to capital but to landed property so that he, the capitalist, owes himself "rent" as a landowner. Thus one aspect of capital confronts another aspect of the same capital just as rigidly as do landed property and capital which, in fact, constitute the separate claims to appropriation of other people's labour which are based on two essentially different means of production.

If, on the one hand, 5 partners own a cotton mill which represents a capital of £100,000 and yields a profit of 10%, that is, £10,000, then each of them gets \( \frac{1}{5} \) of the profit = £2,000. On the other hand, if a single capitalist invested the same amount of capital in a mill and made the same amount of profit—£10,000—he would not consider that he received £2,000 profit as a partner and the other £8,000 compagnie profit for the non-existent 4 partners. Consequently, in itself the mere division of profit between different [XV-904] capitalists who have different legal claims on the same capital and who are in one way or another joint owners of the same capital, does not by any means establish different categories for the separate portions. Why then [should] the accidental division between lender and borrower of capital [do so]?

Prima facie it is simply a question of the division of profit when there are two owners of the capital with different titles—a prima facie legal, but not economic aspect. In itself it makes no difference at all whether a capitalist produces with his own or with other people's capital or in what proportion he uses his own capital to that of other people. How does it happen that this division of profit into [industrial] profit and interest does not appear as an accidental division, dependent on the accident whether or not the capitalist really has a share with someone else, or on whether he by chance is operating with his own or with someone else's capital, but that, on the contrary, even when he operates exclusively with his own capital, he in any case splits himself into two—into a mere owner of capital and into a user of capital, into capital which is outside the production process and capital which takes part in the production process, into capital which in itself yields interest and capital which yields profit because it is used in the production process?
There is a real reason at the root of this. Money (as an expression of the value of commodities in general) in the [production] process appropriates surplus value, no matter what name it bears or whatever parts it is split into, only because it is already presupposed as capital before the production process. It maintains, produces and reproduces itself as capital in the process and moreover on a continually expanding scale. Once the capitalist mode of production is given and work is undertaken on this basis and within the social relations which correspond to it, that is, when it is not a question of the process of formation of capital, then even before the [production] process begins money as such is capital by its very nature, which, however, is only realised in the process and indeed only becomes a reality in the process itself. If it did not enter into the process as capital it would not emerge from it as capital, that is, as profit-yielding money, as self-valorising value, as value which produces surplus value. It is the same as with money. For example, this coin is nothing but a piece of metal. It is only money in virtue of its function in the circulation process. But if the existence of the circulation process of commodities is presupposed, the coin not only functions as money, but as such it is in every single case a precondition for the circulation process before it enters into it.

Capital is not only the result of, but the precondition for, capitalist production. Money and commodities as such are therefore latent capital, potential capital; this applies to all commodities in so far as they are convertible into money, and to money in so far as it is convertible into those commodities which constitute the elements of the capitalist process of production. Thus money—as the pure expression of the value of commodities and of the conditions of labour—is in itself as capital preposited to capitalist production. What is capital regarded not as the result of, but as the prerequisite for, the process [of production]? What makes it capital before it enters the process so that the latter merely develops its immanent character? The social framework in which it exists. The fact that living labour is confronted by past labour, activity is confronted by the product, man is confronted by things, labour is confronted by its own materialised conditions as alien, independent, self-contained subjects, personifications, in short, as someone else's property and, in this form, as "employers" and "commanders" of labour itself, which they appropriate instead of being appropriated by it. The fact that value—whether it exists as money or as commodities—and in the further development the conditions of labour confront the worker as the property of other
people, as independent properties, means simply that they confront him as the property of the non-worker or, at any rate, that, as a capitalist, he confronts them not as a worker but as the owner of value, etc., as the subject in which these things possess their own will, belong to themselves and are personified as independent forces. Capital as the prerequisite of production, capital, not in the form in which it emerges from the production process, but as it is before it enters it, is the contradiction in which it is confronted by labour as the labour of other people and in which capital itself, as the property of other people, confronts labour. It is the contradictory social framework which is expressed in it and which, separated from the process itself, [XV-905] expresses itself in capitalist property as such.

This aspect—separated from the capitalist production process itself of which it is the constant result, and as its constant result it is also its constant prerequisite—manifests itself in the fact that money, commodities are as such, latently, capital, that they can be sold as capital, and that in this form they represent the mere ownership of capital, and the capitalist as the mere owner, apart from his capitalist functions. Money and commodities considered as such constitute command over other people's labour and therefore self-valorising value and a claim to the appropriation of other people's labour.

It is thus quite obvious that the title to and the means for the appropriation of other people's labour is this relationship and not some kind of labour or equivalent supplied by the capitalist.

Interest therefore appears as the surplus value due to capital as capital, to the mere ownership of capital, as the surplus value derived by capital from the production process because it enters it as capital, and therefore due to capital as such independently of the production process, although it is only realised in the production process; capital thus already contains the surplus value in a latent form. On the other hand, industrial profit [appears] as the portion of surplus value accruing to the capitalist not as the owner of capital, but as the operating owner representing the operating capital. In the same way as everything in this mode of production appears to be upside down, so ultimately does the final reversal in the relation of interest to profit, so that the portion of profit separated under a special heading appears as the product intrinsically belonging to capital, and industrial profit appears as a mere addition appended to it.

Since the moneyed capitalist in fact receives his part of the surplus value only as owner of capital, while he himself remains outside the
production process; since the price of capital—that is, of the mere title to ownership of capital—is quoted on the money market as the rate of interest in the same way as the market price of any other commodity; since the share of surplus value which capital in itself, the mere ownership of capital, secures is thus of a stable magnitude, whereas the rate of profit fluctuates, at any given moment it varies in the different spheres and within each sphere it is different for the individual capitalists, partly because the conditions under which they produce are more or less favourable, partly because they exploit labour in capitalist fashion with different degrees of circumspection and energy, and partly because they cheat buyers or sellers of commodities with different degrees of luck and cunning (profit upon expropriation, alienation)—it therefore appears natural to them, whether they are or are not owners of the capital involved in the production process, that interest is something due to capital as such, to the ownership of capital, to the owner of capital, whether they themselves own the capital or someone else; industrial profit, on the other hand, appears to be the result of their labour. As operating capitalists—as real agents of capitalist production—they therefore confront themselves or others representing merely idle capital, as workers they consequently confront themselves or others as property owners. And since they are, as matters stand, workers, they are in fact wage workers, and because of their superiority they are simply better-paid wage workers, which they owe partly also to the fact that they pay themselves their wages. Whereas, therefore, interest and interest-bearing capital merely express the contradiction of materialised wealth as against labour, and thereby its existence as capital, this position is turned upside down in the consciousness of men because, prima facie, the moneyed capitalist does not appear to have any relations with the wage worker, but only with other capitalists, while these other capitalists, instead of appearing to be in opposition to wage labour, appear rather as workers, in opposition to themselves or to other capitalists considered as mere owners of capital, representing the mere existence of capital. The individual capitalist, moreover, can either lend his money as capital or employ it himself as capital. In so far as he obtains interest on it, he only receives for it the price which he would receive if he did not “operate” as a capitalist, if he did not “work”. It is clear, therefore, that what he really gets from the production process—in so far as it is only interest—is due to capital alone, not to the production process itself and [XV-906] not to himself as a representative of operating capital.
Hence also the pretty phrases used by some vulgar economists to the effect that, if the industrial capitalist did not get any profit in addition to interest, he would lend his capital out for interest and become a rentier, so that all capitalists would stop producing and all capital would cease operating as capital, but nevertheless it would still be possible to live on the interest. In similar vein, Turgot has already said that if the capitalist received no interest, he would buy land (capitalised rent) and live off rent. But in this case the interest would still be derived from surplus value, since for the Physiocrats rent represents the real surplus value. Whereas in that vulgarised concept things are turned upside down.

Another fact should be noted. Interest is part of the costs for the industrial capitalist who has borrowed money, the term costs is here used in the sense that it represents the value advanced. For example, a capital of £1,000 does not enter the capitalist production process as a commodity worth £1,000 but as capital; this means that if a capital of £1,000 yields 10% interest per annum, then it enters into the annual product as a value of 1,100. This shows clearly that the sum of values (and the commodities in which it is embodied) becomes capital not only in the production process but that, as capital, it is preposited to the production process and therefore already contains within itself the surplus value due to it as mere capital. For the industrial capitalist who operates with borrowed capital, interest, in other words capital as capital—and it is this only in so far as it yields surplus value (so that if it is worth 1,000 as a commodity, for example, it is worth 1,100 as capital, i.e. = 1,000 + \frac{1,000}{10}, C + \frac{C}{x})—enters into his costs.

If the product only yielded interest, this, though it would be a surplus over and above the value of the capital advanced, regarded as a mere commodity, would not be a surplus over and above the value of the commodity considered as capital, for the industrialist has to pay out this surplus value; it is part of his outlay, part of the expenses he has incurred in order to produce the commodities.

As far as the industrialist who operates with his own capital is concerned, he pays the interest on his capital to himself and regards the interest as [part of] his outlay. In fact, what he has advanced is not simply a capital of £1,000 for example, but the value of £1,000 as capital, and this value would be £1,050 if the

\[ a \ [A. \ R. \ J.] \ Turgot, \ "Réflexions sur la formation...", \ in: \ Oeuvres..., \ new \ ed., \ Vol. 1, \ Paris, \ 1844. \ §§ 73, 85. \ Cf. \ also \ present \ edition, \ Vol. 30, \ pp. 356 and 367.—Ed. \]
rate of interest = 5%. This is moreover no idle consideration as far as he is concerned. For the £1,000 used as capital would yield him £1,050 if he lent it out instead of employing it productively. Thus, in so far as he advances the £1,000 to himself as capital, he is advancing himself £1,050. Il faut bien se rattraper sur quelqu‘un et fusse-t-il sur lui même!\

The value of commodities worth £1,000 is £1,050 as capital. This means that capital is not a simple quantity. It is not a simple commodity, but a commodity raised to a higher power; not a simple magnitude, but a proportion. It is a proportion of the principal sum, a given value, to itself as surplus value. The value of $C$ is $C \left(1 + \frac{1}{n}\right)^{1}$ (for one year) or $C + \frac{C}{x}$. It is no more possible by means of the elementary rules of calculation to understand capital, that is, the commodity raised to a higher power, or money raised to a higher power, than it is to understand or to calculate the value of $x$ in the equation $a^n = n$.

Just as in the case of interest, part of the profit, of the surplus value produced by capital, appears to have been advanced by the capitalist, so also in agricultural production another part — rent [appears to have been advanced]. This seems to be less obviously irrational because in this case rent appears to be the annual price of the land which thus enters into production as a commodity. A "price of land" is indeed even more irrational than a price of capital, but this is not apparent in the form as such. Because in this case the land appears to be the use value of a commodity and the rent its price. (The irrationality consists in this, that land, i.e. something which is not the product of human labour, has a price, that is, a value expressed in money and consequently a value, and is therefore to be regarded as objectified social labour.) Considered purely formally, land, just as any other commodity, is expressed in two ways, as use value and as exchange value, and the exchange value is expressed nominally as price, that is, as something which the commodity as use value is absolutely not. On the other hand, in the statement: [a capital of] £1,000 equals £1,050, or £50 is the annual price of £1,000, something is compared with itself, exchange value with exchange value, and the exchange value as something different from itself is supposed to be its own price, that is, the exchange value expressed in money.

[XV-907] Thus two forms of surplus value — interest and rent,

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*a One must, after all, recover what is due to oneself, even if one takes it out of one's own pocket! — *Ed.*
the results of capitalist production—enter into it as prerequisites, as *advances* which the capitalist himself makes; for him, therefore, they do not represent any surplus value, i.e. any surplus over and above the advances made. As far as these forms of surplus value are concerned, it *appears* to the individual capitalist that the production of surplus value is a part of the *production costs* of capitalist production, and that the appropriation of other people's labour and of the surplus over and above the value of the commodities consumed in the process (whether these enter into the constant or into the variable capital) is a dominating condition of this mode of production. To a certain extent this applies also to average profit, in so far as it constitutes an element of cost price, and *hence* a condition of supply, of the very creation of the commodity*. Nevertheless, the industrial capitalist rightly regards this surplus, this part of surplus value—although it constitutes an element of production—as a surplus over *his* costs; he does not regard it as belonging to *his* advances in the same way as interest and rent. In critical moments, profit too confronts the capitalist in fact as a condition of production, since he curtails or stops production when profit disappears or is reduced to a marked degree as a result of a fall in prices. Hence the nonsensical pronouncements of those who consider the different forms of surplus value to be merely forms of distribution; they are just as much forms of production.¹³⁰

We have seen that capital in the circulation process establishes itself as commodity capital and as money capital, according to the stages of the circulation process in which it happens to be; we could also speak of phases of the reproduction process.² If I start from *M*, from money, the value with which the process opens, this money must *d'abord* be thrown into circulation in order to be converted into capital. The money buys material for labour, means of labour and labour capacity. This is merely transformation of money into commodity, an act of circulation. In fact, the act of circulation which constitutes the final stage in the circulation of the simple commodity is the first phase in the circulation of capital, *M*—*C*, precisely because it begins with money, the converted image of the commodity, a mere form of it which is itself a product of the circulation of commodities. This first act is followed by the production process proper, in which the means of

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¹ See this volume, p. 531.—Ed.
² Ibid., pp. 468-69.—Ed.
³ To begin with.—Ed.
labour, the material of labour and the active labour capacity, thrown together in one crucible, disappear. It is in fact a *process of the consumption* of the commodities bought; but, in accordance with its specific character, this consumption is *industrial consumption*, in so far as it produces anything at all; capitalist production by virtue of the special manner in which labour capacity is consumed. As a result of this production process, which constitutes a pause in the circulation, and which takes up consumption itself into the economic process, the commodity or, since the separate commodity is here nothing, the totality of commodities appears as equal to the original value + the absorbed surplus value, to the *mass of commodities* of which capital now consists. Next follows the second act of circulation interrupted by the production process or industrial consumption, namely the throwing of the commodity on the market, into circulation, and its conversion into money, i.e. its sale. This money No. 2 is different from money No. 1. It was a premiss, it is now a result. It was money that had to be converted into capital; it is capital converted into money. It was the starting-point, it is now a return to itself. It is value that has not only been preserved but has increased itself. It was 100. And it is 110; that is, 100+10. Its value and an aliquot part of the original sum as surplus. Here the two circulation acts appear as separated by the production process and both of them as standing outside it. The process lies between them. The one starts it, the other follows it. But reproduction also occurs. The value contained in the commodity that served as the means is preserved and increased in the commodity that is the result of the production process. On the other hand, the money that forms the starting-point is preserved and increased in the money that forms the end point. In this way the entire process appears as the unity of the production process and the circulation process and to this extent as the reproduction process. However, this unity of a single process is in fact production, not reproduction.

Let us consider the pure form first; let us designate the commodities into which money is converted—that is to say, the *ingredients* of the commodity which is to be produced—as $C'$ as distinct from the commodity which emerges from the production process.

[XV-908] (1) *Single Cycle of Production*

1) $M \rightarrow C'$  
2) $C'$ in process. Result, $C$  
3) $C \rightarrow M'$

1st act of circulation — consumption of $C'$, process of production of $C$  
2nd act of circulation
What is called reproduction here is merely *maintenance* of the preposited value. The value of \( M \) is maintained in \( C' \), in \( C \) and in the second \( M' \), where it reappears. What is produced is surplus value, and this takes place in the production process, *whence the value of \( C > C' \).* That the greater value of \( C \) is expressed in more money than \( C' \) in \( M \) or \( M \) in \( C' \) signifies nothing but that realised in \( M' \) is the value of \( M \) and \( C' \), which has not only been maintained but also increased in the production process. \( M' \) instead of \( M \) is in fact the *product* of the whole process; but it is merely the altered form of \( C \) instead of \( C' \). The same \( C' \) does not appear again as reproduced, and \( M' \) appears merely as a result of the process of which it was the starting-point. It does not appear itself as a moment in the flow of the process but only as a crystal of it.

On the other hand, the continuity of production and circulation—a continuity conditioned by the nature of capitalist production—shows the two circulation acts in a different sense and in a different position than in the single production process, in which \( M—C' \) is only a circulation act which expresses the *beginning* (not the repetition) of the production process, and \( C—M \), only a circulation process which expresses its *end* and thus in no way its resumption. Viewing the process in its continuity, and thus as a flowing unity of the circulation and production process, we can start from each of the points, whether they seem to be intermediate or end points, as from our point of departure. Thus, first, from *money* as the starting-point of a single production process; second, from the *commodity* (product) as the immediate result of the production process; finally from the production process itself, \( C' \) as process.

(II) *Continuity of the Production Process. Reproduction*

1) 2) 3) 4) 5) 6)
(a) \( M—C' \) *in process* \( C—M' \) *process of production of \( C \)*
1st act of circulation 2nd act of circulation 3rd act of circulation etc.
(b) \( C—M \) *second act of process of reproduction of \( C \)*
1st act of circulation Second act of circulation (Result of process, production of \( C \))
(c) \( C' \) *in process* \( M—C' \) *in process (resumption of the production process of \( C \)*)
1st act of production of \( C \) Second act of circulation reproduction process, which thus appears as a
Only when one starts from money as in (a) does the reproduction process appear *prima facie* as mere repetition. It can always begin again with $M$, but it can also end with it.

When, however, one starts out from $C$ or the process of production itself, and also ends with it—since the movement is circular—it is clear that at some moment the reproduction process, which must continue, is interrupted. The result of the production process must enter into circulation in (c) and the commodity must be converted into money in (b). What distinguishes all 3 forms of II from form I is this: In I, in the single production process, the real production process lies in the middle, and at the two separated extremes, $M—C'$ lies before it and $C—M$ after.

[XV-910] By contrast, in all the 3 forms of the reproduction process the mutually opposed phases of the commodity metamorphosis or the total circulation $C—M—C'$ ($C—M$ and $M—C'$) appear as a movement preceding the renewal of the production process. $C—M—C'$ appears as the circulation phase proper of the reproduction process, or else the metamorphosis of the commodity appears as a moment of the reproduction process. True, (b) and (c) show—the one, that the commodity $C$ has renewed itself, that it has been reproduced; the other, that the production process itself is renewed, but both indicate that their end is only a link of a further process. By contrast, in (a), where one begins with $M$, the reflux of money, the reappearance of the commodity in the form of money, is the only form which can both constitute the beginning of reproduction and end the production process. In the simple metamorphosis $C—M—C'$, which we considered in money circulation, the consumption of the commodity falls outside the economic form. As industrial consumption, as a production process, it constitutes a link in the real metamorphosis of commodities. Leaving out money, we have (1) $C—C'$. A commodity is exchanged for the elements of its being. (2) $C'$ in process. Consumption of these elements through labour. The production process. Finally, the third $C$. Thus $C—C'—C'$ (in process)—$C$. Each act of circulation, just as the total metamorphosis, the unity of the reversed phases $C—M—C'$, appear as mere moments of the reproduction process. On the other hand, the production process itself appears as a moment in the whole of the cycle, is itself incorporated in circulation.

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The 3rd figure of (II) shows only the production process as distinct from the entire circulation process. In order that it may resume itself, \( C - M - C' \) must be gone through, and the rate of its renewal depends on the rate of this metamorphosis.

In the 2nd figure of (II) we start from the commodity. The rate at which it is renewed essentially depends on the rate at which it goes through the production process.

Finally in figure 1' of (II) the conditions are presented together. The rate at which \( M \) is produced as \( M' \) depends, first, on the rate of the conversion of \( M \) into \( C' \), \( M^{(1)} - C' \), second, on the duration of the production process, \( C''^{(2)} \) in process, third, on the speed of the metamorphosis \( C - M - C'. \)

Let us consider the road travelled by capital before it appears in the form of interest-bearing capital.

In the immediate process of production, the matter is fairly simple. \textit{Surplus value} has not as yet assumed a \textit{separate} form, apart from the fact that it is \textit{surplus value} as distinct from the \textit{value} which is equivalent to the \textit{value} reproduced in the product. In the same way as \textit{value} in general resolves into \textit{labor}, so \textit{surplus value} consists of \textit{surplus labor}, unpaid labor. Hence \textit{surplus value} is only measured by that part of capital which really changes its value—the variable capital, i.e. the capital which is laid out in wages. Constant capital appears only as the condition enabling the variable part of capital to operate. It is quite simple: if with £100, i.e. the labour of 10 [men], one buys the labour of 20 [men] (that is, commodities in which the labour of 20 [men] is embodied), the value of the product will be £200 and the surplus value will amount to £100, equal to the unpaid labour of 10 [men]. Or, supposing 20 men worked half a day each for themselves and half for capital—20 half-days equal 10 whole ones—the result would be the same as if only 10 men were paid and the others worked for the capitalist gratis.

Here, in this embryonic state, the relationship is still very obvious, or rather it cannot be misunderstood. The difficulty is simply to discover how this appropriation of labour without any equivalent arises from the law of commodity exchange—out of the fact that commodities exchange for one another in proportion to the amount of labour time embodied in them—and, to start with, does not contradict this law.

[XV-911] The circulation process obliterates and obscures the connection. Since here the mass of surplus value is also
determined by the circulation time of capital, an element foreign to labour time seems to have entered.

Finally, in capital as the finished phenomenon, as it appears as a whole, [as] the unity of the circulation and the production processes, as the expression of the reproduction process—as a definite sum of values which produces a definite amount of profit (surplus value) in a definite time, a definite period of circulation—in capital in this form the production and circulation processes exist only as a reminiscence and as aspects which determine the surplus value equally, thereby disguising its simple nature. Surplus value now appears as profit. This profit is, first, received for a definite period of circulation of capital, and this period is distinct from the labour time; it is, secondly, surplus value calculated and drawn not on that part of capital from which it originates directly, but quite indiscriminately on the total capital. In this way its source is completely concealed. Thirdly, although the mass of profit is still quantitatively identical in this first form of profit with the mass of surplus value produced by the individual capital, the rate of profit is, from the very beginning, different from the rate of surplus value; since the rate of surplus value is \( \frac{s}{v} \) and the rate of profit is \( \frac{s}{c+v} \). Fourthly, if the rate of surplus value is presumed given, it is possible for the rate of profit to rise or to fall and even to move in the opposite direction to the rate of surplus value.

Thus, surplus value in the first form of profit already assumes a form which not only makes it difficult to perceive that it is identical with surplus value, i.e. surplus labour, but appears directly to contradict this view.

Furthermore, as a result of the conversion of profit into average profit, the establishment of the general rate of profit and, in connection with it or posited by it, the conversion of values into cost prices, the profit of the individual capital becomes different from the actual surplus value produced by the individual capital in its particular sphere of production, and different, moreover, not only in the way it is expressed—i.e. rate of profit as distinct from rate of surplus value—but it becomes substantially different, that is, in this context, quantitatively different. Profit does not merely seem to be different, but is now in fact different from surplus value not only with regard to the individual capital but also with regard to the total capital in a particular sphere of production. Capitals of equal magnitude yield equal profits; in other words, profit is proportional to the size of the capital. Or
profit is determined by the value of capital advanced. The relation of profit to the organic composition of capital is completely obliterated and no longer recognisable in all these formulae. On the other hand, it is quite obvious that capitals of the same magnitude which set in motion very different amounts of labour, thus commanding very different amounts of surplus labour and consequently producing very different amounts of surplus value, yield the same amount of profit. Indeed, the basis itself—the determination of the value of commodities by the labour time embodied in them—appears to be invalidated as a result of the conversion of values into cost prices.

In this quite alienated form of profit and in the same measure as the form of profit hides its inner core, capital more and more acquires a material form, is transformed more and more from a relationship into a thing, but a thing which embodies, which has absorbed, the social relationship, a thing which has acquired a fictitious life and independent existence in relation to itself, a natural-supernatural entity; in this form of capital and profit it appears superficially as a ready-made precondition. It is the form of its reality, or rather its real form of existence. And it is the form in which it exists in the consciousness and is reflected in the imagination of its representatives, the capitalists.

This fixed and ossified (metamorphosed) form of profit (and thereby of capital as its producer, for capital is the cause and profit the result; capital is the reason, profit is the effect; capital is the substance, profit is the adjunct; capital is capital only in so far as it yields profit, only in so far as it is a value which produces profit, an additional value)—and therefore also of capital as its cause, capital which maintains itself and expands by means of profit—the external aspect of this ossified form is strengthened even more by the fact that the same process of the equalisation of capital, which gives profit the form of average profit, separates part of it in the form of rent as something independent of it and arising from a different foundation, the land. It is true that rent originally emerges as a part of profit which the farmer pays to the landlord. But since this surplus profit is not pocketed by the farmer, and the capital he employs does not differ in any way as capital from other capitals (it is precisely because surplus profit is not derived from capital as such that the farmer pays it to the landlord), the land itself appears to be the source of this part of the value of the commodity (its surplus value) and the landlord [appears to represent] the land only [XV-912] as a juridical person.
If the rent is calculated on the capital advanced, then a thread still remains which indicates its origin as a distinct part of profit, that is, of surplus value in general. (The position is, of course, quite different in a social order where landed property exploits labour directly. In that case, it is not difficult to recognise the origin of surplus wealth.) But the rent is paid on a definite area of land; it is capitalised in the value of the land; this value rises and falls in accordance with the rise or fall of rent. The rise or fall of rent is calculated with regard to a piece of land which remains unchanged (whereas the amount of capital operating on it changes); the difference in the types of land is reflected in the amount of rent which has to be paid for a given yardage, the total rental is calculated on the total area of the land in order to determine the average rental, for example, of a square yard. Rent, like every phenomenon created by capitalist production, appears at the same time as a stable, given precondition existing at any particular moment, and thus, it is for each individual an independently existing magnitude. The farmer has to pay rent, so much per acre of land, according to the quality of the land. If its quality improves or deteriorates, then the rent he has to pay on so many acres rises or falls. He has to pay rent for the land quite irrespective of the capital he employs on it, just as he has to pay interest irrespective of the profit he makes.

The calculation of rent on industrial capital is another critical formula of political economy which demonstrates the inner connection between rent and profit, its basis. But this connection does not appear in reality; rather the calculation of rent is based on the real area of land, the intermediate links are thereby eliminated and rent acquires its externalised independent aspect. It is an independent form only in this externalisation, in its complete separation from its antecedents. So many square yards of land bring in so much rent. In this formula, in which rent, a part of surplus value, is represented in relation to a particular natural element, independent of human labour, not only the nature of surplus value is completely obliterated, because the nature of value itself is obliterated; but, just as the source of rent appears to be land, so now profit itself appears to be due to capital as a particular material instrument of production. Land is part of nature and brings in rent. Capital consists of products and these bring in profit. That one use value which is produced brings in profit, while another which is not produced brings in rent are simply two different forms in which things produce value, and the one form is just as comprehensible and as incomprehensible as the other.
It is clear that, as soon as surplus value [is split up] into different, separate parts, related to various production elements—such as nature, products, labour—which only differ physically, that is, as soon as in general surplus value acquires special forms, separate from one another, independent of one another and regulated by different laws, the common unit—surplus value—and consequently the nature of this common unit, becomes more and more unrecognisable and does not manifest itself in the appearance but has to be discovered as a hidden mystery. This assumption of independent forms by the various parts—and their confrontation as independent forms—is completed as a result of each of these parts being reduced to a particular element as its measure and its special source; in other words, each part of surplus value is conceived as the effect of a special cause, as an adjunct of a particular substance. Thus profit is related to capital, rent to land, wages to labour. These ready-made relations and forms, which appear as preconditions in real production because the capitalist mode of production moves within the forms it has created itself and which are its results, confront it equally as ready-made preconditions in the process of reproduction. As such, they in fact determine the actions of individual capitalists, etc., and provide the motives, which are reflected in their consciousness. Vulgar political economy does nothing more than express in doctrinaire fashion this consciousness, which, in respect of its motives and notions, remains in thrall to the appearance of the capitalist mode of production. And the more it clings to the shallow, superficial appearance, only bringing it into some sort of order, the more it considers that it is acting "naturally" and avoiding all abstract subtleties.

[XV-913] In connection with the circulation process dealt with above it has to be added that the categories arising out of the circulation process crystallise as attributes of particular sorts of capital, fixed, circulating and so on, and thus appear as definite material attributes of certain commodities.

In the final state in which profit, assumed as something given, appears in capitalist production, the innumerable transformations and intervening stages through which it passes are obliterated and unrecognisable, and consequently the nature of capital is also obliterated and unrecognisable. This state becomes even more rigid owing to the fact that the same process which gives it its final finish causes part of the profit to confront it as rent, thus

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*a See this volume, p. 482.—Ed.*
transforming profit into a *particular* aspect of surplus value, an aspect based on capital as a special material instrument of production, in exactly the same way as rent is based on land; thus this state, separated from its inner essence by a mass of invisible intermediate links, reaches an even more *externalised* form, or rather the form of absolute *externalisation*, in interest-bearing capital, in the separation of interest from profit, in interest-bearing capital as the simple form of capital, the form in which capital is antecedent to its own reproduction process. On the one hand, this expresses the absolute form of capital \( M\rightarrow M' \), self-valorising value. On the other hand, the intermediate link \( C \), which still exists in genuine merchant capital whose formula is \( M\rightarrow C\rightarrow M' \), has disappeared. Only the relation of \( M \) to itself and measured by itself remains. It is capital expressly removed, separated from the process, as an antecedent it stands outside the process whose result it is and through which alone it is capital.

// [Here] the fact is disregarded that interest may be a *mere transfer* and need not represent real surplus value, as, for example, when money is lent to a "spendthrift", i.e. for consumption. The position may be similar when money is borrowed in order to make *payments*. In both cases it is loaned as money, not as capital, but it becomes *capital* to its owner through the mere act of lending it out. In the second case, [if it is used to] *discount* [bills] or as a *loan on temporarily not vendible commodities*, it can be associated with the circulation process of capital, the necessary conversion of commodity capital into money capital. In so far as the acceleration of this conversion process—such acceleration is a general feature of credit—speeds up reproduction, and therefore the production of surplus value, the money lent is capital. On the other hand, in so far as it only serves to pay *debts* without accelerating the reproduction process, perhaps even limiting it or making it impossible, it is a mere *means of payment*, only money for the borrower, and for the *lender it is, in fact, capital independent of the process of capital*. In this case interest, like *profit upon expropriation*, is a *fact* independent of capitalist production—the production of surplus value. It is in these two forms of money—money as means of purchase of commodities intended for consumption and as means of payment of debts—that interest, like *profit upon expropriation*, constitutes a form which, although it is reproduced in capitalist production, is nevertheless independent of it and [represents] a form of interest which belongs to earlier modes of production. It is in the nature of capitalist production, however, that money (or commodities) can exist as capital and can
be sold as capital outside the production process, and that this can also be the case with the older forms, in which it is not converted into capital but only serves as money. The third of the older forms of interest-bearing capital is based on the fact that capitalist production does not as yet exist, but that profit is still acquired in the form of interest and the capitalist appears as a mere usurer. This implies: 1) that the producer still works independently with his own means of production, and that the means of production do not yet work with him (even if slaves form a part of these means of production, for in these circumstances slaves do not constitute a separate economic category any more than draught animals do; there is at best a physical difference between them, i.e. dumb instruments, and speaking and feeling instruments\footnote{133);} 2) that the means of production belong only nominally to the producer; in other words, that because of some incidental circumstances he is unable to reproduce them from [the proceeds of] the sale of his commodities. These forms of interest-bearing capital occur, consequently, in all forms of society which include commodity and money circulation, whether slave labour, serf labour or free labour is predominant in them. In the last-mentioned form, the producer pays the capitalist his surplus labour in the form of interest, which therefore includes profit. We have here the whole of [XV-914] capitalist production without its advantages, the development of the social forms of labour and of the productive powers of labour to which they give rise. This form is very prevalent among peasant nations who already have to buy a portion of the necessaries of life and instruments of production as commodities (alongside whom, therefore, separate urban industries already exist) and who, in addition, have to pay taxes, rent, etc., in money. //

Interest-bearing capital functions as such only in so far as the money lent is really converted into capital and produces a surplus of which interest constitutes a part. This does not however invalidate the fact that interest and interest-bearing have become attributes of it independently of the process. Any more than the use value of cotton as cotton is nullified by the fact that it has to be spun or used in some other way, in order to demonstrate its useful properties. And thus capital [demonstrates] its capacity to yield interest only by becoming part of the production process. But labour capacity likewise demonstrates its ability to produce value only when it functions as labour, is realised as labour in this process. This does not rule out that, in itself, as an ability, it is a value-creating activity and does not merely become such as a result
of the process, but rather is antecedent to the process. It is bought as such. A person can buy it without setting it to work (as, for example, when a theatre manager hires an actor not in order to give him a role in a play, but to prevent him from performing in a rival theatre). Whether or not a man who buys labour capacity uses its faculty for which he pays, i.e. its faculty to create value, is of no concern to the man who sells it, and makes no difference to the commodity sold, just as it makes no difference whether the man who buys capital uses it as such, that is, employs the quality of creating value which is inherent in it, in the process. What he pays for in these two cases is the surplus value and the capacity of maintaining its own value in itself—potentially, by the nature of the commodity which has been bought—contained in the capital in the one case and in the labour capacity in the other. This is why the capitalist who operates with his own capital regards part of the surplus value as interest, that is, as surplus value which is yielded by the production process, because it has been brought into the production process by the capital independently of the process.

Rent and the relationship land—rent may appear as a much more mysterious form than that of interest [and the relationship] capital—interest. But the irrational element in rent is not formulated or shaped in such a way that it expresses a relation of capital itself. Since land itself is productive (of use value) and is itself a living productive force (of use value or for the creation of use values), it is possible either superstitiously to confuse use value with exchange value, i.e. to confuse it with a specific social form of the labour contained in the product. In this case, the reason for the irrationality lies in itself, since rent as a category sui generis is independent of the capitalist process as such. Or "enlightened" political economy may deny altogether that rent is a form of surplus value, because it is not connected with either labour or capital, and declare that it is merely a surcharge which the landowner is able to make as a result of his monopoly of landownership.

The position is different in the case of interest-bearing capital. Here it is a question not of a relation which is alien to capital, but of the capital relation itself; of a relation which arises out of capitalist production, is specific to it, and expresses the essence of capital itself; of an aspect of capital in which it appears as capital. Profit is still related to operating capital, to the process in which surplus value (and profit itself) is produced. Whereas in profit the form of surplus value has become alienated, strange, so that its simple
form and therefore its substance and source of origin are not immediately discernible, this is not the case in interest-bearing capital; on the contrary it is precisely this alienated form which is presupposed and declared to be the essential feature of interest. The alienated form has assumed an independent and rigid existence as something antagonistic to the real nature of surplus value. The relationship of capital to labour is obliterated in interest-bearing capital. In fact, interest presupposes profit, of which it is only a part. The way in which surplus value \[\text{XV-915}\] is divided into interest and profit and distributed between different sorts of capitalists is actually a matter of complete indifference to the wage worker. Interest is definitely regarded as the offspring of capital, separate, independent and outside the capitalist process. It is due to capital as capital. It enters into the production process and therefore proceeds from it. Capital is impregnated with interest. It does not derive interest from the production process, but brings it into it. The surplus of profit over interest, the amount of surplus value which capital derives solely from the production process, i.e. the surplus value it produces as operating capital, acquires a separate form, namely, that of industrial profit (employer’s profit, industrial or commercial, depending on whether the stress is laid on the production process or the circulation process), in contrast to interest, a value created by capital as such, capital for itself, and capital as capital. Thus even the last form of surplus value, which to some extent recalls its origin, is separated and conceived not only as an alienated form, but as one which is in direct contradiction to its origin; consequently the nature of capital and of surplus value as well as that of capitalist production in general is, finally, completely mystified.

Industrial profit, in contradistinction to interest, represents capital in the process in contradistinction to capital outside the process, capital as a process in contradistinction to capital as property; it therefore represents the capitalist as functioning capitalist, as representative of working capital as opposed to the capitalist as mere personification of capital, as mere owner of capital. He thus appears as working capitalist in contrast to himself as capitalist, and further, as worker in contrast to himself as mere owner. Consequently, in so far as any relation between surplus value and the process is still preserved, or apparent, this is done precisely in the form in which the very notion of surplus value is negated. Industrial profit is resolved into labour, not into unpaid labour of other people but into wage labour, into wages for the capitalist, who in this case is placed into the same category as the wage worker and
is merely a more highly paid worker, just as in general wages vary greatly.

Money is indeed not converted into capital as a result of the fact that it is exchanged against the material conditions required for the production of the commodity, and that in the labour process these conditions—materials of labour, means of labour and labour—begin to ferment, act on one another, combine with one another, undergo a chemical process and form the commodity like a crystal as a result of this process. The outcome of this would be no capital, no surplus value. This abstract form of the labour process is common to all modes of production whatever their social form or their particular historical character. The process only becomes a capitalist process, and money is converted into capital only: 1) if commodity production, i.e. the production of products in the form of commodities, becomes the general form of production; 2) if the commodity (money) is exchanged against labour capacity (that is, actually against labour) as a commodity, and consequently if labour is wage labour; 3) this is the case however only when the objective conditions, that is (considering the production process as a whole), the products, confront labour as independent forces, not as the property of labour but as the property of someone else, and thus in the form of capital. Labour as wage labour and the conditions of labour as capital (that is, consequently, as the property of the capitalist; they are themselves properties personified in the capitalist and whose property in them, their property in themselves, they represent as against labour) are expressions of the same relationship, only seen from opposite poles. This condition of capitalist production is its invariable result. It is its antecedent posited by itself. Capitalist production is antecedent to itself and is therefore posited with its conditions as soon as it has evolved and functions in circumstances appropriate to it. However, the capitalist production process is not just a production process pure and simple. The contradictory, socially determined feature of its elements evolves, becomes reality only in the process itself, and this feature is the predominant characteristic of the process, which it turns precisely into that socially determined mode of production, the capitalist process of production.

[XV-916] The formation process of capital—when capital, i.e. not any particular capital, but capital in general, only evolves—is the dissolution process, the parting product of the social mode of production preceding it. It is thus an historical process, a process which belongs to a definite historical period. This is the period of
its historical genesis. (In the same way the existence of the human race is the result of an earlier process which organic life passed through. Man comes into existence only when a certain point is reached. But once man has emerged, he becomes the permanent presupposition of human history, likewise its permanent product and result, and he is presupposition only as his own product and result.) It is here that labour must separate itself from the conditions of labour in their previous form, in which it was identical with them. It becomes free labour only in this way and only thus are its conditions converted into capital and confront it as such. The process of capital becoming capital or its development before the capitalist production process exists, and its realisation in this process itself belong to two historically different periods. In the second, capital is taken for granted, and its existence and automatic functioning is presupposed. In the first period, capital is the sediment resulting from the process of dissolution of a different form of society. It is the product of a different [form of society], not the product of its own reproduction, as is the case later. The existing basis on which capitalist production works is wage labour, which is however at the same time reproduced continuously by it. It is therefore based also on capital, the form assumed by the conditions of labour, as its given presupposition, a presupposition however which, like wage labour, is its continuous presupposition and its continuous product.

On this basis, money, for example, is, as such, capital because the conditions of production in themselves confront labour in an alienated form, they confront it as someone else's property and thus dominate it. Then capital can also be sold as a commodity which has this attribute, that is, it can be sold as capital, as is the case when capital is loaned at interest.

But while thus the aspect of the specific social determination of capital and of capitalist production—a specific social determination which is expressed juridically in capital as property, in capital property as a special form of property—is established, and interest, therefore, appears as that part of surplus value which is produced by capital in this determinate form, independent of this determination considered as the determination of the process as a whole, then the other part of surplus value, the surplus of profit over interest, industrial profit, must obviously represent value which does not arise from capital as such, but from the production process separated from its social determination, which has indeed already found its special mode of existence in the formula, capital—interest. Separated from capital, however, the production
process becomes *labour process* in general. Consequently, the industrial capitalist as distinct from himself as capitalist, that is, the industrialist in contradiction to himself as capitalist, i.e. owner of capital, is merely a simple functionary in the labour process; he does not represent functioning capital, but is a functionary irrespective of capital, and therefore a particular representative of the labour process in general, a *worker*. In this way, industrial profit is happily converted into *wages* and is equated with ordinary wages, differing from them only quantitatively and in the special form in which they are paid, i.e. that the capitalist pays wages to himself instead of someone else paying them to him.

The nature of surplus value (and therefore of capital) is not only obliterated in this final division of profit into *interest* and *industrial profit*, but it is definitely presented as something quite different.

*Interest* represents part of surplus value; it is merely a portion of profit which is separated and classified under a special name, the portion which accrues to the person who merely owns the capital, the portion he intercepts. But this merely *quantitative* division is turned into a *qualitative division* which transforms both parts in such a way that not even a trace of their original essence seems to remain. [XV-917] This is first of all confirmed by the fact that *interest* does not appear as a division which makes no difference to production, and takes place only "occasionally" when the industrialist operates with someone else's capital. Even when he operates with his own capital his profit is split into *interest* and *industrial profit*, thereby transforming the mere quantitative division into a *qualitative* one which does not depend on the accidental circumstance whether the industrialist owns or does not own his capital; the *qualitative* division arises out of the nature of capital and of capitalist production itself. There exist not simply two portions of profit distributed to two different persons, but two separate *categories* of profit which are related in different ways to capital and consequently to different determinate aspects of capital. Apart from the reasons mentioned earlier, this assumption of an independent existence is established all the more easily since *interest-bearing capital* appears on the scene as a historic form before industrial capital and continues to exist alongside it in its old form and it is only in the course of the development of industrial capital that the latter subordinates it to capitalist production by turning it into a *special form* of industrial capital.

The mere quantitative division thus becomes a qualitative one. Capital is itself divided. In so far as it is a *prerequisite* of capitalist
production, in so far, therefore, as it expresses a specific social relation, the alienated form of the conditions of labour, it is realised in interest. It realises its character as capital in interest. On the other hand, in so far as it operates in the process, this process appears as something separate from its specific capitalist character, from its specific social determination—as mere labour process in general. Therefore, in so far as the capitalist plays any part in it, he does so not as a capitalist—for this aspect of his character is allowed for in interest—but as a functionary of the labour process in general, as a worker, and his wages take the form of industrial profit. It is a special type of labour—labour of direction—but after all types of labour in general differ from one another.

Thus the nature of surplus value, the essence of capital and the character of capitalist production are not only completely obliterated in these two forms of surplus value, they are turned into their opposites. But even in so far as the character and form of capital are complete [it is] nonsensical [if] presented without any intermediate links and expressed as the subjectification of objects, the objectification of subjects, as the reversal of cause and effect, the religious *quid pro quo*, the pure form of capital expressed in the formula $M - M'$. The ossification of relations, their presentation as the relation of men to things having a definite social character is here likewise brought out in quite a different manner from that of the simple mystification of commodities and the more complicated mystification of money. The transubstantiation, the fetishism, is complete.

Thus interest in itself expresses precisely the existence of the conditions of labour as capital in their social contradiction and in their transformation into personal forces which confront labour and dominate labour. It sums up the alienated character of the conditions of labour in relation to the activity of the subject. It represents the ownership of capital or mere capital property as the means for appropriating the products of other people's labour, as the control over other people's labour. But it presents this character of capital as something belonging to it [capital] apart from the production process itself and by no means as resulting from the specific determinate form of the production process itself. Interest presents capital not in opposition to labour, but, on the contrary, as having no relation to labour, and merely as a relation of one capitalist to another; consequently, as a category which is quite extrinsic to, and independent of, the relation of capital to labour. The division of the profit amongst the capitalists does not affect the worker. Thus interest, the form of profit which
is the special expression of the contradictory character of capital, is an expression in which this contradiction is completely obliterated and explicitly left out of account. Apart from expressing the capacity of money, commodities, etc., to valorise their own value, interest, in so far as it presents surplus value as something deriving from money, commodities, etc., as their natural fruit, is therefore merely a manifestation of the mystification of capital in its most extreme form; in so far as it at all represents a social relation as such, it expresses [XV-918] merely relations between capitalists, and by no means relations between capital and labour.

On the other hand, the existence of this form of interest gives the other part of profit the qualitative form of industrial profit, of wages for the labour of the industrial capitalist not in his capacity as capitalist, but as a worker (industrialist). The particular functions which the capitalist as such has to perform in the labour process and which are incumbent precisely on him as distinct from the workers, are represented as mere labour functions. He produces surplus value not because he works as a capitalist, but because he, the capitalist, also works. It is just as if a king, who, as king, has nominal command of the army, were to be assumed to command the army not because he, as the owner of the kingship, commands, plays the role of commander-in-chief, but on the contrary that he is king because he commands, exercises the function of commander-in-chief. If thus one part of surplus value, i.e. interest, is completely separated from the process of exploitation, then the other part, that is, industrial profit, emerges as its direct opposite, not as appropriation of other people's labour, but as the creation of value by one's own labour. This part of surplus value is therefore no longer surplus value, but its opposite, an equivalent given for labour performed. Since the alienated character of capital, its opposition to labour, is displayed outside the exploitation process, that is, outside the sphere where the real action of this alienation takes place, all the contradictory features are eliminated from this process itself. Consequently, real exploitation, the sphere where these contradictory features are put into practice and where they manifest themselves in reality, appears as its exact opposite, as a substantially different kind of labour, which belongs however to the same socially determined form of labour—wage labour—to the same category of labour. The work of the exploiter is identified here with the labour which is exploited.

This conversion of one part of profit into industrial profit arises, as we have seen, from the conversion of the other part into
interest. The social form of capital—that it is property—devolves on the latter part; on the former part devolves the economic function of capital, its function in the labour process, but detached, abstracted from the social form, the contradictory form in which it exercises this function. How this is further justified by learned reasoning is to be examined in greater detail in connection with the apologetic interpretation of profit as [remuneration for] labour of superintendence. Here the capitalist is equated with his manager, as Adam Smith already noted. Industrial profit does indeed include some part of wages—in those cases where the manager does not draw them. Capital appears in the production process as the director of labour, as its commander (captain of industry) and thus plays an active role in the actual labour process. But in so far as these functions arise out of the specific form of capitalist production—that is, out of the domination of capital over labour as its labour and, therefore, over the workers as its instruments, out of the nature of capital, which appears as the social entity, the subject of the social form of labour personified in it [capital] as power over labour—this work (it may be entrusted to a manager) which is linked with exploitation is, of course, labour which, in the same way as that of the wage worker, enters into the value of the product; just as in the case of slavery, the labour of the overseer has to be paid for like that of a worker. If man attributes an independent existence, clothed in a religious form, to his relationship to his own nature, to external nature and to other men so that he is dominated by these notions, then he requires priests and their labour. With the disappearance of the religious form of consciousness and of these relationships, the labour of the priests will likewise cease to enter into the social process of production. The labour of priests will end with the existence of the priests themselves and, in the same way, the labour which the capitalist performs qua capitalist, or causes to be performed by someone else, will end together with the existence of the capitalists. (The example of slavery has to be amplified by quotations.)

Incidentally, these apologetics aimed at reducing profit to wages, i.e. the wages of labour of superintendence, boomerang on the apologists themselves, for English [XV-919] socialists have rightly declared: Well, in future, you shall only draw the wages usually paid to managers. Your industrial profit should be reduced to wages.

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[a] See pp. XVIII—1100-01 of the manuscript (present edition, Vol. 33).—Ed.
OF SUPERINTENDENCE OR DIRECTION OF LABOUR not merely in words, but in practice.

(It is of course impossible to examine in detail this nonsense and twaddle with all its contradictions. For example, industrial profit rises and falls in inverse [proportion] to interest or rent. The superintendence of labour, the particular amount of labour really performed by the capitalist, has however nothing whatever to do with it, any more than with the decline in wages. This kind of wages has the peculiarity that it falls and rises in inverse proportion to real wages (in so far as the rate of profit is determined by the rate of surplus value, and in so far as all the conditions of production remain unchanged, it is determined exclusively by this). But "little contradictions" of this kind do not prevent the apologetic vulgarian from regarding them as identical. The labour performed by the capitalist remains absolutely the same whether he pays low or high wages, whether the worker receives high or low wages. Just as the wages paid for a working day do not affect the amount of labour involved. Moreover, the worker works more intensively when he gets better wages. The labour of the capitalist, on the other hand, is something strictly determined, it is determined both qualitatively and quantitatively by the amount of labour he has to direct, not by the wages paid for this labour. He can no more intensify his labour than the cotton operative can work up more cotton than is available in the mill.)

And they [the English socialists] add: the office of manager, the labour of superintendence, can now be bought on the market in the same way as any other kind of labour capacity, and is relatively just as cheap to produce and therefore to buy. Capitalist production itself has brought about that the labour of direction walks the streets, separated completely from the ownership of capital, whether one's own or other people's. It has become quite unnecessary for capitalists to perform this labour of direction. It is actually available, separate from capital, not in the sham separation which exists between the industrial capitalist and the moneyed capitalist, but that between industrial managers, etc., and capitalists of every sort. The best demonstration of this are the cooperative factories built by the workers themselves.\textsuperscript{135} They are proof that the capitalist as functionary of production has become just as superfluous to the workers as the landlord appears to the capitalist with regard to bourgeois production. Secondly: In so far as the labour of the capitalist does not arise from the process as a capitalist [production] process, and therefore disappears automatically with the disappearance of capital, i.e. in so far as it is not
simply a name for the function of exploiting other people's labour, but in so far as it arises from the social form of labour—cooperation, division of labour, etc.—it is just as independent of capital as is this form itself once it has stripped off its capitalist integument. To assert that this labour, as capitalist labour, as the function of the capitalist, is necessary, only shows that the vulgarian cannot conceive the social productive power and the social character of labour developed within the framework of capital as something separate from the capitalist form, from the form of alienation, from the antagonism and contradiction of its aspects, from its inversion and quid pro quo. Et c'est justement ce que nous affirmons.\(^a\)

It is in interest-bearing capital—in the division of profit into interest and profit—that capital finds its most objectified form, its pure fetish form, and the nature of surplus value is presented as something which has altogether lost its identity. Capital—as an entity—appears here as an independent source of value; as something which creates value in the same way as land [produces] rent, and labour wages (partly wages in the proper sense, and partly industrial profit). Although it is still the price of the commodity which has to pay for wages, interest and rent, it pays for them because the land which enters into the commodity produces the rent, the capital which enters into it produces the interest, and the labour which enters into it produces the wages, [in other words these elements] produce the portions of value which accrue to their respective owners or representatives—[XV-920] the landowner, the capitalist, and the worker (wage worker and industrialist). From this standpoint therefore, the fact that, on the one hand, the price of commodities determines wages, rent and interest and, on the other hand, the price of interest, rent and wages determines the price of commodities, is by no means a contradiction contained in the theory, or if it is, it is a contradiction, a cercle vicieux, which exists in the real movement.

True, the rate of interest fluctuates, but only like the market price of any other commodity in accordance with the ratio of demand and supply. This by no means invalidates the notion of interest being inherent in capital just as the fluctuations in the prices of commodities do not invalidate prices as designations appropriate to commodities.

Thus land, capital and labour on the one hand—in so far as they are the sources of rent, interest and wages and these are the

\(^a\) And it is precisely what we say.—\textit{Ed.}
constituent elements of commodity prices—appear as the elements which create value, and on the other hand, in so far as they accrue to the owner of each of these means for the production of value, i.e. in so far as he derives the portion of the value created by them, they appear as sources of revenue, and rent, interest and wages appear as forms of distribution. (As we shall see later, it is the result of stupidity that the vulgarians, as opposed to critical economy, in fact regard forms of distribution simply as forms of production sub alia specie whereas the critical economists separate them and fail to recognise their identity.)

In interest-bearing capital, capital appears to be the independent source of value or surplus value it possesses as money or as commodities. And it is indeed this source in itself, in its material aspect. It must of course enter into the production process in order to realise this faculty; but so must land and labour.

One can therefore understand why the vulgar economists prefer [the formula]: land—rent; capital—interest; labour—wages, to that used by Smith and others for the elements of price (or rather for its decompota) and where [the relation] capital—profit figures, just as on the whole the capital relation as such is expressed in this form by all the classical economists. The concept of profit still contains the inconvenient connection with the process, and the real nature of surplus value and of capitalist production, in contradistinction to their appearance, is still more or less recognisable. This connection is severed when interest is presented as the intrinsic product of capital and the other part of surplus value, industrial profit, consequently disappears entirely and is relegated to the category of wages.

Classical political economy seeks to reduce the various fixed and mutually alien forms of wealth to their inner unity by means of analysis and to strip away the form in which they exist independently alongside one another. It seeks to grasp the inner connection in contrast to the multiplicity of outward forms. It therefore reduces rent to surplus profit, so that it ceases to be a specific, separate form and is divorced from its apparent source, the land. It likewise divests interest of its independent form and shows that it is a part of profit. In this way it reduces all types of revenue and all independent forms and titles under cover of which the non-workers receive a portion of the value of commodities, to

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* Under a different aspect.—Ed.
* Here: the parts into which it can be broken down.—Ed.
the single form of profit. Profit, however, is reduced to surplus value since the value of the whole commodity is reduced to labour; the amount of paid labour embodied in the commodity constitutes wages, consequently the surplus over and above it constitutes unpaid labour, surplus labour called forth by capital and appropriated gratis under various titles. Classical political economy occasionally contradicts itself in this analysis. It often attempts directly, leaving out the intermediate links, to carry through the reduction and to prove that the various forms are derived from one and the same source. This is however a necessary consequence of its analytical method, [XV-921] with which criticism and understanding must begin. Classical economy is not interested in elaborating how the various forms come into being, but seeks to reduce them to their unity by means of analysis, because it starts from them as given premisses. But analysis is the necessary prerequisite of genetical presentation, and of the understanding of the real, formative process in its different phases. Finally a failure, a deficiency of classical political economy is the fact that it does not conceive the basic form of capital, i.e. production designed to appropriate other people's labour, as an historical form but as a natural form of social production; the analysis carried out by the classical economists themselves nevertheless paves the way for the refutation of this conception.

The position is quite different as regards vulgar political economy, which only becomes widespread when political economy itself has, as a result of its analysis, undermined and impaired its own premisses and consequently the opposition to political economy has come into being in more or less economic, utopian, critical and revolutionary forms. For the development of political economy and of the opposition to which it gives rise keeps pace with the real development of the social contradictions and class conflicts inherent in capitalist production. Only when political economy has reached a certain stage of development and has assumed well-established forms—that is, after Adam Smith—does the separation of the element whose notion of the phenomena consists of a mere reflection of them take place, i.e. its vulgar element becomes a special aspect of political economy. Thus Say separates the vulgar notions occurring in Adam Smith's work and puts them forward in a distinct crystallised form. Ricardo and the further advance of political economy caused by him provide new nourishment for the vulgar economist (who does not produce anything himself): the more economic theory is perfected, that is, the deeper it penetrates its subject-matter and the more it
develops as a contradictory system, the more is it confronted by its own, increasingly independent, vulgar element, enriched with material which it dresses up in its own way until finally it finds its most apt expression in academically syncretic and unprincipled eclectic compilations.

To the degree that economic analysis becomes more profound it not only describes contradictions, but it is confronted by its own contradiction simultaneously with the development of the actual contradictions in the economic life of society. Accordingly, vulgar political economy deliberately becomes increasingly apologetic and makes strenuous attempts to talk out of existence the ideas which contain the contradictions. Because he finds the contradictions in Smith relatively undeveloped, Say’s attitude still seems to be critical and impartial compared, for example, with that of Bastiat, the professional conciliator and apologist, who, however, found the contradictions existing in the economic life worked out in Ricardian economics and in the process of being worked out in socialism and in the struggles of the time. Moreover, vulgar economy in its early stages does not find the material fully elaborated and therefore assists to a certain extent in solving economic problems from the standpoint of political economy, as, for example, Say, whereas a Bastiat needs merely to busy himself with plagiarism and attempts to argue away the unpleasant side of classical political economy.

But Bastiat does not represent the last stage. He is still marked by a lack of erudition and a quite superficial acquaintance with the branch of learning which he prettifies in the interests of the ruling class. His apologetics are still written with enthusiasm and constitute his real work, for he borrows the economic content from others just as it suits his purpose. The last form is the academic form, which proceeds “historically” and, with wise moderation, collects the “best” from all sources, and in doing this contradictions do not matter; on the contrary, what matters is comprehensiveness. All systems are thus made insipid, [XV-922] their edge is taken off and they are peacefully gathered together in a miscellany. The heat of apologetics is moderated here by erudition, which looks down benignly on the exaggerations of economic thinkers, and merely allows them to float as oddities in its mediocre pap. (That they look down in an equally superior manner on the phantasies of the socialists need hardly be stressed.) Since such works only appear when political economy has reached the end of its scope as a science, they are at the same time the graveyard of this science. Even the genuine thought of a
Smith or a Ricardo, and others—the vulgar elements not just peculiar to them—is made to appear insipid in these works and becomes a vulgarism. Professor Roscher is a master of this sort of thing and has modestly proclaimed himself to be the Thucydides of political economy. His identification of himself with Thucydides may perhaps be based on his conception of Thucydides as a man who constantly confuses cause with effect.

In the form of interest-bearing capital it becomes quite obvious that capital without expending any labour appropriates the fruits of other people's labour. For it appears here in a form in which it is separated from the production process as such. But it can do this only because, in this form, it indeed enters by itself, without labour, into the labour process, as an element which in itself creates value, i.e. is a source of value. While it appropriates part of the value of the product without labour, it has also created it without labour, ex proprio sinu, out of itself.

Whereas the classical, and consequently the critical, economists are exercised by the form of alienation and seek to eliminate it by analysis, the vulgar economists, on the other hand, feel completely at home precisely with the alienated form in which the different parts of value confront one another; just as a scholastic is familiar with God the Father, God the Son, and God the Holy Ghost, so are the vulgar economists with land—rent, capital—interest, and labour—wages. For this is the form in which these relationships appear to be directly connected with one another in the world of phenomena, and therefore they exist in this form in the thoughts and the consciousness of those agents of capitalist production who remain captive to it. The more the vulgar economists in fact content themselves with translating common notions into doctrinaire language, the more they imagine that their writings are plain, in accordance with nature and the public interest, and free from all theoretical hair-splitting. Therefore, the more alienated the way in which they conceive the formations of capitalist production, the closer they approach the nature of common notions, and the more they are, as a consequence, in their natural element.

This, moreover, renders a substantial service to apologetics. For [in the formula: ] land—rent, capital—interest, labour—wages, for example, the different forms of surplus value and configurations of capitalist production do not confront one another as alienated forms, but as extraneous and independent forms, merely different from one another but not antagonistic. The different revenues are derived from quite different sources, one from land, the second
from capital and the third from labour. Thus they do not stand in any hostile connection to one another because they have no inner connection whatsoever. If they nevertheless work together in production, then it is a harmonious action, an expression of harmony, as, for example, the peasant, the ox, the plough and the land in agriculture, in the real labour process, work together harmoniously despite their dissimilarities. In so far as there is any contradiction between them, it arises merely from competition as to which of the agents shall get more of the product, of the value they have jointly created. Even if this occasionally brings them to blows, nevertheless the outcome of this competition between land, capital and labour finally shows that, although they [XV-923] quarrel with one another over the division, their rivalry tends to increase the value of the product to such an extent that each receives a larger piece, so that their competition, which spurs them on, is merely the expression of their harmony.

Mr. Arnd, for example, says in criticism of Rau:

"Similarly, the author allows himself to be led by some of his predecessors to adding to the three elements of national wealth (wages, capital rent, land rent) a fourth, that of employers' profit. This entirely destroys the basis—constructed with such circumspection by Adam Smith—for any further development of our science" (!); "such a development is consequently quite out of the question in the work under consideration" (Karl Arnd, Die naturgemässe Volkswirthschaft, gegenüber dem Monopoliengeist und dem Communismus, mit einem Rückblinde auf die einschlagende Literatur, Hanau, 1845, p. 477).

By "capital rent" Mr. Arnd means interest (l.c., p. 123). According to this one might think that Adam Smith reduces national wealth to interest on capital, rent and wages, whereas on the contrary he quite expressly declares that profit results from the valorisation of capital and repeatedly and expressly states that interest—in so far as it constitutes surplus value at all—is only a form derived from profit. Thus the vulgar economist reads into his sources the direct opposite of what they contain. Where Smith writes "profit" Arnd reads "interest". It would be interesting to know what he supposes Adam Smith's "interest" to mean.

This same "circumspect" developer of "our science" makes the following interesting discovery:

"In the natural course of goods production there is just one phenomenon which, in countries where all available land is under cultivation, seems in some measure to regulate the rate of interest; this is the proportion in which the timber in European forests is augmented through their annual growth. This new growth occurs quite independently of the exchange value of the timber" (how strange that the

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a K. H. Rau, Lehrbuch der politischen Oeconomie, Heidelberg, 1837, pp. 139-40.—Ed.
trees arrange their new growth "independently of exchange value") "at the rate of 3 or 4 to 100. Accordingly therefore" //since this additional increase in the number of trees is "independent of their exchange value", no matter how much their exchange value may depend on their new growth//, "a decline" (in the rate of interest) "below the level at present prevailing in the richest countries is not likely" (i.e. [pp.] 124-25).

This deserves to be called the "forest-grown rate of interest", and in the same work its inventor has rendered another service to "our science" as the philosopher of the "dog tax".\footnote{137}

//Profit (including \textit{industrial profit}) is proportionate to the amount of the capital advanced; on the other hand, the \textit{wages} drawn by the industrial capitalist [stand] in inverse ratio to the amount of capital. [They are] considerable where the capital is small (because, in this case, the capitalist is something between an exploiter of other people's labour and a person who lives off his own labour), and insignificant where the capital is large, or they are quite independent of it in the case where a \textit{manager} [is employed]. One part of the \textit{labour} of direction merely arises from the antagonistic contradiction between capital and labour, from the antagonistic character of capitalist production, and belongs to the \textit{faux frais de production}\footnote{Overhead costs of production.—\textit{Ed.}} in the same way as $\frac{9}{10}$ of the "labour" occasioned by the circulation process. A conductor does not have to be the owner of the instruments used by the orchestra, nor is it one of his functions as a conductor to speculate on the subsistence costs of the members of the orchestra, or, in general, to have \textit{anything} to do with their "wages". It is very remarkable that economists like John Stuart Mill, who cling to the forms of "\textit{interest}" and "\textit{industrial profit}"\footnote{See present edition, Vol. 31, pp. 35-37.—\textit{Ed.}} in order to convert "\textit{industrial profit}" into \textit{wages} for superintendence of labour, admit along with Smith, Ricardo and all other economists worth mentioning, that the \textit{average rate of interest}\footnote{In the manuscript, this expression is preceded by its German equivalent.—\textit{Ed.}} is determined by the \textit{average rate of profit}, which according to Mill stands in inverse ratio to the \textit{rate of wages}, and it is therefore nothing but unpaid labour, surplus labour.

\textbf{Two facts} provide the best proof that the \textit{wages of superintendence} do not enter into the \textit{average rate of profit} at all.

[XV-924] 1) That in cooperative factories,\footnote{135} where the \textit{general manager} receives a salary as in all other factories, and is responsible for the whole \textit{labour of direction}—the overseers themselves are simply workers—the rate of profit is not below, but above, the \textit{average rate of profit}.\footnote{Ed.}
2) That where profit is continuously substantially above the 
average rate, as in individual, non-monopolised branches of 
business such as those of small shopkeepers, farmers, etc., this is 
correctly explained by the economists as being due to the fact that 
these people pay themselves their own wages. Where only the 
proprietor himself works, his profit consists of—1) the interest on 
his small capital; 2) his wages; 3) that part of the surplus time 
which, because of his capital, he is able to work for himself instead 
of for someone else; i.e. the part not already represented by 
interest. If, however, he employs workers, then their surplus time 
has to be added.

Of course the worthy Senior (Nassau) also converts industrial 
profit into wages of superintendence. But he forgets this humbug as 
soon as it is a question, not of doctrinaire phrases, but of practical 
struggles between workers and factory owners. Thus, he opposes 
the shortening of the working day, because in a working day of say 
11½ hours, the workers allegedly work only 1 hour for the 
capitalist, and the product of this 1 hour constitutes the capitalist's 
profit (apart from the interest for which they also work 1 hour 
according to his own calculation). Suddenly here industrial profit 
is equal to the value added by the unpaid labour time of the 
worker and not to the value added by the labour which the 
capitalist performs in the production process of commodities. If 
industrial profit were the product of the capitalist's own labour, 
than Senior should not have deplored that the workers work only 
1 hour for the capitalist for nothing instead of two, and even less 
should he have said that, if the workers worked only 10½ hours 
instead of 11½, there [would be] no profit at all. He should have 
said that if the workers worked only 10½ hours instead of 11½, 
the capitalist would not receive wages of superintendence for 11½ 
hours but only for 10½ hours, he would thus lose 1 hour's wages of 
superintendence. In which case the workers would answer that if 
ordinary wages for 10½ hours have to suffice for them, then the 
higher wages the capitalist receives for 10½ hours should suffice for 
him.

It is incomprehensible how economists like John Stuart Mill, 
who are Ricardians and even express the principle that profit
merely = surplus value, surplus labour, in the form that the rate of profit and wages stand in inverse ratio to one another and that the rate of wages determines the rate of profit (which is incorrect when put in this form), suddenly convert industrial profit into the individual labour of the capitalist instead of into the surplus labour of the worker, unless the function of exploitation of foreign labour is called labour by them, the result of this is indeed that the wages of this labour are exactly equal to the amount of foreign labour appropriated, in other words, they depend directly on the degree of exploitation, not on the degree of exertion that this exploitation costs the capitalist. (In so far as this function of exploitation of labour really requires labour in the process of capitalist production, it is represented by the wages of general managers.) I say that it is incomprehensible that, after they as Ricardians have reduced profit to its real element, they allow themselves to be misled by the antithesis of interest and industrial profit which is simply a disguised form of profit and is regarded as this independent form due to ignorance of the nature of profit. Only because one part of profit, interest, appears to be due to capital as a thing, an automatically functioning, automatically creating thing, apart from the process, the other part appears as industrial profit, as arising from the activity taking place in the process (really the active process, this however also includes the activity of the operating capitalist) and therefore as due to the labour of the capitalist. Consequently, because capital and the surplus value which arises from it and is called interest are considered mysteries. This view, which arises entirely from notions reflecting the most superficial aspects of the external form of capital, is the exact opposite of Ricardo's view and altogether inconsistent with his conception of value. In so far as capital is value, its value is determined by the labour contained in it before it enters into the process. In so far as it enters the process as a thing, it does so as use value, and as such, it can never create exchange value, whatever its use. One can see how splendidly the Ricardians understand their own master. In relation to the moneyed capitalist, the industrial [capitalist], who embodies functioning capital and therefore actually squeezes out surplus labour, is of course quite justified in pocketing a part of this surplus. In relation to the moneyed capitalist, he is a worker, but a worker who is a capitalist, in other words, an exploiter of other people's labour. [XV-925] But in relation to the workers it is strange to plead that the exploitation of their labour costs the capitalist labour and that, therefore, they have to pay him for this exploitation; it is the plea of the slave-driver addressed to the slave. //
Every precondition of the social production process is at the same time its result, and every one of its results appears simultaneously as its precondition. All the production relations within which the process moves are therefore just as much its products as they are its conditions. The more one examines its nature as it really is, [the more one sees that] in the last form it becomes increasingly consolidated, so that independently of the process these conditions appear to determine it, and their own relations appear to those competing in the process as objective conditions, objective forces, forms of things, the more so as, in the capitalist process, every element, even the simplest, the commodity for example, is already an inversion and causes relations between people to appear as attributes of things and as relations of people to the social attributes of these things.

"Profit = remuneration for the productive employment of savings: profit properly so called is the remuneration for the agency for superintendence during this productive employment"* ([The] Westminster Review, January 1826, p. 107 et seq.).

Thus interest here is declared to be remuneration for the fact that money, etc., is employed as capital; it therefore arises from capital as such, which is remunerated for its quality qua capital. Industrial profit, on the other hand, [is remuneration] for the function of the capital or capitalist "during this productive employment", i.e. in the production process itself.///

//Even a blind sow sometimes finds an acorn and so does McCulloch in the following passages. But even this, as he presents it, is only an inconsistency, since he does not distinguish surplus value from profit. Secondly, it is again one of his thoughtless, eclectic acts of plagiarism. According to fellows like Torrens, etc., for whom value is determined by capital—and the same applies to Bailey—profit is proportionate to the capital (advanced). Unlike Ricardo, they do not consider that profit and surplus value are identical concepts, but only because they have no need whatsoever to explain profit on the basis of value, since they regard the visible form of surplus value—profit as the relation of surplus value to the capital advanced—as the original form and, in fact, they merely translate the apparent form into words. The passages in Mac’s work, who (1) is a Ricardian and (2) plagiarises Ricardo’s opponents—without attempting to reconcile [the conflicting ideas]—read:

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Ricardo's law\(^{158}\) is true only "IN THOSE CASES IN WHICH THE PRODUCTIVENESS OF INDUSTRY REMAINS CONSTANT" ([J.R.] McCulloch, *The Principles of Political Economy*, London, 1825,\(^{100}\) p. 373), that is, the productiveness of the industry which produces constant capital.

“PROFITS DEPEND ON THE PROPORTION which they bear to the capital by which they are produced, and not on the PROPORTION TO WAGES. If the productiveness of industry is *universally* doubled and the additional product thus obtained is divided between capitalists and workers, then the proportion of the share of the capitalists to that of the workers remains unchanged, although the *rate of profit* calculated on the capital advanced has risen" (i.e., [pp.] 373-74).\(^a\)

Even in this case, as Mac also notes, one can say that *wages* have fallen relatively as compared with the product, because *profits* have risen. (But in this case it is the rise in *profits* which is the cause of the fall in *wages.* ) This calculation, however, rests on the incorrect method of calculating *wages* as a share in the product, and, as we saw previously, Mr. John Stuart Mill seeks to generalise the Ricardian law in this sophistical manner.\(^b\)\(^{159}\)

*Interest* is only a part of profit, the part which is paid to the owner of capital by the industrial, operating capitalist. Since he can appropriate surplus labour only by means of capital (money, commodities), etc., he has to hand over a portion of it to the man who makes capital available to him. And the lender, who wants to enjoy the advantages of money as capital without letting it function as capital, can do this only by being content with a part of the profit. They are *in fact co-partners*, one of them being the juridical owner of the capital, and the other, while he employs it, the economic owner. But since the profit only arises from the production process, is only its result and has first to be produced, interest is in fact merely a claim on part of the surplus labour which has yet to be performed, a title to future labour, a claim on a *portion of the value* of commodities which do not as yet exist, it is therefore only the result of a production process which takes place during the period at the end of which the interest only falls due.

[XV-926] Capital is bought (that is, it is lent at interest) before it is paid for. Money functions here as means of payment as it does in relation to labour capacity, etc. The price of capital—i.e. interest—enters therefore just as much into the advances made by the industrialist (and into the advances made to himself where a man is operating with his own capital) as the price of cotton which, for example, is bought today, but for which he has to pay perhaps in 6 weeks' time. This fact is in no way altered either by the

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\(^a\) Marx quotes McCulloch with some alterations.—*Ed.*

fluctuations in the rate of interest—the market price of money—or the fluctuations in the market prices of other commodities. On the contrary. The market price of money—the name for interest-bearing capital as money capital—is fixed on the money market by competition between buyer and seller, by demand and supply, like the price of any other commodity. The struggle between the moneyed and industrial capitalists is simply a struggle over the division of the profit, over the share which is to accrue to each of the two sections when the division is made. The relationship (demand and supply), like each of its two extremes, is itself a result of the production process or, in common parlance, [is determined] by the business situation existing at the time, the actual position in which the reproduction process and its elements find themselves. But, formally and apparently, it is this struggle which determines the price of capital (i.e. interest) before capital enters into the reproduction process. This determination, moreover, occurs outside the real production process, and depends on factors independent of the process; this price determination appears rather as one of the conditions within which the process has to take place. Thus the struggle appears not only to establish the property title to a definite part of the future profit, but to cause this part not to emerge as a result of the production process, but on the contrary to enter into it as a precondition, as the price of capital, just as the prices of commodities or wages enter into it as preconditions, although in the course of the reproduction process they in fact continuously emerge from it. Each component of the price of a commodity, in so far as it appears as an advance—as an already existing commodity price which enters into the production price—ceases to represent surplus value as far as the industrial capitalist is concerned. That part of the profit which thus enters into the process as the price of capital is reckoned as part of the cost of the outlay; it therefore no longer appears to be surplus and is converted from a product of the process into one of its given presuppositions—a condition of production—which as such enters into the process in an independent form and determines its result.

(If, for example, the rate of interest falls, and the situation obtaining on the market requires a reduction in the price of commodities below cost price, the industrialist can lower the commodity price without reducing the rate of industrial profit; he

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*In the manuscript, this English term is given after its German equivalent.—Ed.*
can indeed lower the price and secure a higher industrial profit, which, however, will be regarded by the man operating only with his own capital as a fall in the rate of profit, a reduction in the gross profit. Everything which appears as a given condition of production, such as the prices of commodities, wages, capital—the market prices of these elements—affects the determination of the market price of the commodity at any particular time; the real cost price of a particular commodity is established only within the fluctuations of the market prices, and is only the self-equalisation of these market prices, just as the value of commodities is only established as a result of the equalisation of the cost prices of all the different commodities. Thus, the cercle vicieux of the vulgarian, whether he is a theoretician regarding matters from the capitalist standpoint or is in fact a capitalist—namely, that the prices of commodities determine wages, interest, profit and rent [and] that, on the other hand, the prices of labour, interest, profit and rent determine the prices of commodities—[is] merely an expression of the circular movement in which the general laws assert themselves in contradictory fashion in the real movement and in appearance.)

A part of the surplus value—interest—thus appears as the market price of capital, which enters into the process, and is therefore regarded not as surplus value but as a condition of production. Thus, the fact that two sets of capitalists share the surplus value, one set remaining outside the process and the other participating in it, is presented in such a way that one part of surplus value is due to capital outside the process and the other part to capital within the process. The fact that the division is established beforehand is presented as the independence of one part from the other, as the independence of one part from the process itself; and finally as the immanent attribute of things, money, commodities, but of these things as capital; this again appears not as the expression of a relationship, but in such a way that this money, these commodities are technologically intended for the labour process and because of this they become capital. Defined in this way, they are the simple elements of the labour process itself [XV-927] and as such they are capital.

There is nothing mysterious at all in the fact that the value of the commodity is made up partly of the value of the commodities contained in it, partly of the value of the labour—that is to say, the paid labour—partly of the unpaid but nonetheless salable labour, and that the part of its value which consists of unpaid labour—i.e. its surplus value—is in turn divided into interest, industrial profit and rent; in other words, the immediate accapa-
reur and "producer" of the whole of this surplus value has to hand over portions of it to others, one portion to the landlord, another to the owner of the capital, and he keeps the third for himself; he does so however under a name—industrial profit—which distinguishes it from interest and rent, and from surplus value and profit. The breakdown of surplus value, that is, of part of the value of commodities, into these special headings or categories, is very understandable and does not conflict in the least with the law of value. But the whole matter is mystified because these different parts of surplus value acquire an independent form, because they accrue to different people, because the titles to them are based on different elements, and finally because of the autonomy with which certain of these parts [of surplus value] confront the process as its conditions. From parts into which value can be divided, they become independent elements which constitute value, they become constituent elements. This is what they are as far as market prices are concerned. They really become the constituent elements of the market price. How their apparent independence as conditions of the process is regulated by the inherent law so that they are only apparently independent, does not become evident at any moment in the course of the production process, nor does it operate as a determining conscious motive. Exactly the opposite. The highest consistency which can be assumed by this semblance of results taking the form of independent conditions becomes firmly established when parts of surplus value—in the form of prices of the conditions of production—are included in the price.

And this is the case with regard to both interest and rent. They are part of the outlay of the industrial capitalist and the farmer. They seem here no longer to represent unpaid surplus labour, but paid surplus labour, that is, surplus labour for which an equivalent is paid during the production process, although not to the worker whose surplus labour it is, but to other people, i.e. the owners of capital and of land. They constitute surplus labour quoad the worker, but they are equivalents quoad the capitalist and the landowner to whom they have to be paid. Interest and rent therefore appear not as surplus, and still less as surplus labour, but as prices of the commodities "capital" and "land", for they are paid to the capitalist and the landowner only in their capacities as owners of commodities, only as owners and sellers of these commodities. That part of the value of the commodity which represents interest, therefore, appears as reproduction of the price

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*a Monopoliser.— Ed.*
paid for capital, and that part which represents rent appears as reproduction of the price paid for the land. These prices therefore become constituent parts of the total price. This does not merely appear to be the case to the industrial capitalist; for him interest and rent really constitute part of his outlay, and whereas, on the one hand, they are determined by the market price of his commodity—as the market price it is a determination of a commodity in which a social process or the result of a social process appears as a particular aspect belonging to the commodity, and the up and down of this process, its movement, appears as the fluctuations of the commodity price—on the other hand, the market price is determined by them, in just the same way as the market price of cotton determines the market price of yarn and, on the other hand, the market price of yarn determines the demand for cotton, hence the market price of cotton. Since parts of surplus value, i.e. interest and rent, enter into the production process as the prices of commodities—of the commodity land and the commodity capital—they exist in forms which not only conceal, but which disavow their real origin.

That surplus labour, unpaid labour, constitutes just as essential an element of the capitalist production process as paid labour, is expressed here by the fact that factors of production—land and capital—distinct from labour have to be paid for, in other words, that costs besides the price of the commodities advanced and wages enter into the price. Parts of surplus value—interest and rent—appear here as costs, as advances made by the exploiting capitalist.

Average profit enters into the production price of commodities as a determining factor and thus already here surplus value [appears to be] not a result, but a condition, not one of the parts into which the value of the commodity is divided, but a constituent part of its price. But average profit, like the production price itself, acts rather as a determining ideal and at the same time appears as surplus over and above the advances made [XV-928] and as a price which is different from the cost price properly speaking. Whether or not [average profit is obtained] and whether it is higher or lower than the profit corresponding to the market price—that is, corresponding to the direct result of the process—determines the reproduction process, or rather the scale of reproduction; it determines whether more or less of the capital existing in this or that sphere [of production] is withdrawn or invested; it also determines the ratio in which newly accumulated capitals flow into these particular spheres, and finally, to what extent these particular spheres act as
buyers in the money market. On the other hand, as *interest* and *rent*, the separate portions of surplus value in a quite definite form become preconditions for the individual production prices and are anticipated in the form of advances.

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// *Advances*, that is, what is paid out by the capitalist, may be defined as *costs*. Profit accordingly appears as a surplus over these costs. This applies to the individual prices of production. And consequently, one can call the prices determined by the advances *cost prices*.6

*Production costs* can be defined as prices determined by the *average profit*—that is, the price of the capital advanced + the *average profit*—since this profit is the condition for reproduction, a condition which regulates the *supply* and the distribution of capital amongst the various spheres [of production]. These prices are *production prices*.

Finally, the real amount of labour (objectified and immediate labour) it costs to produce a commodity, is its *value*. It constitutes the real production cost of the commodity itself. The price which corresponds to it is simply the value expressed in money. The term “production costs” is used alternately in all 3 senses.//

If no surplus value were produced, then of course together with surplus value the part of it which is called interest would also cease to exist, and so would the part which is called rent; the *anticipation* of surplus value would likewise come to an end, in other words, it would no longer constitute a part of the production costs in the shape of the *price* of commodities. The existing value entering into production would not emerge from it as *capital* at all, and accordingly, could not enter into the reproduction process as *capital*, nor be lent out as *capital*. It is thus the continuous reproduction of the same relations—the relations which postulate capitalist production—that causes them to appear not only as the social forms and results of this process, but at the same time as its continual *prerequisites*. But they are these only as prerequisites continually *posited*, created, *produced* by the process itself. This reproduction is, however, not conscious reproduction; on the contrary, it only manifests itself in the continuous existence of these relations as *prerequisites* and as *conditions* dominating the production process. The parts, for example, into which the commodity value can be resolved are turned into its *constituent* parts which confront one another as independent parts, and they are consequently also independent in relation to their *unity*, which on the contrary appears to be a *compound* of these parts. The bourgeois sees that the product continually becomes the condition
of production. But he does not perceive that the production relations themselves, the social forms in which he produces and which he regards as given, natural relations, are the continuous product—and only for that reason the continuous prerequisite—of this specific social mode of production. The different relations and aspects not only become independent and assume a strange mode of existence, apparently independent of one another, but they seem to be the direct properties of things; they assume a material shape.

Thus the participants in capitalist production live in a bewitched world and their own relationships appear to them as properties of things, as properties of the material elements of production. It is however in the last, most derivative forms—forms in which the intermediate stage has not only become invisible but has been turned into its direct opposite—that the various aspects of capital appear as the real agencies and direct representatives of production. Interest-bearing capital is personified in the Moneyed Capitalist, industrial capital in the Industrial Capitalist, rent-bearing capital in the landlord as the owner of the land, and lastly, labour in the wage worker. They enter into the competitive struggle and into the real process of production as these rigid forms, personified in independent personalities that appear at the same time to be mere representatives of personified things. Competition presupposes this externalisation. These forms conform to its nature and have come into being in the natural evolution of competition, and on the surface competition appears to be [XV-929] simply the movement of this inverted world. In so far as the inner connection asserts itself in this movement, it appears as a mysterious law. The best proof is political economy itself, a science which seeks to rediscover the hidden connection. Everything enters into competition in this last, most externalised form. The market price, for example, appears to be the dominant factor here, just as the rate of interest, rent, wages, industrial profit appear to be the constituents of value, and the price of land and the price of capital appear as given items with which one operates.

We have seen how Adam Smith first reduces value to wages, profit (interest) and rent, and then, conversely, presents these as independent constituent elements of commodity prices. He expresses the secret connection in the first version and the outward appearance in the second.

If one comes still closer to the surface of the phenomenon, then,

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a See present edition, Vol. 30, pp. 399-403.—Ed.
in addition to the average rate of profit, interest and even rent can be represented as constituent parts of commodity prices (that is, of market prices). Interest [can be so represented] quite directly, since it enters into the cost price. Rent—as the price of land—may not determine the price of the product directly, but it determines the mode of production, whether a large amount of capital is concentrated on a small area of land, or a small amount of capital is spread over a large area of land, and whether this or that type of product is produced—e.g., cattle or corn—the market price of which covers the rent most effectively, for the rent must be paid before the term stipulated by contract expires. In order that rent should not bring about a reduction in industrial profit, pasture is turned into arable land and arable land into pasture, etc. Rent therefore determines the market prices of individual commodities not directly, but only indirectly, by influencing the proportions in which the various types of commodities are produced in such a way that demand and supply will secure the best price for each so that rent can be paid. Even though rent does not directly determine the market price of corn, for example, it determines directly the market price of cattle, etc., in short, of commodities produced in the spheres where rent is not regulated by the market prices of their products but where the market prices of products are regulated by the rate of rent borne by the grain-producing land. The price of meat, for example, is always too high in industrially developed countries, that is, it is not only far above its production price, but above its value. For the price must cover not only the cost of production, but also the rent which the land would carry if corn were grown on it. Otherwise, meat produced by large-scale stock-breeding—where the organic composition of capital approximates far more closely [to the composition of capital in industry] or may have an even greater preponderance of constant capital over variable capital—could only pay a very small amount of absolute rent, or even none at all. The rent which it pays, and which enters directly into its price, is, however, determined by the absolute+the differential rent which the land would pay as arable land. This differential rent, moreover, does not exist here in most cases. The best proof is that meat pays rent on the kind of land where corn does not.

If, therefore, profit enters into the production price as a determining factor, it can be said that wages, interest and, to a certain degree, rent constitute determining elements of the market price and certainly of the production price. Of course, ultimately everything can be reduced to value which is determined by labour
time, for on the whole the movement of interest is determined by profit, while corn rent on the other hand is determined partly by the rate of profit, partly by the value of the product and the equalisation of the different values produced on different kinds of land to the market value; the rate of profit, however, is determined partly by wages, partly by the productivity of labour in those spheres of production which produce constant capital—in the last analysis therefore by the level of wages and the productivity of labour; wages, however, are the equivalent of a part of the commodity (that is, [they are] equal to the paid portion of labour contained in the commodity, and profit is equal to the unpaid portion of labour contained in the commodity). Finally, the productivity of labour can affect the price of commodities only in two ways, either it affects their value, i.e. reduces it, or it affects their surplus value, that is, increases it. Cost price is nothing but the value of the capitals advanced plus the surplus value they produce distributed amongst the different spheres according to the quota of the total capital which each sphere represents. Thus, cost price resolves into value if one considers the total capital and not the individual spheres. On the other hand, the market prices in each sphere are continually reduced to the cost price as a result of the competition between the capitals of the different spheres. Competition amongst the capitalists in each individual sphere seeks to reduce the market price of commodities to their market value. Competition between capitalists of different spheres reduces market values to common cost prices.\[a\]

*Ricardo* opposes Smith's establishment of value out of the parts of value which are determined by itself.\[b\] But he is not consistent. Otherwise it would have been impossible for him to argue with Smith whether profit, wages and rent or, as he says, merely profit and wages, enter into price, that is, enter as *constituent* parts.\[c\] Regarded analytically, they enter into it as soon as they are paid. He ought to have put it in this way: The price of every commodity is reducible to profit and wages, the prices of some commodities (and of very many, *indirectly*) are reducible to profit, rent and wages. But no commodity price is constituted by them [XV-930] for they are not independent factors acting *de propriis fontibus*\[d\] having a definite magnitude, and *making up* the value of

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\[a\] See present edition, Vol. 31, pp. 427-33.—*Ed.*
\[b\] See D. Ricardo, *On the Principles of Political Economy, and Taxation*, Ch. 1.—*Ed.*
\[c\] See present edition, Vol. 31, pp. 545-46.—*Ed.*
\[d\] Of their own accord.—*Ed.*
commodities; on the contrary, when the value is given, it can be divided into those parts in many different proportions. The magnitude of value is not determined by the addition or combination of given factors—i.e., profit, wages and rent—but one and the same magnitude of value, a given amount of value, is broken down into wages, profit and rent, and according to different circumstances it is distributed between these 3 categories in very different ways.

Assuming that the production process repeats itself continuously under the same conditions, in other words, that reproduction takes place under the same conditions as production, which presupposes that productivity of labour remains unchanged, or at least that variations in productivity do not alter the relationships of the different agents of production; thus, even if the value of commodities were to rise or fall as a result of changes in productive power, the distribution of the value of commodities amongst the different factors of production would remain the same. In that case, although it would not be theoretically accurate to say that the different parts of value determine the value or price of the whole, it would be useful and correct to say that they constitute it in so far as one understands by constituting the formation of the whole by adding up the parts. The value would be divided at a steady and constant rate into value and surplus value, and the value would be resolved at a constant rate into wages and profit, the profit again being broken down at a constant rate into interest, industrial profit and rent. It can therefore be said that P—the price of the commodity—is resolved into wages, profit (interest) and rent, and, on the other hand, wages, profit (interest) and rent are the constituents of the value or rather of the price. This uniformity or similarity of reproduction—the repetition of production under the same conditions—does not exist. Productivity itself changes and changes the conditions. The conditions, on their part, change productivity. But the divergences are reflected partly in superficial oscillations which even themselves out in a short time, partly in a gradual accumulation of divergences which either lead to a crisis, to a violent, seeming restoration of the old relationships, or very gradually assert themselves and are recognised as a change in the conditions. Interest and rent, which anticipate surplus value, presuppose that the general character of reproduction will remain the same. And this is the case as long

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*a In the manuscript, the English term is given in brackets after its German equivalent.—Ed.*
as the capitalist mode of production continues. Secondly, it is presupposed moreover that the specific relations of this mode of production remain the same during a certain period, and this is in fact also plus ou moins the case. Thus the result of production crystallises into a permanent and therefore prerequisite condition of production, that is, it becomes a permanent attribute of the material conditions of production. It is crises that put an end to this apparent independence of the various elements of which the production process continually consists and which it continually reproduces.

// What value is for the genuine economist the market price is for the practical capitalist, that is, in each case the primary factor of the whole movement. //

The form of interest-bearing capital characteristic of and in accordance with capitalist production is credit. It is a form created by the capitalist mode of production itself. (The subordination of commercial capital does not in fact require such a new creation since commodity and money, and the circulation of commodities and money, remain the elementary prerequisites of capitalist production and are only turned into absolute prerequisites; commercial capital, on the one hand, is therefore the general form of capital and, on the other hand, in so far as it represents capital in a specific function—capital which operates exclusively in the circulation process—its determination by productive capital does not in any way alter its form.) The equalisation of values to cost prices occurs only because the individual capital functions as an aliquot part of the total capital of the whole class and, on the other hand, because the total capital of the class is distributed amongst the various individual spheres according to the needs of production. This is brought about by means of credit. Credit not only makes this equalisation possible and facilitates it, but one part of capital—in the form of moneyed capital—appears in fact to be the material common to the whole class and employed by it. This is one purport of credit. The other is the continual attempt made by capital to shorten the metamorphoses which it has to undergo in the circulation process, to anticipate the circulation time, its transformation into money, etc., and in this way to counteract its own [XV-931] limitations. Finally, the function of accumulating, in so far as it is not conversion into capital but the supply of surplus value in the form of capital, becomes, in part, the responsibility of a special class, in part everything accumulated by society in this

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a More or less.—Ed.
sense becomes accumulation of capital and is placed at the disposal of the industrial capitalists. Operations of this kind take place at a very large number of isolated points in society, [their results] are concentrated and collected in certain reservoirs. Money which lies idle due to freezing of the commodities in the metamorphosis, is thus converted into capital.

Land—rent and capital—interest are irrational expressions in so far as rent is defined as the price of land and interest as the price of capital. The common origin is still recognisable in the forms of interest-bearing capital, rent-bearing capital, profit-bearing capital, since, in general, capital involves appropriation of surplus labour; so that these different forms merely express the fact that the surplus labour produced by capital is, as concerns capital in general, divided between two types of capitalists, and in the case of agricultural capital, it is divided between capitalist and landlord.

Rent as the (annual) price of land and interest as the price of capital are just as irrational as $\sqrt{-3}$. The latter form contradicts the number in its simple, elementary forms just as those do in the case of capital in its simple form of commodities and money. They [rent and interest] are in the converse sense irrational. Land—rent, i.e. rent as the price of land, defines land as a commodity, a use value which has a value whose monetary expression = its price. But a use value which is not the product of labour cannot have a value; in other words, it cannot be defined as the objectification of a definite quantity of social labour, as the social expression of a certain quantity of labour. It is nothing of the kind. Only if it is the product of concrete labour can use value take the form of exchange value—become a commodity. Only under this condition can this concrete labour, for its part, be expressed as social labour, value. Land and price are incommensurable magnitudes, nevertheless they are supposed to bear a certain relation to each other. Here a thing which has no value has a price.

Interest as the price of capital, on the other hand, expresses the converse irrationality. Here a commodity which has no use value has a dual value, it has a value in the first place and in addition a price, which is different from this value. For capital is, to begin with, nothing but a sum of money or a quantity of commodities = a certain sum of money. If the commodity is lent out as capital, then it is nothing but a sum of money in camouflaged form. For what is lent as capital is not so many pounds of cotton, but so much money whose value exists in the form of cotton. The price of the
capital is therefore related to it only as the existence of a *sum of money*, i.e., a certain amount of value expressed in money and existing in the form of exchange value. How is it possible for an amount of value to have a price apart from the price which is expressed in its own money form? Price after all is the value of the commodity as *distinct* from its use value. Price in contradistinction to the value of the commodity, price as the value of a sum of money (for price is simply the expression of value in money) is therefore a *contradictio in terminis*.

This irrationality of expression (the irrationality of the thing itself arises from the fact that, as regards interest, capital as the prerequisite appears divorced from its own process, in which it becomes capital and consequently self-valorising value, and that, on the other hand, rent-bearing capital exists only as agricultural capital, as capital which only yields rent in a particular sphere, and this form in which it appears is *transmitted to the element that differentiates it in general from industrial capital*)—this irrationality of expression is so much felt by the vulgarian that he falsifies both expressions in order to make them appear rational. He asserts that interest is paid on capital in so far as it is use value, and therefore talks about the utility which the products or means of production have for reproduction and of the utility which capital has as a material element of the labour process. But, after all, its utility, its use value, already exists in its form as a commodity and without this it would not be a commodity and would have no value. As money, it is the expression of the value of commodities and is [XV-932] convertible into them in proportion to their own value. But if I convert money into a machine, into cotton, etc., then I convert it into use values of the same value. The conversion is concerned only with the *value form*. As money, it has the use value of being convertible into any other commodity, a commodity, however, of the same value. As a result of this transformation, the value of money changes no more than that of the commodity when it is converted into money. The use value of the commodities into which I can convert money does not give the money, in addition to its value, a price which is different from its value. If, however, I presuppose the conversion and assert that the price is paid for the use value of the commodities, then the use value of the commodities is not paid for at all or is only paid in so far as their exchange value is paid for. How the use value of any commodity is utilised, whether it enters into individual or

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* a Contradiction in terms.— *Ed.*
industrial consumption, has absolutely no bearing on its exchange value. It only determines who will buy it—the industrial capitalist or the immediate consumer. The productive usefulness of a commodity can therefore account for the fact that the commodity has exchange value at all, for the labour embodied in the commodity is paid for only if it has use value. Otherwise it is not a commodity—it is a commodity only as the unity of use value and exchange value. But this use value can by no means account for the fact that as exchange value or as price, it has in addition another and different price as well.

One can see how the vulgarian wants to get over the difficulty here by seeking to convert capital—that is, the money or the commodity in so far as these have a specifically different determinateness from themselves as money or commodity—into a mere commodity, in other words, by disregarding precisely the specific difference which has to be explained. He does not wish to say that this means for the exploitation of surplus labour and therefore of more value than the value contained in it. Instead he says: It has more value than its own value because it is an ordinary commodity like any other, that is, it possesses a use value. Here capital is identified with commodity, whereas the point to be explained is how the commodity can function as capital.

The vulgarian, in so far as he does not echo the Physiocrats, deals with land in the opposite way. In the previous case, he converted capital into a commodity in order to explain the difference between capital and commodity and the conversion of the commodity into capital. Now he converts land into capital because the capital-relation as such is more in tune with his ideas than the price of land. Rent can be regarded as interest on capital. For example, if the rent is 20 and the rate of interest is 5, then it can be said that this 20 is interest on a capital of 400. And in fact the land then sells at 400, which simply amounts to the sale of the rent for a period of 20 years. This payment of the anticipated 20 years' rent is thus the price of the land. The land is thereby converted into capital. The annual payment of 20 merely represents 5% interest on the capital which was paid for the land. And in this way, the formula land—rent is converted into capital—interest, which, for its part, is transmogrified into payment for the use value of commodities, that is, into the relationship of use value to exchange value.

The more analytical vulgarians understand that the price of land is nothing more than an expression for the capitalisation of rent; [that] in fact [it is] the purchase price of rent for a number of
years and that it is determined by the prevailing rate of interest. They understand that rent presupposes this capitalisation of rent and that, on the other hand, it is therefore impossible to explain rent by its own capitalisation. They therefore deny the existence of rent itself by asserting that it is interest on the capital invested in the land. This does not prevent them from admitting that land in which no capital is invested yields rent, any more than it prevents them from admitting that equal amounts of capital invested in land of different fertility yield different amounts of rent, or that unequal amounts of capital invested in land of unequal fertility may yield the same amounts of rent. [They admit] that likewise the capital invested in land—if indeed it is to account for the rent paid for the land—may yield perhaps five times as much interest, that is, five times as much rent, as is yielded by the same amount of capital invested as fixed capital in industry.

One perceives that here the difficulty is always eliminated by disregarding it and substituting a relationship expressing the opposite of the specific difference which has to be explained, and therefore, in any case, not expressing the difference at all.

[XV-933] Since the commodity (money) is lent as capital, it can be lent as circulating or fixed capital. Money can be lent in both forms, for instance as fixed capital, when it is paid back in the form of an annuity, so that, along with the interest, part of the capital is always returned. Other commodities, such as houses, machines, etc., can often be lent only as fixed capital, by nature of their use value. But all loan capital, whatever its form, and however the form of its repayment may be modified by the specific nature of the use value in which it exists, is always only a particular form of money capital. For what is lent here is a definite sum of money, in whatever use value it might exist, and interest is computed with reference to this sum. If that which is lent is not money or circulating capital but fixed capital, it is paid back also in the manner of fixed capital. The lender periodically gets interest and a part of the consumed value of the fixed capital itself, an equivalent for the periodic wear and tear. In the end, the unconsumed part of the loan fixed capital comes back in natura.

The form in which loan capital circulates is as follows:

1) Money functions as a means of payment, that is to say, capital is alienated or sold, but paid back only after a certain period. The function of money as a means of payment originates, as we have

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seen, in the simple exchange of commodities. Therefore there is nothing characteristic of money capital here.

2) After a certain period capital returns to the lender, whether piecemeal along with interest, or as a whole with interest, or during a part of the period only interest is paid, and only at the end of different periods capital returns along with the interest of the last period.

Clearly, these modes of repayment or return of capital to the lender are nothing but the movement which capital generally follows in its circuit, a return to its starting-point. If, for instance, capital is repaid annually piecemeal along with interest, then this is the manner in which fixed capital returns, coming back to its starting-point in the circulation. If, on the other hand, it is returned as a whole at the end of the year or some other period along with the interest, then this is the manner in which circulating capital flows back. Loan capital returns twice; in the actual process it returns to the industrial capital, and then the return is repeated once again as a transfer to the moneyed capitalist, as repayment of the same to its real owner, its legal starting-point.

In the actual process of circulation capital always appears as commodity or money. It is converted, through sale and purchase, from one form to the other. What is exchanged here are always equivalents. For a commodity to become money, the capitalist must sell the commodity; for money to become a commodity, he must buy that commodity. In the first case he gives away the commodity and receives money for it, in the second, he gives away money and receives a commodity for it. In short, the circulation process resolves itself into the metamorphosis of the commodity and thus into a series of exchanges. This is so if we regard each phase of circulation as a moment of the whole process; in general, if we regard capital in so far as it functions as commodity or money, and its movement must therefore present itself as selling or buying. It is different if we consider the whole of the process. If we start with money, a certain sum of money is laid out and returns after a certain period—both this sum and a surplus of money over and above the originally expended sum of money. An increased sum of money returns. If we start with the commodity, it appears as the starting-point—before the production process, in the form of conditions of production which are themselves a commodity and whose sum therefore represents, as a sum of

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values, in its total price, a certain sum of money. If we consider the commodity as it re-emerges, having gone through the production process, we see that the form of its use value has changed. But that is beside the point here. The commodity represents now a mass of commodities of a higher price than before, a greater sum of money, the replacement of the original value + a surplus value. It is preserved and multiplied after it has gone through a certain cycle.

But money, in so far as it is lent as capital, is lent precisely as this self-preserving and self-increasing sum of money which returns after a certain period with a profit, and which can go through the same process over and over again. It is not laid out either as money or as commodity, and thus is neither exchanged for a commodity nor sold (as a commodity) for money. It is not laid out as a commodity or as money, but as capital. The relation to itself, as it appears in the context of the whole of the process, is here incorporated in it simply as its character, its determinateness, without the mediating intermediate movement. And in this determinateness it is sold. This determinateness itself, though, is only the result of the process and the conditions in which the capitalist production process [XV-934] moves. Therefore, to join battle against this result, this mere crystallisation of the process, while leaving it be at its very core—and its core is wage labour; to want to leave alone the process and to babble away the result of this process, that is really Proudhonic wisdom.⁴

// The price of the production of a commodity can only change for two reasons: the profit rate changes, the average rate of profit. This is only made possible by the fact that the average rate of surplus value itself changes or the average relation of this rate to the capital outlay does. In so far as the rate of surplus value does not rest on wages being pressed below their minimum or rising above their minimum, and movements of this kind are to be regarded as merely oscillatory, this can only occur either because the value of labour capacity goes down or up, the former when the means of subsistence are reproduced at less expense, and the latter when they are reproduced at more. Both impossible without a change in the productivity of the labour which produces the means of subsistence, i.e. without a change in the value of the commodities forming part of the worker's consumption. Or the relation of this average rate of surplus value to society's constant capital changes.

⁴ Cf. K. Marx, Outlines of the Critique of Political Economy... (present edition, Vol. 28, p. 61).—Ed.
Since the change here does not originate in the rate, it must originate in a change in constant capital. Its mass, technologically considered, grows or decreases in relation to variable capital, and the mass of its value goes up or down with the growth or decrease of its mass itself. In this case, therefore, a change occurs in the mode of production. If the same labour is required to set more constant capital in motion, then labour has become more productive. If contrariwise, contrariwise. A change has thus occurred in labour productivity, and a change must have taken place in the value of certain commodities. If the price of the production of a commodity changes in the wake of a change in the general rate of profit, its own value may remain unchanged. But there must have been a change in the value of other commodities.

Second: The overall profit rate remains unchanged. Then the price of the production of a commodity can only change because its own value has changed. Because less or more labour is required to produce the commodity itself, whether through a change in the productivity of labour which produces it in its ultimate form (for instance, the less the labour expended on 1 lb. of yarn, the less the necessary labour and the less the wages, and thus the costs decrease) or in that which produces the commodities that go into it as its ingredients. If one considers as the price of production not a fixed sum but the value of the advanced capital, the costs + the average profit, thus \( C + A \cdot P, \) it is clear that the price of production may remain the same however great the changes in the value of the commodity. No matter how the value of \( C \) changes, \( A \cdot P \) retains the same rate. If \( C \) equals 100, then, if profit = 10%, \( C + A \cdot P = 110 = C + \frac{1}{10} C. \) If the value of \( C \) falls to 50, then the production price = 50 + A.P. = 55 = \( C + \frac{1}{10} C. \)

All changes in the production price of commodities are reducible to changes in value; but not all changes in the value of commodities necessarily express themselves in the change of the production price, for the latter is determined not only by the value of the particular commodity but also by the value of all commodities, so that a change in commodity A can be levelled out by an opposite one in commodity B, the overall relation therefore remaining the same. Assume that with a capital of 100 I can produce 2,000 lbs of yarn instead of the previous 1,000 lbs only. If profit = 10%, 1,000 lbs of yarn cost £110 in the first case; in the second case, 2,000 lbs of yarn cost £110. In the first case, 1 lb. of yarn costs \( 2\frac{1}{5} \) s. In the second case, 1 lb. of yarn costs only \( 1\frac{1}{10} \) s. In both cases the production price is the same. For in the first case the production price for 1 lb. of yarn = 2s. \( (\text{costs}) + \frac{1}{5} \text{s.} = 10\% = \frac{1}{10} \)
of the costs. Production price therefore = \(C (2s.) + 10\% \left(\frac{1}{12}s.\right)\). In the second case \(C = 1s. + \frac{1}{10}s.,\) or 10%. Production price therefore, ditto, = \(C + 10\%\). Here, the value of the commodity has changed, but not the production price. True, the change in value is expressed in the change of the price of the commodity, \(1\frac{1}{10}s.\) instead of \(2\frac{2}{5},\) but these different prices contain the same relation of costs and profit and therefore the same production price.//

In interest-bearing capital, the movement of capital is made shorter; the mediating process is omitted, and so for instance the capital of 1,000 is fixed as a thing that is in itself 1,000 and, after a certain period, transforms itself into 1,100, in the same way as wine in the cellar improves its use value after a certain period of time. Capital is now a thing, but as a thing it is capital. It can for this reason be sold as a particular commodity along with other commodities, or rather money, commodity can now be sold as capital. That is the manifestation of capital in its [XV-935] most independent form. Money now has love in its body. Once it is lent—or present in the production process (in so far as it yields industrial interest as separate from profit), it may sleep or be awake, by day and by night, interest grows on it.

Directly after this, Luther's naive polemic against interest's ingrown being in capital.\(^b\)

The general profit rate in Ricardo.

* "The remaining value or overplus will in each trade be in proportion to the value of the capital employed."* (Ricardo, [On the Principles of Political Economy, and Taxation, 3rd ed., London, 1821, p. 84]).

Realised in interest-bearing money capital is the devout wish of the hoarder.

Proudhon's polemic against Bastiat on the question of interest\(^c\) is characteristic both of the manner in which the vulgarian defends the categories of political economy and of the way in which superficial socialism (Proudhon's polemic hardly deserves the name) attacks them. We shall return to this in the section on the vulgarians.\(^{141}\) Here only a few preliminary remarks.

The return movement [of money] should not have shocked Proudhon as being something peculiar if he understood anything at all about the movement of capital. Neither should the surplus value contained in the returning amount. This is a characteristic


\(^b\) See this volume, pp. 531-40.—Ed.

feature of capitalist production. (For Proudhon however, as we shall see, the surplus is a surcharge. Altogether his criticism is that of a novice, he has not mastered the first elements of the science he intends to criticise. Thus, he has never understood that money is a necessary form of the commodity. (See Part One.*) Here he even confuses money and capital because loan capital appears as money capital in the form of money.) What might have struck him was not the surplus for which no equivalent was paid, since surplus value—and capitalist production is based on it—is value which has cost no equivalent. This is not a specific feature of interest-bearing capital. The specific feature—in so far as we are considering the form of the movement—is only the first phase, that is, precisely the opposite of what Proudhon has in mind, namely, that the lender hands over the money without receiving an equivalent for it de prime abord and that, therefore, the return of the capital with interest, as regards the transaction between borrower and lender, [is not related to] the metamorphoses which capital undergoes and which, in so far as they are mere metamorphoses of economic form, consist of a series of exchanges, conversion of commodities into money and conversion of money into commodities; in so far as they are real metamorphoses, that is, [elements of] the production process, they coincide with industrial consumption. Here consumption itself constitutes a phase of the movement of economic forms.

But what money in the hands of the lender does not do, it does in the hands of the borrower who really employs it as capital. It performs its real movement as capital in the hands of the borrower. It returns to him as money+profit, money+−money.

The movement between lender and borrower only expresses the source and the starting-point of capital. It is money when it passes from the hands of A into those of B. It becomes capital in B’s hands, and as such, after undergoing a certain revolution, it returns with profit. This interlude, the real process, which comprises both the circulation process and the production process, is not connected with the transaction between borrower and lender. It [the transaction] recommences only after the money has been realised as capital. The money now passes back into the hands of the lender along with a surplus, which, however, comprises only

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*b* At the outset.—*Ed.*
part of the surplus realised by the borrower. The equivalent which
the borrower receives is industrial profit, that is, the part of the
surplus which he retains and which he appropriates only by means
of the money borrowed. All this is not visible in the transaction
between him and the lender. This is limited to two acts. Transfer
from A’s hands into those of B. Interval during which the money
remains in B’s hands. After this interval the money along with
interest returns into A’s hands. If one examines merely this
form—the transaction between A and B—then one regards the
mere form of capital without the intervening stage: a certain
amount of money $a$ is handed over and after a certain period
returns as $a + \frac{1}{x}$ without the assistance of any intermediate link
apart from the period of time which elapses between the
departure of the sum of money $a$ and its return as $a + \frac{1}{x}$.

And it is in this abstract form, which, indeed, exists as an
independent movement alongside the real movement of capital,
opens it and closes it, that Mr. Proudhon considers the matter in
hand, so that everything inevitably remains incomprehensible to
him. If instead of buying and selling, lending in this form were to
be abolished, then, according to Proudhon, the surplus would
disappear. In fact only the division of the surplus between two sets
of capitalists would disappear. But this division can and must be
constantly generated anew whenever it is possible to convert
commodities or money into capital, and, on the basis of wage
labour, this is always possible. Should it be impossible for com-
modities and money to become capital and therefore be lent as
capital in posse, they must not confront wage labour. If they
are thus not to confront it as commodities and money and
consequently labour itself is not to become a commodity, then that
amounts [XV-936] to a return to pre-capitalist modes of produc-
tion in which it [labour] does not become a commodity, and for
the greater part still exists in the form of serf or slave labour. On
the basis of free labour, this is only possible where the workers are
the owners of their conditions of production. Free labour develops
within the framework of capitalist production as social labour. To say
that they are the owners of the conditions of production amounts to
saying that these belong to the united workers and that they produce
as such, and that their own output is controlled jointly by them. But
wanting to preserve wage labour and thus the basis of capital, as
Proudhon does, and at the same time to eliminate the “drawbacks”
by abolishing a secondary form of capital, reveals the novice.
Gratuité du crédit. Discussion entre M. Fr. Bastiat et M. Proudhon, Paris, 1850.¹⁴²

He regards lending as something evil because it is not a sale.

The lending of money at interest “is the ability of selling the same object over and over again, and receiving the price of it, over and over again, without ever giving up the ownership of what is sold” ([Gratuité du crédit, p.] 9, First Letter of Chevé, one of the editors of La Voix du Peuple).³

He is led astray by the fact that the “object” (money or a house, for example) does not change owners, as in purchase and sale. But he does not see that when money is handed over, no equivalent is received in return; that, on the contrary, in the real process, in the form and on the basis of exchange, not only an equivalent, but a surplus which is not paid for, is received; in so far as exchange of objects takes place, no change of values occurs, the same person remains the “owner” of the same value, and in so far as there is a surplus, there is no exchange. When the exchange of commodity and money begins again, the surplus is already absorbed in the commodity. Proudhon does not understand how profit, and therefore interest as well, originates from the law of exchange of values. Hence he argues that “house”, “money”, etc., should not be exchanged as “capital” but as “commodities ... at cost price” ([pp. 43-44]).

"Actually, the hatter who sells hats ... obtains the value of them, neither more nor less. But the capitalist who loans out his capital ... not merely gets his capital back in full; he gets back more than his capital, more than he brought to the exchange; over and above his capital, he gets an interest" ([p.] 69).³

Mr. Proudhon’s hatters do not appear to be capitalists but louts journeymen.

"It is impossible, with interest on capital being added in commerce to the worker’s wages to make up the price of the commodity, for the worker to be able to buy back what he himself has produced. Living by working is a principle which, under the rule of interest, is implicitly self-contradictory” ([p.] 105).³

In letter IX (pp. 144-52), the worthy Proudhon confuses money as means of circulation with money as capital, and on this basis concludes that the “capital” existing in France yields 160% (viz. 1,600 million in annual interest on the national debt, mortgages, etc., for a capital of 1,000 million ... “the sum of money ... circulating in France”).

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¹ Marx quotes in French. Below, in analysing Proudhon’s views, he uses quite a few French expressions.— Ed.

² Marx quotes partly in French and partly in German.— Ed.

³ Here and below, Marx quotes Proudhon in French.— Ed.
Further:

“As, by the accumulation of interest, capital-money, from exchange to exchange, always returns to its source, it follows that the re-lending, always done by the same hand, always profits the same person” ([p.] 154).

Because capital is lent out in the form of money, Proudhon believes that capital-money, that is, currency, possesses this specific attribute. Everything should be sold but nothing lent. In other words: In the same way as he wanted commodities to exist but did not want them to become “money”, so here he wants commodities, money, to exist but they must not develop into capital. When all phantastic forms have been stripped away, this means nothing more than that there should be no advance from small, petty-bourgeois peasant and artisan production to large-scale industry.

“Since value is only a proportion, and all products necessarily bear a certain proportion to one another, it follows that from the social point of view products are always values and realised values; for society, the distinction between capital and product does not exist. The distinction is completely subjective to the individuals” (I.e., [p.] 250).

What mischief is caused when such philosophical German terms as “subjective” fall into the hands of a Proudhon. The bourgeois social forms are “subjective” for him. And the subjective, and moreover erroneous, abstraction that, because the exchange value of commodities expresses a proportion, it expresses every possible proportion between commodities and does not express a third thing to which the commodities are proportional—this false “subjective” abstraction is the social point of view [XV-937] according to which not only commodity and money, but commodity, money and capital are identical. Thus, from this “social point of view”, all cats are indeed grey. Finally there is also the surplus in the form of morality:

“All labour must yield a surplus” ([p.] 200).

With which moral precept the surplus is naturally defined very nicely.

It might appear that in the trinity land—rent, capital—profit (interest), labour—wages, the last group is the most rational. At least it states the source from which wages flow. But it is on the contrary the most irrational of them all, and the basis for the other two, in the same way as wage labour in general presupposes land in the form of landed property and the product in the form of capital. Only when labour confronts its conditions in this form, is it
wage labour. As wage labour it is defined by the formula labour—wages. Since wages here appear to be the specific product of labour, its sole product (and they are indeed the sole product of labour for the wage worker), the other parts of value—rent and profit (interest)—appear to flow just as necessarily from other specific sources. And just as that part of the value of the product which resolves in wages [is conceived] as the specific product of labour, so those parts of value which are made up of rent and profit must be regarded as specific results of agencies for which they exist and to which they accrue, that is, as offspring of the earth and of capital, respectively.\(^{145}\)

Luther, who lived in the period of the dissolution of medieval civil society into the elements of modern society—a process which was accelerated by world trade and the discovery of new gold deposits—naturally knew capital only in its 2 antediluvian [forms] of interest-bearing capital and merchant capital. Whereas in its early phase capitalist production, having gained strength, seeks to subordinate interest-bearing capital to industrial capital by force—this was in fact done first of all in Holland, where capitalist production in the form of manufacture and large-scale trade first blossomed, and in England in the 17th century it was, partly in very naïve terms, declared to be the primary requisite of capitalist production—on the other hand, during the transition to capitalist production, the first step is the recognition that "usury", the old-fashioned form of interest-bearing capital, is a condition of production, a necessary production relation; in the same way as later on its justification is recognised by industrial capital, which regards it as flesh of its own flesh, as soon as industrial capital subordinates interest-bearing capital to itself (18th century, Bentham\(^a\)). Luther is superior to Proudhon. The difference between lending and buying does not confuse him, for he perceives that usury exists equally in both. The most striking feature of his polemic is that he makes his main point of attack the fact that interest is an innate element of capital.

I) Books Vom Kaufhandel und Wucher\(^b\) written in 1524. Part VI of Luther's Works, Wittenberg, 1589. (This was written on the eve of the Peasant War.)

Trade (merchant capital):

"There is now great outcry against the nobles or robbers amongst the merchants" //one can see why the merchants are for the princes and against the

\(^{a}\) J. Bentham, Defence of Usury, London, 1787.—Ed.

\(^{b}\) M. Luther, Von Kauffhandlung und Wucher.—Ed.
peasants and knights, "that they have to conduct their trade in great danger and that they are arrested, beaten, despoiled and robbed, etc., in consequence of trading. But if they suffered these things for the sake of righteousness, then, in truth, all merchants would be holy men. But since such great unrighteousness and un-Christian thieving and robbery is rife throughout the whole world because of the merchants, and often enough amongst themselves, why should we wonder if God wills it that such great wealth, gained by unrighteous means, is lost or stolen in its turn, and that because of it, the merchants are knocked on the head or arrested? And it is the duty of the princes to punish such unrighteous commerce with due force and to see to it that their subjects are not fleeced so shamefully by the merchants. But because they do not do this, God uses the knights and the robbers and punishes the wickedness of the merchants through them; they must be His devils. Just as He plagues with devils or destroys with enemies the Land of Egypt and the whole world. Thus He causes one scoundrel to be flogged by another, but He does not indicate thereby that knights are lesser robbers than merchants, since the merchants rob the whole world every day while a knight only robs one or two people once or twice a year" ([p.] 296).

"...Follow the words of Isaiah: Thy princes have become the companions of thieves. While they hang thieves who have stolen a guilder or half a guildor, they consort with those who rob the whole world and who steal more safely than any others; truly, the proverb—big thieves hang [XV-938] little thieves—still holds good, and, as Cato, the Roman senator, said: Little thieves are put into dungeons and in the stocks, but great thieves parade in gold and silk. But what will God have to say in the end? He will do as He said when He spoke through the mouth of Ezekiel: He will crush and melt prince and merchant, one thief and another, into one another like lead and brass, just as happens when a town is burned down, so that there will be princes and merchants no longer, and I fear that this is not so far off" ([p.] 296a).

**Usury. Interest-bearing capital:**

"I am told that nowadays 10 guilders, i.e. 30 [per cent], are charged annually in any Leipzig market; some add also the Neunburg market so that it comes to 40 [per cent]. I don't know whether it is even higher. Shame on you, where the devil will it end?... Whoever in Leipzig now has 100 florins, takes 40 in a year, this means that he has eaten up a peasant or a burgher in a year. If he has 1,000 florins, then he takes 400 in a year, that is, he eats up a squire or a rich gentleman in a year. If he has 10,000, he takes 4,000 in a year, that is, he eats up a rich count in a year. If he has 100,000, as must happen in the case of the great merchants, then he takes 40,000 in a year, that is, he eats up a great, rich prince in a year. If he has 1,000,000 then he takes 400,000 in a year, that is, he eats up some great king in a year. And he suffers not any danger in so doing, neither to his body nor to his treasure, labours not, sits by the fire and roasts apples; thus a chair thief may sit at home and eat up a whole world in 10 years" ([pp.] 312-13).

//II// Eym Sermon auf das Evangelion von dem reichen Mann und armen Lazaro etc., Wittenberg, 1555.

"We must not regard the rich man according to his outer bearing, for he wears sheep's clothing and his life shines and seems pretty and covers up the wolf most
perfectly. For the Gospel does not charge him that he committed adultery, murder, robbery, sacrilege or anything that the world or reason would censure. Indeed he is as honest in his life as that Pharisee who fasts twice a week and is not as other men."²//

Here Luther tells us how usurer's capital arises, [through] the ruination of the citizens (petty bourgeois and peasants), the knights, the nobility and the princes. On the one hand, the usurer comes into possession of the *surplus* labour and, *in addition, the conditions of labour* of bourgeois, peasants, members of craft guilds, in short, of the small commodity producers who need money in order, for example, to make payments before they convert their commodities into money, and who have to buy certain of their conditions of labour, etc. On the other hand, the usurer appropriates rent from the owners of rent, that is, from the prodigal, pleasure-seeking *richesse*. Usury is a powerful means for establishing the preconditions for industrial capital—a mighty agency for separating the conditions of production from the producers, in so far as it has the twofold result, firstly, of establishing independent fortunes in the form of money, secondly, of appropriating the conditions of labour to itself, that is, ruining the owners of the old conditions of labour, just like the merchant. And both have the common feature that they acquire an independent fortune, that is, they accumulate in their hands in the form of money claims part of the annual surplus labour, part of the conditions of labour and also part of the accumulated annual labour. The money actually in their hands constitutes only a small portion of both the annual and the annually accumulated wealth and circulating capital. That they acquire *fortunes* means that a significant portion of both the annual production and the annual *revenue* accrues to them, and this is payable not *in natura*, but in the converted form, in money. Consequently, in so far as money does not circulate actively as *currency*, is not in movement, it is accumulated in their hands. They also hold some of the reservoirs of circulating money and to an even larger extent they hold and accumulate titles to production, but in the form of money titles, titles to commodities converted into money. [XV-939] On the one hand, usury leads to the ruin of feudal wealth and property; on the other hand, it brings about the ruin of petty-bourgeois, small-peasant production, in short, of all forms in which the producer still appears as the owner of his means of production.

The worker in capitalist production *does not own* the conditions of production, [he owns] neither the land he cultivates nor the

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² Luke 18:11-12.—Ed.
tools with which he works. This alienation of the conditions of production corresponds here, however, to a real change in the mode of production itself. The tool becomes a machine, and the worker works in the workshop, etc. The mode of production no longer tolerates the dispersal of the instruments of production connected with small property, just as it does not tolerate the dispersal of the workers themselves. In capitalist production, usury can no longer separate the conditions of production from the workers, from the producers, because they have already been separated from them.

Usury centralises property, especially in the form of money, only where the means of production are scattered, that is, where the worker produces more or less independently as a small peasant, a member of a craft guild (small trader), etc. As peasant or artisan, whether the peasant is or is not a serf, or the artisan is or is not a member of a craft guild. The usurer here not only appropriates the part of the surplus labour belonging to the bondsman himself, or in the case of the free peasant, etc., the whole surplus labour, but he also appropriates the instruments of production, though the peasant, etc., remains their nominal owner and treats them as his property in the process of production. This kind of usury rests on this particular basis, on this mode of production, which it does not change, to which it attaches itself as a parasite and which it impoverishes. It sucks it dry, enervates it and compels reproduction to be undertaken under constantly more atrocious conditions. Thus the popular hatred of usury, especially under the conditions prevailing in antiquity, where this determination of production—in which the conditions of production are the property of the producer—was at the same time the basis of the political relationships, of the independence of the citoyen. This comes to an end as soon as the worker no longer possesses any conditions of production. And with it the power of the usurer likewise comes to an end. On the other hand, in so far as slavery predominates or the surplus labour is consumed by the feudal lord and his retainers and they fall prey to the usurer, the mode of production also remains the same, only it becomes more oppressive. The debt-ridden slave-holder or feudal lord squeezes more out because he himself is being squeezed dry. Or, finally, he makes way for the usurer, who becomes a landowner, etc., like the eques,\(^\text{a}\) etc., in Ancient Rome. In place of the old exploiter, whose exploitation was to some extent a means of political power, there appears a coarse.

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\(^\text{a}\) Knight.— Ed.
MONEY-HUNTING PARVENU. But the mode of production itself remains unchanged.

The usurer in all pre-capitalist modes of production has a revolutionary impact only in the political sense, in that he destroys and wrecks the forms of property whose constant reproduction in the same form constitutes the stable basis of the political structure. [Usury] has a centralising effect as well, but only on the basis of the old mode of production, thus leading to the disintegration of society—apart from the slaves, serfs, etc., and their new masters—into a mob. Usury can continue to exist for a long time in Asiatic forms [of society] without bringing about real disintegration, but merely giving rise to economic decay and political corruption. It is only in an epoch where the other conditions for capitalist production exist—free labour, a world market, dissolution of the old social connections, a certain level of the development of labour, development of science, etc.—that usury appears as one of the factors contributing to the establishment of the new mode of production; and at the same time causing the ruin of the feudal lords, the pillars of the anti-bourgeois elements, and the ruin of small-scale industry and agriculture, etc., in short, as a factor leading to the centralisation of the conditions of labour in the form of capital.

The fact that the usurers, merchants, etc., possess “fortunes” simply means that the wealth of the nation, in so far as it takes the form of commodities or money, is concentrated in their hands.

At the outset capitalist production has to fight against usury to the extent that the usurer himself does not become a producer. With the establishment of capitalist production the domination of the usurer over surplus labour, a domination which depends on the continued existence of the old mode of production, ceases. The industrial capitalist collects the surplus directly in the form of profit; he has also already seized part of the conditions of production and he appropriates part of the annual accumulation directly. From this moment, and especially as soon as industrial and commercial wealth develops, the usurer—that is, the lender at interest—is merely a person who is differentiated from the industrial capitalist in result of the division of labour, but is subordinated to industrial capital.

[XV-940] III) An die Pfarrherrn wider den Wucher zu predigen, etc. Wittenberg, 1540 (without pagination).

Trading (buying, selling) and lending. (Unlike Proudhon, Luther is not deceived by these differences of form!)
“Fifteen years ago I wrote against usury since it had already become so widespread that I could hope for no improvement. Since that time, it has exalted itself to such a degree that it no longer wishes to be a vice, sin or infamy but extols itself as downright virtue and honour as if it conferred a great favour on and did a Christian service to the people. What will help and counsel us now that infamy has become honour and vice virtue? Seneca says with good reason: Deest remedii locus, ubi, quae vita fuerunt, mores fiunt." Germany has become what it had to become, accursed avarice and usury have corrupted it completely....

“First concerning lending and borrowing: Where money is lent and more or better is demanded and taken in return, that is usury, anathemised in all laws. Therefore all those who take five, six or more on a hundred on money lent are usurers, and they know they are acting as such and are called the idolatrous servants of covetousness and of Mammon.... And one should say the same in respect of corn, barley and other goods, where more or better is demanded in return, that it is usury, goods stolen and extorted. For lending means my handing over my money, goods or chattels to somebody for as long as he needs them, or for as long as I can and wish to, and he returns the same things to me in his own good time, in as good a condition as that in which I lent him them.

“Thus they also make a usury out of buying and selling. But this is too much to deal with in one single bite. We must deal with one thing now, with usury as regards loans; when we have put a stop to this (as on the Day of Judgment), then we will surely read the lesson with regard to usurious trade.

“Thus Squire Usurer says: Friend, as things are at present, I do my neighbour a great service in that I lend him a hundred at five, six, ten. And he thanks me for such a loan as a very special favour. He does, in truth, entreat me for it and pledges himself freely and willingly to give me five, six, ten guilders in a hundred. Should I not be able without extortion to take this interest with a good conscience?...

“Extol thyself, put on finery and adorn thyself ... but whoever takes more or better than he gives, that is usury, and is not service, but wrong done to his neighbour, as when one steals and robs. All is not service and benefit to a neighbour that is called service and benefit. For an adulteress and adulterer do one another great service and pleasure. A horseman does an incendiary a great service, by helping him to rob on the highway, and attack the people and the land. The papists do ours a great service, in that they don't drown, burn, murder all of them, or let them all rot in prison; but let some live, and only drive them out, or take from them what they have. The devil himself does his servants a great, inestimable service.... To sum up, the world is full of great, excellent, and daily service and benefit.... The poets write about the Cyclops Polyphemus, who said he would do Ulysses an act of friendship, namely, that he would eat his companions first and then Ulysses last. In sooth, this would have been a service and a fine favour. Such services and good deeds are performed nowadays most diligently by the high-born and the low-born, by peasants and burgesses, who buy goods up, pile up stocks, bring dear times, [XV-941] increase the price of corn, barley and of everything people need; they then wipe their mouths and say: Yes—one must have what one must have; I let my things out to help people although I might—and could—keep them for myself; and God is thus fooled and deceived.... The sons of men have become very holy.... So that now nobody can profit, be covetous or wicked; the

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a There is no remedy where that which was regarded as unvirtuous becomes the habit.—Ed
b Homer, Odyssey, IX, 369-370.—Ed
world has really become holy, *everyone serves his fellows*, nobody harms anybody else...

"But if this is the kind of service he does, then he does it for Satan himself; although a poor needy man requires such service and must accept it as a service or favour that he is not eaten up completely...

"He does and must do thee such a favour" //pay interest to the usurer// "if he wants to get money."

//One can see from the above that usury increased greatly in Luther's time and was already justified as a "service" (Say, Bastiat\(^a\)). Even the formulation of competition or harmony existed: "Everyone serves his fellows."

In the world of *antiquity*, during the better period, usury was forbidden (i.e. interest was not allowed). Later it was lawful, and very prevalent. Theoretically the view always [predominated] that interest is actually wicked (as was stated by *Aristotle*\(^b\)).

In the *Christian Middle Ages*, it was a "sin" and prohibited by "the canon".

*Modern times. Luther.* The Catholic-pagan view still prevailed. [Usury] became very widespread (as a result partly of the monetary needs of the government, [partly] of the development of trade and manufacture, and the necessity to convert the products into money). But its civic justification is already asserted.

*Holland.* The first apologia for usury. It is also here that it is first modernised and subordinated to industrial or commercial capital.

*England.* 17th century. The polemics are no longer directed against usury as such, but against the amount of interest, and the fact that it dominates credit. The desire to establish the form of credit. Regulations are imposed.

*18th century. Bentham.*\(^c\) Unrestricted usury is recognised as an element of capitalist production.//

Interest as compensation for loss\(^d\):

"Well then, speaking in worldly and juridical fashion (we shall have to wait until later to speak about it theologically), you, Baltzer, are due to give me the hundred guilders along with all the losses and charges which have been added." //By charges, he means legal charges, etc., which the lender has incurred because he himself could not pay his debts.// "...It is therefore right and proper and likewise according to reason and natural law that you make restitution to me of

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\(^a\) See p. XXI—1326 of the manuscript (present edition, Vol. 34).—*Ed.*


\(^c\) J. Bentham, *Defence of Usury.*—*Ed.*

\(^d\) Below, Marx quotes from Luther's *An die Pfarrherrn*...—*Ed.*
everything—both the capital sum and the loss... In legal books, the Latin word for this indemnification is interesse...\textsuperscript{a}

"Something else can happen in the way of loss. If you, Baltzer, do not give me back my hundred guilders by Michaelmas and I have to make a purchase, say to buy a garden, a plot of land or a house, or anything from which I and my children could derive great use or sustenance, then I must forego it and you do me damage and are a hindrance to me so that I can never get such a bargain again because of your delay and inactivity, etc. But since I lent you the hundred guilders, you have caused me to suffer twofold damage because I cannot pay on the one hand and cannot buy on the other and thus must suffer loss on both sides. This is called duplex interesse, damni emergentis et lucri cessantis...\textsuperscript{b}

"Having heard that Hans has suffered loss on the hundred guilders which he lent and demands just recompense for this loss, they rush in and charge such double compensation on every 100 guilders, namely, for expenses incurred and for the inability to buy the garden, just as though every hundred guilders could grow double interest naturally, so that whenever they have a hundred guilders, they loan them out and charge for two such losses which however they have not incurred at all...

"Therefore thou art a usurer, who makes good thine own imagined losses with your neighbour’s money, losses which no one has caused thee and which thou canst neither prove nor calculate. The lawyers call such losses non verum, sed phantasticum interesse.\textsuperscript{c} A loss which each man dreams up for himself...

"It will not do [XV-942] to say I might incur a loss because I might not have been able to pay or buy. That would mean ex contingente necessarium,\textsuperscript{d} making something that must be out of something which is not, to turn a thing which is uncertain into a thing which is absolutely sure. Would such usury not eat up the world in a few years?...

"If the lender accidentally incurs a loss through no fault of his own, he must be recompensed, but it is different in such deals and just the reverse. There he seeks and invents losses to the detriment of his needy neighbours; thus he wants to maintain himself and get rich, to be lazy and idle and to live in luxury and splendour on other people’s labour and worry, danger and loss. So that I sit behind the stove and let my hundred guilders gather wealth for me throughout the land, and, because they are only loaned, I keep them safely in my purse without any risk or worry; my friend, who would not like that?

"And what has been said about money which is loaned applies also to corn, wine and such like goods which are lent, for they also may occasion such double damage. But such double damage is not something naturally accruing to the goods, but may arise by accident only and cannot therefore be reckoned as damage unless it has actually occurred and been proved, etc....

"Usury there must be, but woe to the usurers....

"All wise, reasonable heathen have also inveighed against usury as something exceedingly evil. Thus Aristotle, in his Politics, says that usury is against nature and for this reason: it always takes more than it gives.\textsuperscript{e} Thereby it abolishes the means and measure of all virtue, which we call like for like, aequalitas arithmetica\textsuperscript{f} etc....

\textsuperscript{a} Literally: to be between, to make difference (in the property status of a person before he suffered a loss and after it).—\textit{Ed.}

\textsuperscript{b} Twofold compensation, for the loss incurred and for the gain missed.—\textit{Ed.}

\textsuperscript{c} Not real but imagined losses.—\textit{Ed.}

\textsuperscript{d} Making a necessity out of accident.—\textit{Ed.}

\textsuperscript{e} Cf. this volume, p. 537.—\textit{Ed.}

\textsuperscript{f} Arithmetical equality.—\textit{Ed.}
"But taking from other people, stealing or robbing, is called a shameful way of maintaining oneself, and those who do so are called, by your leave, thieves and robbers, whom we are accustomed to hang on the gallows; a usurer however is a nice thief and robber and sits on a chair, therefore we call him a chair thief....

"The heathen were able, by the light of reason, to conclude that a usurer is a double-dyed thief and murderer. We Christians, however, hold them in such honour, that we fairly worship them for the sake of their money.... Whoever eats up, robs, and steals the nourishment of another, that man commits as great a murder (so far as in him lies) as he who starves a man or utterly undoes him. Such does a usurer, and sits the while safe on his chair, when he ought rather to be hanging on the gallows, and be eaten by as many ravens as he has stolen guilders, if only there were so much flesh on him, that so many ravens could stick their beaks in and share it....

"But the dealers and usurers will cry out that what is written under hand and seal must be honoured. To this the jurists have given a prompt and sufficient answer. In malis promissis. Thus the theologians say that some people give the devil something under hand and seal signifies nothing, even if it is written and sealed in blood. For what is against God, Right and Nature is null and void. Therefore let a Prince who can do so, take action, tear up bond and seal, take no notice of it, etc....

"Therefore is there, on this earth, no greater enemy of man (after the devil) than a gripe-money, and usurer, for he wants to be God over all men. Turks, soldiers, and tyrants are also bad men, yet must they let the people live, and confess that they are bad, and enemies, and do, nay, must, now and then show pity to some. But a usurer and money-gulutton, such a one would have the whole world perish of hunger and thirst, misery and want, so far as in him lies, so that he may have all to himself, and every one may receive from him as from a God and [XV-943] be his serf for ever. This is what gladdens his heart, refreshes his blood. And, at the same time, he can wear sable cloaks, golden chains, rings, gowns, wipe his mouth, be deemed and taken for a worthy, pious man, who is more merciful than God Himself, more loving than the Mother of God, and all the holy Saints....

"And they write of the great deeds of Heracles, how he overcame so many monsters and frightful horrors in order to save his country and his people. For usury is a great huge monster, like a werewolf, who lays waste all, more than any Cacus, Geryon or Antaeus, etc. And yet decks himself out, and would be thought pious, so that people may not see where the oxen have gone (that he drags backwards into his den)."

//An excellent picture, it fits the capitalist in general, who pretends that what he has taken from others and brought into his den, emanates from him, and by causing it to go backwards he gives it the semblance of having come from his den.//

"But Heracles shall hear the cry of the oxen and of the prisoners and shall seek Cacus even in cliffs and among rocks, and shall set the oxen loose again from the villain. For Cacus means the villain that is a pious usurer, and steals, robs, eats everything. And will not own that he has done it, and thinks no one will find him out, because the oxen, drawn backwards into his den, make it seem, from their foot-prints, that they have been let out. So the usurer would deceive the world, as though he were of use and gave the world oxen, which he, however, rends, and eats all alone...."

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a In evil promises.—Ed.
b Here and below see Virgil, Aeneid, VIII, 185 et seq.—Ed.
"Therefore, a usurer and miser is, indeed, not truly a human being, sins not in
a human way and must be looked upon as a werewolf, more than all the tyrants,
murderers and robbers, nearly as evil as the devil himself, but one who sits in
peace and safety, not like an enemy, but like a friend and citizen, yet robs and
murs more horribly than any enemy or incendiary. And since we break on the
wheel, and behead highwaymen, murderers and house-breakers, how much more
ought we to break on the wheel and kill all usurers, and hunt down, curse and
behead all misers...."

A highly picturesque and striking description of both the
character of old-fashioned usury, on the one hand, and of capital
in general, on the other, with the "interesse phantasticum", the
"indemnification which naturally accrues" to money and com-
modities, the general phrases about usefulness, the "pious" air of
the usurer who is not "as other men", the appearance of giving
when one is taking, and of letting out when one is pulling in, etc.

* "The great premium attached to the possession of Gold and Silver, by the
power it gives of selecting advantageous moments of purchasing, gradually gave
rise to the trade of the Banker.... [The banker] differs from the old Usurer ... that
he lends to the rich and seldom or never to the poor. Hence he lends with less risk,
and can afford to dot it on cheaper terms, and for both reasons, he avoids the
popular odium which attended the Usurer" * (F. W. Newman, Lectures on Political

The involuntary alienation of feudal landed property develops
with usury and money.

"The introduction of money which buys all things, and hence the favour
for the creditor who loans money to the landowner, brings in the necessity of
legal alienation for the advance" (John Dalrymple, An Essay towards a General

[XV-944] "According to Thomas Culpeper (1641), Josiah Child (1670) and
Paterson (1694), wealth depends upon the reduction, even if a forced one, of the
interest rate of gold and silver. Abided by in England for almost 2 centuries"

When Hume—in opposition to Locke—declared that the rate of
interest is regulated by the rate of profit, he had a much higher
development of capital in mind. This was even more true of
Bentham when he wrote his defence of usury towards the end of
the 18th century. A reduction in the rate of interest [was imposed]
by law from the time of Henry VIII to that of Queen Anne.

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a Imagined loss.—Ed.
b Marx gives a free rendering of Ganilh's text (in German). See also this volume,
p. 463.—Ed.
c See pp. XX—1293a-1294a and XXII—1397 of the manuscript (present edition,
Vol. 34).—Ed.
d J. Bentham, Defence of Usury.—Ed.
"In the Middle Ages, no country had a general rate of interest. First, the strictness of the clergy. Insecurity of the legal provisions for protecting loans. The interest rate was so much the higher in individual cases. The limited circulation of money, the need to make most payments in cash, for the bill business was not yet developed. Therefore wide divergences in interest rates and in the concept of usury. In Charlemagne's time, it was considered usurious to charge 100%. In Lindau on Lake Constance, in 1348, a local burghers took 216\%\%\%\%. In Zurich, the City Council fixed the legal interest rate at 43\%. In Italy, 40% had sometimes to be paid, although the usual rate from the 12th to the 14th century did not exceed 20%. Verona decreed that 12\%\%\%\% should be the legal rate. Frederick II fixed the rate at 10%, but only for Jews. He did not wish to speak for Christians. In Rhenish Germany, 10% was the usual rate as early as the 13th century" (Hüllmann, Geschichte des Städtewesens etc., Part II, [Bonn, 1827, pp. 55-57]).

The enormous rates of interest in the Middle Ages (in so far as they were not paid by the feudal aristocracy, etc.) were based in the towns, in very large measure, on the gigantic profits upon alienation which the merchants and urban craftsmen made out of country people, whom they cheated.

In Rome, as in the entire ancient world—apart from merchant cities, like Athens and others, which were particularly developed industrially and commercially—[high interest was] a means used by the big landowners not only for expropriating the small proprietors, the plebeians, but for appropriating their persons.

"Usury was initially free in Rome. The law of the Twelve Tables\,\textsuperscript{146} (303 A.U.C.\,\textsuperscript{d}) fixed interest on money at 1% per annum (Niebuhr says 10\%\,\textsuperscript{c}). These laws were promptly violated. Duilius (398 A.U.C.) once again reduced the interest on money to 1%, uncia\,\textit{arium foenus}\,\textsuperscript{f} Reduced to \(1/2\%\) in 408; in 413, lending at interest was absolutely forbidden by a referendum\,\textsuperscript{h} held by the tribune Genucius. It is not surprising that in a republic in which industry and wholesale and retail trade were forbidden to citizens, \textit{trading in money was likewise forbidden}" (Dureau de la Malle, l.c., [\textit{Économie politique des Romains,}] Vol. II, [Paris, 1840, pp.] 259-61). "This state of affairs lasted for 300 years, till the capture of Carthage. Then [the maximum chargeable] 12%; the usual rate 6% per annum (l.c., p. 261). Justinian fixed the interest rate at 4%. In Trajan's time, the usura\,\textit{quincunx}\,\textsuperscript{g} was the legal interest of 5%. In Egypt in 146 B.C., the commercial rate of interest was 12%" ([pp. 262-63]),\,\textsuperscript{b} 147

\textsuperscript{a} Hüllmann has "1344".\,—\textit{Ed.}
\textsuperscript{b} Hüllmann has "45\%\%\%\%.\,—\textit{Ed.}
\textsuperscript{c} The quotation is slightly abridged and modified.\,—\textit{Ed.}
\textsuperscript{d} A.U.C.—\textit{anno urbis conditae}—in the year of the founding of the city (Rome),753 B.C.\,—\textit{Ed.}
\textsuperscript{e} B. Niebuhr, \textit{Römische Geschichte}, Part 3, Berlin, 1832, pp. 66-67.\,—\textit{Ed.}
\textsuperscript{f} An increase of one ounce.\,—\textit{Ed.}
\textsuperscript{g} An interest of 5 ounces.\,—\textit{Ed.}
\textsuperscript{h} Marx quotes partly in French, partly in German, and slightly abridges the quotation.\,—\textit{Ed.}
naively (describes) rent of land as the original form of surplus value, and profit as derived from this.

He writes:

*“When the ... producers were both agriculturists and manufacturers, the landowner received, as rent of land, a value of £10. Suppose this rent to have been paid 1/2 in raw produce, and the other 1/2 in manufactures;—on the division of the producers into the two classes of agriculturists and manufacturers* this could be continued. *In practice, however, it would be found more convenient for the cultivators of the land, to pay the rent, and to charge it on their produce, when exchanging it against the produce of the labour of the manufacturers; so as to divide the payment into two equitable proportions between the two classes, and to leave wages and profits equal in each department”* (Th. Hopkins, [Economical] Enquiries relative to the Laws which Regulate Rent, Profit, etc., London, 1822, [p.] 26).

Decrease in the Rate of Profit.

Calculated on the total capital the [rate of] profit of the larger capital, which employs more constant capital (machinery, raw material) and relatively less living labour, will be lower than that of the smaller [amount of] profit yielded by the smaller capital employing more living labour in proportion to the total capital. The [relative] decrease in variable capital and the relative increase in constant capital, although both parts are growing, is only another expression for the increased productivity of labour.

*“The landed and trading interests are eternally jarring and jealous of each other’s advantages” ([N. Forster,] An Enquiry into the Causes of the Present [High] Price of Provisions etc., London, 1767, [p.] 22, note).

“...whether it were not wrong to suppose land itself to be Wealth? And whether the industry of the people is not first to be considered, as that which
constitutes Wealth, which makes even Land and silver to be Wealth, neither of which would have any value, but as means and motives to Industry?” (The Querist. By Dr. George Berkeley, London, 1750, Query 38).

“A diminishing surface suffices to supply man with food as population multiplies” (The Natural and Artificial Right of Property Contrasted etc. By Hodgskin, anonymously. London, 1832, [p.] 69).

(Similar ideas were expressed by Anderson even earlier).a

*“At present, all the wealth of society goes first into the possession of the capitalist, and even most of the land has been purchased by him; he pays the landowner his rent, the labourer his wages, the tax and the tithe gatherer their claims, and keeps a large, indeed the largest and a continually increasing share of the annual produce of labour for himself. The capitalist may now be said to be the first owner of all the wealth of the community; though no law has conferred on him the right to this property”* (l.c., [p.] 98).

*“This change has been effected by the taking of interest on capital, and by the process of compound interest; and it is not a little curious, that all the lawgivers of Europe endeavoured to prevent this by statutes, viz., statutes against usury”* (l.c., [p.] 98, note).

*“The power of the capitalist over all the wealth of the country, is a complete change in the right of property, and by what law, or series of laws, was it effected?”* (l.c., [p.] 99).

[XV-862a]151 Because surplus value and surplus labour are identical, a qualitative limit is set to the accumulation of capital, the total working day (the period in the 24 hours during which labour capacity can be active), the given stage of development of the productive forces and the population, which limits the number of working days that can be utilised simultaneously. If, on the contrary, surplus profit is understood in the abstract form of interest, that is, as the proportion in which capital increases by means of a mystical sleight of hand, then the limit is purely quantitative and there is absolutely no reason why capital cannot add to itself interest as capital every morning, thus creating interest on interest in infinite progression.

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NOTES
AND
INDEXES
The Theories of Surplus Value on which Marx began work in March 1862 constitutes the fifth and final section of the first chapter of his study of capital, "The Production Process of Capital". His original intention was to examine absolute and relative surplus value in their combination. The Theories of Surplus Value was to form an historical survey pursuant to the chapter on surplus value, similar to that introducing the chapters on commodity and on money in *A Contribution to the Critique of Political Economy*.

However, substantial changes occurred in the character of the Theories of Surplus Value during the course of Marx's work on the manuscript. It considerably exceeded the scope of the tasks set by the author, both in terms of volume (approx. 100 printed sheets) and content. The manuscript not only examined the views of bourgeois economists but also elaborated a number of important theoretical propositions of Marx's economic doctrine.

The Theories of Surplus Value were first published in English in 1951 in an abridged form as: K. Marx, *Theories of Surplus Value*. A selection from the volumes published between 1905 and 1910 as *Theorien über den Mehrwert*, edited by K. Kautsky, taken from 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.


The present volume contains the concluding part of Marx's Theories of Surplus Value. Volume 30 is given over to the first five notebooks of the Economic Manuscripts of 1861-63 and the beginning of the Theories of Surplus Value (notebook VI and part of notebook VII), whilst Volume 31 contains the continuation of the Theories of Surplus Value (the remainder of notebook VII, notebooks VIII to XI and part of notebook XII).—7

At the side of this line in the manuscript there is written in pencil, without any indication as to where it should be inserted: "(circulating and fixed capital, p. 643) in Ricardo".—7
5 The two final points were subsequently crossed out in pencil and instead of them Marx inserted the point "Theory of Cost Price".—7

4 The actual location of the materials in notebooks XIV and XV does not always accord with that given by Marx in the table of contents. Notebook XIV, for example, contains only the beginning of the section on the adversaries of the economists. The continuation of this section is to be found in the first half of notebook XV.

The section on Bray is located in notebook X of the manuscript (see present edition, Vol. 31, pp. 245-50). This section was not completed.

The sections on Ramsay, Cherbuliez and Richard Jones are to be found on pp. XVIII—1086-1157 (present edition, Vol. 33). Marx did not follow up his original intention to complete the fifth section in notebook XIV.

The survey of revenue and its sources is located in the second half of notebook XV (this volume, pp. 449-541).

The section on Ravenstone begins on p. XIV—861 (this volume, p. 392). This section is preceded by that numbered 1) and devoted to the anonymous pamphlet *The Source and Remedy of the National Difficulties*.

The end of the section on Hodgskin is contained on pp. XVIII—1084-1086 (see present edition, Vol. 33).

Marx did not write any section specifically devoted to vulgar political economy. He dealt with this subject in the section entitled "Revenue and Its Sources".—8

5 This excerpt enclosed in brackets is a supplement to the Marxian analysis of Ricardo's theory of cost price and, in terms of content, belongs to p. XI—549 of the manuscript (see present edition, Vol. 31, p. 439).—9

6 The term "*cost price*" (*Kostpreis, Kostenpreis*) was used by Marx in three different senses: 1) in the sense of the costs of production for the capitalist (c + v), 2) in the sense of the "immanent costs of production" of a commodity (c + v + s) which coincide with the value of the commodity, and 3) in the sense of the price of production (c + v + average profit). Here the term is used in the third sense.

In notebooks X-XIII of the manuscript Marx used the term "cost price" to mean the price of production, or the average price. He thus treats the two terms as identical (see present edition, Vol. 31, pp. 402-03, 559).

In notebooks XIV-XV of the manuscript this term is used now in the sense of the price of production, and now in that of the costs of production for the capitalist (see this volume, pp. 261, 271, 462).

The use of the term "Kostenpreis" in three different senses is due to the fact that "Kosten" has three different meanings in political economy, as specifically pointed out by Marx (see this volume, pp. 269-73, 513): 1) in the sense of what is advanced by the capitalist, 2) in the sense of the price of the capital advanced plus average profit, 3) in the sense of the actual (or immanent) production costs of the commodity itself.

Apart from these three meanings which we encounter in the classics of bourgeois political economy, there exists a fourth, vulgar meaning of the term "costs of production" as something paid for the "productive services" performed by labour, capital or land (J. B. Say, *Traité d'économie politique*. Seconde édition, Tome II, Paris, 1814, p. 453). Marx resolutely rejects this vulgar interpretation of "costs of production" (see, for example, present edition, Vol. 31, pp. 361, 439 and this volume, p. 102).—9, 102, 210

This definition of monopoly price is given by Ricardo in Chapter XVII of *On the Principles of Political Economy, and Taxation*, third edition, London, 1821, pp. 289-90. A similar definition of monopoly price given by Adam Smith is quoted by Marx on p. XII—623 of the manuscript (present edition, Vol. 31, p. 558).—22

In the original: "More exactly, £16 121/2s. disregarding a few fractions not even=2d."

The total profit equals £64\(^{211016}_{346731}\), and the average profit on capital £16\(^{52754}_{346731}\), or £16.1521. 16\(^{1/7}\)=16.1429.—27

Marx is referring to sections IV and V of the first chapter of Ricardo’s book *On the Principles of Political Economy, and Taxation* in which the author analyses the impact of a rise or fall of wages on the “relative value” of commodities produced by capitals of different organic composition. In his manuscript Marx gave a detailed critique of these two sections (see present edition, Vol. 31, pp. 400-25).—27

Here Marx illustrates by way of an example one of the ways in which the organic composition of agricultural capital can come closer to that of industrial capital. As the starting point he takes

60c+40v—for agricultural capital,

80c+20v—for non-agricultural capital.

Marx assumes that, with increased productivity of agricultural labour, the number of workers employed in this sector falls by a quarter. There is a corresponding change in the organic composition of agricultural capital: the same product as previously called for the expenditure of 100 units of capital (60c+40v) now only calls for 90 units of capital (60c+30v) which, in percentage terms, represents 66\(^{2/3}\)c+33\(^{1/3}\)v. The organic composition of capital in agriculture has thus drawn closer to the organic composition of capital in industry.

Marx further assumes that the fall in the number of agricultural workers is accompanied by a fall in wages by one quarter as a result of the decline in the price of corn. In this case, it must be assumed that wages in industry will fall by the same proportion. However, since agricultural capital has a lower composition, a fall in wages will be reflected to a greater extent here than in the case of non-agricultural capital. This would lead to a further reduction of the difference in the composition of capital in agriculture and that in industry.

Given a fall in wages of one quarter, agricultural capital of 66\(^{2/3}\)c+33\(^{1/3}\)v will be transformed into capital of 66\(^{2/3}\)c+25v or, in percentage terms, 72\(^{8/11}\)c+27\(^{5/11}\)v.

Given a fall in wages of one quarter, non-agricultural capital composed of 80c+20v will be transformed into capital composed of 80c+15v or, in percentage terms, 84\(^{4/19}\)c+15\(^{15/19}\)v.

In the case of further reduction in the number of agricultural workers and further falls in wages, the organic composition of agricultural capital would grow increasingly close to the organic composition of non-agricultural capital.

In examining this hypothetical case, and in order to illustrate the influence a rise in the productivity of agricultural labour has on the organic composition
of agricultural capital, Marx refrains from considering the effect of a simultaneous, and frequently more rapid, increase in the productivity of industrial labour, which would be expressed in a further rise of the organic composition of industrial capital as compared with agricultural. On the correlation between the organic composition of capital in industry and in agriculture, see present edition, Vol. 31, pp. 254-56, 325-26, 334-35, 337, 341-43, 464-65.—29

12 When numbering the pages, Marx left out "649".—31

13 Marx has 1836. It is still not known whether an 1836 edition actually existed. The quotation has been checked with the 1835 edition. Cf. this volume, p. 371.—35, 371, 388

14 Marx is referring to the book: D. Ricardo, Des principes de l'économie politique et de l'impôt. Traduit de l'anglais par F. S. Constancio, avec des notes explicatives et critiques par J. B. Say. Seconde édition, Tome II, Paris, 1835, pp. 206-07. Marx is not quite correct here. In his notes on Ricardo's text Say "gloats" over the fact that Ricardo uses supply and demand to determine the value of money and not the "value of labour". Marx quotes the relevant passage from Say's notes in The Poverty of Philosophy (see present edition, Vol. 6, p. 151).—36, 285

15 The reference is to the pamphlet by James Deacon Hume Thoughts on the Corn-Laws..., London, 1815. Commenting on Adam Smith's proposition "that the price of labour is governed by the price of corn", Hume writes: "Dr. Smith in speaking of corn must be understood to be speaking of food, because the value of all agricultural produce ... has a natural tendency to equalize itself" (p. 59).—38

16 Fluxion—a term in an early system of differential and integral calculus worked out by Isaac Newton. Newton gave the name fluents (from the Latin fluens—flowing) to denote magnitudes of a system which (the magnitudes) change simultaneously and incessantly depending on time, and fluxions (from the Latin fluxio—flow) to the speed at which the fluents change. Thus fluxions are time derivatives of fluents.—43

17 Marx is referring to the value newly created by twenty workers: each hour of work by these twenty labourers creates a value of £2, and a working day of 14 hours creates a value of £28.—47

18 The value of the total product is made up of the value transferred to the product (c) and the newly created value (v + s). Since Marx ignores fixed capital in this case, the value transferred amounts to that of the raw materials. In the example given, the value of the raw materials is £93 1/3 (the amount of cotton turned into yarn in one hour equals 133 1/3 pounds, and in 14 hours 1,866 2/3 pounds; each pound of cotton costs one shilling). Together with the newly created value (£28) this makes £121 1/3.—47

19 Here and on pp. XIII—690 and XIV—774 of his manuscript (this volume, pp. 97, 247) Marx points out the place in Ricardo's Principles... where the word "producer" is used in the sense of "labourer". Elsewhere in the book Ricardo uses the word "producer" in the sense of "industrial capitalist" (see, for example, the quotations from Ricardo given on pp. 57, 62 and 176 of this volume).—55, 97, 247

20 See Thomas de Quincey, The Logic of Political Economy, Edinburgh, London, 1844, p. 158: "Now, then, is rent a disturbance of value simply in the sense of
being a modification, (as here explained,) or does it suspend and defeat the
law? Ricardo has not pushed the question to that formal issue; but, generally,
he has endeavoured to bring the question of rent into immediate relation with
value, by putting the question upon it in this shape—"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?" Whether, in short, the proportions between
the two labours producing A and B will continue, in spite of rent, to determine
the prices of A and B; or whether this law will be limited by the law of rent; or
whether, in any case, this law will be actually set aside by rent?"—59, 92

21 Marx is referring here to such critics of Ricardo as Say who reproached
Ricardo that he "sometimes reasons on abstract principles to which he gives too
general validity" and thus allegedly arrives at conclusions which do not accord
with reality (J. B. Say, Traité d'économie politique., 5 éd., Paris, 1826,
p. LXXXI).—72

22 Marx has "13 1/2 tons", which is the amount of the rent calculated for
the individual value of a ton. However, since previous calculations were based on
the market value of a ton, an appropriate correction has been made here.—81

23 The figure 51 11/59 tons results from the following calculation: if 16 2/3 workers
in III) of Table E) produce 62 1/2 tons, then, provided labour productivity
remains the same, 13 79/117 workers will produce \( \frac{13 \frac{79}{117} \times 62 \frac{1}{2}}{16 \frac{1}{2}} \) = 51 11/59 tons. (See
table on pp. 84-85).—89

24 Marx is referring to the book: W. Blake. Observations on the Effects Produced by
the Expenditure of Government during the Restriction of Cash Payments, London,
1823. Excerpts from this book on the question dealt with in the text are to be
found together with Marx's remarks in the Outlines of the Critique of Political
Economy (see present edition, Vol. 29, pp. 168-70).—94

25 The reference is to the world exhibition, opened in London on May 1, 1862,
displaying the latest achievements of science, agricultural and industrial products
and works of art.

The source of this quotation is unknown.—94, 199

26 In Volume Three of Capital (Chapter XXII) Marx shows that it is possible for
the rate of profit and the rate of interest to move in opposite directions at various
phases in the capitalist cycle (see present edition, Vol. 37).—102

27 Here Marx returns to the question as to what is the influence on the average rate
of profit, and thus on cost prices, of profits obtained from colonial and foreign
trade in general which exceed those in the metropolis. Marx shows that Smith's
views on this question accorded more closely with the truth than those of Ricardo
(see this volume, pp. 11-12, 70-72). Cf. also Capital, Volume Three, Chapter XIV
(present edition, Vol. 37).—103

28 This example is based on the supposition that, given higher labour
productivity, 20 quarters of wheat expended as seed will yield a harvest 50 per
cent greater than before. If the previous harvest, for example, amounted to
100 quarters, it will now amount to 150 quarters given the expenditure of
the same amount of labour, but these 150 quarters will cost the same as 100
quarters did previously, i.e. £300. Whilst the seed previously constituted 20 per
cent of the harvest (in terms of volume and value alike), it now represents just
13 1/3 per cent.—107
29 The words "See MacCulloch" in brackets were later inserted by Marx in pencil. Marx first expressed the idea of using the sinking fund as a means of accumulation in his letter to Engels of August 20, 1862 (see present edition, Vol. 41, pp. 411-12). Marx returned to this problem when he was already working on Book II of Capital. He dealt with it in the letter to Engels of August 24, 1867, referring to letters dating back to 1862. He stated that he had found some clues in MacCulloch (see present edition, Vol. 42, p. 408). What he meant was J. R. MacCulloch, The Principles of Political Economy..., Edinburgh, London, 1825, pp. 181-82. Marx returns to this subject on pages XIV—777 and 781 of his manuscript (see this volume, pp. 251-52, 257).—112

30 Working on his manuscript of 1861-63 devoted to the study of capital, Marx based himself on the plan he had drawn up when preparing to compile the manuscript of 1857-58. He had intended to include in the book on capital special sections devoted to competition and credit (see Marx's letter to Engels of April 2, 1858, present edition, Vol. 40, p. 298).

When subsequently preparing the manuscript of Volume Three of Capital, Marx considered it expedient to deal here with a number of questions related to competition and credit (see present edition, Vol. 37).—116, 162, 444, 460

31 Marx is referring to James Mill's idea that there will always and necessarily be an equilibrium between production and consumption, supply and demand, the sum of purchases and the sum of sales. See J. Mill, Elements of Political Economy, London, 1821, pp. 186-95. Marx deals in greater detail with this view of Mill's (which he first expressed in the pamphlet Commerce Defended..., London, 1808) in A Contribution to the Critique of Political Economy, Part One (see present edition, Vol. 29, p. 333).—125, 134

32 The continental blockade announced by Napoleon I in November 1806 prohibited the continental European countries from trading with England, greatly hindering the import of some commodities, including sugar and coffee, to Europe. Following Napoleon's defeat in Russia in 1812, the continental blockade was virtually ignored, and in 1814 it was removed altogether.—128

33 The passage from p. XIII—718 of the manuscript has been placed here in accordance with its substance.—135

34 On p. X—426 of the manuscript Marx specifies this as follows: "sold under its price, i.e., for less than the sum of money which represents its [the commodity's] value" (see present edition, Vol. 31, p. 215).—135

35 Marx is referring to that part of his study which subsequently grew to become Volume Three of Capital. Cf. also present edition, Vol. 31, pp. 282 and 397.—143

36 The pages have been rearranged according to Marx's direct instructions. Pages 770a, 771a and 861a of the manuscript are the outside back cover of notebook XIII, the inside front cover and inside back cover of notebook XIV respectively.—144

37 This page of the manuscript is damaged, and for this reason it was impossible to decipher the word "crisis" with certainty.—145

38 This page of the manuscript, which is the inside front cover of notebook XIV, carries the table of contents of the notebook (see this volume, pp. 7-8) and the remark "Continuation of cover page (last) of notebook XIII". See also Note 36.—145
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39 The top left-hand corner of this page has been torn off in the manuscript so that only the right-hand side of the first seven lines has been preserved, making it impossible to reproduce the text in full. From what has survived it can be assumed that this passage deals with crises occurring as a result of changes in the value of variable capital. The passage in question has been omitted from the present volume.—146

40 Marx made short remarks on the forms of crisis on the covers of notebook XIII (page 770a of the manuscript) and notebook XIV (pp. 771a and 861a). In accordance with Marx’s remark “To page 716”, these pages have been inserted above.

The insertion in brackets was made by Marx at a later date and it is here that he describes these new forms.—147

41 The manuscript continues with a brief insertion in brackets on Ricardo’s views of money and exchange value. In line with its substance, this insertion has been placed on p. 135 of this volume as a note at the bottom of the page.—149

42 This insertion, which opens p. 720 of the manuscript, has been placed here in accordance with its substance.—150

43 Marx is referring to notebooks I-V of his manuscript, and in particular to the sections on the production of absolute and relative surplus value (see present edition, Vol. 30, pp. 172-346).—151

44 Marx is referring to Say’s argument stated in Lettres à M. Malthus..., Paris, Londres, 1820, p. 15, that the cause of the flooding of the Italian market with English goods was the underproduction of Italian goods which might be exchanged for English ones. This argument by Say is quoted in the anonymous discourse An Inquiry into Those Principles..., London, 1821, p. 15, from which Marx made excerpts. Cf. also present edition, Vol. 31, pp. 133, 166.—160, 311

45 Compare with the critique by Marx of James Mill’s and Say’s theses on the impossibility of general overproduction which he presented in his economic manuscript of 1857-58 (see present edition, Vol. 28, pp. 338-39, 351-52).—161

46 Sismondi’s explanation for crises was “the growing disproportion between production and consumption” (J. C. L. Simonde de Sismondi, Nouveaux principes d’économie politique, ou de la richesse dans ses rapports avec la population. Seconde édition, T. 1, Paris, 1827, p. 371). Cf. also this volume, pp. 247-48.—163

47 The top left-hand corner of this page in the manuscript is missing. The words reinstated are given in square brackets.—178

48 Marx apparently believed that here Ricardo was referring to the speech he had made in the House of Commons on December 16, 1819 with regard to William de Crespiigny’s proposal that a commission be set up to discuss Robert Owen’s plan for the elimination of unemployment and an improvement in the situation of the lower classes.

In this speech Ricardo stated that “machinery did not lessen the demand for labour” (The Times, No. 10804, December 17, 1819).—181

49 The reference is to the revolution of 1688 (the overthrow of the Stuart dynasty and the enthronement of William III of Orange), after which the constitutional
monarchy was consolidated in England on the basis of a compromise between the landed aristocracy and the bourgeoisie.

The enclosures—the forced eviction of peasants from their land by the feudal lords (the land was then surrounded with fences, ditches, etc.). This practice took its classical form in England between the late 15th and early 19th centuries. It led to the abolition of communal land and the demise of the class of small landowners.—208

According to the Poor Laws which existed in England from the 16th century, a special tax was levied in each parish to benefit the poor. Those parishioners who were unable to provide for themselves and their families received assistance through the poor relief fund.—208

In this section, Marx analyses works written by Malthus following the appearance of Ricardo's On the Principles of Political Economy, and Taxation (1817). In his works, Malthus attempted to oppose Ricardo's labour theory of value and his call for the all-out development of the productive forces to the detriment of individuals and even whole classes (see this volume, pp. 243-44) with a vulgar apologetic theory aimed at defending the interests of the most reactionary strata of the dominant classes.

Malthus as an exponent of the "theory of population" is mentioned only in passing in this chapter. Marx provides a general description of Malthus' work An Essay on the Principle of Population in the section "Notes on the History of the Discovery of the So-Called Ricardian Law" (see present edition, Vol. 31, pp. 344-51).—209

The quotation given here is not from Inquiry into the Nature and Progress of Rent... but from Observations on the Effects of the Corn Laws..., London, 1815. Marx had evidently confused the two.—209

Above, on p. 4 of his book, Malthus comments on Smith's views as follows: "The substance of his argument is, that corn is of so peculiar a nature, that its real price cannot be raised by an increase of its money-price", and so Smith supposes that "the real price of corn is unchangeable".—209

A critique of Smith's view of the value of labour as the "standard measure of value" and proof that this view contradicts other, more profound views of value on Smith's part, was presented by Marx on pp. VI—248-249 and XII—633-655 of the manuscript (see present edition, Vol. 30, pp. 382-83 and this volume, pp. 38-40).—209

Ricardo's failure to analyse the origin of surplus value and his inability to solve the exchange of labour for capital were shown by Marx on pp. XII—650-652 and XII—655-656 of the manuscript (see this volume, pp. 32-36, 40-43).—210

"Profit upon expropriation", or "profit upon alienation" is a concept formulated by James Steuart which Marx cites and analyses at the beginning of his Theories of Surplus Value (see present edition, Vol. 30, pp. 351-52).—211, 371

Marx describes Malthus as such since, in a number of his works, the latter claimed that the destitution of the working masses resulted from the population's ability to multiply at a far greater rate than the ability of the soil to produce foodstuffs for human consumption; the population grows in geometrical progression whilst the volume of means of subsistence increases only in arithmetical terms.—217

This definition of value was drawn up by Cazenove on the basis of statements by Malthus and Adam Smith, Malthus having borrowed from the latter the determination of a commodity value by the amount of living labour purchased in exchange for this commodity.—225

This quotation from Malthus reproduces Adam Smith's reasoning as illustrated on p. VII—302 of the manuscript (see present edition, Vol. 31, p. 11): "...The labour of a manufacturer adds, generally, to the value of the materials which he works upon, that of his own maintenance, and of his master's profit. The labour of a menial servant, on the contrary, adds to the value of nothing. ... A man grows rich by employing a multitude of manufacturers: he grows poor by maintaining a multitude of menial servants" (A. Smith, *An Inquiry into the Nature and Causes of the Wealth of Nations*. With a Life of the Author, an Introductory Discourse, Notes, and Supplemental Dissertations. By McCulloch. Vol. II, Edinburgh, London, 1828, pp. 93-94). By giving the title to the relevant section ("The Distinction Between Productive and Unproductive Labour") in terms typical of Smith, Marx is hinting that this view of Malthus' was borrowed from Smith.

Marx gives a detailed analysis of Smith's interpretation of productive labour as labour objectified in a commodity on pp. VII—316-316 of the manuscript (present edition, Vol. 31, pp. 16-31).—228

*Lord Dundrearyism* (or *Dundrearyism*)—pompous foppishness. Lord Dundreary is a character from the comedy *Our American Cousin* by the English writer Tom Taylor which was first performed in 1858.—230, 240

The calculations given here disprove the arguments of Malthus which Marx cited above (see p. 229). In one of his notebooks of excerpts, Marx called this reasoning "ridiculous".—231

Here, and in some places below, Marx uses the term "cost price" ("Kostpreis", "Kostenpreis") to mean the costs of production for the capitalist (c+v). See Note 6.—234

Since p. XIII—770 of the manuscript is damaged, the text reinstated in substance by the editors has been given in square brackets.—237

The last page of notebook XIII, numbered 770a, has been transferred to p. 716 of the manuscript as indicated by Marx (see this volume, pp. 144-45).

The text on the inside front cover of notebook XIV, p. 771a, is the continuation of p. 770a (see this volume, pp. 145-46).

Above the text on the first page of notebook XIV, p. 771, Marx wrote: "A Contribution to the Critique of Political Economy. XIV."—239

Here, this term is used in the special sense illustrated by Marx on p. 703 of his manuscript: "their surplus produce (which means here, the excess of their
product over that part of it which is their constant capital” (see this volume, p. 122), i.e., \((v+s)\).

In the example under consideration, Marx assumes constant capital to be zero, so that the “surplus produce” coincides with the value of the product.—240

67 See Note 30.

In his plan for the third section of Capital written at a later date, in January 1863, Marx remarks: “Query: whether Sismondi and Malthus should also be included in the Theories of Surplus Value” (see p. XVIII—1139 of the manuscript, present edition, Vol. 33), though there he makes only isolated comments on the views of Sismondi.—245

68 When developing his utopian plan for social transformations, Owen proved that, both economically and from the viewpoint of everyday domestic life, the most expedient structure for a settlement of a community is a parallelogram or a square.—247

69 The Established Church is the name given in England to the Anglican Church, or Church of England.—248, 443

70 Marx failed to write the section “The Relationship Between Capital and Wage Labour Presented from an Apologetic Standpoint”.—251

71 The reference is to the plan for the nationalisation of land as advocated from 1775 by the English Utopian Socialist Thomas Spence. He called for the abolition of private property in land, its transfer to the parishes and the distribution of land rent (following the payment of all taxes and communal expenses on the part of the parish) among the parishioners in equal portions for all (cf. Th. Spence, The Meridian Sun of Liberty..., London, 1793).—252

72 Marx considered it a peculiar characteristic of Smith’s economic theory that he combined two lines of study—esoteric, i.e., the study of economic relations in their internal, concealed nexus, and exoteric, i.e., the investigation of these relations in the forms in which they manifest themselves on the surface. This brought with it contradictory interpretations of the self-same categories. See present edition, Vol. 31, pp. 390-91, 394.—258

73 On the difference between production time and labour time which occurs particularly in agriculture, and on the peculiarities in the development of capitalism in agriculture connected with it, see K. Marx, Outlines of the Critique of Political Economy (present edition, Vol. 28, pp. 521-22, Vol. 29, pp. 58-60).—262


75 Malthus rejected the labour theory of value, reducing the value of commodities to the costs of production and regarding profit as a nominal increase in the value of a commodity and circulation as the sphere where this surplus came into being. Malthus was thus returning to the mercantilists’ ideas on profit obtained as a result of the alienation of commodities. See present edition, Vol. 30, pp. 348, 351-52, 374 and this volume, pp. 214-16, 220-22, 225-28.—267, 280
Here, Marx assumes that all costs of corn production which occur in Torrens for a volume of 100 quarters amount to expenditure on seed. In fact, a considerably smaller volume of seed is required to produce 120 quarters of corn, say, 20 or 30 quarters. The remaining 70 or 80 quarters go to pay for the instruments of labour, fertiliser, wages for the workers, etc. However, this fact is of no significance to Marx's argument.—268


The piece from the words "Mill's passage..." to "p. 99" was written by Marx on the left margin of p. XIV—792 of the manuscript and placed here in accordance with the insertion mark.—276

In 1882 the German mathematician Ferdinand Lindemann proved that the value of π is transcendental and that it is therefore impossible to square the circle algebraically.—277

A detailed critique of the practice of bourgeois economists of splitting up the object under study into production, distribution, exchange and consumption is given by Marx in the "Introduction" to the Economic Manuscripts of 1857-58 (see present edition, Vol. 28, pp. 17-48).—278

The treatment of these problems begins on p. 290 of this volume.—287

In the list of printer's errors appended to MacCulloch's book *Discours sur l'origine...*, "élever (to raise)" is corrected to "éluder", so that the phrase should be translated as: "the farmer who rents this last acre, cannot evade paying the corresponding rent".—293

Marx is referring to Say's note on Chapter 7 "On Foreign Trade" of Ricardo's book *Des principes de l'économie politique, et de l'impôt*. Traduit de l'anglais par F. S. Constancio, avec des notes explicatives et critiques, par Jean-Baptiste Say, T. 1, Paris, 1819, p. 209, in which Say gives the example of sugar imported by France from the Antilles and costing less than would sugar produced in France itself.—294

In the first of his *Essays on Some Unsettled Questions of Political Economy* (London, 1844), "Of the Laws of Interchange between Nations; and the Distribution of the Gains of Commerce among the Countries of the Commercial World", John Stuart Mill remarks: "We may often, by trading with foreigners, obtain their commodities at a smaller expense of labour and capital than they cost to the foreigners themselves. The bargain is still advantageous to the foreigner, because the commodity which he receives in exchange, though it has cost us less, would have cost him more" (pp. 2-3).—294

What Marx means here by *fictitious capital* is the capital of the debt owed by the state, since the state (be it bourgeois or bourgeois-landowner) spends the loans it has received not as capital and pays interest on them from the taxes it has collected from the population. See K. Marx, *Capital*, Vol. III, Ch. XXIX (present edition, Vol. 37).—299

In his manuscript of 1861-63 Marx repeatedly returns to the proposition of the English bourgeois economists that "capital employs labour" (see this volume and present edition, Vol. 34).—303

The anonymous author is mistaken. The statement in question by Say is to be found in his *Traité d'économie politique..., 4 éd.* T. 2, Paris, 1819, p. 60.—309
Chapter 19 in Ricardo's *Principles*... is called "On Sudden Changes in the Channels of Trade", with trade being taken to mean not only trade as such but also productive activity in a given country. Cf. this volume, p. 129.—309

Marx is referring to one of the notebooks in which he made notes on political economy. The first 63 pages of notebook VII, which Marx mentions here, contain the end of the economic manuscript of 1857-58 (see present edition, Vol. 29, pp. 85-253). Starting from page 63a (on which Marx wrote "Begun on February 28, 1859") notebook VII contains excerpts from works by Luther, Linguet, Galiani, Verri, Paoletti, Malthus, Richard Jones and others. On page 134 of notebook VII, Marx copied from *An Inquiry into Those Principles...* (pages 110 and 112) a number of passages in which an anonymous author criticises and makes fun of Say.—310

Marx is referring to notebook XII of his excerpts on the cover of which he wrote "London, 1851, July". Page 13 of this notebook carries excerpts from pages 97, 99, 103-04, 106-08 and 111 of the anonymous *Inquiry into Those Principles...*.

A reference to landowners whose rent lowers capitalist profit is to be found in the excerpt from pp. 54-55 of *An Inquiry...*, which is located on p. 12 of Marx's notebook XII.—310

Prior to this, on p. 110, the anonymous author gave a quotation from Say's book *Lettres à M. Malthus*, Paris, 1820 (p. 46) containing the proposition that "products are bought only for products". This proposition had previously figured in Say's book *Traité d'économie politique*, 2 éd., T. 2, Paris, 1814 (p. 382). See also this volume, pp. 124-25, 132, 307.—311

The first edition of this book appeared in 1844. The pages indicated by Marx for the quotations in this volume accord with this edition.—311

*Posited* (Marx has "*Gesetzes*")—a term in Hegelian philosophy used to describe something which is caused as opposed to something without cause, original or primary—something having its foundation not in itself but in something else.—316

Here Marx continues the analysis of Bailey's views which he began earlier (see this volume, p. 312).—320

This is the way in which Marx ironically refers to the anonymous author of *Observations on Certain Verbal Disputes in Political Economy*...—324

In the example discussed by Marx, the area of a parallelogram and that of a triangle will be equal if the height of the parallelogram equals \( \frac{h}{2} \) or if its base equals \( \frac{b}{2} \).—330

The "portion" of a product accruing to the workers (and, consequently, to the capitalist) means the number of natural units of the product in which the newly added labour is objectified, whilst "proportion" refers to the percentage of this product accruing to one or other of the parties.—335, 339

If, instead of the random figures "50, 60 or 70 qrs per man", we take the figures which correspond to Bailey's example given above (this volume, p. 338) we will obtain 12 \( \frac{1}{2} \), 25 or 37 \( \frac{1}{2} \) qrs per man.—342

When numbering the pages, Marx missed out "838".—351
Marx has "1830", i.e. the year when the second edition of MacCulloch's book appeared. Since the pages given accord with the first edition, an appropriate correction has been made here.—353, 369, 508

A hint at the words of one of Wallenstein's soldiers in Schiller's drama of the same name (Part I, Scene VI).—356

From 1824 on MacCulloch gave lectures on political economy dedicated to the memory of Ricardo. When the University of London was founded, MacCulloch took the chair of political economy (1828-32).—356

The reference is to the policy of the Whigs—an English political party in the 17-19th centuries which represented the interests of the gentry who had become bourgeois and the big trading and financial bourgeoisie. Following the parliamentary reform of 1832, the Whigs held office alternately with the Tories, pursuing an anti-working class policy and attempting to suppress the Chartist movement. In the mid-19th century, they merged with other political groupings to form the Liberal Party.—356

Marx is evidently referring to the second edition of MacCulloch's book *The Principles of Political Economy*, which appeared in 1830, since the first edition of the book which Marx usually cites was published in 1825, i.e. before Smith's *Wealth of Nations* with "notes and dissertations" by MacCulloch.—357

Marx ironically gives Roscher the name of the great Ancient Greek historian Thucydides because "Professor Roscher ... has modestly proclaimed himself to be the Thucydides of political economy" (see this volume, p. 502). Roscher's immodest reference to Thucydides can be found in the preface to the first edition of his *Die Grundlagen der Nationalökonomie* (1854).

At a number of points Marx shows that Roscher grossly distorted both the history of economic relations and the history of economic theories. Cf. present edition, Vol. 31, pp. 352-54.—369, 502

In October 1862, when notebook XIV of the manuscript was written, the section on the "Conversion of Surplus Value into Capital" had not yet materialised.

On Wakefield's merits, see present edition, Vol. 30, pp. 256-57.—371

By "surplus produce" Wakefield means that part of the produce which exceeds what is necessary to "replace capital with ordinary profits" (Wakefield's commentary to Volume II of his edition of *An Inquiry into the Nature and Causes of the Wealth of Nations* by Adam Smith, London, 1835, pp. 215 and 217).—371

Among the opponents of the economists Marx also included J. F. Bray whose statements he examined in notebook X of his manuscript (see present edition, Vol. 31, pp. 245-50).—373

"This most incredible cobbler" was the way the author of the pamphlet *Some Illustrations of Mr. M'Culloch's Principles of Political Economy* described MacCulloch. See p. 370 above.—374, 400

The section "Revenue and Its Sources" features as an "episode" on the cover of notebook XIV (see this volume, p. 8). But Marx deals with this issue in notebook XV of the manuscript, in connection with his critique of vulgar political economy (see this volume, p. 499 et seq.). Marx wrote about "Price's fantasy" at a later stage, on p. XVIII—1066 of the manuscript (present edition, Vol. 33).—376
By “industry of consumption” Ravenstone means the production of luxury goods and the performance of all kinds of services for the owners of capital or property. See this volume, p. 396.—394

The reference is to the conquest of England in 1066 by William, Duke of Normandy, who became known as William the Conqueror and was enthroned as William I of England, thus founding a new Norman dynasty. Although the process of feudalisation had made considerable progress in England by this time, a major part of the peasantry remained free and the feudally dependent landholders had not yet merged to form a single stratum of serfs, and the feudal estate did not yet exist everywhere, nor had it taken on its classic form. The Norman Conquest played a crucial role in completing this process.—396

A critique of bourgeois economists who as apologists of bourgeois society confused capital with material elements of the labour process was given by Marx in his economic manuscript of 1857-58 (see present edition, Vol. 28, pp. 188-89, 235-36). In his manuscript of 1861-63, Marx returns to this question in the section “Unity of the Labour Process and the Valorisation Process” (see present edition, Vol. 30, pp. 95, 98-99).—398

When writing notebook XV, Marx skipped over pages 865 and 866. Having filled in p. 870a, he continued writing on the empt) pages. Following p. 870a, the text continues on pp. 865 and 866, and then on p. 870b. The progression from one non-adjacent page to another was indicated by Marx himself.—399, 410

Later, in a letter to Engels of June 16, 1864, Marx gave these quotations which he had found in Chavée (see present edition, Vol. 41, pp. 540-41).—430

The passage immediately following this in Hodgskin's pamphlet makes it clear that what the author means by “striking a sort of balance” is: “The capitalists permit the labourers to have the means of subsistence, because they cannot do without labour, contenting themselves very generously with taking every particle of produce not necessary to this purpose”.—431, 435, 436

The figures indicate that they refer to a period of one year.—436

A reference to the Ten Hours Bill, passed by the British Parliament on June 8, 1847, which applied only to adolescents and women and was ignored by many manufacturers.—441

The manuscript continues with a passage in square brackets which, in accordance with its content, has been placed on p. 330 of this volume as a note at the bottom of the page.—442

The chapter on the real movement of wages was not written by Marx. He deals with this question in Volume One of Capital (see present edition, Vol. 35).—445

On p. XV—890 of the manuscript, Marx interrupts his analysis of Hodgskin’s views and embarks on a survey of revenue and its sources and of vulgar political economy. A considerable part of notebook XV of the manuscript is devoted to these two subjects which are analysed in close interconnection. Judging by the plan for notebooks XIV and XV, he originally intended to write two separate sections, “Episode: Revenue and Its Sources” and “Vulgar Political Economy”, respectively (see this volume, p. 8). Subsequently, Marx intended to incorporate this survey into the third part of Capital, as can be seen from the plan for this part which he drew up in January 1863 and according to which Chapter IX was to be headed “Revenue and Its Sources” (see p. XVIII—1139 of the
manuscript, present edition, Vol. 33). Later some of the material contained in this section was used almost word for word by Marx when preparing the manuscript of Volume Three of *Capital*. Marx returned to his interrupted section on Hodgskin on p. XVIII—1084 of the manuscript (see present edition, Vol. 33).—449

122 Here Marx uses the term “capital in itself” ("Capital an sich") for the first time. However, he had already examined questions related to this concept in the Outlines of the Critique of Political Economy (see present edition, Vol. 28, pp. 171-204).—458

123 By “this general section” Marx means the section on “capital in general” which, according to the plan Marx had worked out when preparing the economic manuscript of 1857-58, was to begin the book on capital. See also Note 30.—458

124 Marx is referring here to Proudhon and his supporters.—463

125 The first edition of Child’s book appeared in London in 1668 as a small pamphlet. In 1669-70 ten additional chapters were written following which the book was republished on several occasions. The first edition of Culpeper’s discourse appeared in London in 1621; from 1668 it was printed as an appendix to Child’s book.—463

126 Marx is referring to such followers of Saint-Simon as S. A. Bazard and B. P. Enfantin who accorded a special role to the banking system in the future organisation of the economy, the so-called industrial system.—464

127 The reference is to the Société générale du Crédit mobilier, a big French joint-stock bank founded by the Péreire brothers in 1852. The bank was closely associated with the government of Napoleon III and under its protection engaged in large-scale speculation. It went bankrupt in 1867 and was liquidated in 1871.

In 1856-57 Marx wrote five articles on the speculative activities of this bank for *The People’s Paper* and the *New-York Daily Tribune* (see present edition, Vol. 15, pp. 8-24, 270-77, 357-60).—464

128 Marx digresses here to the analysis of different forms of capital. He dealt with this subject in more detail in *Capital*, Volume Three.

The interrupted passage is continued on p. XV—902 of the manuscript (see this volume, p. 469).—467

129 Below Marx examines the separation of certain parts of surplus value into different forms of revenue.—471

130 Here Marx interrupts his discussion of the separation of certain parts of surplus value and turns to various issues concerning the process of reproduction. He examined this question in greater detail at a later stage, on pp. XXII—1371-1394 of his manuscript in the section “Reproduction”, which he wrote in the framework of his discussion of “The Production Process of Capital” (see present edition, Vol. 34).—478

131 When numbering the pages, Marx missed out “909”.—481

132 Below Marx continues his interrupted discussion on the separation of certain parts of surplus value (see this volume, p. 478).—482

133 Marx devoted his attention to “dumb instruments, and speaking and feeling
instruments" at a later stage, in Volume One of *Capital* (Part III, Ch. VII, Sect. 2, Note, present edition, Vol. 35).—488

134 The quotations on the "labour of the overseer" were given by Marx in Chapter XXIII of Volume Three of *Capital* which he wrote two to three years later (see present edition, Vol. 37).—496

135 In 1844, workers in the town of Rochdale (Manchester industrial region) who had been influenced by Owen’s ideas took the initiative in organising a consumers' cooperative, the Rochdale Equitable Pioneers’ Society, which became the prototype for workers' cooperatives in England and other countries. Workers' cooperatives often combined productive functions with their activities as consumers' societies. See also p. XVIII—1100 of the manuscript (present edition, Vol. 33) and *Capital*, Volume Three, Part V, chapters XXIII and XXVII (ibid., Vol. 37).—497, 504

136 Marx is referring to the so-called old *historical school*, a trend which emerged in German vulgar political economy in the mid-19th century and owed its origins to W. Roscher.—501


138 The reference is to Ricardo’s proposition that a rise of profits can never be brought about otherwise than by a fall of wages, nor a fall of profits otherwise than by a rise of wages.—508

139 In terms of substance, the passage enclosed by Marx in oblique lines belongs to p. XIV—850a of the manuscript (this volume, p. 370).—508

140 In the formula for the price of production, the letters C and A.P. are used to denote costs and average profit respectively.—525

141 When drawing up the table of contents for notebook XV, Marx intended to devote a section to "*Vulgar Political Economy*" (see this volume, p. 8). In the plan for the third section, "Capital and Profit", which he compiled in January 1863, the penultimate, eleventh point is headed "*Vulgar Economy*" (see p. XVIII—1139 of the manuscript, present edition, Vol. 33). This plan was compiled about two months after he had written the section “Revenue and Its Sources” (November 1862), but Marx did not write a chapter specifically devoted to vulgar political economy.—526

142 The text which follows below (pp. 529-30) is a reproduction in parts almost verbatim, of a fragment of the economic manuscript of 1857-58 (see present edition, Vol. 29, pp. 219-21). Marx used this passage when writing Volume Three of *Capital*, Part V, Ch. XXI (present edition, Vol. 37).—529

143 In terms of substance, this paragraph belongs to p. XV—907 of the manuscript (this volume, p. 478).—531

144 The reference is to the 100-guilder bond which paid interest three times a year at the Leipzig Fair. Three trade fairs were held annually in Leipzig at the New Year, Easter (spring) and Michaelmas (September 29, Harvest Festival).—532

145 *Knights*—in early Roman history—equites, or rich citizens constituting a privileged class liable for service in the cavalry. Subsequently this name was given to Roman slave-owning merchants and usurers belonging to the class of equites.—534
Laws of the Twelve Tables—an ancient memorandum on Roman law. They were compiled in the mid-5th century B.C. as the result of the battle between the plebs and the patricians and were a record of the common law valid in Rome; these laws reflected the social relations in Roman society during the period when the slave-owning system was being consolidated. On the one hand, they protected private property and, on the other, they retained vestiges of the gentile system. The laws set out the stipulations on debts in great detail.—541

In this same notebook XV, Marx first gives an analysis of loan capital and a critique of vulgar political economy, which bases its apologetics on making a fetish of revenue and its sources as they appear on the surface; and then he goes on to analyse commercial capital.

Marx does not return to the critical historical part of his work until pp. XVIII—1086-1157 of the manuscript (present edition, Vol. 33).—541

The outside front cover (unnumbered) of the notebook is labelled “XIII” and carries the inscription “A Contribution to the Critique of Political Economy” together with a remark on Hopkins which was written at a later date and appears below.—542

Marx is referring to notebook XII of his excerpts which he compiled in London in 1851. The excerpt from T. Hopkins' book which Marx gives below is to be found on p. 14 of this notebook. See also present edition, Vol. 31, p. 289.—542

The page numbered by Marx as 670a is the inside front cover of notebook XIII which was written in the autumn of 1862. This page carries the heading “5) Theories of Surplus Value etc.”, beside it the note “Roscher: Interest, Profit. p. 693” and the table of contents of notebook XIII (see this volume, p. 7). The passage headed “Decrease in the Rate of Profit” was written later. The quotations given on this page were written down not earlier than May 1863 since they are taken from the additional notebooks of excerpts A and B which were not compiled until this time.—542

Page 862a is the inside front cover of notebook XV and was numbered by Marx after he had filled in the notebook in question. This page carries the table of contents of notebook XV (see this volume, p. 8). The passage given below is separated from the table of contents by a line.—543
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