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Unit 1. Philosophical Materialism.

Topics covered:

I. Political economy and the process of labor.
II. Commodity.
III. Value.
IV. Money.

Bibliography:

- Academy of Sciences of the USSR:
  - Political Economy. Chapter III.
- Engels:
  - Anti-Duhring. Political Economy. Chapter I.
  - Preface to the First Edition of Capital Volume II.
- Lenin:
  - Karl Marx. Marx's Economic Doctrine, The Value.
- Marx:
  - Value, Price and Profit. Value and Labor.
- Segal
  - Principles of Political Economy. Chapter II, III

Selection:

Academy of Sciences of the USSR: Political Economy

Chapter 3 : The Feudal Mode of Production

Rise of Feudalism

The feudal system existed, with particular features of one sort or another, in almost all countries.

The era of feudalism covers a long period. In China the feudal system existed for more than two thousand years. In Western Europe feudalism covers a number of centuries, from the time of the fall of the Roman Empire (fifth century) to the bourgeois revolution in England (seventeenth century) and in France (eighteenth century); in Russia from the ninth century to the peasant reform of 1861; in Transcaucasia from the fourth century to the seventies of the nineteenth century; among the peoples of Central Asia from the seventh or eighth centuries right up to the victory of the proletarian revolution in Russia.

In Western Europe feudalism arose out of the breakdown of Roman slave-owning society, on the one hand, and the decay of the tribal system of the conquering tribes, on the other; it was established as a result of the interaction of these two processes.

Elements of feudalism, as has already been said, had originated in the womb of slave-owning society in the form of the system of coloni. The coloni were obliged to work the land of their master, the large landowner, to make him a definite money payment or hand over a considerable share of the harvest, and to fulfil various types of duty. Nevertheless, the coloni had more interest in their labor than the slaves, since they had their own holdings.

Thus, there arose new productive relations which achieved full development in the feudal period.

Tribes of Germans, Gauls, Slavs and other peoples living in different parts of Europe destroyed the Roman Empire. The slave-owners' power was overthrown and slavery fell. The large latifundia and handicraft workshops based on slave labor broke down. The population of the former Roman Empire consisted of large landowners (former slave-owners, who had adopted the system of coloni), freed slaves, coloni, small peasants and artisans.

The conquering tribes, at the time of the subjugation of Rome, had a communal system which was in decline. The village community, which the Germans called the mark, played a great part in the social life of these tribes.

The land, except for the large landed possessions of the clan nobility, was common property. The forests, heaths, pastures and ponds were used in common. Fields and meadows were redivided every few years among the members of the community. Gradually, however, the land around the homestead, and later also the ploughland, began to be inherited by separate families. The distribution of land, the investigation of matters concerning the community, the settlement of disputes between its members, were dealt with by the community meeting and by the elders and judges elected by it. At the head of the conquering tribes stood their military leaders who, together with their retinues, held considerable tracts of land.

The tribes which conquered the Roman Empire acquired a great part of its State lands and some part of the lands of the large proprietors. Forests, meadows and pastures remained in common use, but the ploughland was divided into separate holdings. Later the divided lands became the private property of the peasants. Thus, a broad stratum of independent small peasantry was formed.

The peasants, however, were unable to preserve their independence for long. Property inequality between different members of the village community inevitably developed on the basis of private ownership of land and 'other means of production. Well-to-do and poor families appeared among the peasants. With the growth of property inequality members of the community who had grown rich began to acquire power over the community. The land was more and more concentrated in the hands of the rich families, the clan aristocracy and military leaders. The peasants fell into personal dependence on the large landowners.

The conquest of the Roman Empire hastened the break-up of the clan system among the conquering tribes.

In order to maintain and strengthen their power over the dependent peasants the large landowners had to reinforce the organs of State power.

Military leaders, relying on the clan aristocracy and the members of their retinues, began to concentrate power in their hands and became kings-monarchical rulers.

A number of new States headed by kings were formed on the ruins of the Roman Empire. The kings generously handed out the land they had seized for the lifetime and afterwards for the hereditary possession of their attendants, who had to bear military service in return. The Church, which served as an important support for the royal power, received much land. The land was worked by peasants who now had to fulfil a number of duties for their new masters. Huge landholdings passed into the hands of members of the royal retinue and servants, the clerical authorities and the monasteries.

The lands distributed on such conditions were called feods (fiefs). Hence comes the name of the new social structure, feudalism.

The gradual conversion of peasant land into the property of feudal lords and the enserfment of the peasant masses (the process of feudalization) took place in Europe in the course of a number of centuries (from the fifth or sixth to the ninth or tenth centuries). The free peasantry was ruined by incessant military service, plunder and impositions. Turning for help to the large landowner, the peasants converted themselves into his dependents. Frequently the peasants were compelled to yield themselves into the "protection" of the feudal lord; otherwise, it was impossible for a defenseless man to exist in conditions of ceaseless wars and bandit raids. In such cases property rights in the plot of land passed to the feudal lord, and the peasant could work his plot only on condition of fulfilling various duties for the lord. In other cases, the royal lieutenants and officials, by means of deceit and force, appropriated the land of free peasants, making the latter acknowledge their power.

In different countries the process of feudalization took different courses, but the essence of the matter was everywhere the same: the formerly free peasants fell into personal dependence on the feudal lords who had seized their land. Sometimes this dependence' was weaker, sometimes stronger. In course of time the differences in the position of former slaves, coloni and free peasants disappeared, and they were all converted into a single mass of peasant serfs. Gradually there was established the' position which is described by the medieval phrase: "No land without its lord." (i.e.) without its feudal master). The kings were the supreme landowners.

Feudalism was an essential stage in the historical development of society.

Slavery had outlived itself. In these circumstances the further development of productive forces was only possible on the basis of the labor of the mass of dependent peasantry, possessing their own holdings, their own implements of production and having some interest in labor.

As the history of mankind testifies, however, it is not obligatory that every people should pass through all stages of social development. For many peoples conditions arise under which they have the

possibility of missing one stage of development or another and of passing immediately to a higher stage.

In Russia patriarchal slavery arose when the primitive community was breaking down. The development of society here, however, went in the main not along the road of slave-owning, but of feudalization. The Slavonic tribes, even when the clan system was predominant among them, beginning from the third century A.D., attacked the Roman slave-owning Empire, struggled to free the towns of the northern Black Sea coast which were in its power and played a great part in the overthrow of the slave-owning system. The transition from the primitive community to feudalism-took place in Russia at a time when the slave-owning system had long since fallen in the countries of Western Europe, and when feudal relations had been stabilized there.

The village community among the Eastern Slavs was called verv or mir. The community had meadows, forests and ponds in common use, but the ploughland began to pass into the possession of separate families. An elder was at the head of the community. The development of private landowning led to the gradual breakdown of the village communities. The elders and tribal princes seized the land. The peasants (smerds) were at first free members of the community, but later fell into dependence on the large landowners (boyars).

The Church became the largest feudal owner. Grants by the princes, endowments and legacies made it the possessor of broad lands and the richest estates of those times. In the period of the formation of the centralized Russian State (fifteenth to sixteenth centuries) the Grand Princes and Tsars began to "place" (Russian, pomeshchat) their attendants and serving people on the land, i.e., to give them land and peasants on condition of their owing military service. Hence the names pomest'e (fee or estate) and pomeshchik (lord of the manor).

At that time the peasants were not yet finally bound to the landowner and the land; they had the right to transfer from one lord to another. At the end of the sixteenth century the lords, with a view to increasing the production of grain for sale, intensified their exploitation of the peasants. In connection with this the State in 1581 deprived the peasants of the right of transfer from one landlord to another. The peasants were completely bound to the land belonging to the lords and were thus converted into serfs.

In the period of feudalism agriculture played a predominant part and tillage was its most important branch. Gradually, in the course of a number of centuries, methods of grain-growing improved and market gardening, fruit-growing, vine-growing and butter-making developed.

In the early period of feudalism, the fallow system predominated, but in forested regions the "slash and burn" system of tillage predominated. A plot of land was sown several years consecutively with some crop until the soil was exhausted. Then they transferred to another plot. Later an advance to the "three-field" system took place; in this the arable was divided into three fields of which in turn, one was used for winter crops, the second for spring crops and the third remained fallow. The three-field system began to spread in Western Europe between the ninth and the tenth and in Russia from the

eleventh and twelfth centuries onwards: It remained dominant throughout many centuries, being preserved until the nineteenth century and, in many countries, even to the present time.

Agricultural equipment in the early period of feudalism was poor. The primitive wooden plough (sokha) with iron share, the sickle, scythe and spade served as implements of labor. Later, the iron plough and harrow began to be used. The grinding of grain was for a long time carried out by hand, until wind and water mills became widespread.

Production Relations of Feudal Society. Exploitation of Peasants by Feudal Lords

The property of the feudal lords in land and their incomplete property rights over the peasant serf were the basis of the production relations of feudal society. The peasant serf was not a slave. He had his own holding. The feudal lord could no longer kill him, but he could sell him. By the side of the property of the feudal lords there also existed the individual property of peasants and craftsmen in their implements of production and in their private holdings, based on personal labor.

Large-scale feudal landed property was the basis for the exploitation of peasants by the lords. The feudal lord sown demesne occupied part of the land.

The feudal lord granted another part of the land on extortionate conditions for use by the peasants. The lord allotted land to the peasants to "hold", hence the expression "holding". The peasant holding was the means by which the lord secured his labor force. With hereditary possession of his holding, the peasant was obliged to work for the lord to till the lord's soil with the help of his own implements and stock, or else to give the lord his surplus product in kind or in money.

Such a system of economy inevitably presupposed the peasants' personal dependence on the landlord-a system of extra-economic compulsion. "If the lord had not had direct power over the person of the peasant he would not have been able to compel to work for him a man who possessed land and tilled on his own account." (Lenin, "Development of Capitalism in Russia", Works, fourth Russian edition, vol. III, p. 159.).

The peasant serf's working time was divided into necessary and surplus time. During the necessary time, the peasant created the product necessary for his own existence and the existence of his family. During the surplus time he created the surplus product which was appropriated by the lord. The surplus labor of the peasant who worked on the lord's demesne, or the surplus product created by the peasant in his own holding and appropriated by the lord, constitute feudal land-rent.

Feudal rent frequently swallowed up not only the peasant's surplus labor, but also part of his necessary labor. The basis of this rent was feudal ownership of land, linked with the direct domination of the feudal lord over the peasants dependent on him.

Under feudalism there existed three forms of land-rent: labor-rent, rent in kind and money-rent. In all these forms of rent the exploitation of the peasants by the landlords stood out in unconcealed form.

Labor-rent, or "week-work" (barshchina), predominated in the early stages of feudalism's development. Under the system of week-work the peasant worked for a specified part of the week, three or more days, with his own implements of production (plough, draught animals, etc.) on his master's estate and the remaining days worked on his own holding. Thus, by week-work the necessary and surplus labor of the peasant were clearly distinguished in time and space. The sphere covered by week-work was exceedingly broad. The peasant ploughed, sowed and gathered the harvest, pastured cattle, worked as a carpenter, chopped timber for the lord, and carted agricultural produce and building materials using his own horse.

Under the week-work system the peasant serf was interested in raising the productivity of labor only while working on his own holding. When working on the lord's land the peasant had no such interest. The feudal lord kept overseers who compelled the peasants to work.

In the course of further development labor-rent was replaced by rent in kind, or quitrent paid in produce. Under this system the peasant was obliged to deliver regularly to the lord a definite quantity of grain, cattle, poultry and other agricultural produce. Most frequently the quitrent was combined with remnants of week-work duties, i.e., with the peasant's work on the lord's demesne.

With rent in kind the peasant expended the whole of his labor both necessary and surplus, according to his own discretion. Necessary and surplus labor were no longer divided as clearly as with labor-rent. Here the peasant became relatively more independent. This created a certain stimulus to further raising the productivity of labor.

At a later stage of feudalism, when exchange had become comparatively widespread, money-rent arose, or quitrent in money. Money-rent is characteristic of the period of the breakdown of feudalism and the appearance of capitalist relations. Various forms of feudal-rent often existed simultaneously.

"In all these forms of ground-rent, whether labor-rent, rent in kind, or money-rent (as a mere change of form of rent in kind), the rent-paying party is always supposed to be the actual tiller and possessor of the land, whose unpaid surplus labor passes directly into the hands of the landlord." (Marx, Capital, Kerr edition, vol. III, p. 932.)

Striving to increase their income, the feudal lords imposed every sort of exaction on the peasant. In many cases they had monopolistic possession of mills, smithies and other enterprises. The peasant was compelled to use them for exceedingly high payments in kind or money. Apart from quitrent in kind or money paid to the feudal lord, the peasant had to pay all sorts of imposts to the State, local taxes and, in some countries, a tithe, i.e., a tenth of the harvest to the Church.

Thus, the labor of peasant serfs was the basis of the existence of feudal society. Peasants not only grew agricultural produce. They worked in the feudal lord's estates as craftsmen, erected castles and monasteries and made roads.

Towns were built by the hands of peasant serfs.

The economy of the feudal lords, particularly in the early stages of its development, was basically a natural economy. Each feudal estate, consisting of the lord's demesne and the villages belonging to him, lived an isolated economic life, rarely engaging in exchange. The requirements of the feudal lord and his family, and the needs of the numerous house hold were at first satisfied by the produce from the seigniorial economy and supplied by the peasants paying quitrent. Fairly large estates had a sufficient quantity of craftsmen, mostly among the household serfs. These craftsmen made clothing and footwear, made and repaired weapons, hunting equipment and agricultural implements, and erected buildings.

The peasant economy was also a natural one. The peasants engaged not only in agricultural labor but also in domestic handicraft, mainly working up raw materials produced in their holdings-spinning, weaving, making footwear and farm implements.

For a long time, a characteristic of feudalism was the combination of agriculture, as the basic branch of the economy, with domestic handicraft, which was auxiliary to it. The few imported products without which it was impossible to manage, as for example, salt and articles of iron, were at first supplied by wandering traders. Later, in connection with the growth of towns and handicraft, the division of labor and development of exchange between town and country made a great step forward.

The exploitation of dependent peasants by feudal lords was the main feature of feudalism among all peoples. However, in particular countries the feudal system had its own special features. In countries of the East feudal relations were for a long time combined with slave relations. Thus, it was in China, India, Japan and a number of other countries. Feudal State property in land was of great significance in the East. For example, in the period of the Bagdad Khalifate, under the dominance of the Arabs (particularly in the eighth to ninth centuries A.D.), a large section of the members of peasant communities lived on the Khalif's land and paid feudal-rent direct to the State. Feudalism in the East was also characterized by the vitality of patriarchal clan relations which were utilized by the feudal lords as a means of intensifying exploitation of the peasants.

In the agricultural lands of the East, where irrigated agriculture is of decisive significance, the peasants were in bondage to the feudal lords because not only the land but also the water resources and irrigation works were the property of the feudal State or of individual feudal lords. Among nomad peoples the land was used as pasture. The size of feudal land-owning was determined by the quantity of cattle. The large cattle-owning feudalists were, in fact, large-scale owners of pasture. They held the peasantry in dependence and exploited them.

The basic economic law of feudalism consisted in the production of surplus product to satisfy the demands of the feudal lords, by means of the exploitation of dependent peasants on the basis of the ownership of the land by the feudal lords and their incomplete ownership of the workers in production-the serfs.

Towns had already arisen under the slave-owning system. Such towns as Rome, Florence, Venice and Genoa in Italy; Constantinople and Alexandria in the Near East; Paris, Lyons and Marseilles in France; London in England; Samarkand in Central Asia, and many others, were inherited by the Middle Ages from the epoch of slavery. The slave-owning system fell, but towns remained. The large slave-owning workshops broke down, but the crafts continued to exist.

In the period of the early Middle Ages the towns and crafts developed slowly.

Town craftsmen produced articles for sale, but a large part of the objects of consumption which they needed they obtained from their own holdings. Many of them had small ploughlands, gardens and cattle. The women engaged in the spinning of flax and wool to make clothing. This showed the limited extent of markets and exchange.

In the, countryside the working up of agricultural raw material was at first a subsidiary occupation of the husbandman. Then, from among the peasants there began to emerge craftsmen who served their own village. The craftsmen's productivity of labor increased. It became possible to produce more articles than were necessary for the feudal lord or the peasants of one village. The craftsmen began to settle around feudal castles, at the walls of monasteries, in large villages and other trading centers. Thus, gradually, usually on the waterways, new towns arose (in Russia, for example, Kiev, Pskov, Novgorod, Vladimir). In the course of time crafts became a more and more profitable business. The skill of the craftsman was perfected. The feudal lord began to buy the product of handicraft from the townsmen. He was no longer satisfied with the work of his own serfs. The more developed crafts were finally isolated from agriculture.

The towns which had arisen on the lands of lay and clerical feudal lords were subject to their authority. Townsmen owed a number of duties to the feudal lord, paid him quitrent in kind or money, and were subject to his administration and court. The town population very soon began the struggle for freedom from feudal dependence. Partly by force, partly by means of purchase, the towns obtained for themselves the right of self-administration, holding courts, minting coinage and collecting taxes.

The town population consisted mainly of craftsmen and traders. In many towns serfs fleeing from their landlords found refuge. The town acted as the centre of commodity production, as distinct from the countryside where natural economy prevailed. The growth of competition from the fugitive serfs who had crowded into the towns, the struggle against exploitation and oppression by the feudal lords, caused the craftsmen to unite into guilds. The guild system existed in the feudal period in almost all countries.

Guilds arose in Byzantium and Italy in the ninth and tenth centuries, and later in the whole of "Western Europe and Russia. In the countries of the East (Egypt, China), and in the towns of the Arab Khalifate guilds arose even earlier than in the European countries. The guilds united the town craftsmen of one specific trade or several similar ones. Only the master craftsmen were full members of the guilds. The master craftsmen had a small number of journeymen and apprentices. The guilds

carefully preserved the exclusive right of their members to engage in that craft and regulated the process of production: they laid down the length of the working day, the number of journeymen and apprentices with each master defined the quality of raw materials and finished products and their prices, and frequently purchased raw material in common. Methods of work established by long tradition were obligatory for all. Strict regulation had as its aim the prevention of any single master from raising himself above the others. Apart from this the guilds served as mutual aid organisations.

The guilds were a feudal form of craft organisation. In the first period of their existence, they played a certain positive part in assisting the strengthening and development of urban crafts. However, with the growth of commodity production and the expansion of the market, the guilds gradually became a brake on the development of productive forces.

The strict regulation of craft production by the guilds fettered the craftsmen's initiative and hindered the development of technique. In order to limit competition, the guilds began to create all sorts of hindrances to those wishing to receive the rights of a master. For the apprentices and journeymen, whose numbers had considerably increased, the possibility of becoming independent masters had practically ceased. They were compelled to remain for their whole life in the position of hired wage workers. In, these conditions the relations between a master and his subordinates lost their former more or less patriarchal character. The masters intensified the exploitation of their subordinates, making them work fourteen to sixteen hours a day for insignificant pay. The journeymen began to unite into secret brotherhoods to defend their interests. The guilds and town authorities persecuted the journeymen's brotherhoods in every way.

The richest section of the town population were the merchants. Trading activity developed both in the towns surviving from the period of slavery and in the towns which arose under feudalism. The organisation of guilds in the crafts found their counterpart in the organisation of guilds in trade. Merchant guilds in the feudal period existed almost everywhere. In the East they are known from the ninth century, in Western Europe from the ninth or tenth century, and in Russia from the twelfth century. The basic task of the merchant guilds was the struggle with competition from outside merchants, the regulation of weights and measures, the defense of merchants' rights from the infringements of the feudal lords.

In the ninth to tenth centuries there already existed considerable trade between the countries of the East and Western Europe. Kievan Rus [2] took an active part in this trade. The Crusades (eleventh to

[2] This word was the description of the ancient Russian State, centered on Kiev, which existed for several centuries until its overthrow by the Mongol conquest in the mid-thirteenth century-Editor, English edition. produce of West European handicraft-Flemish and English cloth and linen, German metal articles, French wines-they exported from the north-eastern districts of Europe furs, hides, fats, honey, grain, timber, pitch, linen and some handicraft products. From the countries of the East merchants brought spices, pepper, cloves, nutmegs, perfumes, dyes, cotton and silk fabrics, carpets and other commodities.

In the thirteenth to fourteenth centuries the Russian towns of Novgorod, Pskov and Moscow carried on extensive trade with Asia and Western Europe. Novgorod merchants, on the one hand, traded with the peoples of the North (the coast of the Arctic Ocean and the Trans-Ural area) and, on the other hand, carried on regular trade with Scandinavia and Germany.

thirteenth centuries) played a great part in the expansion of trade, opening the Near Eastern markets for Western European merchants. A flood of gold and silver from the East swept into Europe. Money began to appear in places where it had formerly not been used. The Italian towns, particularly Genoa and Venice, which carried the crusaders to the East in their trading vessels and supplied them with provisions, took a direct part in the conquest of Eastern markets.

For a long time, the Mediterranean ports were the main centers of the trade linking Western Europe with the East. But apart from this, trade developed widely in the north German and Netherland towns scattered along the trade routes of the North and Baltic Seas. Here in the fourteenth century, there arose a commercial union of towns, the German Hansa, which united in the following two centuries about eighty towns of various European countries. The Hanseatic League carried on trade with England, Scandinavia, Poland and Russia. In exchange for the growth of towns and development of trade greatly influenced the feudal countryside. The economy of the feudal lords began to be drawn into the market. In order to purchase luxury objects and articles of town crafts the feudal lords needed money. In connection with this it was convenient for the feudal lords to transfer the peasants from week-work and quitrent in kind to money quitrent. Feudal exploitation was still further intensified with the transfer to money quitrents. The contradiction between town and country which had arisen under slavery became still more acute.

Classes and Estates of Feudal Society.

The Feudal Hierarchy Feudal society was divided into two basic classes, feudal lords and peasants.

"Feudal society represented a division of classes under which the vast majority-the peasant serfs-were completely subjected to an insignificant minority-the landlords, who owned the land." (Lenin, "The State", Selected Works, English edition, vol. XI, p. 651.

The class of feudal lords was not a uniform whole. Petty feudal lords paid tribute to those more powerful, helped them in war, but on the other hand took advantage of their patronage. The patron was called the baron or seigneur, and the one patronized the vassal (vavassar). The barons (seigneurs), in their turn, were vassals of still greater barons or lords (tenant-sin-chief). Thus, the feudal hierarchy was formed.

As the ruling class, the feudal lords stood at the head of the State. They formed one estate, the baronage (nobility, lords). The lords held the honorable position of first estate and had wide political and economic privileges.

The clergy (Church and monastic) was also a very large landowner. It held extensive lands with a numerous dependent and serf population and was the ruling estate together with the nobles.

The broad base of the "feudal ladder" was the peasantry. The peasants were subordinate to the landowner and were under the supreme power of the most powerful feudal lord, the king. The peasantry was an estate without political rights. The landlords were able to sell their serfs and made

wide use of this right. The serf-owners subjected the peasants to physical punishment. Lenin called serfdom "serf slavery". The exploitation of peasant serfs was almost as cruel as the exploitation of slaves in the ancient world. Nevertheless, the serf could work part of the time on his own holding and could, to a certain degree, be independent.

The contradiction between feudal lords and peasant serfs was the basic class contradiction of feudal society. The struggle of the exploited peasantry against the feudal lords was carried on throughout the whole period of feudalism and assumed particular intensity at the end of this period, when serf exploitation had been intensified to extremes.

In the towns freed from feudal dependence power was in the hands of the rich townsmen-merchants, usurers, owners of town lands and large house-owners. The artisans of the various crafts who formed the main mass of the town population, often stood out against the town nobility, winning their participation in the town administration together with the town aristocracy. The small craftsmen and journeymen struggled against the master craftsmen and merchants who were exploiting them.

By the end of the feudal period the town population was already considerably stratified. On the one hand, there were rich merchants and master craftsmen, on the other a broad mass of journeymen and apprentices, the town poor. The lower classes of the towns entered into the struggle against the united forces of the town nobility and feudal lords. This struggle fused into a single stream with the struggle of the peasant serfs against feudal exploitation.

The kings (in Russia the Grand Princes and later the Tsars) were considered the holders of supreme power. Beyond the boundaries of their own holdings, however, the significance of the kings' power in the period of early feudalism was insignificant. Frequently this power remained nominal. The whole of Europe was divided into a multitude of large and small States. The large feudatories were complete masters of their own possessions. They issued laws, saw to their execution, held courts of justice, inflicted penalties, maintained their own forces, raided their neighbors and did not always refrain from highway robbery. Many of them independently minted coinage. The smaller feudal lords also had exceedingly wide rights in respect of the people under their power; they tried to vie with the great lords.

In the course of time feudal relations created an exceedingly confused tangle of rights and obligations. Endless disputes and quarrels arose between the feudal lords. They were usually decided by force of arms in internecine wars.

Development of the Productive Forces of Feudal Society

In the feudal period a higher level of productive forces was achieved compared with the period of slavery.

In the sphere of agriculture, the technique of production was improved; the iron plough and other iron implements of labor were used more extensively.

New branches of cultivation arose; vine-growing, wine-making and market gardening developed considerably. Livestock husbandry grew and particularly horse-breeding, which was linked with the feudal lords' military service; butter- making developed. Sheep-breeding became widespread in a number of regions. Meadows and pastures were extended and improved.

Gradually, the implements of labor of the craftsmen and methods of processing raw material were improved. Former crafts began to become specialized. Thus, for example, the blacksmith had formerly produced all metal articles. In the course of time the crafts of the armorer, nail-maker, cutler and locksmith separated from the trade of blacksmith, and the craft of the shoemaker and the saddle maker were separated from the craft of the leather worker. In the sixteenth to seventeenth centuries in Europe the spinning wheel became wide-spread. In 1600 the ribbon loom was invented.

The improvement of the smelting and working of iron was of decisive significance in perfecting the implements of labor. At first iron was produced by an exceedingly primitive method. In the fourteenth century the water-wheel was first used to work bellows for the blast, and heavy hammers to crush the ore. With the increased draught in the furnaces, instead of a malleable mass, a molten mass, cast iron, was obtained. With the application of gunpowder in warfare and the appearance of firearms (in the fourteenth century) much metal was required for cannon balls; from the beginning of the fifteenth century, they began to be cast from pig-iron. More and more metal was needed for the production of agricultural and other implements. In the first half of the fifteenth century the first blast furnaces appeared. The invention of the compass helped the further development of navigation and seafaring. The invention and spread of printing were of great significance.

China had achieved a considerable development of its productive forces and culture by the sixth to eleventh centuries, in many respects surpassing the Europe of that time. The Chinese were the first to invent the compass, gunpowder, writing-paper and a very simple form of printing.

The development of the productive forces of feudal society more and more clashed with the narrow framework of feudal production relations. The peasantry, under the yoke of feudal exploitation, were in no condition to increase further the output of agricultural produce. The productivity of unfree peasant labor was exceedingly low. In the town the growth of the craftsman's productivity of labor came up against the obstacles created by guild statutes and rules. The feudal system was characterized by the slow rate of development of production, by routine and by the authority of tradition.

The productive forces which had grown up in the framework of feudal society demanded new relations of production.

The Birth of Capitalist Production in the Womb of the Feudal System.

The Role of Merchant Capital in the feudal period commodity production gradually developed, town handicrafts expanded and peasant economy was more and more drawn into exchange.

Production by small craftsmen and peasants, based on private property and personal labor creating products for exchange, is called simple commodity production.

As has already been said a product made for exchange is a commodity.

Different commodity producers expend on the production of the same commodities an unequal quantity of labor. This depends on the different conditions in which they have to work: commodity producers possessing improved implements expend on the production of one and the same commodity less labor in comparison with other commodity producers. In addition to differences in the implements of labor, differences in strength, dexterity, the skill of the worker and so on have their effect. The market, however, is not concerned in what conditions and with what implements one commodity or another is produced. For identical commodities on the market one and the same amount of money is paid independent of those individual conditions of labor in which they were produced.

Therefore, commodity producers whose individual labor expenditure, because of worse conditions of production, are higher than average cover only part of these costs when selling their commodities and ultimately are ruined.

On the other hand, commodity producers whose individual labor expenditure thanks to better conditions of production are lower than average, are in an advantageous position when selling their commodities, and grow rich. This strengthens competition. A differentiation takes place among small commodity producers. The majority of them become more and more impoverished, an insignificant section grows rich.

The divided condition of the country under feudalism was a great hindrance in the way of the development of commodity production. The feudal lords established at will dues on imported goods, exacted tribute for passage through their possessions, and thus, created serious obstacles to the development of trade. The requirements of trade and the economic development of society in general evoked the necessity of abolishing feudal separatism. The growth of handicraft and agricultural production, the development of the social division of labor between town and country, led to the intensification of economic links between different districts within the country and to the formation of a national market. The formation of a national market created the economic preconditions for the centralization of State power. The nascent town bourgeoisie was concerned to remove feudal obstacles and supported the creation of a centralized State.

The kings, relying on the broader stratum of non-noble landowners (gentry), on the "vassals of their vassals" and also on the rising towns, dealt the feudal nobility decisive blows and strengthened their own dominance. They became not only nominal, but also effective sovereigns in the State. Large national States emerged in the form of absolute monarchies. The overcoming of feudal separatism and the creation of centralized State power facilitated the appearance and development of capitalist relations.

The formation of a world market was also of great significance for the rise of the capitalist order.

In the second half of the fifteenth century the Turks seized Constantinople and the whole of the eastern part of the Mediterranean Sea. The most important artery along which passed the trade routes between Western Europe and the East was cut. In the search for the sea route to India, Columbus discovered America in 1492; while in 1498 Vasco da Gama, having sailed round Africa, discovered the sea route to India.
As a result of these discoveries the focal point of European trade moved from the Mediterranean Sea to the Atlantic Ocean, the bulk of trade, passed to the Netherlands, England and France. Russia played a noticeable role in European trade.

With the rise of world trade and a world market, handicrafts were no longer in a position to satisfy the growing demand for goods. This hastened the transition from small-scale artisan production to large-scale capitalist production, based on the exploitation of wage-workers.

The advance from the feudal mode of production to the capitalist was made in two ways: on the one hand; the differentiation among the small commodity producers gave birth to capitalist entrepreneurs; on the other hand, merchant capital, through the merchants, directly subordinated production to itself.

The guilds were able to limit competition and differentiation among the craftsmen so long as commodity production was little developed. With the development of exchange, competition became stronger and stronger. The masters working for a wider market in part obtained the alteration of guild restrictions, and in part simply evaded them. They lengthened the working day of the journeymen and apprentices, increased their number and applied more productive methods of labor. The richest master craftsmen gradually became capitalists, while the poorer masters, apprentices and journeymen became wage-workers.

Merchant capital assisted the rise of capitalist production by breaking down the natural economy. Merchant capital first appeared as an intermediary in the exchange of the commodities of the small producers-the craftsmen and the peasants-and in the realization by the feudal lords of part of the surplus product which they appropriated. Later, the merchant began to buy up regularly from the small producers the commodities they had made and then to resell them on a wider market. The merchant became an engrosser. With the growth of competition and the appearance of the engrosser the position of the mass of the craftsmen radically changed. The impoverished masters were compelled to turn for help to the trader or engrosser, who loaned them money and raw materials on condition that they should sell him the finished articles at a pre-arranged low price. Thus, the small producers fell into economic dependence on merchant capital.

Gradually many impoverished masters found themselves dependent in this way on the rich engrosser. He distributed raw material to them-for example, thread to be worked up into cloth for a definite payment-and thus, became a putter-out.

The impoverishment of the craftsman resulted in the engrosser now supplying him not only with raw materials, but also with implements of labor.

Thus, the craftsman was deprived of the last semblance of independent existence, and was finally converted into a wage-worker, while the engrosser was becoming an industrial capitalist.

The craftsmen of yesterday, gathered in the capitalist's workshop, carried out uniform work. Soon, however, it was discovered that certain of them were more successful with one operation, others with another. Therefore, it was more advantageous to entrust to each one just that part of the work at which he was most skillful. Thus, in the workshops with a fairly considerable number of workers division of labor was gradually introduced.

Capitalist enterprises using wage-workers who worked by hand on the basis of division of labor were called manufactories. [3]

The first manufactories already appeared in the fourteenth and fifteenth centuries in Florence and some medieval city republics of Italy. Then, in the sixteenth to eighteenth centuries, manufactories in various branches of production-cloth, linen, silk, watchmaking, arms and glass-spread in all European countries.

In Russia manufactories began to arise in the seventeenth century. At the beginning of the eighteenth century under Peter I they began to develop at faster rates. Among them were arms, cloth, silk and other manufactories. Iron foundries, mines and salt works were created in the Urals.

As distinct from the West European factories, which were based on wage labor, Russian enterprises in the seventeenth to eighteenth centuries, while employing some free wage labor, in the main employed the labor of peasant serfs and bound workers. Manufactories based on free wage labor began to become widespread from the end of the eighteenth century. This process was particularly intensified in the last decades before the abolition of serfdom.

The process of the breakdown of feudal relations was also taking place in the countryside. With the development of commodity production, the power of money grew. The feudal serf-owners substituted money payments for the peasants' payments in kind. The peasants had to sell the products of their labor and pay the feudal lords the money they had obtained. Chronic need of money appeared among the peasants. Engrossers and usurers made use of this to make the peasants their bondmen. Feudal oppression intensified and the position of the serfs deteriorated.

The development of money relations gave a great impetus to the differentiation of the peasantry, i.e., its stratification into different social groups. The overwhelming majority of the peasantry became impoverished, stifled from overwork and were ruined. Side by side with this kulak land-grabbers began to appear in the countryside, exploiting their fellow-villagers by means of loans at extortionate rates and buying up from them agricultural produce, cattle and farm equipment at ruinous prices.

Thus, capitalist production came into existence in the womb of the feudal system.

[3] Manufacture" literally means production by hand.

Capitalist production presupposes two basic conditions: one, the presence of numbers of propertyless people, personally free and at the same time deprived of the means of production and livelihood and, therefore, compelled to hire themselves out for work to the capitalists; and two, the accumulation of the wealth in money necessary to create large capitalist enterprises.

We have seen that capitalism drew its sustenance from small commodity production based on private property, with its competition bringing enrichment to the few and ruin to the majority of small producers. The slowness of this process, however, did not correspond to the requirement of the new world market created by the great discoveries of the end of the fifteenth century. The rise of the capitalist mode of production was hastened by the application of the crudest methods of violence by the large landowners, bourgeoisie and the State power which was in the hands of the exploiting classes. Force, in Marx's expression, played the part of the midwife, hastening the birth of the new capitalist mode of production.

Some bourgeois historians idyllically depict the history of the rise of the capitalist and working classes. In immemorial times, they assert, there existed a group of assiduous and careful men who accumulated wealth by their labor.

On the other hand, there existed a number of lazy-bones and idlers who squandered all their substance and were converted into propertyless proletarians.

These fables of the defenders of capitalism have no connection with reality.

In fact, the formation of the mass of propertyless people, the proletariat, and the accumulation of wealth in the hands of the few took place by means of the forcible deprivation of the small producers of their means of production. The process of the separation of the producers from the means of production (the land, implements of production, and so on) was accompanied by an endless succession of acts of plunder and cruelty. This process is called primitive capital accumulation since it preceded the creation of large-scale capitalist production.

Capitalist production achieved considerable development first of all in England. From the end of the fifteenth century there took place in that country an agonizing process of the forcible expulsion of the peasants from the land.

The increased demand for wool from the large cloth manufactories, which arose first in Flanders and then in England itself, gave the direct impetus to this. The landlords began to raise large flocks of sheep. Pastures were needed for sheep-raising. The feudal lords drove off the peasants in masses from the places they occupied, seized the lands which had been in their permanent possession, and converted the arable into pastures.

The expulsion of the peasants from the land was carried out by various means, and primarily by means of the open seizure of common lands. The landlords enclosed these lands, destroyed the peasant homes and forcibly expelled the peasants. If the peasants attempted to get back the land illegally seized

from them, the armed force of the State came to the help of the landlord. The State power began to issue laws in the eighteenth century on "enclosure", justifying the plundering of the peasants.

The ruined and plundered peasants formed innumerable crowds of indigent beggars who filled the towns, villages and roads of England. Having no means of existence they became beggars. The State authority issued bloody laws against those who had been expropriated. These laws were distinguished by their exceptional ferocity. Thus, in the reign of the English king Henry VIII (sixteenth century), 72,000 people were executed for "vagabondage".

In Tsarist Russia, which entered the road of capitalist development later than other European countries, the separation of the producer from the means of production was affected in the same ways as in other countries. In 1861 the Tsarist government, under the influence of peasant risings was compelled to abolish serfdom.

This reform was a gigantic plundering of the peasants. The landlords seized two-thirds of the land, leaving only one-third for the use of the peasants. The most convenient lands, and also in a number of cases the pastures, ponds, roads to the fields and so on which were used by the peasant, were cut off by the landlords. In the hands of the landlords the lands "cut off" by the landlords became a means of imposing a new bondage on the peasants, compelled to rent these lands from the landlords on the most burdensome conditions. The law while announcing the personal freedom of the peasants, temporarily preserved week-work and quitrent. For the reduced plot of land which he received, the peasant was obliged to carry out these duties for the landlord until the land had been paid for. The scale of purchase payments was reckoned at inflated prices for land and amounted to about two milliard rubles.

Characterizing the features of the peasant reform of 1861 Lenin wrote:

"They all represent the first acts of mass violence against the peasantry in the interests of nascent capitalism in agriculture. It is the 'clearing of estates' for capitalism by the landlords." (Lenin, "The Agrarian Programme of Social Democracy in the First Russian Revolution", Selected Works, English edition, vol. III, p. 182.),

A double result was achieved by the eviction of the peasants from the land. On the one hand, the land became the private property of a comparatively small group of landowners.

Feudal estate property in land was converted into bourgeois property. On the other hand, an abundant influx into industry of free workers ready to hire themselves to the capitalists, was assured.

Apart from the presence of a cheap labor force, the accumulation in a few hands of great wealth, in the form of sums of money which could be converted into any means of production and used to hire workers, was essential for the appearance of capitalist production.

In the Middle Ages large amounts of money were accumulated by traders and usurers. This wealth was later used as the basis for organizing many capitalist enterprises.

The conquest of America, which was accompanied by the mass plundering and extermination of the native population, brought the conquerors incalculable riches which began to grow still faster as a result of the exploitation of very rich mines of gold and silver. Hands were needed for the mines. The native population, the Indians, perished in masses, not surviving the harsh labor conditions. European merchants in Africa organized the hunting of negroes which was carried out entirely as though it was wild animals they hunted. The trade in negroes exported from Africa and converted into slaves was exceptionally profitable. The slave traders' profits achieved fabulous heights. Negro slave labor began to be widely applied in the cotton plantations of America.

Colonial trade was also one of the most important sources for the creation of large fortunes. Dutch, English and French merchants organized East India companies for trade with India. These companies were supported by their governments. They were granted the monopoly of trade in colonial commodities and the right of unlimited exploitation of the colonies with the use of any forcible measures they pleased. The profits of the East India companies were reckoned in hundreds per cent per year. In Russia rapacious trading with the population of Siberia gave the merchants huge profits, as did the plunderous system of liquor monopolies, which consisted in the State's granting to private entrepreneurs the right to produce and sell alcoholic liquors for a definite payment.

Huge wealth in money was concentrated in the hands of commercial and usurers' capital as a result.

Thus, at the price of the plundering and ruin of the mass of small producers, the wealth essential for the creation of large capitalist enterprises 'was accumulated. Describing this process, Marx wrote: "... capital comes [into the world] dripping from head to foot, from every pore, with blood and dirt." (Marx, Capital, Kerr edition, vol. I, p. 834.)

Peasant Serf Risings. Bourgeois Revolutions. Fall of the Feudal System

The struggle of the peasantry against the feudal landowners took place throughout the whole feudal epoch, but it became particularly sharp towards the end of this epoch. In the fourteenth century France was in the grip of a peasant war which has gone down to history as the "Jacquerie". The rising bourgeoisie of the towns at first supported this movement, but left it at the decisive moment.

At the end of the fourteenth century in England a peasant revolt flared up which covered the greater part of the country. Armed peasants headed by Wat Tyler went through the country, sacking landlords' estates and the monasteries, and entered London. The feudal lords turned to violence and deceit in order to suppress the rising. Tyler was treacherously killed. Believing the promises of the king and the feudal lords the rebels dispersed to their homes. After this, punitive expeditions went about the countryside dealing out savage punishment to the peasants.

At the beginning of the sixteenth century Germany was convulsed by a peasant war supported by the town poor. Thomas Münzer was the leader of the rebels. The peasants demanded the abolition of the license and violence of the gentry.

In Russia the peasant wars headed by Stepan Razin in the seventeenth century and Emelyan Pugachov in the eighteenth century were on a particularly large scale. The rebellious peasants sought the abolition of serfdom, the transfer to themselves of the landowners' and government lands and the ending of landlord rule. The intensification of the crisis of the feudal serf-owning system of economy in the 1850's was expressed in a broad wave of peasant risings on the eve of the 1861 reform.

In China peasant wars and risings on a huge scale took place throughout the centuries. The rising of the T'ai P'ing in the period of the Tsing dynasty (middle of the nineteenth century) embraced the millions of the peasantry. The rebels occupied the ancient capital of China, Nanking. The T'ai P'ing agrarian law proclaimed equality in the use of land and other property. In State organisation the T'ai P'ing linked monarchy and peasant democracy in their own way, which is also characteristic of peasant movements in other countries.

The revolutionary significance of peasant risings was that they shook the foundations of feudalism and in the end led to the abolition of serfdom.

The transition from feudalism to capitalism in the countries of Western Europe took place through bourgeois revolutions. The struggle of the peasants against the landowners was used by the rising bourgeoisie in order to hasten the downfall of the feudal system, to replace serf exploitation by capitalist exploitation and take power into their own hands. The peasants formed the basic mass of those fighting against feudalism in the bourgeois revolutions. So, it was in the first bourgeois revolution in the Netherlands in the sixteenth century. So, it was in the English revolution of the seventeenth century. So, it was in the bourgeois revolution in France at the end of the eighteenth century.

The bourgeoisie used the fruits of the revolutionary struggle of the peasantry, climbing to power on its shoulders. The peasants were strong in their hatred of the oppressors. The peasant risings, however, bore a spontaneous character. The peasantry, as a class of small private owners, was split up and could not create a clear programme or a strong and well-knit organisation for the struggle. Peasant risings can lead to success only if they unite with the workers' movement and if the workers lead the peasant risings.

At the period of the bourgeois revolutions of the seventeenth and eighteenth centuries, however, the working class was still weak, few in numbers and unorganized.

In the womb of feudal society more or less complete forms of the capitalist order ripened. The new exploiting class, the capitalist class, grew up and there appeared at the same time masses of people deprived of the means of production, the proletarians.

In the period of bourgeois revolutions, the bourgeoisie used against feudalism the economic law of the obligatory correspondence between relations of production and the character of the forces of production; they overthrew feudal production relations, created new, bourgeois production relations

and brought production relations into keeping with the character of the forces of production which had ripened in the womb of feudalism.

The bourgeois revolutions put an end to the feudal system and established the dominance of capitalism.

Economic Views of the Feudal Period

The social system dominant at that time was reflected in the economic views of the feudal period. Mental life in feudal society was under the control of the clergy and therefore found expression predominantly in a religious and scholastic form. Considerations on the economic life of that time formed special sections in theological tracts.

Economic opinions in China were for many centuries under the influence of the teaching of Confucius. Confucianism as a religious ideology had arisen already in the fifth century B.C. The social and economic views of Confucianism require strict maintenance of the hierarchy of feudal estates, both in State structure and in family life. In Confucius's words, "the unenlightened people should obey the aristocrats and wise men. Disobedience by ordinary people to their superiors is the beginning of disorder". At the same time, Confucius called upon the "nobles" to be "humane" and not to treat the poor too harshly. Confucius advocated the necessity of uniting China, which was then divided, under the rule of a monarch. Confucius and his followers idealized backward forms of economy and extolled the "golden age" of the patriarchal past. The peasantry, crushed by the feudal aristocracy and the merchants, put into the Confucian preachings their own aspirations and hopes for betterment of their lot, though Confucianism did not express the class interests of the peasantry. As it developed, Confucianism became transformed into the official ideology of the feudal nobility. It was used by the ruling classes for the purpose of training the people in a spirit of slavish submission to the feudalists and of perpetuating the feudal system.

One of the ideologists of feudalism in medieval Europe, Thomas Aquinas (thirteenth century), attempted to justify the need for feudal society by divine law. Proclaiming feudal property as necessary and reasonable, and declaring the peasant serfs to be slaves, Thomas Aquinas, in opposition to the ancient slave-owners, asserted that "in his soul the slave is free" and therefore a master has no right to kill a slave. Labor was no longer considered unworthy of a free man. Thomas Aquinas regarded physical labor as base, and mental labor as noble.

In this division he saw the justification for society's division into estates. The same approach from the point of view of the feudal estates appeared in his views on wealth. Each person should own wealth in keeping with the position which he occupied on the hierarchical feudal ladder. From this point of view the teaching of the medieval theologians on .the so-called "just" price is characteristic. The "just" price should reflect the quantity of labor expended in producing a commodity, and the estate of the producer.

Medieval defenders of the "just" price did not protest at all against merchant profits. They only strove to confine profits within bounds so that they would not threaten the economic existence of the

other estates. They condemned usury as a low and immoral occupation. With the development of commodity production and exchange, however, the clergy themselves began to take part in money-lending; along with this, the attitude of the Church to usury became more and more tolerant.

The class struggle of the oppressed and exploited masses against the ruling classes of feudal society developed in a religious form for several centuries. The demands of exploited peasants and journeymen were frequently based on quotations from the Bible. All sorts of sects were very widespread. The Catholic church, fiercely persecuting "heretics" through the Inquisition, burned them at the stake.

With the development of the class struggle, the religious form of the movement of the oppressed masses retreated into the background, and the revolutionary character of this movement stood out ever more clearly. The peasants demanded the suppression of serf slavery, the abolition of feudal privileges, the establishment of equal rights, the abolition of estates, and so on.

In the course of the peasant wars in England, Bohemia and Germany the slogans of the rebels became more and more radical. The longing of the exploited masses of town and country for equality expressed itself in the demand for community of property. This was a yearning for equality in the sphere of consumption. Although the demand for community of property was unrealizable, it was of revolutionary significance at that time since it rallied the masses in struggle against feudal oppression.

Towards the end of the feudal period two outstanding early Utopian Socialists appeared-the Englishman Thomas More, who wrote Utopia (sixteenth century) and the Italian Tomaso Campanella whose book is called City of the Sun (seventeenth century). Seeing the growing inequality and contradictions of contemporary society, these thinkers expounded their views on the causes of social evils in an original form; they described what were, in their opinion, ideal social systems, from which these evils would be excluded.

In the books of these Utopians a social system is described which is free from private property and all its accompanying faults. Everyone in this society is engaged in both handicraft and agricultural labor. All inhabitants work six, or even four, hours a day, and the fruits of their labor are entirely sufficient to satisfy all their needs. Products are distributed according to need. The education of children is a concern of society.

The works of More and Campanella played a progressive part in the process of the development of social thought. They contained ideas considerably in advance of the development of society of that time. More and Campanella, however, did not know the laws of social development, and their ideas were unrealizable, "Utopian". It was impossible at that time to destroy social inequality; the level of productive forces demanded the advance from feudal to capitalist exploitation.

The rise of capitalism belongs to the sixteenth century. To the same century belong the first attempts to comprehend and explain a number of the phenomena of capitalism. Thus, in the sixteenth

to eighteenth centuries there arose and developed the trend of economic thought and policy known as mercantilism.

Mercantilism arose in England, and afterwards it appeared in France, Italy and other countries. The mercantilists discussed the question of the country's wealth, the forms of wealth and the ways of its growth.

This was a time when capital-in the form of merchant and usurers' capital-was predominant in the sphere of trade and credit. In the sphere of production, however, it had made only the first steps by founding manufactories. After the discovery and conquest of America a flood of gold and silver poured into Europe. Gold and silver were then ceaselessly re-distributed among the individual European States, both by means of wars and through foreign trade.

In their understanding of the nature of wealth the mercantilists started from the superficial phenomena of circulation. They concentrated attention not on production, but on trade and money circulation, particularly the movement of gold and silver.

In the view of the mercantilists, not social production and its products, but money, gold and silver, was the sole real wealth. The mercantilists demanded active intervention in economic life by the State, so that as much money as possible should flow into the country and as little as possible pass beyond its limits. The early mercantilists sought to achieve this by purely administrative measures, forbidding the export of money from the country. Later mercantilists considered it essential to expand foreign trade for these ends. Thus, an English partisan of mercantilism, Thomas Mun (1571-1641), a great merchant and director of the East India Company wrote: "The ordinary means therefore to increase our wealth and treasure is by Foreign Trade, wherein we must ever observe this rule; to sell more to strangers yearly than we consume of theirs in value." The mercantilists reflected the interests of the bourgeoisie which was growing up in the womb of feudalism and striving to accumulate wealth in gold and silver by developing foreign trade, colonial plunder and trade wars and the enslavement of backward peoples. In connection with the development of capitalism, they began to demand that the State authorities should protect the development of industrial enterprises, the manufactories. Export bounties, which were paid to merchants selling commodities on the foreign market, were established. Import duties soon became still more significant. With the development of the manufactories and later of factories, the imposition of duties on imported commodities became the most widespread defense measure of home industry against foreign competition.

Such a defensive policy is called protectionism. In many countries it remained for a long time after the conceptions of mercantilism had been overcome.

In England protective duties were of great significance in the sixteenth and seventeenth centuries, when competition from the more developed manufactories of the Netherlands threatened her. From the eighteenth-century England was steadily gaining industrial leadership.

Other less developed countries could not compete with her. Consequently, ideas of free trade began to gain ground in England.

A different situation was created in countries which entered on the capitalist road later than England. Thus, in France in the seventeenth century Colbert, the minister of Louis XIV, who in' fact ruled the country, created a widely ramified system of State patronage of manufactories.

His system included high import duties, the prohibition of exports of raw materials, the introduction of a number of new branches of industry, the setting up of companies for foreign trade, and so on.

Mercantilism played a progressive part for its time. The protectionist policy inspired by the ideas of mercantilism greatly helped the spread of manufactories. The lack of development of capitalist production at that time, however, was reflected in the mercantilists' views of wealth. The further development of capitalism made the unsoundness of the conceptions of the mercantile system more and more evident.

In Russia in the seventeenth and eighteenth centuries the feudal serf-owning system of economy was dominant. The economy was basically a natural one. At the same time, trade and handicraft developed considerably, a national market was formed and manufactories began to arise. These economic changes in the country helped to strengthen absolutism in Russia.

The representatives of Russian economic thought, reflecting the historical and economic peculiarities of the country, developed certain mercantilist ideas. However, as distinct from many West European mercantilists, they ascribed great significance not only to trade, but also to the development of industry and agriculture.

The economic views of that time were reflected in the works and measures of the seventeenth century Russian statesman A.L. Ordyn-Nashchokin, in the economic policy of Peter I and in the works of the most important Russian economist of the beginning of the eighteenth century, I.T. Pososhkov.

In his Book on Poverty and Wealth (1724) I.T. Pososhkov expounded a broad programme of Russian economic development and offered a developed justification for this programme. Pososhkov demonstrated the necessity of adopting a number of economic measures in Russia with the aim of protecting the development of home industry trade and agriculture and improving the country's financial system.

In the last third of the eighteenth century a tendency to the breakdown of feudal serf-owning relations was noticeable in Russia; this became much more acute in the first quarter of the nineteenth century, and later grew into a direct crisis of serfdom.

The initiator of the revolutionary-democratic trend in Russian social thought, A.N. Radishchev (1749-1802), was an outstanding economist of his time. Radishchev, resolutely attacking serfdom and defending the oppressed peasantry, made an annihilating criticism of the serf-owning system, exposed

the exploiting nature of the wealth of the landlords and serf-owners, the owners of manufactories and traders and justified the right to ownership of land of those who worked it with their labor. Radishchev was firmly convinced that the autocracy and serfdom could be liquidated only by revolutionary means. He worked out a system of economic measures which were progressive for, his time, and the realization of which would have secured Russia s advance to a bourgeois democratic system.

The Decembrists, in the first half of the nineteenth century, were revolutionaries of that historical period in Russia when the need to replace feudalism by capitalism had ripened. They directed the edge of their criticism against serfdom. Standing forth as fiery partisans of the development of Russia's productive forces, they considered the abolition of serfdom and the emancipation of the peasants as the most important conditions of this development. The Decembrists not only put forward the slogan of struggle against serfdom and autocracy, but also organized an armed rising against the absolute monarchy. P.I. Pestel (1793-1826) worked out an original scheme for the solution of the agrarian problem in Russia. He drew up a kind of draft constitution, which he called "The Russian Law", envisaging the urgent and complete emancipation of the peasants from serfdom and also economic measures for the defense of the peasants' interests for the future. For this purpose, Pestel considered it essential to create a special public land fund from which each peasant could receive for his own use, without payment, land essential for his existence. This fund should be formed out of part of the land of the landlords and the Government, moreover, part of the land should be alienated from the largest landlords without compensation. The Decembrists, as revolutionaries coming from the ranks of the gentry, were far from the people, but their ideas of struggle against serfdom helped the growth of the revolutionary movement in Russia.

The ideology of the bourgeoisie in their rise to supremacy was formed in conditions of the breakdown of feudalism and the birth of the capitalist order of society. This ideology was directed against the feudal system and against religion as the ideological weapon of the feudal lords. Therefore, the outlook of the bourgeoisie struggling for power had a progressive character in a number of countries. Its most notable representatives-economists and, philosophers-subjected to decisive criticism all the fundamental principles of feudal society: economic, political, religious, philosophical and moral. They played a great part in the ideological preparation of the bourgeois revolution and exerted a progressive influence on the development of science and art.

BRIEF CONCLUSIONS

(1) Feudalism arose on the basis of the disintegration of slave-owning society and the break-up of the village community of the tribes which conquered the slave-owning States. In those countries where there had been no slave-owning system, feudalism arose on the basis of the break-up of the primitive community system. The clan aristocracy and military leaders of the tribes took into their hands a great quantity of lands and distributed them among their followers. The gradual enserfing of the peasants took place.

(2) The feudal lord's ownership of land and incomplete ownership of the worker in production-the peasant serf-was the basis of the relations of production in feudal society. As well as feudal property

there existed the individual property of the peasant and craftsman, which was based on personal labor. The labor of the peasant serfs was the source of the existence of feudal society. Serf exploitation was expressed in the fact that the peasants were compelled to perform week-work for the feudal lord, or to pay him quitrent in kind and in money. The burden that serfdom laid on the peasant was frequently little different from that of slavery. However, the serf system opened certain possibilities for the development of the productive forces since the peasant could work a certain part of the time on his own holding and had a certain interest in his labor.

(3) The basic economic law of feudalism consists in the production of surplus product to satisfy the demands of the feudal lords, by means of the exploitation of dependent peasants, on the basis of the ownership of the land by the feudal lords and their incomplete ownership of the workers in production-the serfs.

(4) Feudal society, particularly in the period of the early Middle Ages, was split into small princedoms and states. The nobility and clergy were the ruling estates of feudal society. The peasant estate had no political rights. A class struggle between peasants and feudal lords took place throughout the whole history of feudal society. The feudal State, reflecting the interests of nobility and clergy, was an active force helping them to consolidate their right of feudal ownership of the land and to intensify their exploitation of the dispossessed and oppressed peasants.

(5) In the feudal epoch agriculture played a predominant part, and the economy had a basically natural character. With the development of the social division of labor and exchange, the old towns which had survived the fall of the slave-owning system revived, and new towns arose. The towns were centers of handicraft and trade. The crafts were organized in guilds which strove to prevent competition. Traders united in merchant guilds.

(6) The development of commodity production, breaking down the natural economy, led to differentiation among the peasants and the craftsmen. Merchant capital hastened the decline of the crafts and promoted the birth of capitalist enterprise-the manufactories. Feudal limitations and territorial divisions acted as a brake on the growth of commodity production. In the process of further development, the national market was formed. The centralized feudal State arose in the form of absolute monarchy.

(7) Primitive accumulation of capital prepared the conditions for the rise of capitalism. Huge numbers of small producers-peasants and craftsmen-were deprived of the means of production. Great monetary wealth concentrated in the hands of large landowners, merchants and usurers was created by means of the forcible expropriation of the peasantry, colonial trade, taxes and the slave trade. Thus, the formation of the basic classes of capitalist society, of wage-workers and capitalists, was accelerated. More or less complete forms of the capitalist order of society grew and ripened in the womb of feudal society.

(8) The production relations of feudalism, the low productivity of the unfree labor of the peasant serfs, and guild restrictions, hindered the further development of productive forces. Peasant serf risings.

shook the feudal system and led to the abolition of serfdom. The bourgeoisie took the lead in the struggle for the overthrow of feudalism. It made use of the revolutionary struggle of the peasants against the feudal lords in order to take power into its own hands. The bourgeois revolutions put an end to the feudal system and established the rule of capitalism, giving scope for the development of the forces of production.

Frederick Engels: Anti-Dühring Part II: Political Economy

Chapter 1: Subject Matter and Method

Political economy, in the widest sense, is the science of the laws governing the production and exchange of the material means of subsistence in human society. Production and exchange are two different functions. Production may occur without exchange, but exchange — being necessarily an exchange of products—cannot occur without production. Each of these two social functions is subject to the action of external influences which to a great extent are peculiar to it and for this reason each has, also to a great extent, its own special laws. But on the other hand, they constantly determine and influence each other to such an extent that they might be termed the abscissa and ordinate of the economic curve.

The conditions under which men produce and exchange vary from country to country, and within each country again from generation to generation. Political economy, therefore, cannot be the same for all countries and for all historical epochs. A tremendous distance separates the bow and arrow, the stone knife and the acts of exchange among savages occurring only by way of exception, from the steam-engine of a thousand horse power, the mechanical loom, the railways and the Bank of England. The inhabitants of Tierra del Fuego have not got so far as mass production and world trade, any more than they have experience of bill-jobbing or a Stock Exchange crash. Anyone who attempted to bring the political economy of Tierra del Fuego under the same laws as are operative in present-day England would obviously produce nothing but the most banal commonplaces. Political economy is therefore essentially a *historical* science. It deals with material which is historical, that is, constantly changing; it must first investigate the special laws of each individual stage in the evolution of production and exchange, and only when it has completed this investigation will it be able to establish the few quite general laws which hold good for production and exchange in general. At the same time, it goes without saying that the laws which are valid for definite modes of production and forms of exchange hold good for all historical periods in which these modes of production and forms of exchange prevail. Thus, for example, the introduction of metallic money brought into operation a series of laws which remain valid for all countries and historical epochs in which metallic money is a medium of exchange.

The mode of production and exchange in a definite historical society, and the historical conditions which have given birth to this society, determine the mode of distribution of its products. In the tribal or village community with common ownership of land—with which, or with the easily recognizable survivals of which, all civilized peoples enter history—a fairly equal distribution of products is a matter of course; where considerable inequality of distribution among the members of the

community sets in, this is an indication that the community is already beginning to break up.—Both large- and small-scale agriculture admit of very diverse forms of distribution, depending upon the historical conditions from which they developed. But it is obvious that large-scale farming always gives rise to a distribution which is quite different from that of small-scale farming; that large-scale agriculture presupposes or creates a class antagonism—slave-owners and slaves, feudal lords and serfs, capitalists and wage-workers—while small-scale agriculture does not necessarily involve class differences between the individuals engaged in agricultural production, and that on the contrary the mere existence of such differences indicates the incipient dissolution of smallholding economy.—The introduction and extensive use of metallic money in a country in which hitherto natural economy was universal or predominant is always associated with a more or less rapid revolutionization of the former mode of distribution, and this takes place in such a way that the inequality of distribution among the individuals and therefore the opposition between rich and poor becomes more and more pronounced.—The local guild-controlled handicraft production of the Middle Ages precluded the existence of big capitalists and lifelong wage-workers just as these are inevitably brought into existence by modern large-scale industry, the credit system of the present day, and the form of exchange corresponding to the development of both of them—free competition.

But with the differences in distribution, *class differences* emerge. Society divides into classes: the privileged and the dispossessed, the exploiters and the exploited, the rulers and the ruled; and the state, which the natural groups of communities of the same tribe had at first arrived at only in order to safeguard their common interests (e.g., irrigation in the East) and for protection against external enemies, from this stage onwards acquires just as much the function of maintaining by force the conditions of existence and domination of the ruling class against the subject class.

Distribution, however, is not a merely passive result of production and exchange; it in its turn reacts upon both of these. Each new mode of production or form of exchange is at first retarded not only by the old forms and the political institutions which correspond to them, but also by the old mode of distribution; it can secure the distribution which is suitable to it only in the course of a long struggle. But the more mobile a given mode of production and exchange, the more capable it is of perfection and development, the more rapidly does distribution reach the stage at which it outgrows its progenitor, the hitherto prevailing mode of production and exchange, and comes into conflict with it. The old primitive communities which have already been mentioned could remain in existence for thousands of years—as in India and among the Slavs up to the present day—before intercourse with the outside world gave rise in their midst to the inequalities of property as a result of which they began to break up. On the contrary, modern capitalist production, which is hardly three hundred years old and has become predominant only since the introduction of modern industry, that is, only in the last hundred years, has in this short time brought about antitheses in distribution—concentration of capital in a few hands on the one side and concentration of the propertyless masses in the big towns on the other—which must of necessity bring about its downfall.

The connection between distribution and the material conditions of existence of society at any period lies so much in the nature of things that it is always reflected in popular instinct. So long as a mode of production still describes an ascending curve of development, it is enthusiastically welcomed even by those who come off worst from its corresponding mode of distribution. This was the case with the English workers in the beginnings of modern industry. And even while this mode of production remains normal for society, there is, in general, contentment with the distribution, and if objections to it begin to be raised, these come from within the ruling class itself (Saint-Simon, Fourier, Owen) and find no response whatever among the exploited masses. Only when the mode of production in question has already described a good part of its descending curve, when it has half outlived its day, when the conditions of its existence have to a large extent disappeared, and its successor is already knocking at the door — it is only at this stage that the constantly increasing inequality of distribution appears as unjust, it is only then that appeal is made from the facts which have had their day to so-called eternal justice. From a scientific standpoint, this appeal to morality and justice does not help us an inch further; moral indignation, however justifiable, cannot serve economic science as an argument, but only as a symptom. The task of economic science is rather to show that the social abuses which have recently been developing are necessary consequences of the existing mode of production, but at the same time also indications of its approaching dissolution,-and to reveal within the already dissolving economic form of motion, the elements of the future new organisation of production and exchange which will put an end to those abuses. The wrath which creates the poet [Juvenalis, *Satirae*, 1, 79 (si nature negat, facit indignatio versum).—*Ed*.] is absolutely in place in describing these abuses, and also in attacking those apostles of harmony in the service of the ruling class who either deny or palliate them; but how little it *proves* in any particular case is evident from the fact that in *every* epoch of past history there has been no lack of material for such wrath.

Political economy, however, as the science of the conditions and forms under which the various human societies have produced and exchanged and, on this basis, have distributed their products—political economy in this wider sense has still to be brought into being. Such economic science as we possess up to the present is limited almost exclusively to the genesis and development of the capitalist mode of production: it begins with a critique of the survivals of the feudal forms of production and exchange, shows the necessity of their replacement by capitalist forms, then develops the laws of the capitalist mode of production and its corresponding forms of exchange in their positive aspects, that is the aspects in which they further the general aims of society, and ends with a socialist critique of the capitalist mode of production, that is, with an exposition of its laws in their negative aspects, with a demonstration that this mode of production, by virtue of its own development, drives towards the point at which it makes itself impossible. This critique proves that the capitalist forms of production and exchange become more and more an intolerable fetter on production itself, that the mode of distribution necessarily determined by those forms has produced a situation among the classes which is daily becoming more intolerable—the antagonism, sharpening from day to day, between capitalists, constantly decreasing in number but constantly growing richer, and propertyless wage-workers, whose number is constantly increasing and whose conditions, taken as a whole, are steadily deteriorating; and

finally, that the colossal productive forces created within the capitalist mode of production which the latter can no longer master, are only waiting to be taken possession of by a society organized for co-operative work on a planned basis to ensure to all members of society the means of existence and of the free development of their capacities, and indeed in constantly increasing measure.

In order to complete this critique of bourgeois economics, an acquaintance with the capitalist form of production, exchange and distribution did not suffice. The forms which had preceded it or those which still exist alongside it in less developed countries, had also, at least in their main features, to be examined and compared. Such an investigation and comparison have up to the present been undertaken, in general outline, only by Marx, and we therefore owe almost exclusively to his researches [4] all that has so far been established concerning pre-bourgeois theoretical economics.

Although it first took shape in the minds of a few men of genius towards the end of the seventeenth century, political economy in the narrower sense, in its positive formulation by the physiocrats and Adam Smith, is nevertheless essentially a child of the eighteenth century, and ranks with the achievements of the contemporary great French philosophers of the Enlightenment, sharing with them all the merits and demerits of that period. What we have said of the philosophers a is also true of the economists of that time. To them, the new science was not the expression of the conditions and requirements of their epoch, but the expression of eternal reason; the laws of production and exchange discovered by this science were not laws of a historically determined form of those activities, but eternal laws of nature; they were deduced from the nature of man. But this man, when examined more closely, proved to be the average burgher of that epoch, on the way to becoming a bourgeois, and his nature consisted in manufacturing and trading in accordance with the historically determined conditions of that period.

Now that we have acquired sufficient knowledge of our “layer of critical foundations”, Herr Dühring, and his method in the philosophical field, it will not be difficult for us to foretell the way in which he will handle political economy. In philosophy, in so far as his writings were not simply drivel (as in his philosophy of nature), his mode of outlook was a distortion of that of the eighteenth century. It was not a question of historical laws of development, but of laws of nature, eternal truths. Social relations such as morality and law were determined, not by the actual historical conditions of the age, but by the famous two men, one of whom either oppresses the other or does not—though the latter alternative, sad to say, has never yet come to pass. We are therefore hardly likely to go astray if we conclude that Herr Dühring will trace political economy also back to final and ultimate truths {D. Ph. 2}, eternal natural laws, and the most empty and barren tautological axioms; that nevertheless he will smuggle in again by the backdoor the whole positive content of political economy, so far as this is known to him; and that he will not evolve distribution, as a social phenomenon, out of production and

[4] Engels has in mind, above all, Marx's works The Poverty of Philosophy (1847), A Contribution to the Critique of Political Economy (1859) and Vol. I of Capital (1867). Marx carried out a thorough study of pre-capitalist forms of production in his Economic Manuscripts of 1857-58 (first version of Capital).

exchange, but will hand it over to his famous two men for final solution. And as all these are tricks with which we are already familiar, our treatment of this question can be all the shorter.

In fact, already on page 2, [5] Herr Dühring tells us that

his economics links up with what has been "*established*" in his *Philosophie*, and "in certain essential points depends on *truths* of a higher order *which have already been consummated [ausgemacht]* in a higher field of investigation" {D. C. 2}.

Everywhere the same importunate eulogy of himself; everywhere Herr Dühring is triumphant over what Herr Dühring has established and put out [*ausgemacht*]. Put out, yes, we have seen it to surfeit—but put out in the way that people put out a sputtering candle. [In German an untranslatable play on words: *ausmachen* means consummate and also put out.—*Ed.*]

Immediately afterwards we find

"The most general *natural laws* governing all economy" {4} —

so, our forecast was right.

But these natural laws permit of a correct understanding of past history only if they are "investigated in that more precise determination which their results have experienced through the political forms of subjection and grouping. Institutions such as slavery and wage bondage, along with which is associated their twin-brother, property based on force, must be regarded as social-economic constitutional forms of a purely political nature, and have hitherto constituted the frame within which the consequences of the natural economic laws could alone manifest themselves" {4-5}.

This sentence is the fanfare which, like a *leitmotif* in Wagner's operas, announces the approach of the famous two men. But it is more than this: it is the basic theme of Herr Dühring's whole book. In the sphere of law, Herr Dühring could not offer us anything except a bad translation of Rousseau's theory of equality into the language of socialism, such as one has long been able to hear much more effectively rendered in any workers' tavern in Paris. Now he gives us an equally bad socialist translation of the economists' laments over the distortion of the eternal natural economic laws and of their effects owing to the intervention of the state, of force. And in this Herr Dühring stands, deservedly, absolutely alone among socialists. Every socialist worker, no matter of what nationality, knows quite well that force only protects exploitation, but does not cause it; that the relation between capital and wage-labor is the basis of his exploitation, and that this was brought about by purely economic causes and not at all by means of force.

Then we are further told that

in all economic questions "two processes, that of production and that of distribution, can be distinguished". Also that J. B. Say, notorious for his superficiality, mentioned in addition a third

[5] In Part II, except Chapter X, of Anti-Dühring, Engels quotes from the second (1876) edition of Dühring's Cursus der National- und Socialökonomie.

process, that of consumption, but that he was unable to say anything sensible about it, any more than his successors {7-8} and that exchange or circulation is, however, only a department of production, which comprises all the operations required for the products to reach the ultimate consumer, the consumer proper {11-12}.

By confounding the two essentially different, though also mutually dependent, processes of production and circulation, and unblushingly asserting that the avoidance of this confusion can only "give rise to confusion", Herr Dühring merely shows that he either does not know or does not understand the colossal development which precisely circulation has undergone during the last fifty years, as indeed is further borne out by the rest of his book. But this is not all. After just lumping together production and exchange into one, as simply production, he puts distribution *alongside* production, as a second, wholly external process, which has nothing whatever to do with the first. Now we have seen that distribution, in its decisive features, is always the necessary result of the production and exchange relations of a particular society, as well as of the historical conditions in which this society arose; so much so that when we know these relations and conditions, we can confidently infer the mode of distribution which prevails in this society. But we see also that if Herr Dühring does not want to be unfaithful to the principles "established" by him in his conceptions of morality, law and history, he is compelled to deny this elementary economic fact, especially if he is to smuggle his indispensable two men into economics. And once distribution has been happily freed of all connection with production and exchange, this great event can come to pass.

Let us first recall how Herr Dühring developed his argument in the field of morality and law. He started originally with *one* man, and he said:

"One man conceived as being alone, or, what is in effect the same, out of all connection with other men, can have no *obligations;* for such a man there can be no question of what he *ought*, but only of what he wants, to do" {D. Ph. 199}.

But what is this man, conceived as being alone and without obligations, but the fateful "primordial Jew Adam" {110} in paradise, where he is without sin simply because there is no possibility for him to commit any?—However, even this Adam of the philosophy of reality is destined to fall into sin. Alongside this Adam there suddenly appears—not, it is true, an Eve with rippling tresses, but a second Adam. And instantly Adam acquires obligations and—breaks them. Instead of treating his brother as having equal rights and clasping him to his breast, he subjects him to his domination, he makes a slave of him—and it is the consequences of this first sin, the original sin of the enslavement of man, from which the world has suffered through the whole course of history down to the present day—which is precisely what makes Herr Dühring think world history is not worth a farthing.

Incidentally, Herr Dühring considered that he had brought the "negation of the negation" sufficiently into contempt by characterizing it as a copy of the old fable of original sin and redemption {see D. K. G. 504}—but what are we to say of his latest version of the same story? (for, in due time, we

shall, to use an expression of the reptile press, [6] "get down to brass tacks" on redemption as well). All we can say is that we prefer the old Semitic tribal legend, according to which it was worthwhile for the man and woman to abandon the state of innocence, and that to Herr Dühring will be left the uncontested glory of having constructed his original sin with two men.

Let us now see how he translates this original sin into economic terms:

"We can get an appropriate cogitative scheme for the idea of production from the conception of a Robinson Crusoe who is facing nature alone with his own resources and has not to share with anyone else... Equally appropriate to illustrate what is most essential in the idea of distribution is the cogitative scheme of two persons, who combine their economic forces and must evidently come to a mutual understanding in some form as to their respective shares. In fact nothing more than this simple dualism is required to enable us accurately to portray some of the most important relations of distribution and to study their laws embryonically in their logical necessity... Co-operative working on an equal footing is here just as conceivable as the combination of forces through the complete subjection of one party, who is then compelled to render economic service as a slave or as a mere tool and is maintained also only as a tool... Between the state of equality and that of nullity on the one part and of omnipotence and solely-active participation on the other, there is a range of stages which the events of world history have filled in in rich variety. A universal survey of the various institutions of *justice* and *injustice* throughout history is here an essential presupposition" {D. C. 9-10} ....

and in conclusion the whole question of distribution is transformed into an

"Economic right of distribution" {10}.

Now at last Herr Dühring has firm ground under his feet again. Arm in arm with his two men he can issue his challenge to his age. But behind this trinity stands yet another, an unnamed man.

"Capital has not invented surplus-labor. Wherever a part of society possesses the monopoly of the means of production, the laborer, free or not free, must add to the working-time necessary for his own maintenance an extra working-time in order to produce the means of subsistence for the owners of the means of production, whether this proprietor be the Athenian [aristocrat], Etruscan theocrat, civis Romanus [Roman citizen], Norman baron, American slave-owner, Wallachian Boyard, modern landlord or capitalist" (Marx, *Das Kapital*, Vol. I, 2nd edition, p. 227).

When Herr Dühring had thus learned what the basic form of exploitation common to all forms of production up to the present day is—so far as these forms move in class antagonisms—all he had to do was to apply his two men to it, and the deep-rooted foundation of the economics of reality was completed. He did not hesitate for a moment to carry out this "system-creating idea" {D. Ph. 525}. Labor without compensation, beyond the labor-time necessary for the maintenance of the laborer

[6] Reptiles — a nickname widespread in Germany in the 1870s for journalists subsidized by the government. This expression, but in a different sense, was used by Bismarck on January 30, 1869, in the Prussian Chamber of Deputies, this time with reference to the government's adversaries.

himself—that is the point. The Adam, who is here called Robinson Crusoe, makes his second Adam — Man Friday—drudge for all he is worth. But why does Friday toil more than is necessary for his own maintenance? To this question, too, Marx step by step provides an answer. But this answer is far too long-winded for the two men. The matter is settled in a trice: Crusoe "oppresses" Friday, compels him "to render economic service as a slave or a tool" and maintains him "also only as a tool". With these latest "creative turns" {D. K. G. 462} of his, Herr Dühring kills as it were two birds with one stone. Firstly, he saves himself the trouble of explaining the various forms of distribution which have hitherto existed, their differences and their causes; taken in the lump, they are simply of no account—they rest on oppression, on force. We shall have to deal with this before long. Secondly, he thereby transfers the whole theory of distribution from the sphere of economics to that of morality and law, that is, from the sphere of established material facts to that of more or less vacillating opinions and sentiments. He therefore no longer has any need to investigate or to prove things; he can go on declaiming to his heart's content and demand that the distribution of the products of labor should be regulated, not in accordance with its real causes, but in accordance with what seems ethical and just to him, Herr Dühring. But what seems just to Herr Dühring is not at all immutable, and hence very far from being a genuine truth. For genuine truths {D. Ph. 196}, according to Herr Dühring himself, are "absolutely immutable". In 1868 Herr Dühring asserted—*Die Schicksale meiner sozialen Denkschrift etc.*—that

it was "a tendency of all higher civilization *to put more and more emphasis on property*, and in this, not in confusion of rights and spheres of sovereignty, lies the essence and the future of modern development".

And furthermore, he was quite unable to see

"How a transformation of wage-labor into another manner of gaining a livelihood is ever to be reconciled with the laws of human nature and the naturally necessary structure of the body social".

thus in 1868, private property and wage-labor are naturally necessary and therefore just; in 1876 both of these are the emanation of force and "robbery" and therefore unjust. And as we cannot possibly tell what in a few years' time may seem ethical and just to such a mighty and impetuous genius, we should in any case do better, in considering the distribution of wealth, to stick to the real, objective, economic laws and not to depend on the momentary, changeable, subjective conceptions of Herr Dühring as to what is just or unjust.

If for the impending overthrow of the present mode of distribution of the products of labor, with its crying contrasts of want and luxury, starvation and surfeit, we had no better guarantee than the consciousness that this mode of distribution is unjust, and that justice must eventually triumph, we should be in a pretty bad way, and we might have a long time to wait. The mystics of the Middle Ages who dreamed of the coming millennium were already conscious of the injustice of class antagonisms. On the threshold of modern history, three hundred and fifty years ago, Thomas Münzer proclaimed it to the world. In the English and the French bourgeois revolutions the same call resounded—and died away. And if today the same call for the abolition of class antagonisms and class distinctions, which up

to 1830 [7] had left the working and suffering classes cold, if today this call is re-echoed a millionfold, if it takes hold of one country after another in the same order and in the same degree of intensity that modern industry develops in each country, if in one generation it has gained a strength that enables it to defy all the forces combined against it and to be confident of victory in the near future—what is the reason for this? The reason is that modern large-scale industry has called into being on the one hand a proletariat, a class which for the first time in history can demand the abolition, not of this or that particular class organisation, or of this or that particular class privilege, but of classes themselves, and which is in such a position that it must carry through this demand on pain of sinking to the level of the Chinese coolie. On the other hand this same large-scale industry has brought into being, in the bourgeoisie, a class which has the monopoly of all the instruments of production and means of subsistence, but which in each speculative boom period and in each crash that follows it proves that it has become incapable of any longer controlling the productive forces, which have grown beyond its power, a class under whose leadership society is racing to ruin like a locomotive whose jammed safety-valve the driver is too weak to open. In other words, the reason is that both the productive forces created by the modern capitalist mode of production and the system of distribution of goods established by it have come into crying contradiction with that mode of production itself, and in fact to such a degree that, if the whole of modern society is not to perish, a revolution in the mode of production and distribution must take place, a revolution which will put an end to all class distinctions. On this tangible, material fact, which is impressing itself in a more or less clear form, but with insuperable necessity, on the minds of the exploited proletarians—on this fact, and not on the conceptions of justice and injustice held by any armchair philosopher, is modern socialism's confidence in victory founded.

Frederick Engels: Capital Volume 2

Preface to the First Edition

It was no easy task to put the second book of *Capital* in shape for publication, and do it in a way that on the one hand would make it a connected and as far as possible complete work, and on the other would represent exclusively the work of its author, not of its editor. The great number of available, mostly fragmentary, texts worked on added to the difficulties of this task. At best one single manuscript (No. IV) had been revised throughout and made ready for press. But the greater part had become obsolete through subsequent revision. The bulk of the material was not finally polished, in point of language, although in substance it was for the greater part fully worked out. The language was that in which Marx used to make his extracts: careless style full of colloquialisms, often containing coarsely humorous expressions and phrases interspersed with English and French technical terms or with whole sentences and even pages of English. Thoughts were jotted down as they developed in the brain of the author. Some parts of the argument would be fully treated, others of equal importance only indicated. Factual material for illustration would be collected, but barely arranged, much less worked

[7] Engels is referring to the July Revolution of 1830 in France, which brought big bankers and industrialists to power; from this time on, as a result of the final victory of the bourgeoisie over the nobility, the struggle between the proletariat and the bourgeoisie came to the fore.

out. At conclusions of chapters, in the author's anxiety to get to the next, there would often be only a few disjointed sentences to mark the further development here left incomplete. And finally, there was the well-known handwriting which the author himself was sometimes unable to decipher.

I have contented myself with reproducing these manuscripts as literally as possible, changing the style only in places where Marx would have changed it himself and interpolating explanatory sentences or connecting statements only where this was absolutely necessary, and where, besides, the meaning was clear beyond any doubt. Sentences whose interpretation was susceptible of the slightest doubt were preferably copied word for word. The passages which I have remodeled or interpolated cover barely ten pages in print and concern only matters of form.

The mere enumeration of the manuscript material left by Marx for Book II proves the unparalleled conscientiousness and strict self-criticism with which he endeavored to elaborate his great economic discoveries to the point of utmost completion before he published them. This self-criticism rarely permitted him to adapt his presentation of the subject, in content as well as in form, to his ever-widening horizon, the result of incessant study. The above material consists of the following:

First, a manuscript entitled *Zur Kritik der politischen Oekonomie*, containing 1,472 quarto pages in 23 notebooks, written in August 1861 to June 1863. It is the continuation of a work of the same title, the first part of which appeared in Berlin, in 1859. It treats, on pages 1-220 (Notebooks I-V) and again on pages 1,159-1,472 (Notebooks XIX-XXIII), of the subjects examined in Book I of *Capital*, from the transformation of money into capital to the end, and is the first extant draft thereof. Pages 973-1,158 (Notebooks XVI-XVIII) deal with capital and profit, rate of profit, merchant's capital and money-capital, that is to say with subjects which later were developed in the manuscript for Book III. The themes treated in Book II and very many of those which are treated later, in Book III, are not yet arranged separately. They are treated in passing, to be specific, in the section which makes up the main body of the manuscript, viz., pages 220-972 (Notebooks VI-XV), entitled "Theories of Surplus-Value." This section contains a detailed critical history of the pith and marrow of Political Economy, the theory of surplus-value and develops parallel with it, in polemics against predecessors, most of the points later investigated separately and in their logical connection in the manuscript for Books II and III. After eliminating the numerous passages covered by Books II and III, I intend to publish the critical part of this manuscript as *Capital*, Book IV. This manuscript, valuable though it is, could be used only very little in the present edition of Book II.

The manuscript chronologically following next is that of Book III. It was written, at least the greater part of it, in 1864 and 1865. Only after this manuscript had been completed in its essential parts did Marx undertake the elaboration of Book I which was published in 1867. I am now getting this manuscript of Book III in shape for press.

The following period — after the publication of Book I — is represented by a collection of four folio manuscripts for Book II, numbered I-IV by Marx himself. Manuscript I (150 pages), presumably written in 1865 or 1867, is the first separate, but more or less fragmentary, elaboration of Book II as now

arranged. Here too nothing could be used. Manuscript III is partly a compilation of quotations and references to the notebooks containing Marx's extracts, most of them relating to Part I of Book II, partly elaborations of particular points, especially a critique of Adam Smith's propositions on fixed and circulating capital and the source of profit; furthermore, an exposition of the relation of the rate of surplus-value to the rate of profit, which belongs in Book III. Little that was new could be garnered from the references, while the elaborations for volumes II and III were superseded by subsequent revisions and had also to be discarded for the greater part.

Manuscript IV is an elaboration, ready for press, of Part I and the first chapters of Part II of Book II, and has been used where suitable. Although it was found that this manuscript had been written earlier than Manuscript II, yet, being far more finished in form, it could be used with advantage for the corresponding part of this book. All that was needed was a few addenda from Manuscript II. The latter is the only somewhat complete elaboration of Book II and dates from the year 1870. The notes for the final editing, which I shall mention immediately, say explicitly: "The second elaboration must be used as the basis."

There was another intermission after 1870, due mainly to Marx's ill health. Marx employed this time in his customary way, by studying agronomics, rural relations in America and, especially, Russia, the money-market and banking, and finally natural sciences such as geology and physiology. Independent mathematical studies also figure prominently in the numerous extract notebooks of this period. In the beginning of 1877, he had recovered sufficiently to resume his main work. Dating back to the end of March 1877 there are references and notes from the above-named four manuscripts intended as the basis of a new elaboration of Book II, the beginning of which is represented by Manuscript V (56 folio pages). It comprises the first four chapters and is still little worked out. Essential points are treated in footnotes. The material is rather collected than sifted, but it is the last complete presentation of this, the most important section of Part I.

A first attempt to prepare from it a manuscript ready for press was made in Manuscript VI (*after* October 1877 and before July 1878), embracing only 17 quarto pages, the greater part of the first chapter. A second and last attempt was made in Manuscript VII, "July 2, 1878," only 7 folio pages.

About this time Marx seems to have realized that he would never be able to finish the elaboration of the second and third books in a manner satisfactory to himself unless a complete revolution in his health took place. Indeed, manuscripts V-VIII show far too frequent traces of an intense struggle against depressing ill health. The most difficult bit of Part I had been worked over in Manuscript V. The remainder of Part I and all of Part II, with the exception of Chapter XVII, presented no great theoretical difficulties. But Part III, dealing with the reproduction and circulation of social capital, seemed to him to be very much in need of revision; for Manuscript II had first treated reproduction without taking into consideration money-circulation, which is instrumental in effecting it, and then gone over the same question again, but with money-circulation taken into account. This was to be eliminated and the whole part to be reconstructed in such a way as to conform to the author's enlarged horizon. Thus, Manuscript VIII came into existence, a notebook containing only 70 quarto pages. But the vast amount

of matter Marx was able to compress into this space is clearly demonstrated on comparing that manuscript with Part III, in print, after leaving out the pieces inserted from Manuscript II.

This manuscript is likewise merely a preliminary treatment of the subject, its main object having been to ascertain and develop the points of view newly acquired in comparison with Manuscript II, with those points ignored about which there was nothing new to say. An essential portion of Chapter XVII, Part II, which anyhow is more or less relevant to Part III, was once more reworked and expanded. The logical sequence is frequently interrupted, the treatment of the subject gappy in places and very fragmentary, especially the conclusion. But what Marx intended to say on the subject is said there, somehow or other.

This is the material for Book II, out of which I was supposed "to make something," as Marx remarked to his daughter Eleanor shortly before his death. I have construed this task in its narrowest meaning. So far as this was at all possible, I have confined my work to the mere selection of a text from the available variants. I always based my work on the last available edited manuscript, comparing this with the preceding ones. Only the first and third parts offered any real difficulties, i.e., of more than a mere technical nature, and these were indeed considerable. I have endeavored to solve them exclusively in the spirit of the author.

I have translated quotations in the text whenever they are cited in confirmation of facts or when, as in passages from Adam Smith, the original is available to everyone who wants to go thoroughly into the matter. This was impossible only in Chapter X, because there it is precisely the English text that is criticized. The quotations from Book I are paged according to its second edition, the last one to appear in Marx's lifetime.

For Book III, only the following materials are available, apart from the first elaboration in manuscript form of *Zur Kritik*, from the above-mentioned parts of Manuscript III, and from a few occasional short notes scattered through various extract notebooks: The folio manuscript of 1864-65, referred to previously, which is about as fully worked out as Manuscript II of Book II; furthermore, a notebook dated 1875: The Relation of the Rate of Surplus-Value to the Rate of Profit, which treats the subject mathematically (in equations). The preparation of this Book for publication is proceeding rapidly. So far as I am able to judge up to now, it will present mainly technical difficulties, with the exception of a few but very important sections.

I consider this an opportune place to refute a certain charge which has been raised against Marx, first in only whispers, sporadically, but more recently, after his death, proclaimed an established fact by German Socialists of the Chair and of the State and by their hangers-on. It is claimed that Marx plagiarized the work of Rodbertus. I have already stated elsewhere [8] what was most urgent in this regard, but not until now have I been able to adduce conclusive proof.

[8] In the Preface to Marx's The Poverty of Philosophy, translated by E. Bernstein and K. Kautsky, Stuttgart, 1885.

As far as I know this charge was made for the first time in R. Meyer's *Emancipationskampf des vierten Standes*, p. 43:

"It can be proved that Marx has gathered the greater part of his critique from these publications" — meaning the works of Rodbertus dating back to the last half of the thirties.

I may well assume, until further evidence is produced, that the "whole proof" of this assertion consists in Rodbertus having assured Herr Meyer that this was so.

In 1879 Rodbertus himself appears on the scene and writes the following to J. Zeller (*Zeitschrift für die gesammte Staatswissenschaft*, Tübingen, 1879, p. 219), with reference to his work *Zur Erkenntniss unsrer staatswirtschaftlichen Zustände*, 1842:

"You will find that this" (the line of thought developed in it) "has been very nicely used ... by Marx, without, however, giving me credit for it."

The posthumous publisher of Rodbertus's works, Th. Kozak, repeats his insinuation without further ceremony. (*Das Kapital* von Rodbertus. Berlin, 1884, Introduction, p. XV.)

Finally in the *Briefe und Sozialpolitische Aufsätze von Dr. Rodbertus-Jagetzow*, published by R. Meyer in 1881, Rodbertus says point-blank:

"To-day I find I have been *robbed* by Schäffle and Marx without having my name mentioned." (Letter No. 60, p..134.)

And in another place, Rodbertus's claim assumes a more definite form:

"In my third social letter I have shown *virtually in the same way* as Marx, only more briefly and clearly, what the *source* of the *surplus-value* of the capitalist is." (Letter No. 48, p. 111.)

Marx had never heard anything about any of these charges of plagiarism. In his copy of the *Emancipationskampf* only that part had been cut open which related to the International. The remaining pages were not opened until I cut them myself after his death. He never looked at the Tübingen *Zeitschrift*. The *Briefe*, etc., to R. Meyer likewise remained unknown to him, and I did not learn of the passage referring to the "robbery" until Dr. Meyer himself was good enough to call my attention to it in 1884. However, Marx was familiar with letter No. 48. Dr. Meyer had been so kind as to present the original to the youngest daughter of Marx. When some of the mysterious whispering about the secret source of his criticism having to be sought in Rodbertus reached the ear of Marx, he showed me that letter with the remark that here he had at last authentic information as to what Rodbertus himself claimed; if that was all Rodbertus asserted he, Marx, had no objection, and he could well afford to let Rodbertus enjoy the pleasure of considering his own version the briefer and clearer one. In fact, Marx considered the matter settled by this letter of Rodbertus.

He could so all the more since I know for certain that he was not in the least acquainted with the literary activity of Rodbertus until about 1859, when his own critique of Political Economy had been completed, not only in its fundamental outlines, but also in its more important details. Marx began his

economic studies in Paris, in 1843, starting with the great Englishmen and Frenchmen. Of German economists he knew only Rau and List, and he did not want any more of them. Neither Marx nor I heard a word of Rodbertus's existence until we had to criticize, in the *Neue Rheinische Zeitung*, 1848, the speeches he made as Berlin Deputy and his actions as Minister. We were both so ignorant that we had to ask the Rhenish deputies who this Rodbertus was that had become a Minister so suddenly. But these deputies too could not tell us anything about the economic writings of Rodbertus. That on the other hand Marx had known very well already at that time, without the help of Rodbertus, not only whence but also *how* "the surplus-value of the capitalist" came into existence is proved by his *Poverty of Philosophy*, 1847, and by his lectures on wage-labor and capital, delivered in Brussels the same year and published in Nos. 264-69 of the *Neue Rheinische Zeitung*, in 1849. It was only in 1859, through Lassalle, that Marx learned of the existence of a certain economist named Rodbertus and thereupon Marx looked up the "third social letter" in the British Museum.

These were the actual circumstances. And now let us see what there is to the content, of which Marx is charged with "robbing" Rodbertus. Says Rodbertus:

"In my third social letter I have shown in the same way as Marx, only more briefly and clearly, what the source of the surplus-value of the capitalist is."

This, then, is the crux of the matter: The theory of surplus-value. And indeed, it would be difficult to say what else there is in Marx that Rodbertus might claim as his property. Thus, Rodbertus declares here he is the real originator of the theory of surplus-value and that Marx robbed him of it.

And what has the third social letter to say in regard to the origin of surplus-value? Simply this: That "rent," his term which lumps together ground-rent and profit, does not arise from an "addition of value" to the value of a commodity, but

> "From a deduction of value from wages; in other words, because wages represent only a part of the value of a product,"
>
> and if labor is sufficiently productive
>
> "Wages need not be equal to the natural exchange-value of the product of labor in order to leave enough of this value for the replacing of capital (!) and for rent."

We are not informed however what sort of a "natural exchange-value" of a product it is that leaves nothing for the "replacing of capital," consequently, for the replacement of raw material and the wear and tear of tools.

It is our good fortune to be able to state what impression was produced on Marx by this stupendous discovery of Rodbertus. In the manuscript *Zur Kritik*, notebook X, pp. 445 et seqq. we find a "Digression. Herr Rodbertus. A New Ground-Rent Theory." This is the only point of view from which Marx there looks upon the third social letter. The Rodbertian theory of surplus-value in general is dismissed with the ironical remark: "Mr. Rodbertus first analyses the slate of affairs in a country where

property in land and property in capital is not separated and then arrives at the *important* conclusion that rent (by which he means the entire surplus-value) is only equal to the unpaid labor or to the quantity of products in which this labor is expressed."

Capitalistic man has been producing surplus-value for several hundred years and has gradually arrived at the point of pondering over its origin. The view first propounded grew directly out of commercial practice: surplus-value arises out of an addition to the value of the product. This idea was current among the mercantilists. But James Steuart already realized that in that case the one would necessarily lose what the other would gain. Nevertheless, this view persisted for a long time afterwards, especially among the Socialists. But it was thrust out of classical science by Adam Smith.

He says in the *Wealth of Nations*, Vol. I, Ch. VI:

"As soon as stock has accumulated in the hands of particular persons, some of them will naturally employ it in setting to work industrious people, whom they will supply with materials and subsistence, in order to make a *profit* by the sale of their work, or by *what their labor adds to the value of the materials*.... The value which the workmen *add to the materials*, therefore, resolves itself in this case into *two parts*, of which the one pays *their wages*, the other the *profits of their employer* upon the whole stock of materials and wages which he advanced."

And a little further on he says:

"As soon as the land of any country has all become private property, the landlords, like all other men, love to reap where they never sowed, and demand a rent even for its natural produce...." The laborer "...must *give up* to the landlord *a portion* of what his *labor* either collects or produces. This portion, or, what comes to the same thing, the price of this portion, constitutes the *rent of land*."

Marx comments on this passage in the above-named manuscript *Zur Kritik*, etc., p. 253: "thus Adam Smith conceives *surplus-value* — that is, surplus-labor, the excess of labor performed and realized in the commodity over and above the paid labor, the labor which has received its equivalent in the wages — as the *general category*, of which profit in the strict sense and rent of land are merely branches."

Adam Smith says furthermore (Vol. I, Ch. VIII):

"As soon as land becomes private property, the landlord demands a share of almost all the produce which the laborer can either raise or collect from it. His rent makes the *first deduction* from the *produce of the labor which is employed upon land*. It seldom happens that the person who tills the ground has the wherewithal to maintain himself till he reaps the harvest. His maintenance is generally advanced to him from the stock of a master, the farmer who employs him, and who would have no interest to employ him, unless he was to *share in the produce of his labor*, or unless his stock was to be replaced to him with a profit. This profit makes a *second deduction* from the produce of the labor which is employed upon land. The produce of almost all other labor is liable to the like deduction of profit. In all arts and manufactures the greater part of the workmen stand in need of a master to advance them the materials

of their work, and their wages and maintenance till it be completed. He *shares* in the *produce of their labor*, or in the value which it adds to the materials upon which it is bestowed; and in this share consists his profit."

Marx's comment (Manuscript, p. 256): "Here therefore Adam Smith in plain terms describes rent and profit on capital as mere *deductions* from the workman's product or the value of his product, which is equal to the quantity of labor added by him to the material. This deduction however, as Adam Smith has himself previously explained, can only consist of that part of the labor which the workman adds to the materials, over and above the quantity of labor which only pays his wages, or which only provides an equivalent for his wages; that is, the surplus-labor, the unpaid part of his labor."

Thus, even Adam Smith knew "the source of the surplus-value of the capitalist," and furthermore also of that of the landlord. Marx acknowledged this as early as 1861, while Rodbertus and the swarming mass of his admirers, who grew like mushrooms under the warm summer showers of state socialism, seem to have forgotten all about that.

"Nevertheless," Marx continues, "he [Adam Smith] does not distinguish surplus-value as such as a category on its own, distinct from the specific forms it assumes in profit and rent. This is the source of much error and inadequacy in his inquiry, and of even more in the work of Ricardo."

This statement fits Rodbertus to a T. His "rent" is simply the sum of ground-rent and profit. He builds up an entirely erroneous theory of ground-rent, and he accepts profit without any examination of it, just as he finds it among his predecessors.

Marx's surplus-value, on the contrary, represents the *general form* of the sum of values appropriated without any equivalent by the owners of the means of production, and this form splits into the distinct, *converted* forms of profit and ground-rent in accordance with very peculiar laws which Marx was the first to discover. These laws will be expounded in Book III. We shall see there that many intermediate links are required to arrive from an understanding of surplus-value in general at an understanding of its transformation into profit and ground-rent; in other words, at an understanding of the laws of the distribution of surplus-value within the capitalist class.

Ricardo goes considerably further than Adam Smith. He bases his conception of surplus-value on a new theory of value contained in embryo in Adam Smith, but generally forgotten when it comes to applying it. This theory of value became the starting-point of all subsequent economic science. From the determination of the value of commodities by the quantity of labor embodied in them he derives the distribution, between the laborers and capitalists, of the quantity of value added by labor to the raw materials, and the division of this value into wages and profit (i.e., here surplus-value). He shows that the value of the commodities remains the same no matter what may be the proportion of these two parts, a law which he holds has but few exceptions. He even establishes a few fundamental laws, although couched in too general terms, on the mutual relations of wages and surplus-value (taken in the form of profit) (Marx, *Das Kapital*, Buch I, Kap. XV, A), and shows that ground-rent is a surplus over and above profit, which under certain circumstances does not accrue.

In none of these points did Rodbertus go beyond Ricardo. He either remained wholly unfamiliar with the internal contradictions of the Ricardian theory which caused the downfall of that school, or they only misled him into raising utopian demands (his *Zur Erkenntnis*, etc., p. 130) instead of inducing him to find economic solutions.

But the Ricardian theory of value and surplus-value did not have to wait for Rodbertus's *Zur Erkenntnis* in order to be utilized for socialist purposes. On page 609 of the first volume (*Das Kapital*, 2nd ed.) we find the following quotation, "**The possessors of surplus-produce or capital**," taken from a pamphlet entitled *The Source and Remedy of the National Difficulties. A Letter to Lord John Russell*, London, 1821. In this pamphlet of 40 pages, the importance of which should have been noted if only on account of the one expression "**surplus-produce or capital**," and which Marx saved from falling into oblivion, we read the following statements:

"...whatever may be due to the capitalist" (from the standpoint of the capitalist) "he can only receive the **surplus-labor** of the laborer; for the laborer must live" (p. 23).

But *how* the laborer lives and hence how much the surplus-labor appropriated by the capitalist can amount to are very relative things.

"... if capital does not decrease in value as it increases in amount, the capitalists will exact from the laborers the produce of every hour's labor beyond what it is possible for the laborer to subsist on the capitalist may ... eventually say to the laborer, 'You shan't eat bread ... because it is possible to subsist on beet root and potatoes.' And to this point have we come!" (Pp. 23-24.) "Why, if the laborer can be brought to feed on potatoes instead of bread, it is indisputably true that more can be exacted from his labor; that is to say, if when he fed on bread, he was obliged *to retain* for the maintenance of himself and family *the labor of Monday and Tuesday*, he will, on potatoes, require 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.) "**It is admitted** that the interest paid to the capitalists, whether in the nature of rents, interests on money, or profits of trade, is paid out of the labor of others." (p. 23.)

Here we have exactly the same idea of "rent" as Rodbertus has, except that "interest" is used instead of "rent."

Marx makes the following comment (manuscript *Zur Kritik*, p. 852): "This little-known pamphlet — published at a time when the 'incredible cobbler' MacCulloch began to be talked about — represents an essential advance over Ricardo. It directly designates surplus-value, or 'profit' in the language of Ricardo (often also **surplus-produce**), or **interest**, as the author of this pamphlet calls it, as **surplus-labor**, the labor which the laborer performs gratuitously, which he performs in excess of that quantity of labor by which the value of his labor-power is replaced, i.e., an equivalent of his wages is produced. It was no more important to reduce *value* to *labor* than to reduce **surplus-value**, represented by a ***surplus-produce***, to ***surplus-labor.*** This has *already been stated by Adam Smith and forms a main factor in Ricardo's analysis*. But they did not say so nor fix it anywhere in *absolute form*." We read furthermore, on page 859 of the manuscript: "Moreover, the author is a prisoner of the economic categories as they have

come down to him. Just as the confounding of surplus-value and profit misleads Ricardo into unpleasant contradictions, so this author fares no better by baptizing surplus-value with the name of 'interest of capital.' True, he advances beyond Ricardo by having been the first to reduce all surplus-value to surplus-labor. Furthermore, while calling surplus-value 'interest of capital,' he emphasizes at the same time that by this term he means the general form of surplus-labor as distinguished from its special forms: rent, interest on money, and profit of enterprise. And yet he picks the name of one of these special forms, **interest**, for the general form. And this sufficed to cause his relapse into economic slang."

This last passage fits Rodbertus like a glove. He, too, is a prisoner of the economic categories as they have come down to him. He, too, applies to surplus-value the name of one of its converted sub-forms, rent, and makes it quite indefinite at that. The result of these two mistakes is that he relapses into economic slang, that he does not follow up his advance over Ricardo critically, and that instead he is misled into using his unfinished theory, even before it got rid of its egg-shell, as the basis for a utopia with which, as always, he comes too late. The pamphlet appeared in 1821 and anticipated completely Rodbertus's "rent" of 1842.

Our pamphlet is but the farthest outpost of an entire literature which in the twenties turned the Ricardian theory of value and surplus-value against capitalist production in the interest of the proletariat, fought the bourgeoisie with its own weapons. The entire communism of Owen, so far as it engages in polemics on economic questions, is based on Ricardo. Apart from him, there are still numerous other writers, some of whom Marx quoted as early as 1847 against Proudhon (*Misère de la Philosophie*, p. 49), such as Edmonds, Thompson, Hodgskin, etc., etc., "and four more pages of etcetera." I select the following at random from among this multitude of writings: *An Inquiry into the Principles of the Distribution of Wealth, Most Conducive to Human Happiness*, **by** William Thompson; **a new edition**, London, 1850. This work, written in 1822, first appeared in 1824. Here likewise the wealth appropriated by the non-producing classes is described everywhere as a deduction from the product of the laborer and rather strong words are used. The author says:

"The constant effort of what has been called society, has been to deceive and induce, to terrify and compel, the productive laborer to work for the smallest possible portion of the produce of his own labor" (P. 28). "Why not give him the whole absolute produce of his labor?" (P. 32.) "This amount of compensation, exacted by capitalists from the productive laborers, under the name of rent or profits, is claimed for the use of land or other articles... For all the physical materials on which, or by means of which, his productive powers can be made available, being in the hands of others with interests opposed to his, and their consent being a necessary preliminary to any exertion on his part, is he not, and must he not always remain, at the mercy of these capitalists for whatever *portion of the fruits of his own labor* they may think proper to leave at his disposal in compensation for his toils?" (p. 125.) "... in proportion to the number of *products withheld*, whether called profits, or taxes, or theft" (p. 126), etc.

I must admit that I do not write these lines without a certain mortification. I will not make so much of the fact that the anti-capitalist literature of England of the twenties and thirties is so totally

unknown in Germany, in spite of Marx's direct references to it even in his *Poverty of Philosophy*, and his repeated quotations from it, as for instance the pamphlet of 1821, Ravenstone, Hodgskin, etc., in Volume I of *Capital*. But it is proof of the grave deterioration of official Political Economy that not only the *Literatus vulgaris*, who clings desperately to the coattails of Rodbertus and "really has not learned anything," but also the officially and ceremoniously installed professor, who "boasts of his erudition," has forgotten his classical Political Economy to such an extent that he seriously charges Marx with having purloined things from Rodbertus which may be found even in Adam Smith and Ricardo.

But what is there new in Marx's utterances on surplus-value? How is it that Marx's theory of surplus-value struck home like a thunderbolt out of a clear sky, and that in all civilized countries, while the theories of all his socialist predecessors, Rodbertus included, vanished without having produced any effect?

The history of chemistry offers an illustration which explains this.

We know that late in the past century the phlogistic theory still prevailed. It assumed that combustion consisted essentially in this: that a certain hypothetical substance, an absolute combustible named phlogiston, separated from the burning body. This theory sufficed to explain most of the chemical phenomena then known, although it had to be considerably strained in some cases. But in 1774 Priestley produced a certain kind of air

"Which he found to be so pure, or so free from phlogiston, that common air seemed adulterated in comparison with it."

He called it "dephlogisticated air." Shortly after him Scheele obtained the same kind of air in Sweden and demonstrated its existence in the atmosphere. He also found that this kind of air disappeared whenever some body was burned in it or in ordinary air and therefore, he called it "fire-air."

"From these facts he drew the conclusion that the combination arising from the union of phlogiston with one of the components of the atmosphere" (that is to say, from combustion) "was nothing but fire or heat which escaped through the glass." [9]

Priestley and Scheele had produced oxygen without knowing what they had laid their hands on. They "remained prisoners of the" phlogistic "categories as they came down to them." The element which was destined to upset all phlogistic views and to revolutionize chemistry remained barren in their hands. But Priestley had immediately communicated his discovery to Lavoisier in Paris, and Lavoisier, by means of this discovery, now analyzed the entire phlogistic chemistry and came to the conclusion that this new kind of air was a new chemical element, and that combustion was not a case of the mysterious phlogiston *departing* from the burning body, but of this new element *combining* with that body. Thus, he was the first to place all chemistry, which in its phlogistic form had stood on its head, squarely on its feet. And although he did not produce oxygen simultaneously and independently of the

[9] Roscoe and Schorlemmer, Ausführiches Lehrbuch der Chemie, Braunschweig, 1877, I, pp. 13, 18.

other two, as he claimed later on, he nevertheless is the real *discoverer* of oxygen vis-à-vis the others who had only *produced* it without knowing *what* they had produced.

Marx stands in the same relation to his predecessors in the theory of surplus-value as Lavoisier stood to Priestley and Scheele. The *existence* of that part of the value of products which we now call surplus-value had been ascertained long before Marx. It had also been stated with more or less precision what it consisted of, namely, of the product of the labor for which its appropriator had not given any equivalent. But one did not get any further. Some — the classical bourgeois economists — investigated at most the proportion in which the product of labor was divided between the laborer and the owner of the means of production. Others — the Socialists — found that this division was unjust and looked for utopian means of abolishing this injustice. They all remained prisoners of the economic categories as they had come down to them.

Now Marx appeared upon the scene. And he took a view directly opposite to that of all his predecessors. What they had regarded as a *solution,* he considered but a *problem.* He saw that he had to deal neither with dephlogisticated air nor with fire-air, but with oxygen — that here it was not simply a matter of stating an economic fact or of pointing out the conflict between this fact and eternal justice and true morality, but of explaining a fact which was destined to revolutionize all economics, and which offered to him who knew how to use it the key to an understanding of all capitalist production. With this fact as his starting-point he examined all the economic categories which he found at hand, just as Lavoisier proceeding from oxygen had examined the categories of phlogistic chemistry which he found at hand. In order to understand what surplus-value was, Marx had to find out what value was. He had to criticize above all the Ricardian theory of value. Hence, he analyzed labor's value-producing property and was the first to ascertain *what* labor it was that produced value, and why and how it did so. He found that value was nothing but congealed labor of *this* kind, and this is a point which Rodbertus never grasped to his dying day. Marx then investigated the relation of commodities to money and demonstrated how and why, thanks to the property of value immanent in commodities, commodities and commodity-exchange must engender the opposition of commodity and money. His theory of money, founded on this basis, is the first exhaustive one and has been tacitly accepted everywhere. He analyzed the transformation of money into capital and demonstrated that this transformation is based on the purchase and sale of labor-power. By substituting labor-power, the value-producing property, for labor he solved with one stroke one of the difficulties which brought about the downfall of the Ricardian school, viz., the impossibility of harmonizing the mutual exchange of capital and labor with the Ricardian law that value is determined by labor. By establishing the distinction of capital into constant and variable he was enabled to trace the real course of the process of the formation of surplus-value in its minutest details and thus, to explain it, a feat which none of his predecessors had accomplished. Consequently, he established a distinction inside of capital itself with which neither Rodbertus nor the bourgeois economists knew in the least what to do, but which furnishes the key for the solution of the most complicated economic problems, as is strikingly proved again by Book II and will be proved still more by Book III. He analyzed surplus-value further and found its two forms, absolute and relative surplus-value. And he showed that they had played a

different, and each time a decisive role, in the historical development of capitalist production. On the basis of this surplus-value he developed the first rational theory of wages we have, and for the first time drew up an outline of the history of capitalist accumulation and an exposition of its historical tendency.

And Rodbertus? After he has read all that, he — like the tendentious economist he always is — regards it as "an assault on society," finds that he himself has said much more briefly and clearly what surplus-value evolves from, and finally declares that all this does indeed apply to "the present form of capital," that is to say to capital as it exists historically, but not to the "conception of capital," namely the utopian idea which Herr Rodbertus has of capital. Just like old Priestly, who swore by phlogiston to the end of his days and refused to have anything to do with oxygen. The only thing is that Priestly had actually produced oxygen first, while Rodbertus had merely rediscovered a commonplace in his surplus-value, or rather his "rent," and that Marx, unlike Lavoisier, disdained to claim that he was the first to discover the *fact* of the existence of surplus-value.

The other economic feats performed by Rodbertus are on about the same plane. His elaboration of surplus-value into a utopia has already been unintentionally criticized by Marx in his *Poverty of Philosophy.* What else may be said about it I have said in my preface to the German edition of that work. Rodbertus's explanation of commercial crises as outgrowths of the underconsumption of the working-class may already be found in Sismondi's *Nouveaux Principes de l'Économie Politique*, Book IV, Ch. IV. [10] However, Sismondi always had the world-market in mind, while Rodbertus's horizon does not extend beyond the Prussian border. His speculations as to whether wages are derived from capital or income belong to the domain of scholasticism and are definitely settled in Part III of this second book of *Capital*. His theory of rent has remained his exclusive property and may rest in peace until the manuscript of Marx criticizing it is published. Finally, his suggestions for the emancipation of the old Prussian landed property from the oppression of capital are also entirely utopian; for they evade the only practical question raised in this connection, viz.: How can the old Prussian landed junker have a yearly income of, say, 20,000 marks and a yearly expenditure of, say, 30,000 marks, without running into debt?

The Ricardian school suffered shipwreck about the year 1830 on the rock of surplus-value. And what this school could not solve remained still more insoluble for its successor, Vulgar Economy. The two points which caused its failure were these:

1. Labor is the measure of value. However, living labor in its exchange with capital has a lower value than materialized labor for which it is exchanged. Wages, the value of a definite quantity of living labor, are always less than the value of the product begotten by this same quantity of living labor or in which this quantity is embodied. The question is indeed insoluble, if put in this form. It has been correctly formulated by Marx and thereby been answered. It is not labor which has a value. As an activity which creates values it can no more have any special value than gravity can have any special

[10] "Thus, the home market becomes ever more constricted by the concentration of riches in the hands of a small number of proprietors, and industry is forced more and more to seek its outlets in foreign markets, where still greater revolutions await it" (i.e. the crisis of 1817, which Sismondi goes on to describe). 1819 edition, I, p. 336.

weight, heat any special temperature, electricity any special strength of current. It is not labor which is bought and sold as a commodity, but labor-*power*. As soon as labor-power becomes a commodity, its value is determined by the labor embodied in this commodity as a social product. This value is equal to the labor socially necessary for the production and reproduction of this commodity. Hence the purchase and sale of labor-power on the basis of its value thus defined does not at all contradict the economic law of value.

2. According to the Ricardian law of value, two capitals employing equal quantities of equally paid living labor all other conditions being equal, produce commodities of equal value and likewise surplus-value, or profit, of equal quantity in equal periods of time. But if they employ unequal quantities of living labor, they cannot produce equal surplus-values, or, as the Ricardians say, equal profits. Now in reality the opposite takes place. In actual fact, equal capitals, regardless of how much or how little living labor is employed by them, produce equal average profits in equal times. Here there is therefore a contradiction of the law of value which had been noticed by Ricardo himself, but which his school also was unable to reconcile. Rodbertus likewise could not but note this contradiction. But instead of resolving it, he made it one of the starting-points of his utopia. (*Zur Erkenntnis*, p. 131.) Marx had resolved this contradiction already in the manuscript of his *Zur Kritik*. According to the plan of *Capital*, this solution will be provided in Book III. Months will pass before that will be published. Hence those economists who claim to have discovered in Rodbertus the secret source and a superior predecessor of Marx have now an opportunity to demonstrate what the economics of a Rodbertus can accomplish. If they can show in which way an equal average rate of profit can and must come about, not only without a violation of the law of value, but on the very basis of it, I am willing to discuss the matter further with them. In the meantime, they had better make haste. The brilliant investigations of the present Book II and their entirely new results in fields hitherto almost untrod are merely introductory to the contents of Book III, which develops the final conclusions of Marx's analysis of the process of social reproduction on a capitalist basis. When this Book III appears, little mention will be made of the economist called Rodbertus.

The second and third books of *Capital* were to be dedicated as Marx had stated repeatedly, to his wife.

V. I. Lenin: Karl Marx

Chapter: Marx's Economic Doctrine: Section: Value

A commodity is, in the first place, a thing that satisfies a human want; in the second place, it is a thing that can be exchanged for another thing. The utility of a thing makes its *use-value*. Exchange-value (or, simply, value), is first of all the ratio, the proportion, in which a certain number of use-values of one kind can be exchanged for a certain number of use-values of another kind. Daily experience shows us that million upon millions of such exchanges are constantly equating with one another every kind of use-value, even the most diverse and incomparable. Now, what is there in common between these various things, things constantly equated with one another in a definite system of social relations? Their common feature is that they are *products of labor*. In exchanging products, people equate the most

diverse kinds of labor. The production of commodities is a system of social relations in which individual producers create diverse products (the social division of labor), and in which all these products are equated with one another in the process of exchange. Consequently, what is common to all commodities is not the concrete labor of a definite branch of production, not labor of one particular kind, but *abstract* human labor—human labor in general. All the labor power of a given society, as represented in the sum total of the values of all commodities, is one and the same human labor power. Thousands upon thousands of millions of acts of exchange prove this. Consequently, each particular commodity represents only a certain share of the *socially necessary* labor time. The magnitude of value is determined by the amount of socially necessary labor, or by the labor time that is socially necessary for the production of a given commodity, of a given use-value.

"Whenever, by an exchange, we equate as values our different products, by that very act, we also equate, as human labor, the different kind of labor expended upon them. We are not aware of this, nevertheless we do it." [*Capital*]. As one of the earlier economists said, value is a relation between two persons; only he should have added: a relation concealed beneath a material wrapping. We can understand what value is only when we consider it from the standpoint of the system of social relations of production in a particular historical type of society, moreover, or relations that manifest themselves in the mass phenomenon of exchange, a phenomenon which repeats itself thousands upon thousands of times. "As values, all commodities are only definite masses of congealed labor time." [*A Contribution to the Critique of Political Economy*].

After making a detailed analysis of the twofold character of the labor incorporated in commodities, Marx goes on to analyze the *form of value* and *money*. Here, Marx's main task is to study the *origin* of the money form of value, to study the *historical process* of the development of exchange, beginning with individual and incidental acts of exchange (the "elementary or accidental form of value", in which a given quantity of one commodity is exchanged for a given quantity of another), passing on to the universal form of value, in which a number of different commodities are exchanged for one and the same particular commodity, and ending with the money form of value, when gold becomes that particular commodity, the universal equivalent. As the highest product of the development of exchange and commodity production, money masks, conceals, the social character of all individual labor, the social link between individual producers united by the market. Marx analyzes the various functions of money in very great detail; it is important to note here in particular (as in the opening chapters of *Capital* in general) that what seems to be an abstract and at times purely deductive mode of exposition deals in reality with a gigantic collection of factual material on the history of the development of exchange and commodity production.

"If we consider money, its existence implies a definite stage in the exchange of commodities. The particular functions of money, which it performs either as the mere equivalent of commodities or as means of circulation, or means of payment, as hoard or as universal money, point, according to the extent and relative preponderance of the one function or the other, to very different stages in the process of social production." [*Capital*].

Chapter 6: Value and Labor

Citizens, I have now arrived at a point where I must enter upon the real development of the question. I cannot promise to do this in a very satisfactory way, because to do so I should be obliged to go over the whole field of political economy. I can, as the French would say, but "effleurer la question," touch upon the main points. The first question we have to put is: What is the *value* of a commodity? How is it determined?

At first sight it would seem that the value of a commodity is a thing quite *relative*, and not to be settled without considering one commodity in its relations to all other commodities. In fact, in speaking of the value, the value in exchange of a commodity, we mean the proportional quantities in which it exchanges with all other commodities. But then arises the question: How are the proportions in which commodities exchange with each other regulated? We know from experience that these proportions vary infinitely. Taking one single commodity, wheat, for instance, we shall find that a quarter of wheat exchanges in almost countless variations of proportion with different commodities. Yet, *its value remaining always the same*, whether expressed in silk, gold, or any other commodity, it must be something distinct from, and independent of, these *different rates of exchange* with different articles. It must be possible to express, in a very different form, these various equations with various commodities.

Besides, if I say a quarter of wheat exchanges with iron in a certain proportion, or the value of a quarter of wheat is expressed in a certain amount of iron, I say that the value of wheat and its equivalent in iron are equal to *some third thing*, which is neither wheat nor iron, because I suppose them to express the same magnitude in two different shapes. Either of them, the wheat or the iron, must, therefore, independently of the other, be reducible to this third thing which is their common measure.

To elucidate this point I shall recur to a very simple geometrical illustration. In comparing the areas of triangles of all possible forms and magnitudes, or comparing triangles with rectangles, or any other rectilinear figure, how do we proceed? We reduce the area of any triangle whatever to an expression quite different from its visible form. Having found from the nature of the triangle that its area is equal to half the product of its base by its height, we can then compare the different values of all sorts of triangles, and of all rectilinear figures whatever, because all of them may be resolved into a certain number of triangles.

The same mode of procedure must obtain with the values of commodities. We must be able to reduce all of them to an expression common to all, and distinguishing them only by the proportions in which they contain that identical measure.

As the *exchangeable values* of commodities are only *social functions* of those things, and have nothing at all to do with the *natural* qualities, we must first ask: What is the common *social substance* of all commodities? It is *labor*. To produce a commodity a certain amount of labor must be bestowed upon it, or worked up in it. And I say not only *labor*, but *social labor*. A man who produces an article for his

own immediate use, to consume it himself, creates a *product*, but not a *commodity*. As a self-sustaining producer he has nothing to do with society. But to produce a *commodity*, a man must not only produce an article satisfying some *social* want, but his labor itself must form part and parcel of the total sum of labor expended by society. It must be subordinate to the *division of labor within society*. It is nothing without the other divisions of labor, and on its part is required to *integrate* them.

If we consider *commodities as values*, we consider them exclusively under the single aspect of *realized, fixed*, or, if you like, *crystallized social labor*. In this respect they can *differ* only by representing greater or smaller quantities of labor, as, for example, a greater amount of labor may be worked up in a silken handkerchief than in a brick. But how does one measure *quantities of labor*? By the *time the labor lasts*, in measuring the labor by the hour, the day, etc. Of course, to apply this measure, all sorts of labor are reduced to average or simple labor as their unit. We arrive, therefore, at this conclusion. A commodity has *a value*, because it is a *crystallization of social labor*. The *greatness* of its value, or its *relative* value, depends upon the greater or less amount of that social substance contained in it; that is to say, on the relative mass of labor necessary for its production. The *relative values of commodities* are, therefore, determined by the *respective quantities or amounts of labor, worked up, realized, fixed in them*. The *correlative* quantities of commodities which can be produced in the *same time of labor* are *equal*. Or the value of one commodity is to the value of another commodity as the quantity of labor fixed in the one is to the quantity of labor fixed in the other.

I suspect that many of you will ask: Does then, indeed, there exist such a vast or any difference whatever, between determining the values of commodities by *wages*, and determining them by the *relative quantities of labor* necessary for their production? You must, however, be aware that the *reward* for labor, and *quantity* of labor, are quite disparate things. Suppose, for example, *equal quantities of labor* to be fixed in one quarter of wheat and one ounce of gold. I resort to the example because it was used by Benjamin Franklin in his first Essay published in 1721, and entitled *A Modest Enquiry into the Nature and Necessity of a Paper Currency*, where he, one of the first, hit upon the true nature of value.

Well. We suppose, then, that one quarter of wheat and one ounce of gold are *equal values* or *equivalents*, because they are *crystallizations of equal amounts of average labor*, of so many days' or so many weeks' labors respectively fixed in them. In thus determining the relative values of gold and corn, do we refer in any way whatever to the *wages* of the agricultural laborer and the miner? Not a bit. We leave it quite *indeterminate* how their day's or their week's labor was paid, or even whether wage labor was employed at all. If it was, wages may have been very unequal. The laborer whose labor is realized in the quarter of wheat may receive two bushels only, and the laborer employed in mining may receive one-half of the ounce of gold. Or, supposing their wages to be equal, they may deviate in all possible proportions from the values of the commodities produced by them. They may amount to one-fourth, one-fifth, or any other proportional part of the one quarter of corn or the one ounce of gold. Their *wages* can, of course, not *exceed*, not be *more* than the values of the commodities they produced, but they can be *less* in every possible degree. Their *wages* will be *limited* by the *values* of the products, but the *values of their products* will not be limited by the wages. And above all, the values, the relative values of corn and

gold, for example, will have been settled without any regard whatever to the value of the labor employed, that is to say, to *wages*. To determine the values of commodities by the *relative quantities of labor fixed in them*, is, therefore, a thing quite different from the tautological method of determining the values of commodities by the value of labor, or by *wages*. This point, however, will be further elucidated in the progress of our inquiry.

In calculating the exchangeable value of a commodity, we must add to the quantity of labor *previously* worked up in the raw material of the commodity, and the labor bestowed on the implements, tools, machinery, and buildings, with which such labor is assisted. For example, the value of a certain amount of cotton yarn is the crystallization of the quantity of labor added to the cotton during the spinning process, the quantity of labor previously realized in the cotton itself, the quantity of labor realized in the coal, oil, and other auxiliary substances used, the quantity of labor fixed in the steam-engine, the spindles, the factory building, and so forth. Instruments of production properly so-called, such as tools, machinery, buildings, serve again and again for longer or shorter period during repeated processes of production. If they were used up at once, like the raw material, their whole value would at once be transferred to the commodities they assist in producing. But as a spindle, for example, is but gradually used up, an average calculation is made, based upon the average time it lasts, and its average waste or wear and tear during a certain period, say a day. In this way we calculate how much of the value of the spindle is transferred to the yarn daily spin, and how much, therefore, of the total amount of labor realized in a pound of yarn, for example, is due to the quantity of labor previously realized in the spindle. For our present purpose it is not necessary to dwell any longer upon this point.

It might seem that if the value of a commodity is determined by the *quantity of labor bestowed upon its production*, the lazier a man, or the clumsier a man, the more valuable his commodity, because the greater the time of labor required for finishing the commodity. This, however, would be a sad mistake. You will recollect that I used the word "*social* labor," and many points are involved in this qualification of "*social*." In saying that the value of a commodity is determined by the *quantity of labor* worked up or crystallized in it, we mean *the quantity of labor necessary* for its production in a given state of society, under certain social average conditions of production, with a given social average intensity, and average skill of the labor employed. When, in England, the power-loom came to compete with the hand-loom, only half the former time of labor was wanted to convert a given amount of yarn into a yard of cotton or cloth. The poor hand-loom weaver now worked seventeen or eighteen hours daily, instead of the nine or ten hours he had worked before. Still the product of twenty hours of his labor represented now only ten social hours of labor, or ten hours of labor socially necessary for the conversion of a certain amount of yarn into textile stuffs. His product of twenty hours had, therefore, no more value than his former product of ten hours.

If then the quantity of socially necessary labor realized in commodities regulates their exchangeable values, every increase in the quantity of labor wanted for the production of a commodity must augment its value, as every diminution must lower it.

If the respective quantities of labor necessary for the production of the respective commodities remained constant, their relative values also would be constant. But such is not the case. The quantity of labor necessary for the production of a commodity changes continuously with the changes in the productive powers of labor, the more produce is finished in a given time of labor; and the smaller the productive powers of labor, the less produce is finished in the same time. If, for example, in the progress of population it should become necessary to cultivate less fertile soils, the same amount of produce would be only attainable by a greater amount of labor spent, and the value of agricultural produce would consequently rise. On the other hand, if, with the modern means of production, a single spinner converts into yarn, during one working day, many thousand times the amount of cotton which he could have spun during the same time with the spinning wheel, it is evident that every single pound of cotton will absorb many thousand times less of spinning labor than it did before, and consequently, the value added by spinning to every single pound of cotton will be a thousand times less than before. The value of yarn will sink accordingly.

Apart from the different natural energies and acquired working abilities of different peoples, the productive powers of labor must principally depend: —

Firstly. Upon the *natural* conditions of labor, such as fertility of soil, mines, and so forth.

Secondly. Upon the progressive improvement of the *social powers of labor*, such as are derived from production on a grand scale, concentration of capital and combination of labor, subdivision of labor, machinery, improved methods, appliance of chemical and other natural agencies, shortening of time and space by means of communication and transport, and every other contrivance by which science presses natural agencies into the service of labor, and by which the social or co-operative character of labor is developed. The greater the productive powers of labor, the less labor is bestowed upon a given amount of produce; hence the smaller the value of the produce. The smaller the productive powers of labor, the more labor is bestowed upon the same amount of produce; hence the greater its value. As a general law we may, therefore, set it down that: —

The values of commodities are directly as the times of labor employed in their production, and are inversely as the productive powers of the labor employed.

Having till now only spoken of *value*, I shall add a few words about *price*, which is a peculiar form assumed by value.

Price, taken by itself, is nothing but the *monetary expression of value*. The values of all commodities of the country, for example, are expressed in gold prices, while on the Continent they are mainly expressed in silver prices. The value of gold or silver, like that of all other commodities is regulated by the quantity of labor necessary for getting them. You exchange a certain amount of your national products, in which a certain amount of your national labor is crystallized, for the produce of the gold and silver producing countries, in which a certain quantity of *their* labor is crystallized. It is in this way, in fact by barter, that you learn to express in gold and silver the values of all commodities, that is the respective quantities of labor bestowed upon them. Looking somewhat closer into the *monetary*

expression of value, or what comes to the same, the conversion of value into price, you will find that it is a process by which you give to the *values* of all commodities an *independent* and *homogeneous form*, or by which you express them as quantities of equal social labor. So far as it is but the monetary expression of value, price has been called *natural price* by Adam Smith, "*prix necessaire*" by the French physiocrats.

What then is the relation between *value* and *market prices*, or between *natural prices* and *market prices*? You all know that the *market price* is the *same* for all commodities of the same kind, however the conditions of production may differ for the individual producers. The market price expresses only the *average amount of social labor* necessary, under the average conditions of production, to supply the market with a certain mass of a certain article. It is calculated upon the whole lot of a commodity of a certain description.

So far, the *market price* of a commodity coincides with its *value*. On the other hand, the oscillations of market prices, rising now over, sinking now under the value or natural price, depend upon the fluctuations of supply and demand. The deviations of market prices from values are continual, but as Adam Smith says:

"The natural price is the central price to which the prices of commodities are continually gravitating. Different accidents may sometimes keep them suspended a good deal above it, and sometimes force them down even somewhat below it. But whatever may be the obstacles which hinder them from settling in this center of repose and continuance, they are constantly tending towards it."

I cannot now sift this matter. It suffices to say the *if* supply and demand equilibrate each other, the market prices of commodities will correspond with their natural prices, that is to say with their values, as determined by the respective quantities of labor required for their production. But supply and demand *must* constantly tend to equilibrate each other, although they do so only by compensating one fluctuation by another, a rise by a fall, and *vice versa*. If instead of considering only the daily fluctuations you analyze the movement of market prices for longer periods, as Mr. Tooke, for example, has done in his *History of Prices*, you will find that the fluctuations of market prices, their deviations from values, their ups and downs, paralyze and compensate each other; so that apart from the effect of monopolies and some other modifications I must now pass by, all descriptions of commodities are, on average, sold at their respective *values* or natural prices. The average periods during which the fluctuations of market prices compensate each other are different for different kinds of commodities, because with one kind it is easier to adapt supply to demand than with the other.

If then, speaking broadly, and embracing somewhat longer periods, all descriptions of commodities sell at their respective values, it is nonsense to suppose that profit, not in individual cases; but that the constant and usual profits of different trades spring from the prices of commodities, or selling them at a price over and above their *value*. The absurdity of this notion becomes evident if it is generalized. What a man would constantly win as a seller he would constantly lose as a purchaser. It would not do to say that there are men who are buyers without being sellers, or consumers without being producers. What these people pay to the producers, they must first get from them for nothing. If

a man first takes your money and afterwards returns that money in buying your commodities, you will never enrich yourselves by selling your commodities too dear to that same man. This sort of transaction might diminish a loss, but would never help in realizing a profit. To explain, therefore, the *general nature of profits*, you must start from the theorem that, on an average, commodities are *sold at their real values*, and that *profits are derived from selling them at their values*, that is, in proportion to the quantity of labor realized in them. If you cannot explain profit upon this supposition, you cannot explain it at all. This seems paradox and contrary to every-day observation. It is also paradox that the earth moves round the sun, and that water consists of two highly inflammable gases. Scientific truth is always paradox, if judged by every-day experience, which catches only the delusive appearance of things.

Segal: Principles of Political Economy.

[text is not in English]

Chapter 1:

Chapter 2:

Unit 2. Surplus Value and Capital.

Topics Covered:

I. Labor power as commodity.
II. Surplus value.
III. Wage
IV. Capital accumulation. Primitive accumulation.

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Selection:

Academy of Sciences of the USSR: Political Economy

Chapter 4 : Commodity Production. Commodities and Money

Commodity Production-the Point of Departure for the Rise of Capitalism and a General Feature of Capitalism

The capitalist mode of production, which arose as successor to the feudal mode of production, is based upon exploitation of the class of wage-workers by the class of capitalists. To understand the essence of the capitalist mode of production one must bear in mind, first and foremost, that the capitalist system has commodity production as its foundation: under capitalism everything takes the form of a commodity and the principle of buying and selling prevails everywhere.

Commodity production is older, than capitalist production. It existed in slave-owning society and under feudalism. In the period when feudalism was breaking down, simple commodity production served as the basis for the rise of capitalist production.

Simple commodity production presupposes, first, the social division of labor, under which individual producers specialize in making particular products, and, second, the existence of private property in the means of production and in the products of labor.

The simple commodity production of craftsmen and peasants is distinguished from capitalist commodity production by the fact that it is based upon the personal labor of the commodity producer. Yet fundamentally it is similar in kind to capitalist production, in so far as its foundation is private property in the means of production. Private ownership inevitably gives rise to competition between the commodity producers, which leads to the enrichment of a minority and the ruin of the majority. Thus, petty commodity production serves as the point of departure for the rise and development of capitalist relations.

Under capitalism commodity production becomes dominant and universal. The exchange of commodities, Lenin wrote, appears as "the simplest, most ordinary, fundamental, most common and everyday relation of bourgeois (commodity) society, a relation that is encountered thousands of millions of times." (Lenin, "On Dialectics", Marx-Engels-Marxism, 1951, English edition, p. 334.)

The Commodity and its Characteristics. Dual Nature of the Labor embodied in a Commodity

A commodity is a thing which, first, satisfies some human demand and, second, is produced not for personal consumption but for exchange.

The utility of a thing, the characteristics thanks to which it is able to satisfy some human demand, makes the thing a use-value. A use-value can either directly satisfy an individual human demand or else serve as a means of production of material wealth. For instance, bread satisfies a demand as food and cloth as clothing, while the use-value of a loom consists in the fact that cloth is made with its help. In the course of historical development, man continually discovers fresh useful characteristics in things and fresh ways of using them.

Use-value is possessed by many things which have not in any way been created by human labor, such as, for example, spring-water or the fruits of wild trees. But not everything which has use-value is a commodity. For a thing to become a commodity it must be a product of labor produced for sale. Use-value forms the material substance of wealth, whatever its social form may be. In a commodity economy, use-value is the depository of the exchange-value of a commodity. Exchange-value appears first of all as the quantitative relationship in which use-values of one kind are exchanged for use-values of another kind. For example, one axe is exchanged for 20 kilograms of grain. In this quantitative relationship between the commodities exchanged is expressed also their exchange-value. Commodities are treated as equivalent to each other in definite quantities, consequently they must have a common basis. This basis cannot be any of the natural properties of commodities-their weight, size, shape, etc. The natural properties of commodities determine their utility and their use-value, a necessary condition for exchange is difference between the use-values of the commodities to be exchanged. No one will exchange commodities which are identical, such as wheat for wheat, or sugar for sugar. The use-values of different commodities, being different qualitatively, are incommensurable quantitatively.

Commodities of different kinds have only one characteristic in common which makes it possible to compare them for purposes of exchange, and it is that they are all products of labor. Underlying the equivalence of two commodities which are exchanged against each other is the social labor expended in producing them. When a commodity producer brings an axe to market in order to exchanger it, he finds that for his axe he can get 20 kilograms of grain. This means that the axe is worth the same amount of social labor as 20 kilograms of grain are worth. Value is the social labor of commodity producers embodied in a commodity.

That the value of commodities embodies the social labor expended in producing them is borne out by some generally known facts. Material wealth which is useful in itself, but requires no expenditure of labor for its production, has no value-e.g., the air. Material wealth which requires a large expenditure of labor has a high value-e.g., gold, diamonds. Many commodities which at one time were costly have become cheaper as the development of technique has reduced the amount of labor needed to produce them. Changes in the amount of labor expended in producing commodities are usually reflected in the quantitative relationship between these commodities when exchanged, i.e., in their exchange-value. It follows from all this that the exchange-value of a commodity is the form in which its value manifests itself.

Hidden behind the exchange of commodities is the social division of labor between the persons who are the owners of these commodities. When commodity producers compare different commodities, one with another, in so doing they are comparing their different kinds of labor. Thus, value expresses the production-relations between commodity producers. These relations manifest themselves in the exchange of commodities.

A commodity has a two-fold character: in one aspect it is a use-value and in another it is a value. The two-fold character of the commodity is caused by the two-fold nature of the labor embodied in the commodity. The kinds of labor are just as various as the use-values which are produced. The labor of a

joiner is qualitatively different from that of a tailor, a shoemaker, etc. The different kinds of labor are distinguished one from another by their aims, methods, tools and, finally, their results. The joiner does his work with an axe, a saw and a plane and makes wooden articles: tables, chairs, cupboards; the tailor makes clothes, using a sewing machine, scissors and a needle. Thus, in each use-value a definite kind of labor is embodied: in a table-the joiner's labor, in a suit-the tailor's labor, in a pair of shoes-the shoemaker's labor, etc. Labor expended in a definite form is concrete labor. Concrete labor creates the use-value of a commodity.

In the course of exchange, commodities of the most various kinds, created by different kinds of concrete labor, are compared together and measured on a common footing. Consequently, behind the different concrete forms of labor there is hidden something common, something inherent in every form of labor. Both the joiner's labor and the tailor's, despite the qualitative difference between these forms of labor, constitute a productive expenditure of human brains, nerves, muscles, etc., and in this sense are homogeneous human labor, labor in general. The labor of commodity producers, considered as expenditure of human labor-power generally, without regard to its concrete form, is abstract labor. Abstract labor forms the value of a commodity.

Abstract and concrete labor are two aspects of the labor embodied in a commodity.

"On the one hand, all labor is, speaking physiologically, an expenditure of human labor-power and in its character of identical abstract human labor, it creates and forms the value of commodities. On the other hand, all labor is the expenditure of human labor-power in a special form and with a definite aim, and in this, its character of concrete useful labor, it produces use-values." (Marx, Capital, Kerr edition, vol. I, p. 54.)

In a society in which private property in the means of production prevails, the two-fold character of the labor embodied in a commodity reflects the contradiction between the private and social labor of the commodity producers. Private ownership of the means of production separates people, makes the labor of the individual commodity producer his own private affair. Each commodity producer conducts his enterprise separately from the rest. The labor of the separate workers is not concerted or coordinated on the scale of society as a whole. But, from another angle, the social division of labor means that all-round connections exist between the producers, who are working for each other. The more labor is divided in society and the more varied are the products manufactured by the separate producers, the more extensive is the mutual dependence of the latter. Consequently, the labor of each separate commodity producer is essentially social labor and forms a particle of the labor of society as a whole. Commodities, which are products of various kinds of particular, concrete labor, are at the same time also products of human labor in general, abstract labor.

It follows that the contradiction of commodity production consists in the labor of commodity producers, which is directly the private affair of each one of them, having at the same time a social character. Owing to the isolation of the commodity products one from another, the social character of their labor in the process of production remains hidden. It finds expression only in the process of

exchange, when the commodity comes on to the market and is exchanged against another commodity. Only in the process of exchange is it revealed whether the labor of a particular commodity producer is needed by society and whether it will receive social recognition.

Abstract labor, which forms the value of a commodity, is an historical category, a specific form of social labor belonging to commodity economy only. In natural economy men produce their products not for exchange but for personal consumption, so that the social character of their labor appears directly in concrete form. For example, when a feudal lord extracted surplus product from serf-peasants in the form of labor-rent or rent in kind, he appropriated their labor directly in the form of labor services or definite products. In these circumstances social labor did not assume the form of abstract labor. In commodity production, products are produced not for personal consumption but for sale. The social character of labor is here expressed by means of the comparison of one commodity with another, and this comparison takes place through the reducing of concrete forms of labor to the abstract labor which forms the value of a commodity. This process takes place spontaneously, without any sort of common plan, behind the backs of the commodity producers.

Socially-necessary Labor-Time. Simple and Complex Labor

The magnitude of the value of a commodity is determined by labor-time. The more labor-time is needed to produce a given commodity, the higher is its value. Of course, the individual commodity producers work in varying conditions and expend varying amounts of labor-time in the production of one and the same kind of commodity. Does this mean that the more idle the worker, or the less favorable the conditions in which he is working, the higher the value of the commodity produced by him? No, it does not mean that. The magnitude of the value of a commodity is determined not by the individual labor-time expended by a particular commodity producer in producing a commodity, but by the socially-necessary labor-time.

Socially-necessary labor-time is the time needed for the making of any commodity under average social conditions of production, i.e., with the average level of technique and average skill and intensity of labor. It corresponds to the conditions of production under which the greatest bulk of goods of a particular kind are produced. Socially-necessary labor-time changes as a result of the growth of the productivity of labor.

The productivity of labor is expressed in the number of products created in a given unit of labor-time. The productivity of labor grows as a result of the improvement or fuller utilization of the instruments of production, the development of science, the increase in the worker's skill, the rationalization of work, and other improvements in the production process. To a greater or less extent it is also dependent on natural conditions. The higher the productivity of labor, the less the time needed for the production of a unit of the given commodity and the lower the value of this commodity.

The intensity of labor must be distinguished from the productivity of labor. The intensity of labor is determined by the amount of labor expended in a unit of time. A growth in the intensity of labor means an increase in the expenditure of labor in one and the same interval of time. More intensive

labor embodies itself in a greater quantity of products and creates a greater value in a given unit of time, as compared with less intensive labor.

Workers of varying skill take part in the production of commodities. The labor of a worker who has had no special training is simple labor. Labor which requires special training is complex or skilled labor.

Complex labor creates value of greater magnitude than is created by simple labor in the same unit of time. Into the value of a commodity created by complex labor there enters also part of the labor expended on the worker's training, on raising his degree of skill. Complex; labor is equivalent to multiplied simple labor; one hour of complex labor is equal to several hours of simple labor. The reduction of various forms of complex labor to simple labor takes place spontaneously under commodity production based on private property. The magnitude of the value of a commodity is determined by the socially-necessary amount of simple labor.

Development of the Forms of Value. Nature of Money

The value of a commodity is created by labor in the process of production, but it can manifest itself only through the comparison of one commodity with another in the process of exchange, i.e., through exchange-value.

The simplest form of value is the expression of the value of one commodity in terms of another commodity: e.g., one axe=2.0 kilograms of grain. Let us examine this form.

In this case, the value of the axe is expressed in terms of grain. The grain serves as a means of expressing the value of the axe. It is possible to express the value of the axe in the use-value of grain only because labor is expended both in the production of the grain and in that of the axe. Behind the equality of these commodities is concealed the equal expenditure of labor in producing them. A commodity which expresses its value in another commodity (in our example, the axe), has a relative form of value. A commodity the use-value of which serves as the means of expressing the value of another commodity (in our example, the grain), has an equivalent form. The grain is the equivalent of (is worth) the other commodity, viz., the axe.

The use-value of one commodity, grain, thus becomes the form in which the value of another commodity, the axe, is expressed.

In the beginning, exchange, which originated already in primitive society, was of a casual nature and took place in the form of direct exchange of one product for another. To this stage in the development of exchange corresponds the elementary or accidental form of value:

1 axe = 20 kilograms of grain.

Under the elementary form of value, the value of an axe can be expressed only in the use-value of a single commodity; in the given example, grain.

With the rise of the first major social division of labor-the separation of pastoral tribes-from the general mass of tribes exchange becomes more regular. Certain tribes, e.g., the cattle-raising ones, begin to produce a surplus of cattle products, which they exchange for products of agriculture or handicraft which they lack. To this level of the development of exchange corresponds the total or expanded form of value. There now take part in exchange not two but a whole series of commodities:

1 sheep = 40 kilogrammes of grain,
or
= 20 metres of cloth,
or
2 axes,
or
= 3 grammes of gold, etc.

In this case the commodity's value is expressed in the use-value not of a single commodity but of a number of commodities, all playing the part of equivalent. In addition, the quantitative correlations in which the commodities are exchanged, acquire a more constant character. At this stage, however, the direct exchange of one commodity for another is retained.

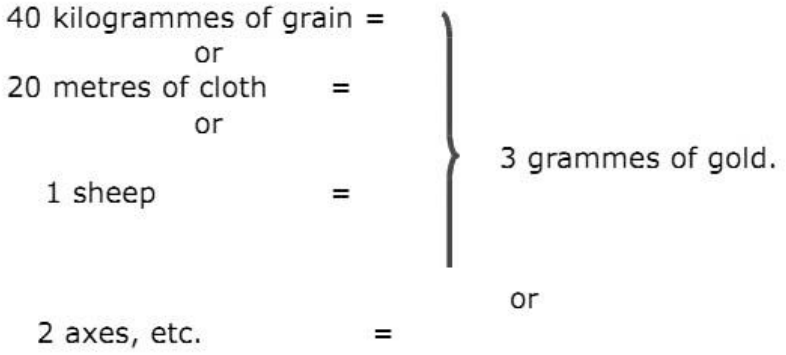
With the further development of the social division of labor and of commodity production, the form of direct exchange of one commodity far another becomes inadequate. Difficulties arise in the process of exchange, engendered by the growth of the contradictions of commodity production, contradictions between individual and social labor, between the use-value and the value of a commodity. With increasing frequency, the situation occurs when, for example, the owner of some shoes wants an axe, but the use-value of the shoes prevents exchange being affected, because the owner of an axe wants not shoes but grain: it is not possible for these two commodity owners to affect a transaction. When this happens the owner of shoes exchanges his shoes for that commodity which is exchanged more often than any other and which everybody accepts most readily-a sheep, say-and then exchanges this sheep for the axe which he wants. The owner of the axe, having received in exchange for it a sheep, exchanges this for grain. This is how the contradictions of direct exchange are solved. The direct exchange of one commodity for another gradually disappears. From among the commodities, one becomes singled out-e.g., livestock-for which all commodities begin to be exchanged. To this stage in the development of exchange corresponds the general form of value:

40 kilogrammes of grain =
or
20 metres of cloth =
or
2 axes =
or
3 grammes of gold, etc. =
} 1 sheep.

It is a characteristic of the general form of value that all commodities begin to be exchanged for a commodity which plays the role of universal equivalent. At this stage, however, the role of universal equivalent had still not become attached to any single commodity. In different places the role of universal equivalent was played by different commodities. In some places it was livestock, in others furs, in yet others salt, and so on.

The further growth of the productive forces, the transition to metal tools, the rise of the second major division of labor -the separation of handicraft from agriculture-led to the further development of commodity production and the widening of the market. The abundance of different commodities playing the role of universal equivalent came into contradiction with the needs of the growing market, which required transition to a single equivalent.

When the role of universal equivalent had become attached to one commodity, the money form of value appeared. The role of money has been taken by various metals, but eventually it became consolidated in the precious metals, gold and silver. In silver and gold are particularly expressed all the advantages of metals which make them more suitable than anything else to fulfil the function of money: homogeneity, divisibility, durability and insignificant size and weight combined with great value. Therefore, the role of money became firmly connected with the precious metals, and in the long run with gold. The money form of value can be depicted like this:



Under the money form of value, the value of every commodity is expressed in the use-value of a single commodity, which has become the universal equivalent.

Money thus arose as a result of a long process of development of exchange and of forms of value. With the rise of money, a polarization took place in the world of commodities-at one pole remained the ordinary commodities, while to the other pole went the commodity which played the role of money. Now all commodities begin to express their value in the money; commodity. Consequently, money appears, in contradiction to all other commodities, as the general embodiment of value the universal equivalent. Money possesses the property of being directly exchangeable for any commodity and so serves as the means of satisfying all the requirements of the commodity owners, whereas all other commodities can satisfy only one or other of their requirements-e.g., bread, clothing, etc.

Consequently, money is the commodity which is the universal equivalent of all commodities; it embodies social labor and expresses the production relations between the' commodity producers.

As commodity production extends so the functions fulfilled by money expand. In developed commodity production money serves as:

(1) the measure of value, (2) the medium of circulation, (3) the means of accumulation, (4) the means of payment and (5) world-wide currency.

The fundamental function of money consists in serving as the measure of value of commodities. With the aid of money, the individual labor of a commodity producer finds social expression and the spontaneous calculation and measurement of the values of all commodities is affected. The value of a commodity cannot be directly expressed in labor-time, since under conditions in which the private commodity producers operate in isolation and separation one from another it is impossible to determine the amount of labor which not any particular commodity producer but society as a whole expends in the production of any particular commodity. For this reason, the value of a commodity can be expressed only indirectly, by way of the equating of the commodity with money in the process of exchange.

To fulfil the function of measure of value, money must itself be a commodity and possess value. Just as the weights of bodies can be measured only by means of scales which themselves possess weights, so the value of a commodity can be measured only by means of a commodity which possesses value.

Measurement of the value of commodities by means of gold occurs even before a given commodity is exchanged for money. To express the value of commodities in money it is not necessary to have cash in one's hand. In fixing a definite price for a commodity, its owner mentally (or, as Marx puts it, ideally) expresses the commodity's value in gold. This is possible thanks to the fact that there exists in reality a definite correlation between the value of gold and the value of the given commodity; the basis for this correlation is provided by the socially-necessary labor which is expended in producing them.

A commodity's value expressed in money is called its price. Price is the monetary expression of the value of a commodity. Commodities express their value indefinite amounts of silver or gold. These amounts of the money commodity must themselves in their turn be measured. This gives rise to the need for a unit of measurement of money. This unit consists of a definite amount, by weight, of the metal used for money.

In Britain, for example, the money unit is called the pound sterling; at one time it corresponded to a pound of silver. Later, money units ceased to coincide with units of weight. This occurred as a result of the importation of foreign coins, of the going over from silver to gold, and especially in consequence of the debasement of coins by governments, which gradually reduced their weight. For convenience of measurement monetary units are divided into aliquot parts: the ruble into 100 kopeks, the dollar into 100 cents, the franc into 100 centimes, etc.

The unit of money and its parts provide the standard of price. As a standard of price money plays a role completely different from when it serves as a measure of value. As a measure of value money measures the value of other commodities, but as a standard of price it measures the quantity of the money metal itself. The value of the money commodity varies with changes in the amount of labor socially necessary for its production. Changes in the value of gold are not reflected in its function as a standard of price. However much the value of gold may change, a dollar is still worth a hundred times as much as a cent.

The State can alter the gold content of the money unit, but it is not in a position to vary the value relationship between gold and other commodities. Should the State reduce the amount of gold contained in the money unit, i.e., lower its gold content, the market would react to this by a rise in prices, and the value of a commodity would be expressed, as before, in that quantity of gold which corresponded to the labor expended in producing the commodity in question. All that would happen would be that now a larger number of monetary units than before would be needed to express the same quantity of gold.

The prices of commodities may rise or fall under the influence of changes either in the value of commodities or in the value of gold. The value of gold, as of every commodity, depends on the productivity of labor. Thus, the discovery of America, with its rich gold-fields, led to a price-revolution in Europe between the sixteenth and eighteenth centuries. Gold was obtained in America with less labor than in Europe. The influx into Europe of the cheaper American gold brought about a general rise in prices.

Money fulfils the function of circulation medium. The exchanging of commodities effected with the aid of money is called commodity circulation. The circulation of commodities is inseparably bound up with the circulation of money itself: when a commodity passes from the hands of the seller into those of the buyer, money passes from the hands of the buyer into those of the seller. Money's function as circulation medium consists in its playing the part of intermediary in the circulation process of commodities. To carry out this function real money must be actually present.

At first, when commodities were exchanged, money figured directly in the form of bars of silver or gold. This led to certain difficulties: it was necessary to weigh the money metal, to break it up into small pieces and to carry out assays. Gradually bars of the money metal gave place to coins. A coin is a piece of metal of definite shape, weight and denomination, which serves as a medium of circulation. The minting of money was concentrated in the hands of the State.

During the process of circulation, coins become worn by use and lose part of their value. The practice of monetary circulation showed that worn coins could fulfil the function of circulation medium equally as well as coins of full value. The reason for this was that money when acting as a circulation medium, plays only a fleeting role. As a rule, the seller of a commodity accepts money in exchange for it so as to buy another commodity with this money. Consequently, money acting as circulation medium need not necessarily possess its proper value.

Taking into account the practice of the circulation of worn coins, governments began consciously to debase the coinage, to reduce its weight, to lower the standard of assay of the money metal without changing the nominal value of coins, i.e., the number of monetary units marked upon them. Coins were transformed more and more into symbols of value, tokens of money. Their actual values are very much less than they nominally appear to be.

The splitting of the category "commodities" into commodities and money heralds a development of the contradictions of commodity production. When one commodity is directly exchanged for another, each transaction is of an isolated nature; selling is not separated from buying. It is another matter when exchange is carried on by mean of money, i.e., when commodity circulation arises. Now exchange presupposes an all-round connection between commodity producers and a ceaseless interweaving of transactions among them. It opens up the possibility of a separation between buying and selling. A commodity producer can sell his commodity and retain for the time being the money which he receives for it. When many commodity producers sell without buying, a hold-up in the sale of commodities Can come about. Thus, even simple commodity circulation contains in germ the possibility of crises. For this possibility to be transformed into inevitability, however, a number of conditions are needed which appear only with the advance to the capitalist mode of production.

Money fulfils the function of means of accumulation or means of forming hoards. Money is transformed into a hoard when it is withdrawn from circulation. As money can always be transformed into any commodity, it is the universal equivalent of wealth. It can be kept in any quantity. Commodity producers accumulate money, for example, in order to buy means of production or as savings. With the development of commodity production, the power of money grows. All this gives rise to a passion for saving money, to the formation of hoards. The function of a hoard can be fulfilled only by money of full value: gold and silver coins, bars of gold and silver, and also articles made of gold and silver. When gold or silver coins are serving as money, they spontaneously adapt themselves in amount to the requirements of commodity circulation. When the production of commodities declines and commodity circulation shrinks, some of the gold coins disappear from circulation and are transferred into hoards. When production extends and commodity circulation grows, these coins reappear in circulation.

Money fulfils the function of means of payment. Money figures as a means of payment in cases when the buying and selling of a commodity is carried out on credit, i.e., with the payment deferred. When a commodity is bought on credit the transfer of the commodity from the seller's hands to the buyer's is affected without immediate payment by the purchaser. When the time comes for the purchased commodity to be paid for, money is paid by the buyer to the seller without any' transfer of a commodity, this having taken place earlier. Money serves as a means of payment also in the payment of taxes, rent, etc.

The functioning of money as a means of payment reflects the further development of the contradictions of commodity production. The links between the separate commodity producers become more extensive and their dependence upon each other increases. The buyer now becomes a debtor and the seller is transformed into a creditor. When many commodity owners are buying

commodities on credit, the failure of one or a number of debtors to honor in due time their promises to pay can react upon a whole series of obligations to pay, and lead to the bankruptcy of a number of commodity owners who are linked together by credit relationships. Thus, the possibility of crises, which is already inherent in the function of money as circulation medium, is intensified.

Examination of the function of money as circulation medium and as means of payment enables us to see clearly the law which determines the amount of money needed for the circulation of commodities.

Commodities are bought and sold in many places at the same time. The amount of money needed for circulation in a given period depends, first of all, on the total of the prices of the commodities in circulation, which in turn depends on the quantity of commodities and the price of each separate commodity. In addition, the velocity with which money moves around must be taken into account. The more rapidly money moves, the less of it is needed for circulation, and vice versa. If, for example, in the course of a given period-a year, say-,commodities are sold at a total price of 1,000 million dollars, and each dollar moves five times, on the average, then for the circulation of the whole mass of commodities 200 million dollars are needed.

Thanks to the credit which commodity producers grant each other, the need for money is reduced by the total of the prices of commodities which are sold on credit and by the total of payments which mutually cancel out. Ready money is needed only for the settlement of those debt obligations the time to meet which has arrived.

Thus, the law of the circulation of money is this: the amount of money needed for the circulation of commodities must equal the total of the prices of all commodities, divided by the average turnover of money units of the same denomination. Furthermore, from the total of the prices of all commodities must be deducted the total of the prices of all commodities sold on credit and the sum of mutually-cancelling payments, and to it must be added the total of payments the time to settle which has come round.

This law applies universally to all social formations where commodity production and circulation take place.

Finally, money plays the role of world-wide currency in circulation between different countries. The role of universal money cannot be played by coins of less than full value or by paper money. On the world market money abandons the form of coins and appears in its original aspect-bars of precious metal. On the world market, in circulation between countries, gold is the universal purchasing medium for payment for commodities imported into one country from another, the universal means of payment for clearing international debts, for paying interest on foreign loans and other obligations, and the universal embodiment of social wealth when this is transferred from one country to another in monetary form, e.g., when money capital is exported from one country to another for the purpose of depositing it in foreign banks, for making loans, or for the payment of contributions by a conquered country to a victorious one, etc.

The development of the function of money expresses the growth of commodity production and its contradictions. In social formations based on the exploitations of man-by-man money bears a class character, serving as the means of appropriating the labor of others. It played this part in slave-owning society and in feudal society. As we shall see below, the role of money as an instrument of exploitation attained its highest development in capitalist society.

Gold and Paper Money

Under conditions of developed commodity production, paper money is often used instead of gold coins. The issue of paper money was engendered by the practice of the circulation of worn and devalued coins which had become transformed into symbols of gold, symbols of money.

Paper money means money tokens issued by the State, which people are obliged to accept instead of gold so far as its function as circulation medium is concerned. Paper money has no value of its own. For this reason, it cannot fulfil the function of measure of the value of commodities. However, much paper money may be issued, it represents only the value of that quantity of gold which is necessary for commodity circulation to be maintained. Paper money is not accepted in exchange for gold.

If paper money is issued in accordance with the amount of gold needed for circulation, the purchasing power of paper money, i.e., the number of commodities which it can buy, coincides with the purchasing power of gold money. But usually, the State issues paper money to cover its expenses, especially in wartime, during crises or other emergencies, without regard to the needs of commodity circulation.

When the production and circulation of commodities are restricted or when an exceptional amount of paper money is issued, the latter is found to be in excess of the quantity of gold needed for circulation. Money has been issued, let us say, to an extent double what is needed. In such a case, each unit of paper money (dollar, mark, franc, etc.) will represent half the quantity of gold, i.e., the paper will depreciate by half.

The first attempts to issue paper money took place in China as far back as the twelfth century; paper money was issued in America in 1690 [11] and in France in 1716; Britain began to issue paper money at the time of the Napoleonic Wars. In Russia paper money was first issued in Catherine II's reign.

An extraordinarily large issue of paper money, leading to its depreciation and used by the ruling classes for the purpose of transferring the burden of State expenditure on to the backs of the working masses and increasing their exploitation; is called inflation. Inflation, which gives rise to an increase in the cost of goods, bears heaviest upon the working people, because the wages and salaries of the workers lag behind the rise in prices. Capitalists and landlords benefit from inflation, owing above all to the fall in the real wages of industrial and agricultural workers. Inflation benefits those capitalists

[11] In Massachusetts, then a British colony. Editor, English edition.

who export their commodities. As a result of the fall in real wages and the reduction thereby of the costs of production of commodities it becomes possible for them to compete successfully with foreign capitalists and landlords and increase the sale of their commodities.

The Law of Value-an Economic Law of Commodity Production

In commodity production based on private property, the production of commodities is carried out by separate private commodity producers. A competitive struggle goes on between these commodity producers. Each one tries to push the others aside and to maintain and extend his own position in the market. Production proceeds without any sort of general plan. Each one produces on his own account, regardless of the others; nobody knows what the demand is for the commodity which he is producing or how many other commodity producers are engaged in producing the same commodity, whether he will be able to find a market for his commodity or whether he will be reimbursed for the labor he has expended. With the development of commodity production, the power exercised by the market over the commodity producers becomes ever greater.

This means that in commodity production based on private ownership of the means of production there operates the economic law of competition and anarchy of production. This law expresses the spontaneous nature of production and exchange, the struggle between private commodity producers for more advantageous conditions of production and sale of goods.

Under the conditions of anarchy of production which reign in commodity production based on private property, the law of value appears as the spontaneous regulator of production, acting through market-competition.

The law of value is an economic law of commodity production, by which the exchange of commodities is affected in accordance with the amount of socially-necessary labor expended on their production.

The law of value regulates the distribution of social labor and means of production among different branches of commodity economy spontaneously, through the price mechanism. Under the influence of fluctuations in the relationship of supply and demand the prices of commodities continually diverge either above or below their value. Divergences of prices from values are not a result of some defect in the operation of the law of value, but, on the contrary, are the only possible way in which it can become effective. In a society in which production is in the hands of private owners, working blindly, only the spontaneous fluctuations of prices on the market inform the commodity producers whether they have produced goods in excess of the effective demand by the population or have not produced sufficient to meet it. Only the spontaneous fluctuations of prices around values oblige commodity producers to extend or restrict the production of particular commodities. Under the influence of price-fluctuations, commodity producers rush into those branches which appear most profitable at the given moment because the prices of commodities are higher than their values, and quit those branches where the prices of commodities are lower than their values.

The operation of the law of value conditions the development of the productive forces of commodity economy. As we have seen, the magnitude of the value of a commodity is determined by socially-necessary labor-time. The commodity producers who are the first to introduce a higher technique produce their commodities at reduced cost, in comparison with that which is socially-necessary, but sell these commodities at the prices which correspond to the socially-necessary labor. When they sell their commodities, they receive a surplus of money arid grow rich. This impels the remaining commodity producers to make technical improvements in their own enterprises. Thus, as a result of the separate actions of separate commodity producers, each striving for his own private advantages, progress takes place in technique and the productive forces of society are developed.

As a result of competition and anarchy of production, the distribution of labor and means of production between the various branches of economy and the development of the forces of production are accomplished in a commodity economy at the price of great waste of social labor, and lead to the contradictions of this economy becoming more and more acute.

In conditions of commodity production based on private property, the operation of the law of value leads to the rise and development of capitalist relations. Spontaneous fluctuations of market prices around values, and divergences of individual labor costs from the socially-necessary labor which determines the magnitude of the value of a commodity, intensify the economic inequality of the commodity producers and the struggle among them. This competitive struggle leads to some commodity producers being ruined and transformed into proletarians while others are enriched and become capitalists. The operation of the law of value thus brings about a differentiation among the commodity producers. "Small production engenders capitalism and the bourgeoisie continuously, daily, hourly, spontaneously and on a mass scale." (Lenin, "'Left-wing' Communism, an Infantile Disorder", Selected Works, 1951, English edition, vol. II, Pt. 2, p. 344.)

Commodity Fetishism

In conditions of commodity production based on private ownership of the means of production, the social link between people which exists in the production process makes its appearance only through the medium of exchange of commodities. The fate of the commodity producers is found to be closely connected with the fate of the commodities which they create. The prices of commodities continually change, independently of people's will or consciousness, and yet the level of prices is often a matter of life and death for the commodity producers.

Relations between things conceal the social relations between people. Thus, though the value of a commodity expresses the social relationship between commodity producers, it appears as a kind of natural property of the commodity, like, say, its color or its weight. "It is a definite social relation between men," wrote Marx, "that assumes, in their eyes, the fantastic form of a relation between things." (K. Marx, Capital, Kerr edition, vol. I, p. 83.)

In this way, in a commodity economy based on private property, the production-relations between people inevitably appear as relations between things (commodities). In this transmutation of

production-relations between persons into relations between things is inherent also the commodity fetishism which is characteristic of commodity production. [12]

Commodity fetishism is displayed with especial clarity in money. In commodity economy money is a tremendous force, giving power over men. Everything can be bought for money. It comes to seem that this capacity to buy anything and everything is a natural property of gold, whereas in reality it is a result of definite social relations.

Commodity fetishism has deep roots in commodity production, in which the labor of a commodity producer appears directly as private labor, and its social character is revealed only in the exchange of commodities. Only when private property in the means of production is abolished does commodity fetishism disappear.

BRIEF CONCLUSIONS

(1) The point of departure for the rise of capitalism was the simple commodity production of craftsmen and peasants. Simple commodity production differs from capitalism in that it is based upon the individual labor of the commodity producer. At the same time, it belongs fundamentally to the same type as capitalist production, in as much as its foundation is private ownership of the means of production. Under capitalism, when not only the products of labor, but labor power too becomes a commodity, commodity production acquires a dominant, universal character.

(2) A commodity is a product which is made for exchange, it appears from one angle as a use-value and from the other as a value. The labor which creates a commodity possesses a dual character. Concrete labor is labor expended in a definite form; It creates the use-value of a commodity. Abstract labor is the expenditure of human labor power in general; It creates the value of a commodity.

(3) Value is the social labor of the commodity producers embodied in a commodity. Value is an historical category which belongs only to commodity economy. The magnitude of the value of a commodity is determined by the labor which is socially-necessary for its production. The contradiction in simple commodity economy consists in the fact that the commodity producers' labor, which is directly their own private affair, bears at the same time a social character.

(4) The development of the contradictions of commodity production leads to one commodity spontaneously being singled out from the rest and becoming money. Money appears as the commodity which plays the role of universal equivalent. Money fulfils the following functions: (1) measure of value, (2) medium of circulation, (3) means of accumulation, (4) means of payment, and (5) world-wide currency.

(5) With the growth of the circulation of money, paper money arises. Paper money, which lacks any value of its own acts as a token for metallic money and replaces it as the circulation medium. An

[12] The transmutation of production-relations between persons into relations between things, characteristic of commodity production, is called "commodity fetishism" because of its resemblance to the religious fetishism which is involved in the deification by primitive men of objects which they themselves have made.

exceptionally large issue of paper money, causing its depreciation (inflation) leads to a lowering of the standard of life of the working people.

(6) In a commodity economy based on private property in the means of production, the law of value is the spontaneous regulator of the distribution of social labor between branches of production. The operation of the law of value causes a differentiation among the petty commodity producers and the development of capitalist relations.

Chapter 6 : The Machine Period of Capitalism

Transition from Manufacture to Machine Industry

So long as production remained based on hand labor, as was the case in the period of manufacture, capitalism could not achieve a radical revolution in the economic life of society. Such a transformation was affected with the transition from manufacture to machine industry, which began to take place in the last third of the eighteenth century and spread throughout the principal capitalist countries of Europe and the U.S.A. during the nineteenth century.

The material, technical foundation for the revolution was the machine. Every developed machine consists of three parts: (1) the motor mechanism, (2) the transmitting mechanism, (3) the working machine.

The motor mechanism acts as the moving force of the entire mechanism. It either generates the driving power itself (e.g., the steam engine), or obtains it from outside, from some available force of nature" (e.g., the water-wheel, moved by the force of falling water).

The transmitting mechanism consists of all kinds of devices (transmissions, cog-wheels, belts, electrical systems, etc.) which regulate movement, change its form where necessary (e.g., transforming a straight-line movement into a circular one), distribute it and transfer it to the working machine. Like the motor mechanisms, the transmitting mechanism serves to set the working machine in motion.

The working machine acts directly on the object of labor and produces the changes needed in it in accordance with a defined aim. If the working machine is examined more closely there will be found in it, albeit often in very altered forms, the same tools on the whole as are used in hand work. But in every case, these are not hand-work tools any more, they are tool mechanisms, mechanical tools. The working machine was the point of departure of the revolution which led to the replacement of manufacture by machine production. After mechanical tools had been invented radical changes were introduced in the construction of the driving and transmitting mechanisms.

In its insatiable pursuit of profit capital acquired in the machine a mighty means of increasing the productivity of labor. First, the use of machines, which put a multitude of tools into operation simultaneously, freed the production process from the narrow limits imposed by the limitations of the human limbs. Second, the use of machines provided for the first time the possibility of employing in production tremendous new sources of energy-the motive power of steam, gas and electricity. Third, the use of machines enabled capital to place science at the service of production, extending the power

of man over nature and revealing ever new possibilities of raising the productivity of labor. On the basis of large-scale industry, the domination of the capitalist mode of production was consolidated. In large-scale machine industry capitalism found Its appropriate material and technical foundation.

The Industrial Revolution

Large-scale machine industry began in Britain. Favorable historical conditions had been formed in that country for a rapid development of the capitalist mode of production: the early abolition of serfdom and ending of feudal disunity, the victory of the bourgeois revolution in the seventeenth century, the forcible dispossession of the peasantry, and also the accumulation of capital by way of an extensive development of trade and of the plundering of colonies.

In the middle of the eighteenth-century Britain was the country with the largest number of manufactories. The most important branch of industry was textile production. It was in this industry that the industrial revolution began which took place in Britain in the course of the last third of the eighteenth century and the first quarter of the nineteenth.

The extension of the market and the capitalists' striving for profit made necessary an improvement in technique of production. In the cotton industry, which was developing more rapidly than other branches, hand labor predominated. The principal operations in the cotton industry are spinning and weaving. The product of the spinners' work serves as the material of the weavers' work. The increase in the demand for cotton Cloth pressed in the first place on the technique of weaving: in 1733 the flying shuttle was invented, which doubled the productivity of the weaver's labor. This led to spinning lagging behind weaving. In the manufactories the looms often stood idle for lack of yarn. An urgent need to improve spinning technique arose.

This task was solved by means of the invention (in 1765-7) of spinning machines, each of which had fifteen to twenty spindles. The driving power of the first machines was at first provided by human beings or draught animals, but later machines appeared which were operated by water power. Further technical improvement led not only to an increase in the amount of yarn produced but also to improvement in its quality. At the end of the eighteenth century there were already in existence spinning machines with up to 400 spindles. As a result of these inventions the productivity of labor in spinning greatly increased.

There now arose in the textile industry another discrepancy: spinning had outstripped weaving. This discrepancy was overcome by the invention in 1785 of a mechanical loom. After a number of improvements, the mechanical loom was introduced on a wide scale in Britain, and by the 1840's had completely ousted hand-weaving. The processes of working up cloth-bleaching, dyeing, printing-also underwent radical changes. The application of chemistry shortened the time taken by these processes and improved the quality of the product.

The first textile factories were built on the banks of rivers and the machines were driven by means of water-wheels. This greatly restricted the possibility of using machine technique. A new kind

of prime mover was needed which was not dependent on a particular place or season. Such a prime mover was the steam engine.

The steam engine was invented in its primary form as far back as the manufacturing period, and from 1711 to 1712 was in use in the English mining industry in the form of a pump for extracting water from mines. The industrial revolution in England gave rise to a demand for a universal steam engine. This task was accomplished in England in the 1780's through the perfecting of the steam engine already in existence.

The introduction of the steam engine was of enormous importance. The steam engine was a prime mover of universal significance, free from the numerous shortcomings inherent in a water-driven engine. Using coal and water, the steam engine produces a motive force which is wholly under man's control. This machine is movable; it frees industry from its attachment to natural sources of power and makes it possible to concentrate' industry in any place desired.

The steam engine became widespread not only in Britain but also beyond its bounds, creating the prerequisites for the appearance of large-scale factories with many machines and a large number of workers.

Machines revolutionized production in all branches of industry. Not only did they seize hold of cotton production, they also came to be used in the woolen, linen and silk industries as well. Means were quickly found of using steam engines in transport: in 1807 the first steamboat was built in the U.S.A., and in 1825 in Britain the first railway was built.

At first machines were produced in manufactories by means of hand labor. They were expensive and were insufficiently powerful and precise. The manufactories could not produce such a quantity of machines as was required by rapidly-growing industry. This task was solved by going over to production of machines by machines. There arose a new, rapidly-developing branch of industry-engineering. The first machines were made mostly of wood. Later the wooden parts of machines were replaced by metal ones. The replacement of wood by metal, which increased the longevity and durability of machines, revealed the possibility of working at such speed and with such intensity as previously had been unthinkable. At the beginning of the nineteenth century there were invented mechanical hammers, presses and metal-working lathes : first turners' lathes, then milling and boring-machines.

For the production of machines, locomotives rails and steam-ships an enormous quantity of iron and steel was needed. Metallurgy began to develop quickly. Of great importance in the development of metallurgy was the discovery of a method of smelting iron ore with mineral fuel instead of with charcoal. The blast-furnace was increasingly improved. In the 1830's cold blast began to be replaced by hot, which quickened the blast process and gave a large saving of fuel. New, improved methods of smelting steel were discovered.

The spread of the steam engine and the growth of metallurgy created a need for enormous quantities of coal, which led to a rapid growth of the coal industry.

As a result of the industrial revolution Britain was transformed into the industrial workshop of the world. After Britain, machine production spread in other countries of Europe and in America.

The industrial revolution in France took place in the course of the few decades immediately following the bourgeois revolution of 1789-94. The capitalist factory became predominant in French industry only in the second half of the nineteenth century:

In Germany, owing to its feudal disunity and the continued survival of relations originating in serfdom, the industrial revolution took place later than in Britain and France. Large-scale industry began to develop in Germany only from the 1840's onward and advanced especially quickly after the unification of Germany into a single State in 1871.

In the U.S.A. large-scale industry arose at the beginning of the nineteenth century. American machine industry began to develop rapidly after the Civil War of 1861-5. When this happened the technical achievements of British industry were widely drawn upon, together with an influx of surplus capital and of cadres of skilled workers from Europe.

In Russia the transition from manufacture to the machine stage of production began before the abolition of serfdom, but developed to its full extent in the first decades after the Reform of 1861. However, even after the fall of serfdom numerous survivals of the feudal-serf-owning system in the country hindered the transition of industry from hand to machine production. This circumstance affected to an especially striking extent the mining industry of the Urals.

Capitalist Industrialization

The industrial revolution marked the beginning of capitalist industrialization. The basis of industrialization is heavy industry, the production of the means of production.

Capitalist industrialization takes place spontaneously, in response to the capitalists' drive for profit. The development of large-scale capitalist industry usually begins with the development of light industry, i.e., the branches producing consumer goods. These branches require a smaller investment of resources and capital circulates faster in them than in heavy industry, i.e., in the branches producing means of production-machines, metals, fuel. Heavy industry begins to be developed only at the end of a more or less long period of time during which light industry piles up profits. These profits are gradually pumped into heavy industry. Thus, capitalist industrialization is a process which takes many decades.

In Britain, for example, the textile industry for a long time remained the most developed branch of industry. In the second half of the century heavy industry began to play the predominant role. The same order of succession in the development of branches of industry occurred in the other capitalist countries too.

In the second half of the nineteenth century metallurgy continued to develop; the technique of smelting metal improved, the size of blast-furnaces increased. The production of pig-iron grew. In Britain the production of pig-iron increased from 193,000 tons in 1800 to 2,285,000 tons in 1850, 6,059,000 tons in 1870 and 7,873,000 tons in 1880. In the U.S.A. it grew from 41,000 tons in 1800 to 573,000 tons in 1850, 1,692,000 tons in 1870 and 3,897,000 tons in 1880.

Down to the last third of the nineteenth century the steam engine remained the only kind of engine used in large-scale industry and transport. Steam played a very great role in the development of machine industry. Throughout the nineteenth century further improvement of the steam engine continued; the capacity of steam-driven machines increased and also the degree of utilization of heat energy. In the 1880's the steam turbine came into being. Thanks to its advantages it began to oust the steam engine from a number of branches.

However, the more large-scale industry grew, the more rapidly did the inadequacy of steam as a motive force become apparent. A new kind of mover was invented-the internal combustion engine, at first using gas (1877), and then an engine working on liquid fuel, the diesel (1893). In the last third of the nineteenth century a new and powerful force appeared in the arena of economic life, which revolutionized production still more-electricity.

In the nineteenth century machine technique laid hold of one branch of industry after another. The mining industry-extraction of ores and of coal developed. In connection with the invention of the internal combustion engine the extraction of petroleum increased. The chemical industry underwent extensive development. The rapid growth of large-scale machine industry was accompanied by intense building of railways.

Capitalist industrialization is brought about both by means of the exploitation of the wage-workers and the ruin of the peasantry of the country concerned and also by means of the plundering of the working people of other lands, especially colonies. It leads inevitably to a sharpening of the contradictions of capitalism, to the impoverishment of millions of workers, peasants and craftsmen.

History has seen various paths of capitalist industrialization. The first path of capitalist industrialization is the path of conquest and plunder of colonies. That was how Britain's industry developed. Having conquered colonies in all parts of the world, Britain pumped enormous profits out of them for two centuries and invested the profits in her own industry.

The second path is the path of war and the imposing of indemnities by victor countries on defeated countries. Thus, Germany, after defeating France in the Franco-Prussian War, obliged her to pay five thousand million francs as indemnity and invested these in her own industry.

The third path is the path of enslaving concessions and loans, which lead to the economic and political dependence of backward countries upon the capitalistically developed countries. Tsarist Russia, for example, granted concessions and obtained loans from the Western Powers on extortionate terms, endeavoring in this way to advance gradually along the path of industrialization.

In the history of various countries these different paths of capitalist industrialization were often interwoven and supplemented each other. The history of the economic development of the U.S.A. offers an example. The large-scale industry of the U.S.A. was created with the aid of foreign loans and long-term credits, and also by way of unrestrained plundering of the indigenous population of America.

Despite the development of machine industry in the bourgeois countries, a very great part of the population of the capitalist world continues to live and work under conditions in which primitive hand technique predominates.

Growth of Towns and Industrial Centers. Formation of the Class of Proletarians

Capitalist industrialization caused a rapid growth of towns and industrial centers. The number of large towns in Europe (with populations exceeding 100,000) increased sevenfold during the nineteenth century. The proportion of the urban population grew unceasingly at the expense of the agricultural population. In Britain as early as the middle of the nineteenth century and in Germany by about the beginning of the twentieth century, more than half of the entire population was concentrated in towns.

In the period of capitalist manufacture, the masses of wageworkers did not yet represent a settled class of proletarians. The workers in the manufactories were relatively few and to a considerable degree they were connected with agriculture dispersed among a multitude of small workshops and kept apart by all sorts of narrow craft interests.

As a result of the industrial revolution and the further development of machine industry an industrial proletariat was formed in the capitalist countries. The working class grew rapidly in numbers; its ranks being continually reinforced from those of the peasantry and craftsmen who were being ruined. With the growth of large-scale machine-industry the local, craft and caste interests and prejudices of the earliest generations of workers were gradually outlived, along with their utopian aspirations to get back to the lost position of the medieval craftsman. The mass of workers was welded into a single class, the proletariat. Describing the formation of the proletariat as a class, Engels wrote:

"Only, the development of capitalist production, modern industry and agriculture on a large scale, gave continuity to its existence, enlarged its numbers and formed it as a special class with special interests and with a special historical mission." Engels, The Workers' Movement in America", Marx and Engels, Works, Russian edition, vol. XVI, Pt. 1, p. 287.)

In Britain the number of the workers in industry and transport in the second decade of the nineteenth century amounted to about two million; during the ensuing hundred years the number grew more than threefold.

In France the workers in industry and transport in the 1860's numbered about two million, but at the beginning of the twentieth century there were nearly 3,800,000.

In the U.S.A. the number of workers in industry and transport amounted in 1859 to 1,800,000 and in 1899 to 6,800,000. In Germany the number of workers in industry and transport grew from 700,000 in 1848 to 5 million in 1895.

In Russia after the abolition of serfdom the process of forming a working class went forward rapidly. In 1865,706,000 workers were employed in large factories and works, in mining and on the railways in 1890 they numbered 1,433,000. Thus, the number of workers in large-scale capitalist enterprises more than doubled in twenty-five years. Towards the end of the 1890's the number of workers in large factories and works, in mining and on the railways had reached 2,207,000 in fifty provinces of European Russia, and in Russia as a whole had reached 2,792,000.

The Capitalist Factory. The Machine as a means whereby Capital exploits Wage Labor

The capitalist factory is a large-scale industrial enterprise based on the exploitation of wage-workers and using a system of machinery for the production of commodities.

A system of machinery is an aggregate of working machines which simultaneously carry out uniform production operations (e.g., looms of the same type), or an aggregate of working machines which, though of different kinds, are complementary to each other. A system of machinery of different kinds means a combination of detail-working machines, based on a distribution of production operations amongst them. Each detail machine supplies work to another machine. The machines operate simultaneously, the product continuously going through different stages of the production process and passing from one phase of production to another.

The introduction of machines ensures a tremendous growth in the productivity of labor and reduction in the value of commodities. The machine makes it possible to produce the same number of commodities with very much less expenditure of labor, or to produce with the same expenditure of labor a considerably larger number of commodities.

In the nineteenth century the working-up of a given quantity of cotton into yarn, using a machine, required only 1-180th of the labor-time taken when a hand-operated spinning wheel was used. Using a machine one adult or adolescent worker could in one hour print as many four-colored chintzes as previously, by hand labor, could be printed by 200 adult workers. In the eighteenth century, under the manufacturing division of labor, a worker made 4,800 needles a day; in the nineteenth century one worker, operating four machines at once, produced up to 600,000 needles a day.

Under the capitalist mode of production all the advantages of introducing machines are appropriated by the owners of these machines, the capitalists, whose profits grow.

The factory is the highest form of capitalist co-operation. Capitalist cooperation, as joint work carried out on a relatively large scale, makes necessary a special function of management, supervision, co-ordination of the separate jobs. In a capitalist enterprise the function of management belongs to the capitalist and has specific features which figure at the same time as functions of exploitation of the

wage-workers by capital. The capitalist is not a capitalist because he manages an industrial enterprise; on the contrary, he becomes the manager of an enterprise because he is a capitalist.

Already under simple capitalist co-operation the capitalist freed himself from physical work. With the growth in the scale of co-operation of labor he frees himself also from the function of direct and constant supervision of his workers. He transfers these functions to a special category of wage-workers managers and foremen-who give orders in the enterprise in the capitalist's name. By its very nature, capitalist management is despotic."

With the transition to the factory the creation by capital of a special capitalist labor-discipline is complete. Capitalist labor-discipline is the discipline of hunger. Under it, the worker lives constantly under the threat of dismissal from the factory, in fear of finding himself in the ranks of the unemployed. Barrack discipline is characteristic of the capitalist factory.

Workers are punished by means of money fines and deductions from their wages. [13]

In itself the machine is a mighty means of lightening labor and enhancing its productivity. Under capitalism, however, the machine serves as a means of intensifying the exploitation of wage-labor.

From its very first introduction the machine became a competitor with the worker. The capitalist rise of machines first and foremost deprives of their livelihood tens and hundreds of thousands of hand workers, who became redundant. For example, when steam-operated looms were installed on a large scale, 800,000 English and Scotch weavers were thrown on to the street. Millions of weavers were condemned to hunger and death in India because Indian hand-produced cloth could not stand up to the competition of British machine-made cloth. In consequence of the increasing use of machines and their increasing improvement, more and more wage-workers are ousted by machines and thrown out of the capitalist factories on to the streets, filling the ranks of the growing army of unemployed. The machine simplifies the production process and makes superfluous the use of great muscular strength by the worker. For this reason, with the transition to machine technique, capital extensively draws women and children into production. The capitalist obliges them to work under hard conditions and for wretchedly small pay. This results in a high level of child mortality in working-class families and the physical and moral crippling of women and children.

The machine opens up extensive possibilities of reducing the labor-time needed for the production of a commodity and so of shortening the working day. Under capitalism, however, it is used as a means of lengthening the working day. In the pursuit of gain the capitalist tries to use his machines to the full. First, the longer a machine is in paying use during a working day, the sooner he recovers its cost. Second, the longer the working day and the more fully the machine is used, the less danger there is that the machine will become technically obsolete and that other capitalists will succeed

[13] The British reader is reminded that these conditions and those described in subsequent passages, which were universal in British industry 100-150 years ago and survived in many trades much later, may have been modified by organized pressure of the British working class, but still exist today in many capitalist countries -including British Colonies-Editor, English edition.

in adopting better or cheaper machines and so place themselves in more advantageous conditions of production. The capitalist strives therefore to lengthen the working day to its maximum.

In the capitalists' hands the machine is used to pump more labor out of the worker during a given period of time. The excessive intensity of labor, overcrowding in the factory premises, the inadequacy of air and light, the absence of measures necessary for ensuring safety at work lead to mass incidence of occupational diseases among workers, the undermining of their health and the shortening of their lives.

Machine technique opens up a wide field for the utilization of science in the production process and for making labor more intelligent and creative. Capitalist use of machines, however, leads to the worker becoming transformed into an appendage to the machine. To the worker's lot falls only monotonous and exhausting physical work. Mental work becomes the privilege of certain special workers: engineers, technicians, scientists. Science serves capital. The antagonism between physical and mental labor continually deepens.

The machine signifies in itself a strengthening of man's power over the forces of nature. By raising the productivity of labor, the machine increases society's wealth. But this wealth is taken by the capitalists, and the position of the working class, the principal productive force of society, continually worsens. Marx showed in Capital that it is not machines themselves that are the enemies of the working class but the capitalist social order under which they are used. He wrote that :

"machinery, considered alone, shortens the hours of labor, but, when in the service of capital, lengthens them; in itself it lightens labor, but when employed by capital, heightens the intensity of labor; in itself it is a victory of man over the forces of nature, but in the hands of capital, makes man the slave of these forces; in itself it increases the wealth of the producers, but in the hands of capital makes them paupers." (Marx, Capital, Kerr edition, vol. I, p. 482.)

From the very first rise of capitalist relations there began the class struggle between the wage-workers and the capitalists. It went on during the whole of the period of manufacture and with the transition to machine production assumed large dimensions and unprecedented sharpness.

The way in which the as yet immature labor movement expressed its protest against the baneful effects of the capitalist use of machine technique was to try to destroy the machines. The first cloth-shearing machine, invented in 1758, was set on fire by workers whom the introduction of this machine had put out of work. At the beginning of the nineteenth century an extensive "machine-wrecking" movement developed in the industrial areas of Britain, directed first and foremost against the steam-driven looms. The working class needed a certain amount of time and experience to understand that the oppression and poverty under which it suffered were due not to the machines themselves but to the use made of them by the capitalists.

The capitalists made extensive use of the machine as a potent weapon for putting down the periodical workers' outbreaks, strikes, etc., directed against the dictatorship of capital. After 1830 a

substantial number of inventions were evoked in Britain directly by the requirements of the class struggle of the capitalists against the workers, the endeavor being made by the capitalists, through reducing the number of workers employed and using labor which was less' skilled, to break the resistance of the workers to their oppression by capital.

Thus, the capitalist use of machines causes a, worsening in the position of the workers and a sharpening in the class contradictions between capital and labor.

Large-scale Industry and Agriculture

The development of large-scale industry led to machines beginning to be introduced in agriculture as well. One of the weightiest advantages of largescale agricultural production is that it makes possible the use of machines.

Machines increase the productivity of labor in agriculture to an enormous extent. They are, however, beyond the resources of the petty peasant economy, for the purchase of machines demands a substantial outlay. In addition, the machine can be used effectively over large cultivated areas, for introducing industrial crops, etc. In large-scale economy based on machine technique the expenditure of labor per unit of production is markedly less than in petty peasant economy based on backward technique and hand labor. Consequently, petty peasant economy cannot stand up to the competition of large-scale capitalist economy.

The widespread use of agricultural machinery under conditions of capitalism hastens the process of differentiation among the peasantry. "The systematic employment of machinery in agriculture squeezes out the patriarchal 'middle' peasant as inexorably as the steam-driven loom squeezes out the hand-loom weaver." (Lenin, "Development of Capitalism in Russia", Selected Works, 12- vol. edition, vol. 1, p. 274.) Capitalism, in elevating the technique of agriculture and advancing it, ruins the mass of petty producers. Yet hired labor-power is so cheap in agriculture that many large-scale estates do not use machines but prefer to use hand labor. This hinders the development of machine technique in agricultural production.

Capitalist use of machines in agriculture is inevitably accompanied by intensified exploitation of the agricultural proletariat through raising the intensity of work. For instance, a kind of reaping machine which was widely used in its time was called "the brow-warmer" because working with it demanded great physical exertion.

In the machine period of capitalism, the separation of industry from agriculture is completed and the antithesis between town and country deepened and made more acute. Under capitalism agriculture increasingly lags behind industry in its development. Lenin declared that the agriculture of the capitalist countries at the beginning of the twentieth century was at about the stage of manufacture so far as its technical and economic level was concerned.

Under capitalism the introduction of machine technique in agriculture proceeds much more slowly than in industry. While the steam engine made possible fundamental technical transformations

in industry, in agriculture it was used only in the form of the steam-driven threshing machine. In the comprehensive mechanical thresher were later combined the threshing, cleaning and sorting of the grain. Only in the last quarter of the nineteenth century were horse-drawn machines -for grain-harvesting-harvester-binders brought into wide use. The caterpillar tractor was invented as far back as the 1880's and the wheeled tractor at the beginning of the twentieth, but the more or less extensive employment of the tractor on large capitalist farms began only in the 1920'S, mainly in the U.S.A.

Down to the present day the basic motive power in the agriculture of the majority of capitalist countries is provided by draught animals, and the implements with which the soil is worked are the horse-drawn plough, harrow and cultivator.

Capitalist Socialization of Labor and Production. Limits to the Use of Machines under Capitalism

On the basis of machine technique great progress was achieved under capitalism in the development of the productive forces of society as compared with the feudal mode of production. The machine was a revolutionary force which transformed society.

"The transition from manufacture to the factory marks a complete technical revolution, which eliminates the age-old skill of the handicraftsman, and this technical revolution is followed by an extremely sharp change in the social relations in production, by a final rupture between the various groups taking part in production, a complete rupture with tradition, the intensification and expansion of all the gloomy sides of capitalism, and at the same time the mass socialization of labor by capitalism. Thus, large-scale machine industry is the last word of capitalism, the last word of its negative and 'positive' aspects." (Lenin, "Development of Capitalism in Russia", Selected Works, 12-vol. edition, vol. 1, p. 303.)

On the basis of large-scale machine industry, a spontaneous process of extensive socialization of labor by capital is accomplished.

First, as a result of the use of machines industrial production is more and more concentrated in large-scale enterprises. The machine itself requires the joint labor of many workers.

Second, a further development takes place under capitalism in the social division of labor. The number of branches of industry and agriculture is increased. At the same time the separate branches and enterprises become even more dependent one upon another. With this extensive specialization of branches a factory-owner producing, for example, cloth, becomes directly dependent on a factory-owner producing yarn, the latter upon a capitalist who produces cotton, an owner of an engineering works, of collieries, etc.

Third, the disunity of petty economic units characteristic of natural economy disappears, and the petty local markets become fused in a vast national and world market.

Fourth, capitalism with its machine technique does away with the various forms of personal dependence affecting the worker. The basis of production becomes free hired labor. Greater mobility of

the population is brought about, which guarantees an unfailing supply of labor-power to the growing branches of industry.

Fifth, with the spread of machine production a great number of industrial centers and large towns arise. Society is more and more split into two basic antagonistic classes-the class of capitalists and the class of wage-workers.

The socialization of labor and production, for which machine technique served as the foundation, was a notable step forward in the progressive development of society. But the selfish interests of the capitalists, avid for profits, set a definite limit to the development of the productive forces. From the social standpoint it is advantageous to use a machine if the labor which it costs to produce the machine is less than the labor which will be saved by using it, and also if the machine lightens labor. But for the capitalist neither economizing social labor nor lightening the worker's labor means anything; all' he cares about is economizing on wages. The limit to the use of machines is therefore for the capitalist a narrower one. It is set by the difference between the price of the machine and the wages of the workers displaced by it. The lower the wages of the workers the weaker the incentive to the capitalist to introduce machinery. Therefore, hand labor is still widely used to this day in the industry of capitalist countries.

Large-scale machine industry sharpened the competitive struggle between the capitalists and intensified the spontaneity and anarchy of all social production. Capitalist use of machines brought about not only a rapid development of the productive forces of society but also an unprecedented growth in the oppression of labor by capital and sharpening of all the contradictions of the capitalist mode of production.

BRIEF CONCLUSIONS

(1) The transition from manufacture to large-scale machine industry meant an industrial revolution. Of very great importance for the transition to machine industry were: the invention of the steam engine, improvement in the method of smelting metal, and the making of machines to produce machines. The machine conquered one province' of the production of commodities after another.

(2) With the growth of capitalism there took place the process of capitalist industrialization of the most important countries of Europe and America. Capitalist industrialization begins as a rule with the development of light industry. In the industrialization of capitalist countries, a big role is played by the plundering of colonies and conquered countries and also the obtaining of loans on extortionate terms. Capitalist industrialization is based on the exploitation of wage-labor and intensifies the ruining of the broad masses of peasants and craftsmen. It leads to a further growth in the social division of labor, completes the separation of industry from agriculture, and makes more acute the antithesis between town and country.

(3) The capitalist factory is a large-scale enterprise, based upon exploitation of wage-workers and employment of a system of machines for producing commodities. Management in the capitalist factory is despotic in character. In capitalist society the use of machines is accompanied by increasingly

burdensome labor of the wage-worker, his intensified exploitation and the drawing into production of women and children, who are paid extremely low wages.

Capitalist machine production completes the process of separating mental labor from physical and sharpens the antithesis between them.

(4) The development of large-scale machine industry leads to the growth of cities, to an increase in the urban population at the expense of the rural, to the formation of a class of wage-workers (the proletariat), and to growth in the numbers of the latter. The introduction of machinery into agriculture is an advantage for large-scale production. It leads to raising the productivity of labor and hastens, the process of disintegration of the peasantry. Under capitalism agriculture lags further and further behind industry, and this deepens the antithesis between town and country.

(5) Large-scale machine industry plays a progressive role in history, leads to the growth of the productivity of labor and to the socialization of labor by capital. The limits to the use of machinery by the capitalists are set by the fact that capitalists introduce machinery only where its price is less than the wages of the workers displaced by it.

Chapter 7 : Capital and Surplus-value. The Basic Economic Law of Capitalism

The Basis of Production Relations in the Capitalist System

With the transition from manufacture to large-scale machine industry the capitalist mode of production became predominant. In industry, in place of craft workshops and manufactories based on hand labor, factories and works appeared in which labor was equipped with complicated machinery. Largescale capitalist farms began to arise in agriculture, using comparatively developed agronomical technique and agricultural machinery. New techniques developed, new productive forms came into being, and new capitalist production-relations became predominant. An investigation of the production relations of capitalist society in their rise, development and decline makes up the principal content of Marx's Capital.

The basis of the production-relations of bourgeois society is capitalist property in the means of production. Capitalist property in the means of production means the private property of the capitalists, not derived from their own labor, and used for exploitation of wage-workers. In Marx's classic definition,

"The capitalist mode of production rests on the fact that the material conditions of production are in the hands of non-workers in the form of property in capital and land, while the masses are only owners of the personal conditions of production, of labor-power". (Marx, "Critique of the Gotha Programme", Marx and Engels, Selected Works, 1950, English edition, vol. II, p. 23.)

Capitalist production is based on wage-labor. Wageworkers are free from the ties of serfdom. But they are deprived of the means of production and compelled under threat of starvation to sell their labor-power to the capitalists. The exploitation of the proletariat by the bourgeoisie is the main feature

of capitalism, and the relationship between the bourgeoisie and the proletariat is the fundamental class relationship of the capitalist system.

In countries where the capitalist mode of production prevails, alongside capitalist forms of economy more or less substantial survivals of pre-capitalist forms of economy have been preserved. "Pure capitalism" does not exist anywhere. Besides capitalist property there also exist in bourgeois countries the large-scale landed property of the landlords, together with the petty private property of simple commodity producers, peasants and craftsmen, who live by their own labor. Petty production plays a subordinate role under capitalism. The mass of petty commodity producers of town and country are exploited by the capitalists and landlords who own the factories and works, the banks, commercial institutions and the land.

The capitalist mode of production passes through two stages in its development: pre-monopoly and monopoly. The general economic laws of capitalism operate in both stages of its development. At the same time, monopoly capitalism is distinguished by a whole series of important special features, of which more later.

Let us now pass to examining the essential nature of capitalist exploitation.

Transformation of Money into Capital

Each unit of capital begins its career in the form of a certain sum of money.

Money does not in itself constitute capital. When, for instance, independent petty commodity producers exchange their commodities, money plays its part as a circulation medium but does not serve as capital. The formula of commodity circulation is: C (commodity)-M (money)-C (commodity), i.e., the selling of one commodity in order to buy another. Money becomes capital when it is used to exploit the labor of others. The general formula of capital is M-CM, i.e., buying in order to sell so as to make money.

The formula C-M-C means that one use-value is exchanged for another: a commodity producer hands over a commodity which he does not need and receives in exchange another commodity which he needs for use. The purpose of the circulation process is a use-value. In the formula M-C-M, on the contrary, the starting and finishing points of the movement coincide: at the beginning of the process the capitalist had money and at the end of it he has money. The movement of capital would be pointless if at the end of the process the capitalist had the same amount of money as at the beginning. The whole sense of the capitalist's activity is that as the result of the operation he has more money than he had at the beginning. The purpose of the circulation process is an increase in value. Therefore, the general formula of capital in its full form is: M-C-M', with M' standing for an increased amount of money.

Capital advanced by a capitalist, i.e., put into circulation by him, returns to its owner with a certain increment.

What is the source of this growth of capital? Bourgeois economists, in their endeavor to hide the true source of money-making by the capitalists, often assert that this increment comes about in the

process of commodity circulation. This assertion is unsound. Consider the facts. If commodities and money of equal value, i.e., equivalents, are exchanged, none of the commodity owners can derive from circulation any value greater than that which is embodied in his own commodity. If sellers succeed in selling their commodities above their value, by 10 per cent, say, when they become buyers, they have to pay back this 10 per cent to the sellers. Thus, what the commodity owners gain as sellers they lose as buyers. Yet in actual fact increments to capital are secured by the whole class of capitalists. Evidently, the owner of money, in order to become a capitalist, must find on the market a commodity which when consumed creates its own value and something over besides, more than it possesses itself. In other words, the owner of money must find on the market a commodity the use-value of which possesses the property of being a source of value. This commodity is labor-power.

Labor-power as a Commodity. Value and Use-value of the Commodity Labor-power

Labor-power, as the aggregate of physical and mental qualities of which a person disposes and which he puts into action whenever he produces material wealth, is a necessary element of production in any form of society. Only under capitalism, however, does labor-power become a commodity.

Capitalism is commodity production at the highest stage of its development, when labor-power too becomes a commodity. With the transformation of labor-power into a commodity, commodity production takes on a universal character. Capitalist production is based on wage-labor, and the hiring of a worker by a capitalist is nothing else than the buying and selling of the commodity labor-power: the worker sells his labor-power and the capitalist buys it.

When he has hired a worker, a capitalist has the worker's labor-power at his free disposal. The capitalist uses this labor-power in the process of production; and that is where the increment to capital takes place.

Like every other commodity, labor-power is sold at a definite price, which is based upon its value. What is this value?

For the worker to retain his ability to work he must satisfy his need for food, clothing, footwear and housing. Satisfaction of these necessary vital requirements means restoring the vital energy-of muscles, nerves and brains which the worker has expended and putting him once more in a fit state to work. Furthermore, capital needs a constant flow of labor-power; for this reason, the worker must be able to maintain not only himself but also his family. In this way the reproduction, i.e., the continuous renewal, of labor-power is ensured. Finally, capital needs not only unskilled but also skilled workers, able to handle complex machinery, while the acquisition of skill involves a certain outlay of labor on training. For this reason, the expenses of producing and reproducing labor-power also include a definite minimum of expenditure on the training of the rising generations of the working class.

It follows from the above that the value of labor-power as a commodity is equal to the value of the means of existence which are necessary for the maintenance of the worker and his family. "The value of labor-power is determined as in the case of every other commodity, by the labor-time

necessary for the production, and consequently, also the reproduction of this special article." (Marx, Capital, Kerr edition, vol. 1, p. 189)

In the course of the historical development of society both the level of worker's customary requirements and also the means needed to satisfy these requirements have undergone changes. The level of a worker's customary requirements varies from country to country. The special features of the historical path followed by a given country and the conditions in which the class of wage-workers was formed have much to do with determining the nature of these requirements. Climatic and other natural conditions also have a certain bearing on the workers' requirements in respect of food, clothing and shelter. The value of labor-power includes not only the value of the consumer goods needed to restore the physical strength of the worker but also the cost of satisfying certain cultural requirements of himself and his family, engendered by the very conditions of society in which the workers live and are brought up (education of children, purchase of newspapers and books, visits to the cinema and the theatre, etc.). The capitalists try, all the time and everywhere, to reduce the material and cultural conditions of the working class to the lowest possible level.

When he begins in business, a capitalist buys everything that he needs for production: buildings, machinery, equipment, raw materials, fuel. Then he engages workers, and the production-process commences in the enterprise which he owns. When the commodity is ready, the capitalist sells it. The value of the finished commodity comprises: first, the value of the means of production expended (the raw material worked up, the fuel used, a certain part of the value of the buildings, machinery and tools); second, the new value created by the workers in the enterprise itself.

What does this new value consist of?

The capitalist mode of production presupposes a comparatively high level of productivity of labor, under which the worker needs only part of the working day to create value equal to the value of his labor-power. Let us suppose that one hour of simple average labor creates value equivalent to one dollar and the daily value of labor-power is equivalent to six dollars. In this case the worker, so as to pay for the daily value of his labor-power, would have to work six hours~ But the capitalist has bought his labor-power for the whole day, and he compels the worker to work not six hours but for an entire working day, lasting, say, twelve hours. During these twelve hours the worker creates value equivalent to twelve dollars, even though the value of his labor-power is equivalent only to six dollars.

We now see what the specific use-value of the commodity labor-power consists of for the person who buys it-the capitalist. The use-value of the commodity labor-power is its capacity to be the source of value, and withal, of more than it possesses itself.

The Production of Surplus-Value-Basic Economic Law of Capitalism

The value of labor-power and the value which is created in the process of using it are, in fact, two quite distinct magnitudes. The difference which exists between these magnitudes is the necessary prerequisite for capitalist exploitation.

In our example, the capitalist, who has spent 6 dollars on hiring workers, obtains value created by their labor which is equivalent to 12 dollars. The capitalist recovers the capital which he originally advanced plus an increment or surplus equivalent to 6 dollars. It is this increment that constitutes surplus-value.

Surplus-value is the value created by the labor of a wage-worker over and above the value of his labor-power and appropriated by the capitalist without payment. Thus, surplus labor is the result of the worker's unpaid labor.

The working day in a capitalist enterprise is divided into two parts : necessary labor-time and surplus labor-time, and the labor of the wageworker into necessary and surplus labor. During the necessary labor-time the worker reproduces the value of his labor-power, and during the surplus labor-time he creates surplus-value.

A worker's labor, under capitalism, is a process of use by the capitalist of the commodity labor-power, or a process of extraction of surplus-value from the worker by the capitalist. The labor-process is characterized, under capitalism, by two fundamental peculiarities. First, the worker works under the control of the capitalist to whom the worker's labor belongs. Second, not only does the worker's labor belong to the capitalist but also the product of this labor. These peculiarities of the labor-process transform the wage-worker's labor into a heavy and hateful burden.

The immediate aim of capitalist production is the production of surplus-value. In accordance with this, productive labor means under capitalism only such labor as creates surplus-value. If the worker does not create surplus-value, his work is unproductive work, useless for capital.

In contrast to the previous forms of exploitation-slave-owning and feudal-capitalist exploitation is masked. When the wage-worker sells his labor-power to the capitalist, this transaction appears at first sight to be an ordinary transaction between commodity owners, the usual exchange of a commodity against money, carried out in accord with the law of value. The transaction of buying and selling labor-power, however, is merely the outward form behind which is hidden the exploitation of the worker by the capitalist, the appropriation by the capitalist, without any equivalent, of the worker's unpaid labor.

In order to clarify the essential nature of capitalist exploitation we will suppose that the capitalist, when he engages the worker, pays him the full value of his labor-power, determined by the law of value. It will be shown later when we examine wages that, unlike the prices of other commodities, the price of labor-power, as a rule, diverges below its value. This circumstance still further increases the exploitation of the working class by the capitalist class.

Capitalism enables the wage-worker to work, and consequently to live, only in so far as for a certain amount of his time he works gratis for the capitalist. If he leaves one capitalist enterprise, the most favorable thing that can happen to the worker will be to find himself in another capitalist enterprise, where he will be subjected to the same exploitation. When he exposed the system of wage-

labor as a system of wage-slavery, Marx pointed out that whereas the Roman slave was bound by chains, the wage-worker was bound by invisible threads to his owner. This owner is the capitalist class as a whole.

Surplus-value, created by the unpaid labor of wage-workers, constitutes the common source of the unearned incomes of the various groups of the bourgeois class: industrialists, traders and bankers-and also the class of landowners.

Production of surplus-value is the basic economic law of capitalism. Analyzing capitalism, Marx wrote: "Production of surplus-value is, the absolute law of this mode of production." (Marx, Capital, Kerr edition, vol. 1, p. 678.)

The essential features of this law consist in the production of surplus-value on an ever-increasing scale and the appropriation of it by the capitalists on the basis of bourgeois ownership of the means of production by means of increasing exploitation of wage-labor and the extension of production.

Capital did not invent surplus labor. Wherever society consists of exploiters and exploited, the ruling class pumps surplus labor out of the exploited classes. But unlike the slave-owner and the feudalist, who in conditions where natural economy prevailed used the greater part of the product of the surplus labor of the slaves and serf-peasants for the direct satisfaction of their needs and whims, the capitalist transforms the whole of what his wage-workers produce into money. Part of this money the capitalist spends on buying consumer goods and luxury articles, the rest he invests again, as additional capital, to bring him in further surplus-value. This is why capital displays, in Marx's words, truly wolf-like greed for surplus labor.

The pursuit of surplus-value is the principal driving-force of the development of the productive forces under capitalism. None of the previous forms of society based on exploitation, neither slavery nor feudalism, possessed such a force, hastening forward the growth of technique.

Lenin called the doctrine of surplus-value the corner-stone of Marx's economic theory. By disclosing in his doctrine of surplus-value the essence of capitalist exploitation, Marx dealt a mortal blow to bourgeois political economy and its talk about the harmony of interests under capitalism, and gave the working class a spiritual weapon for overthrowing capitalism.

Capital as a Social Relation of Production. Constant and Variable Capital

Bourgeois economists call "capital" every instrument of labor and every means of production, beginning with the stones and sticks of primitive man. This definition of capital has the aim of concealing the essence of capitalist exploitation of the worker and of showing capital as some sort of eternal and unchanging condition for the existence of any human society.

In fact, the stones and sticks of primitive man served him as instruments of labor but were not capital. Neither are the tools and raw material of the handicraftsman capital, nor the Implements, seed and draught animals of the peasant who works his holding with his own labor. Means of production become capital only at a certain level of historical development, when they are the private property of a

capitalist and serve as means of exploiting wage-labor. With the liquidation of the capitalist system the means of production pass into social ownership and cease to be capital. Thus, capital is not a thing but a social relationship of production which is historically transient in character.

Capital is value which, through the exploitation of wage-labor, brings in surplus-value. In Marx's words, capital is "dead labor, that vampire-like, only lives by sucking living labor, and lives the more, the more labor it sucks." (Marx, Capital, Kerr edition, vol. 1, p. 257.) Embodied in capital is the production-relationship between the class of capitalists and the working class, consisting in the fact that the capitalists as owners of the means and conditions of production exploit wageworkers who create surplus-value for them. This production-relationship, like all the other production-relations of capitalist society, takes the form of a relationship between things, and appears as if it were a property of things themselves-the means of production-to bring in an income for the capitalist.

This is what constitutes the fetishism of capital. Under the capitalist mode of production a deceptive appearance is created, as though the means of production (or a particular sum of money for which means of production can be bought), possess by themselves the miraculous property of providing their owner with a regular unearned income.

Different parts of capital play different roles in the process of producing surplus-value.

The entrepreneur spends a certain part of his capital on erecting a factory building, on purchasing equipment and machinery, on buying raw materials, fuel and auxiliary supplies. The value of this part of capital is transferred into the newly-produced commodity in proportion as the means of production are used up or worn out in the labor process. The part of capital which exists in the form of value of the means of production does not change its magnitude during the process of production, and is therefore called constant capital.

Another part of his capital is spent by the entrepreneur on the purchase of labor-power-on hiring workers. In return for this part of the capital which he lays out the entrepreneur receives at the end of the production process a new value which has been produced by the workers in his enterprise. This new value, as we have seen) is greater than the value of the labor-power bought by the capitalist. Thus, that part of the capital which is spent on the hiring workers changes its magnitude in the production process: it grows as a result of the creation by the workers of surplus-value which is appropriated by the capitalist. The part of capital which is spent on the purchase of labor-power (i.e., on hiring workers) and grows in the process of production, is called variable capital.

Marx used the Latin letter "c" to signify constant capital and "v" to signify variable capital. It was Marx who first divided capital into its constant and variable parts. Through this division the special role played by variable capital employed in the purchase of labor-power was revealed. The exploitation of wage-workers by capitalists is the real source of surplus-value.

The discovery of the two-fold character of the labor embodied in a commodity provided Marx with the key for establishing the difference between constant and variable capital and exposing the

essential nature of capitalist exploitation. Marx showed that the worker by his labor simultaneously creates new value and transfers the value of the means of production into the manufactured commodity. As a definite kind of concrete labor, the worker's labor transfers the value of the used-up means of production into his product; while as abstract labor, as expenditure of labor-power in general, the same worker's labor creates new value. These two aspects of the labor-process are distinguished quite tangibly. For example, when the productivity of labor in a particular branch of industry is doubled, a spinner transfers to his product during the course of a working day twice as much of the value of the means of production (because he works up a quantity of cotton twice as large), but he creates only the same amount of new value as before.

The Rate of Surplus-Value

The Rate of Surplus-Value The degree of exploitation of the worker by the capitalist is expressed in the rate of surplus-value.

The rate of surplus-value is the term used for the relation between the surplus-value and the variable capital, expressed as a percentage. The rate of surplus-value shows the proportions in which the labor expended by the worker is divided into necessary and surplus labor, or in other words, what part of the proletarian's working day is spent in replacing the value of his labor-power and what part of it he spends working gratis for the capitalist.

Marx used the Latin letter "s" to stand for surplus-value and "s"/v to stand for the rate of surplus-value. In the case quoted above the rate of surplus-value, expressed as a percentage, would be: s/v=6 dollars/6 dollars x100=100 per cent.

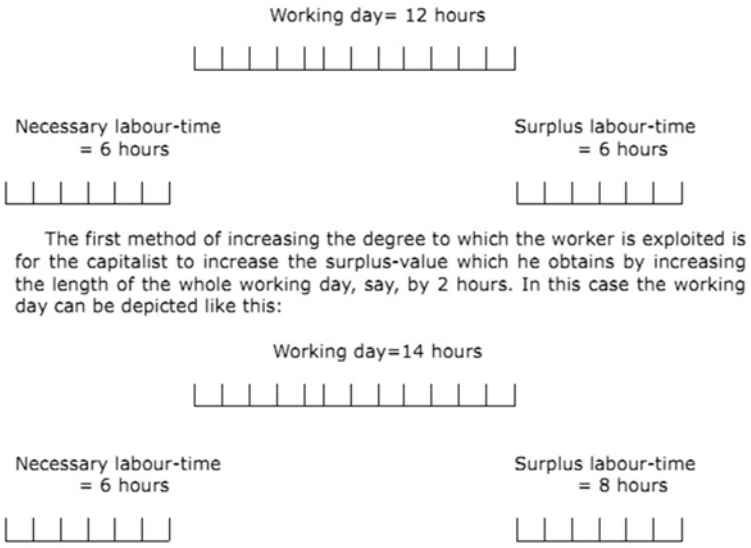
The rate of surplus-value is in this case 100 per cent. What this means is that in the given case the worker's labor is divided equally into necessary and surplus labor. As capitalism develops, the rate of surplus-value grows, expressing the increase in the degree of exploitation of the proletariat by the bourgeoisie. Still more rapidly grows the mass of surplus-value, as the number of wage-workers exploited by capital increases.

In his article "Workers' Earnings and Capitalists' Profits in Russia", written in 1912, Lenin set out the following calculations, showing the degree to which the proletariat was exploited in pre-revolutionary Russia. According to the findings of an official investigation of factories and works carried out in 1908 and tending, undoubtedly, to overestimate the figures for the size of workers' earnings and underestimate those for the size of capitalist's profits, the workers' wages amounted to 555.7 million rubles, while the capitalists' profit totaled 568.7 million rubles. The total number of workers employed in the enterprises of large-scale factory industry which were investigated was 2,254,000. Thus, a worker's average wage was 246 rubles it year, while each worker provided the capitalists, on an average, with 252 rubles of profit annually.

Thus, in Tsarist Russia the worker spent less than half of his day working for himself and more than half working for the capitalist.

Each capitalist tries his utmost, with the aim of increasing surplus-value, to increase the share of surplus labor extracted from the worker. The increasing of surplus-value is affected in two main ways.

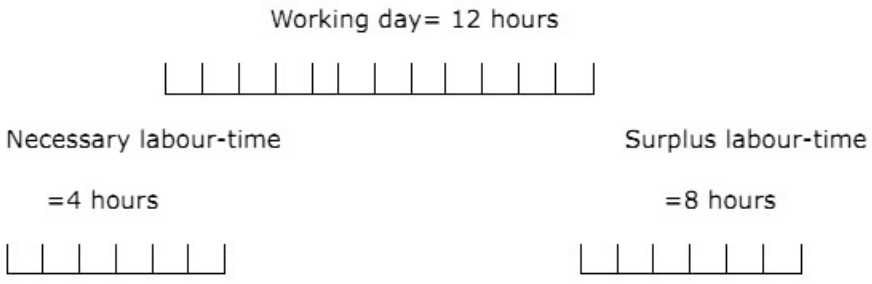
Let us take for example a working day of 12 hours, of which 6 hours are necessary and 6 are surplus labor. Let us show this working day as a line on which each division is equivalent to 1 hour.



The first method of increasing the degree to which the worker is exploited is for the capitalist to increase the surplus-value which he obtains by increasing the length of the whole working day, say, by 2 hours. In this case the working day can be depicted like this:

The magnitude of the surplus labor-time has grown as a result of the absolute lengthening of the working day as a whole, while the necessary labor-time has remained the same. Surplus-value produced by lengthening the working-day is called absolute surplus-value.

The second method of increasing the degree of exploitation of the workers consists in arranging, while the overall length of the working day remains unchanged, for the surplus-value received by the capitalist to increase thanks to a reduction in the necessary labor-time. The growth of the productivity of labor in the branches of industry which manufacture goods consumed by the workers, and also in those supplying implements and material for the production of these consumer goods, leads to a reduction in the labor-time needed for their production. Consequently, the value of the workers' means of subsistence decreases; and in accordance with this the value of labor-power declines. Where formerly 6 hours had to be expended to produce a worker's means of subsistence, now this demands, say, only 4 hours. In a case like this the working day may be depicted in the following manner:



The length of the working day has not been altered, but the amount of surplus labor-time has grown as a result of the changed proportion between necessary and surplus labor-time. Surplus-value which arises from a reduction in necessary labor-time and corresponding increase in surplus labor-time as a result of an increase in the productivity of labor is called relative surplus-value.

Both ways of increasing surplus-value lead to intensifying the exploitation of wage labor by capital; but they play a different part at different stages of the historical development of capitalism. In the first stages of the development of capitalism, when technique was at a low level and progressed relatively slowly, the most important method was the increase in absolute surplus-value. In its hunt for surplus-value capital effected a radical revolution in former methods of production, the Industrial Revolution, which gave rise to large-scale machine industry. Capitalist simple co-operation, manufacture and machine industry, discussed above, in Chapters V and VI, were successive stages in the increase in the productivity of labor by capital. In the machine period, when rapidly developing technique made it possible to raise the productivity of labor in a short time, the capitalists brought about a tremendous intensification in the degree of exploitation of the workers first and foremost by effecting an increase in relative surplus labor. At the same time, they continued as before to strive for a lengthening of the working day and especially to enhance the intensity of labor. Intensifying the workers' labor means for the capitalist the same as lengthening the working day: lengthening the working day from 10 to 11 hours or heightening the intensity of labor by one-tenth gives him the same result in either case.

Extra Surplus-Value

An important role in the development of capitalism is played by the pursuit of extra surplus-value. It is obtained when individual capitalists introduce machines and production methods in their works which are more advanced than those used in the majority of enterprises in the same branch. In this way the individual capitalist achieves in his enterprise a higher productivity of labor compared with the average level which prevails in the relevant branch of production. As a result, the individual value of a commodity produced in this capitalist's enterprise is lower than the social value of this commodity. As the price of a commodity is determined by its social value, however, the capitalist obtains a higher rate of surplus-value compared with the usual rate.

Let us take the following example. Let us suppose that a worker in a tobacco factory produces 1,000 cigarettes an hour and works twelve hours, during six of which he is creating value equivalent to the value of his own labor-power. If a machine is introduced in this factory which doubles the productivity of labor, this worker, working twelve hours as before, produces not 12,000 but 24,000 cigarettes. Part of the newly-created value, embodied (allowing for the value of the transferred part of the constant capital) in six thousand cigarettes i.e., the product of three hours, reimburses the factory-owner for the worker's wages. The rest of the newly created value, embodied (allowing for the value of the transferred part of the constant capital) in 18,000 cigarettes, i.e., the product of nine hours, remains with the factory-owner.

Thus, a reduction in the necessary labor-time takes place, with a corresponding lengthening of the surplus labor-time. The worker needs not even six hours but only three hours to replace the value of his own labor-power; his surplus labor has increased from six hours to nine. The rate of surplus-value has trebled.

Extra surplus-value is an excess of surplus-value above the usual rate, obtained by individual capitalists as a result of a decrease in the individual values of commodities produced in their enterprises.

The obtaining of extra surplus-value is only a temporary phenomenon for any particular enterprise. Sooner or later the majority of entrepreneurs in the same branch will introduce the new machinery, and whoever does not possess sufficient capital to do this will be ruined in the process of competition. As a result, the time socially-necessary for the production of the given commodity will be shortened and the value of the commodity reduced; and the capitalist who introduced the technical improvements earlier than the rest will cease to obtain extra surplus-value. Disappearing from one enterprise, however, extra surplus-value appears in another, where new and still more advanced machinery is being introduced.

Each capitalist aims only at his own enrichment. But the ultimate result of the separate actions of the individual entrepreneurs is the growth of technique, the development of the productive forces of capitalist society. At the same time the pursuit of surplus-value causes each capitalist to keep his technical achievements from his competitors, gives rise to trade secrets and technological hush-hush, thus it becomes evident that capitalism sets definite limits to the development of productive forces.

The development of the productive forces under capitalism takes place in contradictory fashion. The capitalists introduce new machinery only when it will lead to an increase in surplus-value. The introduction of new machinery serves as the basis for an all-round increase in the degree of exploitation of the proletariat, lengthening of the working day and growth in the intensity of labor; the progress of technique takes place at the cost of numberless sacrifices and deprivations on the part of many generations of the working class. Thus, capitalism deals in most predatory fashion with the main productive force of society, the working class, the toiling masses.

The Working Day and its Limits. The Struggle to Shorten the Working Day

In their drive to raise the rate of surplus-value the capitalists try to lengthen the working day to its maximum length. The working day means that period of a given 24 hours during which the worker is at the enterprise and at the disposal of the capitalist. Were it possible, the employer would compel his workers to work 24 hours a day. A man needs, however, to spend a certain part of each day and night recovering his strength, resting, sleeping and eating. These needs determine the purely physical limits of the working day. Besides these, the working day also has moral limits, for the worker needs time to satisfy his cultural and social requirements.

Capital, in its insatiable greed for surplus labor, does not want to reckon with even the purely physical limits to the working day, let alone the moral ones. As Marx puts it, capital is ruthless towards

the life and health of the worker. The rapacious exploitation of labor-power shortens the proletarian's life-span and leads to an exceptional increase in the mortality rate among the working population.

In the period of the rise of capitalism the State power promulgated special laws in the interests of the bourgeoisie, for the purpose of compelling the wage-workers to work the maximum possible number of hours. In those days technique was still at a low level and the masses of peasants and craftsmen were still able to work independently, in consequence of which capital did not have a surplus of workers at its disposal. The situation changed with the spread of machine production and the growth of the proletarian population. Sufficient workers became available to capital, and they were obliged by the threat of starvation to accept enslavement to the capitalists. The need for State laws lengthening the working day declined. Capital became able to lengthen the working day to its utmost extent by means of economic compulsion. Under these conditions the working class began a stubborn struggle to shorten the working day. This struggle developed earliest in Britain.

As a result of a long struggle the British workers secured the passing in 1833 of a factory Act which restricted the labor of children under thirteen to eight hours and that of adolescents between thirteen and eighteen to twelve hours. In 1844 a law was passed restricting women's hours of work to twelve and those of children to six and a half. In the majority of cases child labor and female labor were employed alongside that of men. For this reason, a working day of twelve hours for all workers became general in enterprises affected by the factory legislation. By a law of 1847 the labor of adolescents and women was restricted to ten hours. A law of 1901 restricted working hours for adults to twelve in the first five days of the week and five and a half on Saturdays.

In proportion as the resistance of the workers grew, laws restricting the working day began to appear in other capitalist countries as well. After the passing of each law of this kind, the workers had to wage an unremitting struggle to ensure that it was implemented in practice.

A particularly stubborn struggle for legislative restriction of labor-time developed after the working class put forward as its battle-slogan the demand for an eight-hour working day. This demand was proclaimed in 1866 by the Labor Congress in America and the Congress of the First International, at Marx's suggestion. The struggle for the eight-hour working day became an integral part not only of the economic but also of the political struggle of the proletariat.

In Tsarist Russia the first factory Acts were promulgated at the end of the nineteenth century. After the famous strikes waged by the Petersburg proletariat, the law of 1897 restricted the working day to 11½ hours. This law was, in Lenin's words, a forced concession, won from the Tsarist government by the Russian workers.

On the eve of the first world war a working day of 10 hours prevailed in the majority of developed capitalist countries. In 1919, influenced by the bourgeoisie's alarm at the growth of the revolutionary movement, the representatives of a number of capitalist countries, meeting at Washington, concluded a convention for introducing an 8-hour day internationally. Later however, all the big capitalist States refused to ratify this convention. Nevertheless, in many capitalist countries the

8-hour working day was introduced, under the pressure of the working class. But the employers made up for the reduction in the working day by acutely increasing the intensity of labor. In a number of capitalist countries, together with an exhausting intensity of labor, a long working day prevails, especially in industries producing armaments. An excessively long working day is the lot of the proletariat in the colonial and dependent countries.

Class Structure of Capitalist Society. The Bourgeois State

The Bourgeois State Characteristic of the slave-owning and feudal modes of production was the splitting-up of society into various classes and estates, forming a complex hierarchical social structure. The bourgeois epoch simplified class contradictions and replaced the diverse forms of hereditary privilege and personal dependence by the impersonal power of money, the unrestricted despotism of capital. Under the capitalist mode of production, society splits up more and more into two great antagonistic camps, into two opposed classes, the bourgeoisie and the proletariat.

The bourgeoisie is the class which possesses the means of production and uses them to exploit wage-labor. The bourgeoisie is the ruling class in capitalist society.

The proletariat is the class of wage-workers, deprived of means of production and therefore obliged to sell its labor-power to the capitalists. Machine production enables capital to subject wage-labor to itself completely. Proletarian status becomes the lifelong lot of the class of wage-workers. By force of its economic situation the proletariat is the most revolutionary class.

The bourgeoisie and the proletariat are the basic classes of capitalist society. So long as the capitalist mode of production exists, these two classes are inseparably linked together: the bourgeoisie cannot exist and become rich without exploiting the wage-workers; the latter cannot live unless they are hired by the capitalists. At the same time the bourgeoisie and the proletariat are mutually antagonistic classes, whose interests are opposed and irreconcilably hostile to each other. The development of capitalism leads to a deepening of the gulf between the exploiting minority and the exploited masses. Besides the bourgeoisie and the proletariat there exist also under the capitalist system the classes of landlords and peasants. These classes have survived from the previous, feudal system, but have to a considerable extent changed their nature in accordance with capitalist conditions.

Landlords are, under capitalism, a class of large landowners who usually lease land to capitalist tenants or small producers-peasants; or else conduct large-scale capitalist production, using wage-labor, on the land belonging to them.

The peasantry is the class of small producers who conduct their enterprises on the basis of private ownership of the means of production and by means of backward technique and hand labor. In bourgeois countries the peasantry forms an important part of the population. The main mass of the peasantry is mercilessly exploited by the landlords, kulaks, merchants and usurers, and go down into ruin. As the process of differentiation takes effect, there are continually becoming separated off from the peasantry, on one side a mass of proletarians and on the other kulaks or capitalists.

The bourgeois State, which arose in succession to the feudal State as a result of the bourgeois revolution, is a tool in the hands of the capitalists for subjecting and oppressing the working class and the peasantry. The bourgeois State protects capitalist private property in the means of production, guarantees the exploitation of the working people and puts down their struggle against the capitalist system.

Since the interests of the capitalist class are sharply opposed to those of the overwhelming majority of the population, the bourgeoisie is obliged to conceal in every possible way the class nature of its State. The bourgeoisie tries to present this State in the guise of something above classes, existing for the benefit of the whole people, as a State of "pure democracy". But in fact, bourgeois "freedom" is freedom for capital to exploit the labor of others; bourgeois "equality" is an outward show hiding the inequality which exists in fact between the exploiter and the exploited, the satiated and the hungry, between the owners of the means of production and the mass of proletarians who possess only their own labor-power. The bourgeois State holds down the masses of the people by means of its administrative apparatus, police, army, courts, prisons, concentration camps and other means of coercion. As a necessary supplement to these means of coercion, means of ideological influence exist, through which the bourgeoisie maintains its domination. To this category belong the bourgeois press, the wireless, the cinema, bourgeois science and art, and the Church.

The bourgeois State is the executive committee of the capitalist class. Bourgeois constitutions have for their aim to consolidate social systems which are acceptable and profitable to the possessing classes. The basis of the capitalist system, private ownership of the means of production, is proclaimed sacred and inviolable by the bourgeois State.

The forms assumed by bourgeois States are extremely varied, but the essence of them all is the same: all these States are dictatorships of the bourgeoisie, and try by all possible methods to protect and strengthen the system of exploitation of wage-labor by capital.

As large-scale capitalist production grows, the numbers of the proletariat increase and it becomes more and more aware of its class interests, develops politically and organizes for struggle against the bourgeoisie.

The proletariat is that class of working people which is linked with the advanced form of economy, large-scale production. "Only the proletariat-by virtue of the economic role it plays in large-scale production-is capable of, being the leader of all the toiling and exploited masses." (Lenin, "State and Revolution", Selected Works, 1951, English edition, vol. II, Pt. I, p. 224) The industrial proletariat is the most revolutionary, most advanced class of capitalist society, called upon to unite around it the working masses of the peasantry and all the exploited strata of the population and to lead them in the attack upon capitalism.

BRIEF CONCLUSIONS

(1) Under the capitalist system the basis of production relations is capitalist ownership of the means of production which is used for exploiting wageworkers. Capitalism is commodity production at its

highest level of development, when labor-power also becomes a commodity. Being a commodity, labor-power under capitalism has value and use-value. The value of the commodity labor-power is determined by the value of the means of subsistence necessary for the maintenance of the worker and his family. The use-value of the commodity labor-power consists in property of being the source of value and surplus-value.

(2) Surplus-value is the value created by the labor of the worker in excess of the value of his labor-power and is appropriated by the capitalist without compensation. The production of surplus-value is the basic economic law of capitalism.

(3) Capital is value which brings in surplus-value by exploiting wageworkers. Capital embodies the social relationship between the capitalist class and the working class. The different parts of capital play different roles in the process of producing surplus-value. Constant capital is that part of capital which is spent on means of production; this part of capital does not create new value and does not change its magnitude. Variable capital is that part of capital which is spent on the purchase of labor-power; this part of capital grows as a result of the creation by the workers of surplus-value which is appropriated by the capitalists.

(4) The rate of surplus-value is the proportion of surplus-value to variable capital. It expresses the degree of exploitation of the worker by the capitalist. The capitalists raise the rate of surplus-value by two methods-by the production of absolute surplus-value and by the production of relative surplus-value. Absolute surplus-value is surplus-value created by means of lengthening the working day or raising the intensity of labor. Relative surplus-value is surplus-value created by means of shortening necessary labor-time and correspondingly increasing surplus labor-time.

(5) The class interests of the bourgeoisie and the proletariat are irreconcilable. The contradiction between the bourgeoisie and the proletariat is the main class contradiction of capitalist society. The bourgeois State is the dictatorship of the bourgeoisie which functions as an organ for the protection of the capitalist system and for holding down the working and exploited majority of society.

Frederick Engels: Synopsis of Capital

Chapter 2: The Transformation of Money into Capital

Section 1: The General Formula for Capital

The circulation of commodities is the starting point of capital. Hence, commodity production, commodity circulation, and the latter's developed form, commerce, are always the historical groundwork from which capital arises. The modern history of capital dates from the creation of modern world trade and the world market in the 16th century. (P.106 [146])

If we consider only the economic forms produced by commodity circulation, we find that its final product is money, and the latter is the first form in which capital appears. Historically, capital invariably confront landed property at first as moneyed wealth, the capital of the merchant and the usurer, and even today all new capital first comes on the stage in the shape of money that by definite processes has to be transformed into capital.

Money-as-money and money-as-capital differ, to being with, only in their form of circulation. Alongside C - M - C, the form M - C - M, buying in order to sell, also occurs. Money that describes *this* form of circulation in its movement *becomes* capital, is already capital in itself — i.e., by its destination.

The result of M - C - M is M - M — the indirect exchange of money for money. I buy cotton for 100 pounds sterling and sell it for 110; ultimately, I have exchanged 100 for 110, money for money.

If this process yielded at its outcome the same money-value that was originally put into it — 100 pounds sterling out of 100 — it would be absurd. Yet, whether the merchant realizes 100, 110, or merely 50 for his 100 pounds sterling, his money has described a specific movement quite different from that of commodity circulation, C - M - C. From the examination of the differences in form between this movement and C - M - C, the difference in content will also be found.

The two phases of the process, taken separately, are the same as in C - M - C. But there is a great difference in the process as a whole. In C - M - C, money constitutes the intermediary, the commodity the starting point and the finish; in this case, the commodity is the intermediary, with money the starting point and the finish. In C - M - C, the money is spent once and for all; in M - C - M, it is merely advanced, it is to be got back again. It flows back to its starting point. Here, therefore, is already a palpable difference between the circulation of money-as-money and money-as-capital.

In C - M - C, money can return to its starting point only through the repetition of the whole process, through the sale of fresh commodities. Hence, the reflux is independent of the process itself. In M - C - M, on the other hand, it is conditioned from the outset by the structure of the process itself, which is incomplete if the return flow fails. (P.110 [149])

The ultimate object of C - M - C is use-value, that of M - C - M exchange-value itself.

In C - M - C, both extremes possess the same definiteness of economic form. Both are commodities, and of equal value. But, at the same time, they are qualitatively different use-values, and the process has social metabolism as its content. In M - C - M, the operation, at first glance, seems tautological, purposeless. To exchange 100 pounds for 100 pounds, and in a roundabout way to boot, seems absurd. One sum of money is distinguishable from another only by its size; M - C - M acquires its meaning, therefore, only through the quantitative difference in the extremes. More money is withdrawn from circulation than has been thrown into it. The cotton bought for 100 is sold, say, for 100 + 10; the process, thus follows the formula M - C - M', where M' = M + delta-M. [The delta-symbol, actually being a triangle, representing the difference, the change in amount.] This delta-M, this increment, is surplus-value. The value originally advanced not only remains intact in circulation, but adds to itself a surplus-value, *expands* itself — and this movement converts money into capital.

In C - M - C, they may also be a difference in the value of the extremes, but it is purely accidental in this form of circulation, and C - M - C does not become absurd when the extremes are equivalent — on the contrary, this is rather the necessary conditions for the normal process.

The repetition of C - M - C is regulated by an ultimate object outside itself; consumption, the satisfaction of definite needs. In M - C - M, on the other hand, the beginning and the end are the same — money — and that already makes the movement endless. Granted, M + delta-M differs quantitatively from M, but it, too, is merely a limited sum of money; if it were spent, it would no longer be capital; if it were withdrawn from circulation, it would remain stationary as a hoard. Once the need for expansion of value is given, it sexists for M' as well as for M, and the movement of capital is boundless, because its goal is as much unattained at the end of the process as at the beginning. (Pp.111,112 [149-51]) As the representative of this process, the owner of money becomes a capitalist.

If, in commodity circulation, the exchange-value attains at most a form independent of the use-value of commodities, it suddenly manifests itself here as a substance in process, endowed with motion of its own, for which commodity and money are mere forms. More than that, as original value, it is differentiated from itself as surplus-value. It becomes money in process, and as such, capital. (P.116 [154])

M - C - M' appears, indeed, to be a form peculiar to merchant's capital alone. But, industrial capital, too, is money which is converted into commodities, and by the latter's sale reconverted into more money. Acts that take place between purchase and sale, outside the sphere of circulation, effect no change in this. Lastly, in interest-bearing capital, the process appears as M - M' without any intermediary, value that is, as it were, greater than itself. (P.117 [155])

Section 2: Contradictions in the General Formula

The form of circulation by which money becomes capital contradicts all previous laws bearing on the nature of commodities, of value, of money and of circulation itself. Can the purely formal differences of inverted order of succession cause this?

What is more, this inversion exists only for one of the three transacting persons. As a capitalist, I buy commodities from A and sell them to B. A and B appear merely as simple buyers and sellers of commodities. In both cases, I confront them merely as a simple owner of money or owner of commodities, confronting one as buyer or money, the other as seller or commodity, but neither of them as a capitalist or a representative of something that is more than money or commodity. For A, the transaction began with a sale; for B, it ended with a purchase, hence, just as in commodity circulation. Moreover, if I base the right to surplus-value upon the simple sequence, A could sell to B directly and the chance of surplus-value would be eliminated.

Assume that A and B buy commodities from each other directly. As far as use-value is concerned, both may profit; A may even produce more of his commodity than B could produce in the same time, and vice versa, whereby both would profit again. But otherwise with exchange-value. Here, equal values are exchanged for each other, even if money, as the medium of circulation, intervenes. (P.119 [156-58])

Abstractly considered, only a change in form of the commodity takes places in simple commodity circulation, if we except the substitution of one use-value for another. So far, as it involves only a

change in form of its exchange-value, it involves the exchange of equivalents, if the phenomenon proceeds in a pure form. Commodities can, indeed, be sold at prices differing from their values, but this would mean a violation of the law of commodity exchange. In its pure form, it is an exchange of equivalents, hence no medium for enriching oneself. (P.120 [158-59])

Hence, the error of all endeavors to derive surplus-value from commodity circulation. Condillac (P.121 [159]), Newman (P.122 [160]).

But let us assume that the exchange does not take place in a pure form, that non-equivalents are exchanged. Let us assume that each seller sells his commodity at 10 per cent above its value. everything remains the same; what each one gains as a seller; he loses in turn as a buyer. Just as if the value of money had changed by 10 per cent. Likewise, if the buyers bought everything at 10 per cent below value. (P.123 [160-61], Torrens.)

The assumption that surplus-value arises from a rise in prices presupposes that a class exists which buys and does not sell — i.e., consumers and does not produce, which constantly receives money gratis. To sell commodities above their value to this class means merely to get back, by cheating, part of the money given away gratis. (Asia Minor and Rome.) Yet, the seller always remains the cheated one and cannot grow richer, cannot form surplus-value thereby.

Let us take the case of cheating. A sells to B wine worth 40 pounds sterling in exchange for grain worth 50. A has gained 10. But A and B together have only 90. A has 50 and B only 40; value has been transferred but not created. The capitalist class, as a whole, in any country, cannot cheat itself. (P.126 [162-63])

Hence: if equivalents are exchanged, no surplus-value results; and if non-equivalents are exchanged, still no surplus-value results. Commodity circulation creates no new value.

That is why the oldest and most popular forms of capital — merchant capital and usurers' capital — are not considered here. If the expansion of merchant capital is not to be explained by mere cheating, many intermediate factors, lacking here as yet, are required. Even more so for usurers', and interest-bearing, capital. It will later be seen that both are derived forms, and why they occur historically before modern capital.

Hence, surplus-value cannot originate in circulation. But outside it? Outside it, the commodity owner is the simple producer of his commodity, the value of which depends upon the quantity of his own labor, contained in it, measured according to a definite social law; this value is expressed in money of account — e.g., in a price of 10 pounds. But this value is not at the same time a value of 11 pounds; his labor creates values, but not self-expanding values. It can add more value to existing value, but this occurs only through the addition of more labor. Thus, the commodity producer cannot produce surplus-value outside the sphere of circulation, without coming in contact with other commodity owners.

Hence, capital must originate in commodity, yet not in it. (P.128 [165-66])

Thus:

> the transformation of money into capital has to be explained on the basis of the laws inherent to the exchange of commodities, the exchange of equivalents forming the starting point. Our owners of money, as yet the mere chrysalis of a capitalist, has to buy his commodities at their value, to sell them at their value, and yet at the end of this process, to extract more value than he put into it. His development into a butterfly must take in the sphere of circulation and yet not in it. These are the conditions of the problem. Hic Rhodus, hic salta! [14] (P.129 [166])

Section 3: The Buying and Selling of Labor-power

The change in value of money that is to be converted into capital cannot take place in that money itself, for in buying, it merely realizes the price of the commodity; and on the other hand, as long as it remains money, it does not change the magnitude of its value; and in selling, too, it merely converts the commodity from its bodily form into its money-form. The change must, therefore, take place in the commodity of M - C - M; but not in its exchange-value, since equivalents are exchanged; it can only arise from its use-value as such — that is, from its consumption. For that purpose, a commodity is required whose use-value possess the property of being the source of exchange-value — and this does exist — labor-power. (P.130 [167])

But, for the owner of money to find labor-power in the market as a commodity, it must be sold by its own possessor — that is, it must be free labor-power. Since buyer and seller as contracting parties are both juridically equal persons, labor-power must be sold only temporarily — since in a sale, en bloc, the seller no longer remains the seller, but becomes a commodity himself. But then the owner, instead of being able to sell commodities in which his labor is embodied, must rather be in a position where he has to sell his labor-power itself as a commodity. (P.131 [168-69])

For the conversion of his money into capital, therefore, the owner of money must find in the commodity market the free laborer, free in the double sense that as a free man he can dispose of his labor-power as *his* commodity, and that, on the other hand, he has no other commodities to sell, has no ties, is free of all things necessary for the realization of his labor-power. (P.132 [168-69])

Parenthetically, the relation between money owner and labor-power owner is not a natural one, or a social one common to all ages, but a *historical* one, the product of many economic revolutions. So, too, do the economic categories considered up to now bear their historical stamp. To become a commodity, a product must no longer be produced as the immediate means of subsistence. The mass of products can assume commodity-form only within a specific mode of production, the capitalist mode, although commodity production and circulation can take place even where the mass of products never become commodities. Likewise, money can exist in all periods that have attained a certain level of commodity circulation; the specific money-forms, from mere equivalent to world money, presuppose various stages of development; nevertheless, a very slightly developed circulation of commodities can

[14] Here is Rhodes, jump here!

give rise to all of them. Capital, on the other hand, arises only under the above condition, and this one condition comprises a world's history. (P.133 [169-70])

Labor-power has an exchange-value which is determined, like that of all other commodities, by the labor-time required for its production, and hence for its reproduction aa well. The value of labor-power is the value of the means of subsistence necessary for the maintenance of its owner — that is, his maintenance in a state of normal capacity for work. This depends upon climate, natural conditions, etc., and also on the given historical standard of life in each country and for each particular epoch. Moreover, his maintenance includes the means of subsistence for his substitutes — i.e., his children — in order that the race of these peculiar commodity owners may perpetuate itself. Furthermore, for skilled labor, the cost of education. (P.135 [170-72])

The minimum limit of the value of labor-power is the value of the physically indispensable means of subsistence. If the price of labor-power falls to this minimum, it falls below its value, since the latter presupposes normal, not stunted, quality of labor-power. (P.135 [173])

The nature of labor implies that labor-power is consumed only after conclusion of the contract, and, as money is usually the means of payment for such commodities in all countries with the capitalist mode of production, the labor-power is paid for only after it is consumed. everywhere, therefore, the laborer gives credit to the capitalist. (P.137,138 [174])

The process of consuming labor-power is at the same time the process of producing commodities and surplus-value and this consumption takes place outside the sphere of circulation. (P.140 [175-76])

Chapter 3: The Production of Absolute Surplus Value

Section 1: The Labor Process and the Process of Producing Surplus-value

The purchaser of labor-power consumes it by setting its seller to work. This labor-to-produce-commodities at first turns out use-values, and in this property, it is independent of the specific relation between capitalist and laborer.... Description of the labor process as such. (Pp.141-49 [177-85])

The labor process, on a capitalist basis, has two peculiarities:

(1) The laborer works under the capitalist's control.

(2) The product is the capitalist's property, since the labor process is now only a process between two *things* purchased by the capitalist: labor-power and means of production. (P.150 [184-85])

But the capitalist does not want the use-value produced *for its own sake*, but only as the depository of *exchange-value*, and especially of surplus-value. Labor, under this condition — where the commodity was a unity of use-value and exchange-value — becomes the unity of the production process and of the process creating value. (P.151 [186])

Thus, the quantity of labor embodied in the product is to be investigated.

Yarn, for example. Let 10 lbs. of cotton be necessary for making it, say, 10 shillings, and instruments of labor — whose wear and tear are inevitable in the spinning, here denoted in brief as spindle share — say, 2 shilling. Thus, there are 12 shillings' worth of means of production in the product — i.e., inasmuch as

(1) the product has become an actual use-value, in this case yarn; and

(2) only the socially necessary labor-time was represented in these instruments of labor.

How much is added to it by the labor of spinning?

The labor process is here viewed from an altogether different angle. In the value of the product, the labors of the cotton-planter, of the spindle-maker, etc., and of the spinner, are commensurable, qualitatively equal parts of general, human, necessary value-creating labor, and therefore distinguishable only qualitatively, and for that very reason quantitatively comparable by the length of time, presupposing that it is socially necessary labor-time, for only the latter is value-creating.

Assumed the value of a day's labor-power is 3 shillings, and that it represents 6 hours of labor, that 1 2/3 lbs. of yarn are made per hour, hence in 6 hours: 10 lbs. of yarn from 10 lbs. of cotton (as above); then 3 shillings of value have been added in 6 hours, and the value of the product is 15 shillings (10 + 2 + 3 shillings), or a shilling and a half per pound of yarn.

But in this case, there is no surplus-value. That is of no use to the capitalist. (Vulgar-economic humbug, p.157 [190])

We assumed that the value of a day's labor-power was 3 shillings, because 1/2 working-day, or 6 hours, is incorporated in it. But the fact that only 1/2 working-day is required to maintain the worker for 24 hours does not in any way prevent him from working a whole day. The value of labor-power, and the value it creates, are two different quantities. Its useful property was only a conditio sine qua non; but what was decisive was the specific use-value of labor-power in being the source of more exchange-value than it has itself. (P.159 [193])

Hence, the laborer works 12 hours, spins 20 lbs. of cotton worth 20 shillings and 4 shillings' worth of spindles, and his labor costs 3 shillings: total — 27 shillings. But, in the product there are embodied: four days' labor in the shape of spindles and cotton, and one day's labor of the spinner, in all five days at 6 shillings totaling 30 shillings' value of product. We have a surplus-value of 3 shillings: money has been converted into capital. (P.160 [194]) All the conditions of the problem are fulfilled. (Detail p.160 [194])

As a value-creating process, the labor process becomes a process of producing surplus-value the moment it is prolonged beyond the point where it delivers a simple equivalent for the paid-for value of labor-power.

The value-creating process differs from the simple labor process in that the latter is considered *qualitatively*, and only to the extent that it comprises socially necessary labor-time. (P.161 [195], details p.162 [196])

As the unity of labor process and value-creating process, the production process is the production of commodities; as the unity of labor process and the process of producing surplus-value, it is the process of capitalist production of commodities. (P.163 [197])

Reduction of compound labor to simple labor. (Pp.163-65 [197-98])

Section 2: Constant and Variable Capital

The labor process adds *new* value to the object of labor — but, at the same time, it *transfers* the value of the object of labor to the product, thus *preserving* it by merely adding new value. This double result is attained in this manner: the specifically useful qualitative character of labor converts one use-value into another use-value and thus, preserves value; the value-creating, abstractly general, quantitative character of labor, however, adds value. (P.166 [199])

E.g. — let the productivity of spinning labor multiply sixfold. As useful (qualitative) labor, it preserves in the same time six-times as many instruments of labor. But it adds only the same new value as before — i.e., in each pound of yarn, there is only 1/6 of the new value previously added. As value-creating labor, it accomplishes no more than before. (P.167 [201]) The contrary is true, if the productivity of spinning labor remains the same, but the value of the instruments of labor rises. (P.168 [201])

The instruments of labor transfer to the product only that value which they lose themselves. (P.169 [203]) This is the case in differing degree. Coal, lubricants, etc., are consumed completely — raw materials take on a new form. Instruments, machinery, etc., transmit value only slowly and by parts — and the wear and tear are calculated by experience. (Pp.169-70 [203]) But the instrument remains continually as a whole in the labor process. Therefore, the same instrument counts as a whole in the labor process, but only partly in the process of producing surplus-value, so that the difference between the two processes is reflected here in material factors. (P.171 [204]) Conversely, the raw material, which forms waste, enters wholly into the process of producing surplus-value, and only partly into the labor process, since it appears in the product minus the waste. (P.171 [205])

But, in no case can an instrument of labor transfer *more* exchange-value than it possessed itself — in the labor process it acts only as a use-value and, hence, can give only the exchange-value that it possessed previously. (P.172 [205-06])

This preserving of value is very advantageous to the capitalist, but costs him nothing. (P.173,174 [205,207])

Yet, the preserved value only re-appears, it was already present, and only the labor process adds new value. That is, in capitalist production, surplus-value, the excess of the product's value over the

value of the consumed elements of the product (means of production and labor-power). (Pp.175,176 [208])

Herewith have been described the forms of existence which the original capital value takes on in dropping its money-form, in being converted into factors of the labor process:

(1) in the purchase of instruments of labor;

(2) in the purchase of labor-power.

The capital invested in instruments of labor does *not*, therefore, alter the magnitude of its value in the production process. We call it CONSTANT capital.

The portion invested in labor-power *does* change its value; it produces:

(1) its own value, and

(2) surplus-value — it is called VARIABLE capital. (P.176 [209])

Capital is constant only in relation to the production process specifically given, in which it does not change; it can consist sometimes of more, sometimes of fewer instruments of labor, and the purchased instruments of labor may rise or fall in value, but that does not affect their relationship to the production process. (P.177 [210-11]) Likewise, the percentage in which a given capital is subdivided into constant and variable capital may change, but in any given case, the c remains constant and the v variable. (P.178 [211])

Section 3L The Rate of Surplus-value

$$C = £500 = \underset{c}{410} + \underset{v}{90}$$

At the end of the labor process in which v is turned into labor-power, we get 410c + 90v + 90s = 590.

Let us assume c consists of 312 raw material, 44 auxiliary material, and 54 wear and tear of machinery — in all 410.

Let the value of *all* the machinery be 1,054.

If this were entered as a *whole*, we would get 1,410 for c on both sides of our calculation; the surplus-value would remain 90 as before. (P.179 [212])

Since the value of c merely re-appears in the product, the value of the product we get differs from the value created in the process; the latter, therefore, equals not c + v + s, but v + s. Hence, the magnitude of c is immaterial to the process of creating surplus-value — i.e., c = 0. (P.180 [213]) This also takes place in practice in commercial accounting — e.g., in calculating a country's profit from its industry, imported raw material is deducted. (P.181 [215]) Cf. Vol. III for the ratio of surplus-value to total capital.

Hence: the rate of surplus-value is s:v, in the above case 90:90 = 100%.

The labor-time during which the laborer reproduces the value of his labor-power — in capitalist or other circumstances — is the NECESSARY LABOR; what goes beyond that, producing surplus-value for the capitalist, SURPLUS-LABOR. (Pp.183,184 [215,217]) Surplus-value is congealed surplus-labor, and only the *form of extorting* the same differentiates the various social formations.

Example of the incorrectness of including c — pp.185-96 [217-29] (Senior)

The sum of the necessary labor and the surplus-labor equals the working-day.

Section 4: The Working-day

The necessary labor-time is given. The surplus-labor is variable — but within certain limits. It can never be reduced to nil, since then capitalist production ceases. It can never go as high as 24 hours for physical reasons, and, moreover, the maximum limit is always affected by moral grounds as well. But these limits are very elastic. The economic demand is that the working-day should be no longer than for normal wear-and-tear of the worker. But what is normal? An antinomy results and only force can decide. Hence, the struggle between the working class and the capitalist class for the normal working-day. (Pp.198-202 [231-35])

Surplus-labor in previous social epochs. As long as the exchange-value is not more important than the use-value, surplus-labor is milder — e.g., among the ancients; only where direct exchange-value — gold and silver — was produced, surplus-labor was terrible. (P.203 [235]) Likewise, in the slave states of America until the mass production of cotton for export. Likewise, corvee labor — e.g., in Rumania.

Corvee labor is the best means of comparison with capitalist exploitation, because the former fixes and shows the surplus-labor as a specific labor-time to be performed — Reglement organique of Wallachia. (Pp.204-06 [235-36])

The English Factory Acts are negative expression of the greed for surplus-labor, just as the foregoing was its positive expression.

THE FACTORY ACTS. That of 1850 — (p.207 [239]). 10.5 hours and 7.5 on Saturdays = 60 hours per week. Mill-owners' profit through evasion. (Pp.208-11 [240-43])

Exploitation in unrestricted, or only later-restricted, branches:

— lace industry (p.212 [243])
— potteries (p.213 [244])
— lucifer matches (p.214 [246])
— wall-paper (pp.214-17 [246-48])
— baking (pp.217-22 [248-51])
— railway employees (p.223 [253])
— seamstresses (pp.223-25 [254-56])

— blacksmiths (p.226 [256])
— day and night workers in shifts:
(a) metallurgy and the metal industry
(pp.227-35 [256-63])

These facts prove that capital regards the laborer as nothing else than labor-power, all of whose time is labor-time as far as this is at all possible at a given moment, and that the length of life of labor-power is immaterial to the capitalists. (Pp.236-38 [264-65]) But is this not against the interests of the capitalist? What about the replacement of what is rapidly worn out? The organized slave trade in the interior of the United States has raised the rapid wearing out of slaves to an economic principle, exactly like the supply of laborers from the rural districts in Europe, etc. (P.239 [267]) Poorhouse supply (labor-power provided by poorhouses). (P.240 [267]) The capitalist sees only the continuously available surplus-population and wears it out. Whether the race perishes — apres moi le deluge. Capital is reckless of the health or length of life of the laborer, unless under compulsion from society... and free competition brings out the inherent laws of capitalist production in the shape of external coercive laws having power over every individual capitalist. (P.243 [270])

Establishment of a normal working-day — the result of centuries of struggle between capitalist and laborer.

At the beginning, laws were made to *raise* working-time; now to lower it. (P.244 [271])

- The first Statute of laborers, 23rd Edward III, 1349, was passed under the pretext that the plague had so decimated the population that everyone had to do more work. Hence, maximum wages and limit of the working-day were fixed by law.
- In 1496, under Henry VII, the working day of field laborers and all artificers continued from 5 a.m. to between 7 and 8 p.m. in summer — March to September — with 1 hour, 1.5 hours and .5 hour, in all 3 hours' break. In winter, it was from 5 a.m. to dark. This statute was never strictly enforced.
- In the 18th century, the *whole* week's labor was not yet available to capital (with the exception of agricultural labor). Cf. controversies of that time. (Pp.248-51 [274-77])

Only with modern large-scale industry was this, and more, achieved; it broke down *all* bounds and exploited the workers most shamelessly. The proletariat resisted as soon as it recollected itself.

The five acts of 1802-33 were only nominal, since there were no inspectors. Only the Act of 18833 created a normal working-day in the four textile industries: from 5:30 a.m. to 8:30 p.m., during which time young persons from 13 to 18 years of age could be employed only 12 hours with 1.5 hours' pauses, children from 9 to 13 years of age only 8 hours, while night work of children and juveniles was prohibited. (Pp.253-55 [278-80])

The relay system and its abuse for purposes of evasion. (P.256 [281])

- Finally, the Act of 1844 — which put women of all ages on the same basis as juveniles. Children limited to 6.5 hours; the relay system curbed. On the other hand, children permitted from 8 years on.
- At last, in 1847, the tens-hours bill forced through for women and juveniles. (P.259 [283]) The capitalists' efforts against it. (Pp.260-68 [283-92]) A flaw in the Act of 1847 led to
- the compromise Act of 1850 (p.269 [292]), which fixes the working day for juveniles and women — 5 days of 10.5 hours, 1 day of 7.5 = 60 hours per week, and that between 6 a.m. and 6 p.m. Otherwise, Act of 1847 in force for children. The exception for the silk industry. (Cf. p.270 [293])
- In 1853, the working-time for children also limited to between 6 a.m. and 6 p.m. (P.272 [294])
- Printworks Act, in 1845, limits almost nothing — children and women can work 16 hours!
- Bleaching and dyeing works, 1860.
- Lace factories, 1861.
- potteries and many other branches, 1863 (under the Factory Act, special acts passed the same year for bleaching in the open air and baking). (P.274 [296-97])

Large-scale industry, thus at first creates the need for limiting working-time, but it later found that the same overwork has gradually taken possession of all other branches as well. (P.277 [298]

History further shows that the isolated "free" laborer is defenseless against the capitalist and succumbs, especially with the introduction of women's and children's labor, so that it is here that the class struggle develops between the workers and the capitalists. (P.278 [299])

In France, the 12-hour day law for all ages and branches of work was passed only in 1846, (Cf., however, p.253 [278], foot note on the French child labor law of 1841, which was really enforced only in 1853, and only in the Department du Nord.) Complete "freedom of labor" in Belgium. The 8-hour movement in America. (P.279 [301])

Thus, the laborer comes out of the production process quite different than he entered. The labor contract was not the act of a free agent; the time for which he is free to sell his labor-power is the time for which he is *forced* to sell it, and only the mass opposition of the workers wins for them the passing of a law that shall prevent the workers from selling, by voluntary contract with capital, themselves and their generation into slavery and death. In place of the pompous catalogue of the inalienable rights of man, comes the modest Magna Charta of the Factory Act. (Pp.280,281 [302])

Section 5: Rate and Mass of Surplus-value

With the rate, the *mass* is also given. If the daily value of one labor-power is 3 shillings, and the rate of surplus-value is 100 per cent, its daily mass = 3 shillings, for one laborer.

I. Since the variable capital is the money expression of the value of all the labor-powers simultaneously employed by one capitalist, the mass of the surplus-value produced by them is equal to the variable capital multiplied by the rate of surplus-value. Both factors can vary, different

combinations thus arising. The *mass* of surplus-value can grow, even with decreasing variable capital, if the rate rises — that is, if the working-day is lengthened. (P.282 [303-05])

II. This increase in the rate of surplus-value has its absolute limit in that the working-day can never be prolonged to the full 24 hours; hence, the total value of one worker's daily production can never equal the value of 24 working-hours. Thus, in order to obtain the *same* mass of surplus-value, variable capital can be replaced by increased exploitation of labor only within these limits. This is important for the explanation of various phenomena arising from the contradictory tendency of capital:

(1) to *reduce* the variable capital and the number of workers employed; and

(2) to produce the greatest possible mass of surplus-value nonetheless. (Pp.283,284 [305-06])

III. The masses of value and surplus-value produced by different capitals, for given value and equally high degree of exploitation of labor-power, are related directly as the magnitudes of the variable components of these capitals. (P.285 [306-07])

This seems to contradict all facts.

For a given society, and a given working-day, surplus-value can be increased only by increasing the number of workers — i.e., the population; with a given number of workers, only by lengthening the working-day. This is important, however, only for *absolute* surplus-value.

It now turns out that not *every* sum of money can be transformed into capital — that a minimum exists: the cost price of a single labor-power and of the necessary instruments of labor. In order to be able to live like a worker, the capitalist would have to have two workers, with a rate of surplus-value of 50 per cent, and yet save nothing. Even with eight, he is still a small master. Hence, in the Middle Ages people were forcibly hampered in transformation from craftsmen into capitalists by limitation of the number of journeymen to be employed by one master. The minimum of wealth required to form a real capitalist varies in different periods and branches of business. (P.288 [309])

Capital has evolved into command over labor, and sees to it that work is done regularly and intensively. Moreover, it compels the workers to do more work than is necessary for their sustenance; and, in pumping out surplus-labor, it surpasses all earlier production systems based upon direct compulsory labor.

Capital takes over labor with the given technical conditions, and at first does not change them. Hence, with the production process considered as a labor process, the worker stands in relation to the means of production not as to capital, but as to the means of his own intelligent activity. But, considered as a process of creating surplus-value, otherwise. The means of production become means of absorbing the labor of others. It is no longer the laborer who employs the means of production, but the means of production that employ the laborer. (P.289 [310]) Instead of being consumed by him... they consume him, as the ferment necessary to their own life-process, and the life-process of capital consists only in its movement as value constantly multiplying itself.... The simple transformation of

money into means of production transforms the latter into a title and a right to the labor and surplus-labor of others.

V. I. Lenin: Karl Marx

Chapter: Marx's Economic Doctrine: Section: Surplus Value

At a certain stage in the development of commodity production money becomes transformed into capital. The formula of commodity circulation was C-M-C (commodity—money—commodity)—i.e., the sale of one commodity for the purpose of buying another.

The general formula of capital, on the contrary, is M-C-M—i.e., the purchase for the purpose of selling (at a profit).

The increase over the original value of the money that is put into circulation is called by Marx surplus value. The fact of this "growth" of money in capitalist circulation is common knowledge. Indeed, it is this "growth" which transforms money into *capital*, as a special and historically determined social relation of production. Surplus value cannot arise out of commodity circulation, for the latter knows only the exchange of equivalents; neither can it arise out of price increases, for the mutual losses and gains of buyers and sellers would equalize one another, whereas what we have here in not an individual phenomenon but a mass, average and social phenomenon. To obtain surplus value, the owner of money "must ... find... in the market a commodity, whose use-value possesses the peculiar property of being a source of value" [*Capital*]—a commodity whose process of consumption is at the same time a process of the creation of value. Such a commodity exists—human labor power. Its consumption is labor, and labor creates value. The owner of money buys labor power at its value, which, like the value of every other commodity, is determined by the socially necessary labor time requisite for its production (i.e., the cost of maintaining the worker and his family). Having bought enough labor power, the owner of money is entitled to use it, that is, to set it to work for a whole day—12 hours, let us say. Yet, in the course of six hours ("necessary" labor time) the worker creates product sufficient to cover the cost of his own maintenance; in the course of the next six hours ("surplus" labor time), he creates "surplus" product, or surplus value, for which the capitalist does not pay. Therefore, from the standpoint of the process of production, two parts must be distinguished in capital: constant capital, which is expended on means of production (machinery, tools, raw materials, etc.), whose value, without any change, is transferred (immediately or part by part) to the finished product; secondly, variable capital, which is expended on labor power. The value of this latter capital is not invariable, but grows in the labor process, creating surplus value. Therefore, to express the degree of capital's exploitation of labor power, surplus must be compared not with the entire capital but only with variable capital. Thus, in the example just given, the rate of surplus value, as Marx calls this ratio, will be 6:6, i.e., 100 per cent.

There were two historical prerequisites for capital to arise: first, the accumulation of certain sums of money in the hands of individuals under conditions of a relatively high level of development of commodity production in general; secondly, the existence of a worker who is "free" in a double sense:

free of all constraint or restriction on the scale of his labor power, and free from the land and all means of production in general, a free and unattached laborer, a "proletarian", who cannot subsist except by selling his labor power.

There are two main ways of increasing surplus value: lengthening the working day ("absolute surplus value"), and reducing the necessary working day ("relative surplus value"). In analyzing the former, Marx gives a most impressive picture of the struggle of the working class for a shorter working day and of interference by the state authority to lengthen the working day (from the 14th century to the 17th) and to reduce it (factory legislation in the 19th century). Since the appearance of *Capital*, the history of the working-class movement in all civilized countries of the world has provided a wealth of new facts amplifying this picture.

Analyzing the production of relative surplus value, Marx investigates the three fundamental historical stages in capitalism's increase of the productivity of labor: (1) simple co-operation; (2) the division of labor, and manufacture; (3) machinery and large-scale industry. How profoundly Marx has here revealed the basic and typical features of capitalist development is shown incidentally by the fact that investigations into the handicraft industries in Russia furnish abundant material illustrating the first two of the mentioned stages. The revolutionizing effect of large-scale machine industry, as described by Marx in 1867, has revealed itself in a number of "new" countries (Russia, Japan, etc.), in the course of the half-century that has since elapsed.

To continue. New and important in the highest degree is Marx's analysis of the *accumulation of capital*—i.e., the transformation of a part of surplus value into capital, and its use, not for satisfying the personal needs of whims of the capitalist, but for new production. Marx revealed the error made by all earlier classical political economists (beginning with Adam Smith), who assumed that the entire surplus value which is transformed into capital goes to form variable capital. In actual fact, it is divided into *means of production* and variable capital. Of tremendous importance to the process of development of capitalism and its transformation into socialism is the more rapid growth of the constant capital share (of the total capital) as compared with the variable capital share.

By speeding up the supplanting of workers by machinery and by creating wealth at one extreme and poverty at the other, the accumulation of capital also gives rise to what is called the "reserve army of labor", to the "relative surplus" of workers, or "capitalist overpopulation", which assumes the most diverse forms and enables capital to expand production extremely rapidly. In conjunction with credit facilities and the accumulation of capital in the form of means of production, this incidentally is the key to an understanding of the *crises* of overproduction which occur periodically in capitalist countries—at first at an average of every 10 years, and later at more lengthy and less definite intervals. From the accumulation of capital under capitalism we should distinguish what is known as primitive accumulation: the forcible divorcement of the worker from the means of production, the driving of the peasant off the land, the stealing of communal lands, the system of colonies and national debts, protective tariffs, and the like. "Primitive accumulation" creates the "free" proletarian at one extreme, and the owner of money, the capitalist, at the other.

The **"historical tendency of capitalist accumulation"** is described by Marx in the following celebrated words:

"The expropriation of the immediate producers is accomplished with merciless vandalism, and under the stimulus of passions the most infamous, the most sordid, the pettiest, the most meanly odious. Self-earned private property [of the peasant and handicraftsman], that is based, so to say, on the fusing together of the isolated, independent laboring-individual with the conditions of his labor, is supplanted by capitalistic private property, which rests on exploitation of the nominally free labor of others.... That which is now to be expropriated is no longer the laborer working for himself, but the capitalist exploiting many laborers. This expropriation is accomplished by the action of the immanent laws of capitalistic production itself, by the centralization of capital. One capitalist always kills many. Hand in hand with this centralization, or this expropriation of many capitalists by few, develop, on an ever extending scale, the co-operative form of the labor process, the conscious technical application of science, the methodical cultivation of the soil, the transformation of the instruments of labor into instruments of labor only usable in common, the economizing of all means of production by their use as the means of production of combined, socialized labor, the entanglement of all people in the net of the world market, and with this the international character of the capitalistic regime. Along with the constantly diminishing number of the magnates of capital, who usurp and monopolize all advantages of this process of transformation, grows the mass of misery, oppression, slavery, degradation, exploitation; but with this too grows the revolt of the working class, a class always increasing in numbers, and disciplined, united, organized by the very mechanism of the process of capitalist production itself. The monopoly of capital becomes a fetter upon the mode of production, which has sprung up and flourished along with, and under, it. Centralization of the means of production and socialization of labor at last reach a point where they become incompatible with their capitalist integument. The integument is burst asunder. The knell of capitalist private property sounds. The expropriators are expropriated." (*Capital*, Volume I)

Also new and important in the highest degree is the analysis Marx gives, in Volume Two of *Capital* of the reproduction of aggregate social capital. Here, too, Marx deals, not with an individual phenomenon but with a mass phenomenon; not with a fractional part of the economy of society, but with that economy as a whole. Correcting the aforementioned error of the classical economists, Marx divides the whole of social production into two big sections: (I) production of the means of production, and (II) production of articles of consumption, and examines in detail, with numerical examples, the circulation of the aggregate social capital—both when reproduced in its former dimension and in the case of accumulation. Volume Three of *Capital* solves the problem of how the *average rate of profit* is formed on the basis of the law of value. This immense stride forward made by economic science in the person of Marx consists in his having conducted an analysis, from the standpoint of mass economic phenomena, of the social economy as a whole, not from the standpoint of individual cases or of the external and superficial aspects of competition, to which vulgar political economy and the modern

"theory of marginal utility" [15] frequently restrict themselves. Marx first analyzes the origin of surplus value, and then goes on to consider its division into profit, interest, and ground rent. Profit is the ratio between surplus value and the total capital invested in an undertaking. Capital with a "high organic composition" (i.e., with a preponderance of constant capital over variable capital in excess of the social average) yields a rate of profit below the average; capital with a "low organic composition" yields a rate of profit above the average. Competition among capitalists, and their freedom to transfer their capital from one branch to another, will in both cases reduce the rate of profit to the average. The sum total of the values of all the commodities in a given society coincides with the sum total of the prices of the commodities, but, in individual undertakings and branches of production, as a result of competition, commodities are sold, not at their values but at the *prices of production* (or production prices), which are equal to the capital expended plus the average profit.

In this way, the well-known and indisputable fact of the divergence between prices and values and of the equalization of profits is fully explained by Marx on the basis of law of value, since the sum total of values of all commodities coincides with the sum total of prices. However, the equating of (social) value to (individual) prices does not take place simply and directly, but in a very complex way. It is quite natural that in a society of separate producers of commodities, who are united only by the market, a conformity to law can be only an average, social, mass manifestation, with individual deviations in either direction mutually compensating one another.

A rise in the productivity of labor implies a more rapid growth of constant capital as compared with variable capital. Inasmuch as surplus value is a function of variable capital alone, it is obvious that the rate of profit (the ratio of surplus value to the whole capital, not to its variable part alone) tends to fall. Marx makes a detailed analysis of this tendency and of a number of circumstances that conceal or counteract it. Without pausing to deal with the extremely interesting sections of Volume Three of *Capital*, Vol. I devoted to usurer's capital, commercial capital and money capital, we must pass on to the most important section—the theory of *ground rent*. Since the area of land is limited and, in capitalist countries, the land is all held by individual private owners, the price of production of agricultural products is determined by the cost of production, not on soil of average quality but on the worst soil; not under average conditions but under the worst conditions of delivery of produce to the market. The difference between this price and the price of production on better soil (or in better conditions) constitutes *differential* rent. Analyzing this in detail, and showing how it arises out of the difference in fertility of different plots of land, and out of the difference in the amount of capital invested in land, Marx fully reveals (see also *Theories of Surplus Value*, in which the criticism of Rodbertus is most noteworthy) the error of Ricardo, who considered that differential rent is derived only when there is a successive transition from better land to worse. On the contrary, there may be inverse transitions, land may pass from one category into others (owing to advances in agricultural techniques, the growth of towns, and so on), and the notorious "law of diminishing returns", which charges Nature with the

[15] The Theory of Marginal Utility—An economic theory that originated in the 1870s to counteract Marx's theory of value. According to this theory, the value of commodities is estimated by their usefulness and not the amount of social labor expended on their production.—Ed.

defects, limitations and contradictions of capitalism, is profoundly erroneous. Further, the equalization of profit in all branches of industry and the national economy in general presupposes complete freedom of competition and the free flow of capital from one branch to another. However, the private ownership of land creates monopoly, which hinders that free flow. Because of that monopoly, the products of agriculture, where a lower organic composition of capital obtains, and consequently an individually higher rate of profit, do not enter into the quite free process of the equalization of the rate of profit. As a monopolist, the landowner can keep the price above the average, and this monopoly price gives rise to absolute rent. Differential rent cannot be done away with under capitalism, but absolute rent can—for instance, by the nationalization of the land, by making it state property. That would undermine the monopoly of private landowners, and would mean the sole consistent and full operation of freedom of competition in agriculture. That is why, as Marx points out, bourgeois radicals have again and again in the course of history advanced this progressive bourgeois demand for nationalization of the land, a demand which, however, frightens most of the bourgeoisie, because it would too closely affect another monopoly, one that is particularly important and "sensitive" today—the monopoly of the means of production in general. (A remarkably popular, concise, and clear exposition of his theory of the average rate of profit on capital and of absolute ground rent is given by Marx himself in a letter to Engels, dated August 2, 1862. See Briefwechsel, Volume 3, pp. 77-81; also, the letter of August 9, 1862, ibid., pp. 86-87.)

With reference to the history of ground rent it is also important to note Marx's analysis showing how labor rent (the peasant creates surplus product by working on the lord's land) is transformed into rent paid in produce or in kind (the peasant creates surplus product by working on the lord's land) is transformed into rent paid in produce or in kind (the peasant creates surplus product on his own land and hands it over to the landlord because of "non-economic constraint"), then into money-rent (rent in kind, which is converted into money—the *obrok* [16] of old Russia—as a result of the development of commodity production), and finally into capitalist rent, when the peasant is replaced by the agricultural *entrepreneur*, who cultivates the soil with the help of hired labor. In connection with this analysis of the "genesis of capitalistic ground rent", note should be taken of a number of profound ideas (of particular importance to backward countries like Russia) expressed by Marx regarding the *evolution of capitalism in agriculture*:

"The transformation of rent in kind into money-rent is furthermore not only inevitably accompanied, but even anticipated, by the formation of a class of propertyless day-laborers, who hire themselves out for money. During their genesis, when this new class appears but sporadically, the custom necessarily develops among the more prosperous peasants, subject to rent payments, of exploiting agricultural wage-laborers for their own account, much as in feudal times, when the more well-to-do peasant serfs themselves also held serfs. In this way, they gradually acquire the possibility of accumulating a certain amount of wealth and themselves becoming transformed into future capitalists. The old self-employed possessors of land themselves just give rise to a nursery school for capitalist tenants, whose

[16] Quitrent.—Ed.

development is conditioned by the general development of capitalist production beyond the bounds of the countryside." [*Capital*, Vol. III]

"The expropriation and eviction of a part of the agricultural population not only set free for industrial capital the laborers, their means of subsistence, and material for labor; it also created the home market." (*Capital*, Vol. I) In their turn, the impoverishment and ruin of the rural population play a part in the creation, for capital, or a reserve army of labor. In every capitalist country "part of the agricultural population is therefore constantly on the point of passing over into an urban or manufacturing [i.e., non-agricultural] proletariat.... This source of relative surplus population is thus constantly flowing.... The agricultural laborer is therefore reduced to the minimum of wages, and always stands with one foot already in the swamp of pauperism." (*Capital*, Vol. I) The peasant's private ownership of the land he tills is the foundation of small-scale production and the condition for its prospering and achieving the classical form. But such small-scale production is compatible only with a narrow and primitive framework of production and society. Under capitalism, the

> "Exploitation of the peasant differs only in form from the exploitation of the industrial proletariat. The exploiter is the same: capital. The individual capitalists exploit the individual peasant through mortgages and usury; the capitalist class exploits the peasant class through the state taxes." [*The Class Struggles in France*]

"The small holding of the peasant is now only the pretext that allows the capitalist to draw profits, interest and rent from the soil, while leaving it to the tiller of the soil himself to see how he can extract his wages." (*The Eighteenth Brumaire*) As a rule, the peasant cedes to capitalist society—i.e., to the capitalist class—even a part of the wages, sinking "to the level of the Irish tenant farmer—all under the pretense of being a private proprietor." (*The Class Struggles in France*)

What is "one of the reasons why grain prices are lower in countries with predominant small-peasant land proprietorship than in countries with a capitalist mode of production?" [*Capital*, Vol. III] It is that the peasant hands over gratis to society (i.e., the capitalist class) a part of his surplus product. "This lower price [of grain and other agricultural produce] is consequently a result of the producers' poverty and by no means of their labor productivity." [*Capital*, Vol. III] Under capitalism, the small-holding system, which is the normal form of small-scale production, degenerates, collapses, and perishes.

"Proprietorship of land parcels, by its very nature, excludes the development of social productive forces of labor, social forms of labor, social concentration of capital, large-scale cattle raising, and the progressive application of science. Usury and a taxation system must impoverish it everywhere. The expenditure of capital in the price of the land withdraws this capital from cultivation. An infinite fragmentation of means of production and isolation of the producers themselves."

(Co-operative societies, i.e., associations of small peasants, while playing an extremely progressive bourgeois role, only weakens this tendency, without eliminating it; nor must it be forgotten that these

co-operative societies do much for the well-to-do peasants, and very little—next to nothing—for the mass of poor peasants; then the associations themselves become exploiters of hired labor.)

"Monstrous waste of human energy. Progressive deterioration of conditions of production and increased prices of means of production—an inevitable law of proprietorship of parcels." [*Capital*, Volume III] In agriculture, as in industry, capitalism transforms the process of production only at the price of the "martyrdom of the producer."

"The dispersion of the rural laborers over larger areas breaks their power of resistance, while concentration increases that of the town operatives. In modern agriculture, as in the urban industries, the increased productiveness and quantity of the labor set in motion are bought at the cost of laying waste and consuming by disease labor power itself. Moreover, all progress in capitalistic agriculture is a progress in the art, not only of robbing the laborer, but of robbing the soil.... Capitalist production, therefore, develops technology, and the combining together of various processes into a social whole, only by sapping the original sources of all wealth—the soil and the laborer." [*Capital*, Volume III]

Karl Marx: Value, Price and Profit

Chapter 7: Labor Power

Having now, as far as it could be done in such a cursory manner, analyzed the nature of *value*, of the *value of any commodity whatever*, we must turn our attention to the specific *value of labor*. And here, again, I must startle you by a seeming paradox. All of you feel sure that what they daily sell is their Labor; that, therefore, Labor has a price, and that, the price of a commodity being only the monetary expression of its value, there must certainly exist such a thing as the *value of labor*. However, there exists no such thing as the *value of labor* in the common acceptance of the word. We have seen that the amount of necessary labor crystallized in a commodity constitutes its value. Now, applying this notion of value, how could we define, say, the value of a ten hours working day? How much labor is contained in that day? Ten hours' labor.

To say that the value of a ten hours working day is equal to ten hours' labor, or the quantity of labor contained in it, would be a tautological and, moreover, a nonsensical expression. Of course, having once found out the true but hidden sense of the expression "*value of labor*," we shall be able to interpret this irrational, and seemingly impossible application of value, in the same way that, having once made sure of the real movement of the celestial bodies, we shall be able to explain their apparent or merely phenomenal movements.

What the working man sells is not directly his *labor*, but his *laboring power*, the temporary disposal of which he makes over to the capitalist. This is so much the case that I do not know whether by the English Laws, but certainly by some Continental Laws, the *maximum time* is fixed for which a man is allowed to sell his laboring power. If allowed to do so for any indefinite period whatever, slavery would be immediately restored. Such a sale, if it comprised his lifetime, for example, would make him at once the lifelong slave of his employer.

One of the oldest economists and most original philosophers of England — Thomas Hobbes — has already, in his Leviathan, instinctively hit upon this point overlooked by all his successors. He says: "*the value or worth of a man* is, as in all other things, his *price*: that is so much as would be given for the *use of his power*." Proceeding from this basis, we shall be able to determine the *value of labor* as that of all other commodities.

But before doing so, we might ask, how does this strange phenomenon arise, that we find on the market a set of buyers, possessed of land, machinery, raw material, and the means of subsistence, all of them, save land in its crude state, the *products of labor*, and on the other hand, a set of sellers who have nothing to sell except their laboring power, their working arms and brains? That the one set buys continually in order to make a profit and enrich themselves, while the other set continually sells in order to earn their livelihood? The inquiry into this question would be an inquiry into what the economists call "*previous or original accumulation*," but which ought to be called *original expropriation*. We should find that this so-called *original accumulation* means nothing but a series of historical processes, resulting in a *decomposition* of the *original union* existing between the laboring Man and his Instruments of Labor. Such an inquiry, however, lies beyond the pale of my present subject. The *separation* between the Man of Labor and the Instruments of Labor once established, such a state of things will maintain itself and reproduce itself upon a constantly increasing scale, until a new and fundamental revolution in the mode of production should again overturn it, and restore the original union in a new historical form.

What, then, is the *value of laboring power*?

Like that of every other commodity, its value is determined by the quantity of labor necessary to produce it. The laboring power of a man exists only in his living individuality. A certain mass of necessaries must be consumed by a man to grow up and maintain his life. But the man, like the machine, will wear out, and must be replaced by another man. Beside the mass of necessaries required for *his own* maintenance, he wants another number of necessaries to bring up a certain quota of children that are to replace him on the labor market and to perpetuate the race of laborers. Moreover, to develop his laboring power, and acquire a given skill, another number of values must be spent. For our purpose it suffices to consider only *average* labor, the costs of whose education and development are vanishing magnitudes. Still, I must seize upon this occasion to state that, as the costs of producing laboring powers of different quality differ, so much differ the values of the laboring powers employed in different trades. The cry for an *equality of wages* rests, therefore, upon a mistake, is an inane wish never to be fulfilled. It is an offspring of that false and superficial radicalism that accepts premises and tries to evade conclusions. Upon the basis of the wages system the value of laboring power is settled like that of every other commodity; and as different kinds of laboring power have different values, or require different quantities of labor for their production, they *must* fetch different prices in the labor market. To clamor for *equal or even equitable retribution* on the basis of the wages system is the same as to clamor for *freedom* on the basis of the slavery system. What you think just or equitable is out of the question. The question is: What is necessary and unavoidable with a given system of production? After what has

been said, it will be seen that the *value of laboring power* is determined by the *value of the necessaries* required to produce, develop, maintain, and perpetuate the laboring power.

Chapter 8: Production of Surplus Value

Now suppose that the average amount of the daily necessaries of a laboring man require *six hours of average labor* for their production. Suppose, moreover, six hours of average labor to be also realized in a quantity of gold equal to 3s. Then 3s. would be the *price*, or the monetary expression of the *daily value* of that man's *laboring power*. If he worked daily six hours, he would daily produce a value sufficient to buy the average amount of his daily necessaries, or to maintain himself as a laboring man.

But our man is a wages laborer. He must, therefore, sell his laboring power to a capitalist. If he sells it at 3s. daily, or 18s. weekly, he sells it at its value. Suppose him to be a spinner. If he works six hours daily, he will add to the cotton a value of 3s. daily. This value, daily added by him, would be an exact equivalent for the wages, or the price of his laboring power, received daily. But in that case *no surplus value* or *surplus produce* whatever would go to the capitalist. Here, then, we come to the rub.

In buying the laboring power of the workman, and paying its value, the capitalist, like every other purchaser, has acquired the right to consume or use the commodity bought. You consume or use the laboring power of a man by making him work, as you consume or use a machine by making it run. By buying the daily or weekly value of the laboring power of the workman, the capitalist has, therefore, acquired the right to use or make that laboring power during the *whole day or week*. The working day or the working week has, of course, certain limits, but those we shall afterwards look more closely at.

For the present I want to turn your attention to one decisive point. The *value* of the laboring power is determined by the quantity of labor necessary to maintain or reproduce it, but the *use* of that laboring power is only limited by the active energies and physical strength of the laborer. The daily or weekly *value* of the laboring power is quite distinct from the daily or weekly exercise of that power, the same as the food a horse wants and the time it can carry the horseman are quite distinct. The quantity of labor by which the *value* of the workman's laboring power is limited forms by no means a limit to the quantity of labor which his laboring power is apt to perform. Take the example of our spinner. We have seen that, to daily reproduce his laboring power, he must daily reproduce a value of three shillings, which he will do by working six hours daily. But this does not disable him from working ten or twelve or more hours a day. But by paying the daily or weekly *value* of the spinner's laboring power the capitalist has acquired the right of using that laboring power during *the whole day or week*. He will, therefore, make him work say, daily, *twelve hours. Over and above* the six hours required to replace his wages, or the value of his laboring power, he will, therefore, have to work *six other hours*, which I shall call hours of *surplus labor*, which surplus labor will realize itself in a *surplus value* and a *surplus produce*. If our spinner, for example, by his daily labor of six hours, added three shillings' value to the cotton, a value forming an exact equivalent to his wages, he will, in twelve hours, add six shillings' worth to the cotton, and produce *a proportional surplus of yarn*. As he has sold his laboring power to the capitalist, the whole value of produce created by him belongs to the capitalist, the owner *pro tem*. of his laboring power. By advancing three shillings, the capitalist will, therefore, realize a value of six shillings,

because, advancing a value in which six hours of labor are crystallized, he will receive in return a value in which twelve hours of labor are crystallized. By repeating this same process daily, the capitalist will daily advance three shillings and daily pocket six shillings, one half of which will go to pay wages anew, and the other half of which will form *surplus value*, for which the capitalist pays no equivalent. It is this *sort of exchange between capital and labor* upon which capitalistic production, or the wages system, is founded, and which must constantly result in reproducing the working man as a working man, and the capitalist as a capitalist.

The rate of surplus value, all other circumstances remaining the same, will depend on the proportion between that part of the working day necessary to reproduce the value of the laboring power and the *surplus time* or *surplus labor* performed for the capitalist. It will, therefore, depend on the *ratio in which the working day is prolonged over and above that extent*, by working which the working man would only reproduce the value of his laboring power, or replace his wages.

Chapter 9: Value of Labor

We must now return to the expression, "*value, or price of labor*." We have seen that, in fact, it is only the value of the laboring power, measured by the values of commodities necessary for its maintenance. But since the workman receives his wages *after* his labor is performed, and knows, moreover, that what he actually gives to the capitalist is his labor, the value or price of his laboring power necessarily appears to him as the *price* or *value of his labor itself*. If the price of his laboring power is three shillings, in which six hours of labor are realized, and if he works twelve hours, he necessarily considers these three shillings as the value or price of twelve hours of labor, although these twelve hours of labor realize themselves in a value of six shillings. A double consequence flows from this.

Firstly. The *value or price of the laboring power* takes the semblance of the *price or value of labor itself*, although, strictly speaking, value and price of labor are senseless terms.

Secondly. Although one part only of the workman's daily labor is *paid*, while the other part is *unpaid*, and while that unpaid or surplus labor constitutes exactly the fund out of which *surplus value* or *profit* is formed, it seems as if the aggregate labor was paid labor.

This false appearance distinguishes *wages labor* from other *historical* forms of labor. On the basis of the wages system even the *unpaid* labor seems to be *paid* labor. With the *slave*, on the contrary, even that part of his labor which is paid appears to be unpaid. Of course, in order to work the slave must live, and one part of his working day goes to replace the value of his own maintenance. But since no bargain is struck between him and his master, and no acts of selling and buying are going on between the two parties, all his labor seems to be given away for nothing.

Take, on the other hand, the peasant serf, such as he, I might say, until yesterday existed in the whole of East of Europe. This peasant worked, for example, three days for himself on his own field or the field allotted to him, and the three subsequent days he performed compulsory and gratuitous labor on the estate of his lord. Here, then, the paid and unpaid parts of labor were sensibly separated,

separated in time and space; and our Liberals overflowed with moral indignation at the preposterous notion of making a man work for nothing.

In point of fact, however, whether a man works three days of the week for himself on his own field and three days for nothing on the estate of his lord, or whether he works in the factory or the workshop six hours daily for himself and six for his employer, comes to the same, although in the latter case the paid and unpaid portions of labor are inseparably mixed up with each other, and the nature of the whole transaction is completely masked by the *intervention of a contract* and the *pay* received at the end of the week. The gratuitous labor appears to be voluntarily given in the one instance, and to be compulsory in the other. That makes all the difference.

In using the word "*value of labor*," I shall only use it as a popular slang term for "*value of laboring power*."

Chapter 13: Main Cases of Attempts at Raising Wages or Resisting their Fall

Let us now seriously consider the main cases in which a rise of wages is attempted or a reduction of wages resisted.

1. We have seen that the *value of the laboring power*, or in more popular parlance, the *value of labor*, is determined by the value of necessaries, or the quantity of labor required to produce them.

If, then, in a given country the value of the daily average necessaries of the laborer represented six hours of labor expressed in three shillings, the laborer would have to work six hours daily to produce an equivalent for this daily maintenance. If the whole working day was twelve hours, the capitalist would pay him the value of his labor by paying him three shillings. Half the working day would be unpaid labor, and the rate of profit would amount to 100 percent. But now suppose that, consequent upon a decrease of productivity, more labor should be wanted to produce, say, the same amount of agricultural produce, so that the price of the average daily necessaries should rise from three to four shillings. In that case the *value* of labor would rise by one third, or 33 1/3 percent. Eight hours of the working day would be required to produce an equivalent for the daily maintenance of the laborer, according to his old standard of living. The surplus labor would therefore sink from six hours to four, and the rate of profit from 100 to 50 percent. But in insisting upon a rise of wages, the laborer would only insist upon getting the *increased value of his labor*, like every other seller of a commodity, who, the costs of his commodities having increased, tries to get its increased value paid. If wages did not rise, or not sufficiently rise, to compensate for the increased values of necessaries, the *price* of labor would sink below the *value of labor*, and the laborer's standard of life would deteriorate.

But a change might also take place in an opposite direction. By virtue of the increased productivity of labor, the same amount of the average daily necessaries might sink from three to two shillings, or only four hours out of the working day, instead of six, be wanted to reproduce an equivalent for the value of the daily necessaries. The working man would now be able to buy with two shillings as many necessaries as he did before with three shillings. Indeed, the *value of labor* would have sunk, but diminished value would command the same number of commodities as before. Then profits

would rise from three to four shillings, and the rate of profit from 100 to 200 percent. Although the laborer's absolute standard of life would have remained the same, his *relative* wages, and there with his relative social position, as compared with that of the capitalist, would have been lowered. If the working man should resist that reduction of relative wages, he would only try to get some share in the increased productive powers of his own labor, and to maintain his former relative position in the social scale. Thus, after the abolition of the Corn Laws, and in flagrant violation of the most solemn pledges given during the anti-corn law agitation, the English factory lords generally reduced wages ten per cent. The resistance of the workmen was at first baffled, but consequent upon circumstances I cannot now enter upon, the ten per cent lost were afterwards regained.

2. The *values* of necessaries, and consequently the *value of labor*, might remain the same, but a change might occur in their *money prices*, consequent upon a previous change in the *value of money*. By the discovery of more fertile mines and so forth, two ounces of gold might, for example, cost no more labor to produce than one ounce did before. The *value* of gold would then be depreciated by one half, or fifty per cent. As the *values* of all other commodities would then be expressed in twice their former *money prices*, so also the same with the *value of labor*. Twelve hours of labor, formerly expressed in six shillings, would now be expressed in twelve shillings. If the working man's wages should remain three shillings, instead of rising to six shillings, the *money price of his labor* would only be equal to *half the value of his labor*, and his standard of life would fearfully deteriorate. This would also happen in a greater or lesser degree if his wages should rise, but not proportionately to the fall in the value of gold. In such a case nothing would have been changed, either in the productive powers of labor, or in supply and demand, or in values.

Nothing would have changed except the money *names* of those values. To say that in such a case the workman ought not to insist upon a proportionate rise of wages, is to say that he must be content to be paid with names, instead of with things. All past history proves that whenever such a depreciation of money occurs, the capitalists are on the alert to seize this opportunity for defrauding the workman. A very large school of political economists assert that, consequent upon the new discoveries of gold lands, the better working of silver mines, and the cheaper supply of quicksilver, the value of precious metals has again depreciated. This would explain the general and simultaneous attempts on the Continent at a rise of wages.

3. We have till now supposed that the *working day* has given limits. The working day, however, has, by itself, no constant limits. It is the constant tendency of capital to stretch it to its utmost physically possible length, because in the same degree surplus labor, and consequently the profit resulting therefrom, will be increased. The more capital succeeds in prolonging the working day, the greater the amount of other peoples' labor it will appropriate.

During the seventeenth and even the first two thirds of the eighteenth century a ten hours' working day was the normal working day all over England. During the anti-Jacobin war, which was in fact a war waged by the British barons against the British working masses, capital celebrated its bacchanalia, and prolonged the working day from ten to twelve, fourteen, eighteen hours. Thus, by no

means a man whom you would suspect of a maudlin sentimentalism declared in a pamphlet, published about 1815, that if this sort of thing was to go on the life of the nation would be attacked at its very source. A few years before the general introduction of newly-invented machinery, about 1765, a pamphlet appeared in England under the title, *An Essay on Trade*. The anonymous author, an avowed enemy of the working classes, declaims on the necessity of expanding the limits of the working day. Amongst other means to this end, he proposes *working houses*, which, he says, ought to be "Houses of Terror." And what is the length of the working he prescribes for these "Houses of Terror"? *Twelve hours*, the very same time which in 1832 was declared by capitalists, political economists, and ministers to be not only the existing but the necessary time of labor for a child under twelve years.

By selling his laboring power, and he must do so under the present system, the working man makes over to the capitalist the consumption of that power, but within certain rational limits. He sells his laboring power in order to maintain it, apart from its natural wear and tear, but not to destroy it. In selling his laboring power at its daily or weekly value, it is understood that in one day or one week that laboring power shall not be submitted to two days' or two weeks' waste or wear and tear. Take a machine worth 1000 Pounds. If it is used up in ten years it will add to the value of the commodities in whose production it assists 100 Pounds yearly. If it is used up in five years it will add 200 Pounds yearly, or the value of its annual wear and tear is in inverse ratio to the quickness with which it is consumed. But this distinguishes the working man from the machine. Machinery does not wear out exactly in the same ratio in which it is used. Man, on the contrary, decays in a greater ratio than would be visible from the mere numerical addition of work.

In their attempts at reducing the working day to its former rational dimensions, or, where they cannot enforce a legal fixation of a normal working day, at checking overwork by a rise of wages, a rise not only in proportion to the surplus time exacted, but in a greater proportion, working men fulfill only a duty to themselves and their race. They only set limits to the tyrannical usurpations of capital. Time is the room of human development. A man who has no free time to dispose of, whose whole lifetime, apart from the mere physical interruptions by sleep, meals, and so forth, is absorbed by his labor for the capitalist, is less than a beast of burden. He is a mere machine for producing Foreign Wealth, broken in body and brutalized in mind. Yet the whole history of modern industry shows that capital, if not checked, will recklessly and ruthlessly work to cast down the whole working class to this utmost state of degradation.

In prolonging the working day, the capitalist may pay *higher wages* and still lower the *value of labor*, if the rise of wages does not correspond to the greater amount of labor extracted, and the quicker decay of the laboring power thus caused. This may be done in another way. Your middle-class statisticians will tell you, for instance, that the average wages of factory families in Lancashire have risen. They forget that instead of the labor of the man, the head of the family, his wife and perhaps three or four children are now thrown under the Juggernaut wheels of capital, and that the rise of the aggregate wages does not correspond to the aggregate surplus labor extracted from the family.

Even with given limits of the working day, such as they now exist in all branches of industry subjected to the factory laws, a rise of wages may become necessary, if only to keep up the old standard *value of labor*. By increasing the *intensity* of labor, a man may be made to expend as much vital force in one hour as he formerly did in two. This has, to a certain degree, been affected in the trades, placed under the Factory Acts, by the acceleration of machinery, and the greater number of working machines which a single individual has now to superintend. If the increase in the intensity of labor or the mass of labor spent in an hour keeps some fair proportion to the decrease in the extent of the working day, the working man will still be the winner. If this limit is overshot, he loses in one form what he has gained in another, and ten hours of labor may then become as ruinous as twelve hours were before. In checking this tendency of capital, by struggling for a rise of wages corresponding to the rising intensity of labor, the working man only resists the depreciation of his labor and the deterioration of his race.

4. All of you know that, from reasons I have not now to explain, capitalistic production moves through certain periodical cycles. It moves through a state of quiescence, growing animation, prosperity, overtrade, crisis, and stagnation. The market prices of commodities, and the market rates of profit, follow these phases, now sinking below their averages, now rising above them.

Considering the whole cycle, you will find that one deviation of the market price is being compensated by the other, and that, taking the average of the cycle, the market prices of commodities are regulated by their values. Well! During the phases of sinking market prices and the phases of crisis and stagnation, the working man, if not thrown out of employment altogether, is sure to have his wages lowered. Not to be defrauded, he must, even with such a fall of market prices, debate with the capitalist in what proportional degree a fall of wages has become necessary. If, during the phases of prosperity, when extra profits are made, he did not battle for a rise of wages, he would, taking the average of one industrial cycle, not even receive his *average wages*, or the *value* of his labor. It is the utmost height of folly to demand, that while his wages are necessarily affected by the adverse phases of the cycle, he should exclude himself from compensation during the prosperous phases of the cycle. Generally, the *values* of all commodities are only realized by the compensation of the continuously changing market prices, springing from the continuous fluctuations of demand and supply. On the basis of the present system labor is only a commodity like others. It must, therefore, pass through the same fluctuations to fetch an average price corresponding to its value.

It would be absurd to treat it on the one hand as a commodity, and to want on the other hand to exempt it from the laws which regulate the prices of commodities. The slave receives a permanent and fixed amount of maintenance; the wage-laborer does not. He must try to get a rise of wages in the one instance, if only to compensate for a fall of wages in the other. If he resigned himself to accept the will, the dictates of the capitalist as a permanent economical law, he would share in all the miseries of the slave, without the security of the slave.

5. In all the cases I have considered, and they form ninety-nine out of a hundred, you have seen that a struggle for a rise of wages follows only in the track of *previous* changes, and is the necessary offspring of previous changes in the amount of production, the productive powers of labor, the value of labor,

the value of money, the extent or the intensity of labor extracted, the fluctuations of market prices, dependent upon the fluctuations of demand and supply, and consistent with the different phases of the industrial cycle; in one word, as reactions of labor against the previous action of capital. By treating the struggle for a rise of wages independently of all these circumstances, by looking only upon the change of wages, and overlooking all other changes from which they emanate, you proceed from a false premise in order to arrive at false conclusions.

Chapter 14: The Struggle Between Capital and Labor and its Results

1. Having shown that the periodical resistance on the part of the working men against a reduction of wages, and their periodical attempts at getting a rise of wages, are inseparable from the wages system, and dictated by the very fact of labor being assimilated to commodities, and therefore subject to the laws, regulating the general movement of prices; having furthermore, shown that a general rise of wages would result in a fall in the general rate of profit, but not affect the average prices of commodities, or their values, the question now ultimately arises, how far, in this incessant struggle between capital and labor, the latter is likely to prove successful.

I might answer by a generalization, and say that, as with all other commodities, so with labor, its *market price* will, in the long run, adapt itself to its *value*; that, therefore, despite all the ups and downs, and do what he may, the working man will, on an average, only receive the value of his labor, which resolves into the value of his laboring power, which is determined by the value of the necessaries required for its maintenance and reproduction, which value of necessaries finally is regulated by the quantity of labor wanted to produce them.

But there are some peculiar features which distinguish the *value of the laboring power, or the value of labor*, from the values of all other commodities. The value of the laboring power is formed by two elements -- the one merely physical, the other historical or social. Its *ultimate limit* is determined by the *physical* element, that is to say, to maintain and reproduce itself, to perpetuate its physical existence, the working class must receive the necessaries absolutely indispensable for living and multiplying. The *value* of those indispensable necessaries forms, therefore, the ultimate limit of the *value of labor*. On the other hand, the length of the working day is also limited by ultimate, although very elastic boundaries. Its ultimate limit is given by the physical force of the laboring man. If the daily exhaustion of his vital forces exceeds a certain degree, it cannot be exerted anew, day by day.

However, as I said, this limit is very elastic. A quick succession of unhealthy and short-lived generations will keep the labor market as well supplied as a series of vigorous and long-lived generations. Besides this mere physical element, the value of labor is in every country determined by a *traditional standard of life*. It is not mere physical life, but it is the satisfaction of certain wants springing from the social conditions in which people are placed and reared up. The English standard of life may be reduced to the Irish standard; the standard of life of a German peasant to that of a Livonian peasant. The important part which historical tradition and social habitude play in this respect, you may learn from Mr. Thornton's work on *over-population*, where he shows that the average wages in different

agricultural districts of England still nowadays differ more or less according to the more or less favorable circumstances under which the districts have emerged from the state of serfdom.

This historical or social element, entering into the value of labor, may be expanded, or contracted, or altogether extinguished, so that nothing remains but the *physical limit*. During the time of the anti-Jacobin war, undertaken, as the incorrigible tax-eater and sinecurist, old George Rose, used to say, to save the comforts of our holy religion from the inroads of the French infidels, the honest English farmers, so tenderly handled in a former chapter of ours, depressed the wages of the agricultural laborers even beneath that *mere physical minimum*, but made up by Poor Laws the remainder necessary for the physical perpetuation of the race. This was a glorious way to convert the wages laborer into a slave, and Shakespeare's proud yeoman into a pauper.

By comparing the standard wages or values of labor in different countries, and by comparing them in different historical epochs of the same country, you will find that the *value of labor* itself is not a fixed but a variable magnitude, even supposing the values of all other commodities to remain constant.

A similar comparison would prove that not only the *market rates* of profit change, but its *average* rates.

But as to *profits*, there exists no law which determines their *minimum*. We cannot say what is the ultimate limit of their decrease. And why cannot we fix that limit? Because, although we can fix the *minimum* of wages, we cannot fix their *maximum*.

We can only say that, the limits of the working day being given, the *maximum of profit* corresponds to the *physical minimum of wages*; and that wages being given, the *maximum of profit* corresponds to such a prolongation of the working day as is compatible with the physical forces of the laborer. The maximum of profit is therefore limited by the physical minimum of wages and the physical maximum of the working day. It is evident that between the two limits of the *maximum rate of profit* an immense scale of variations is possible. The fixation of its actual degree is only settled by the continuous struggle between capital and labor, the capitalist constantly tending to reduce wages to their physical minimum, and to extend the working day to its physical maximum, while the working man constantly presses in the opposite direction.

The matter resolves itself into a question of the respective powers of the combatants.

2. As to the *limitation of the working day* in England, as in all other countries, it has never been settled except by *legislative interference*. Without the working men's continuous pressure from without that interference would never have taken place. But at all events, the result was not to be attained by private settlement between the working men and the capitalists. This very necessity of *general political action* affords the proof that in its merely economical action capital is the stronger side.

As to the *limits* of the *value of labor*, its actual settlement always depends upon supply and demand, I mean the demand for labor on the part of capital, and the supply of labor by the working men. In colonial countries the law of supply and demand favors the working man. Hence the relatively

high standard of wages in the United States. Capital may there try its utmost. It cannot prevent the labor market from being continuously emptied by the continuous conversion of wages laborers into independent, self-sustaining peasants. The position of a wages laborer is for a very large part of the American people but a probational state, which they are sure to leave within a longer or shorter term. To mend this colonial state of things the paternal British Government accepted for some time what is called the modern colonization theory, which consists in putting an artificial high price upon colonial land, in order to prevent the too quick conversion of the wages laborer into the independent peasant.

But let us now come to old civilized countries, in which capital domineers over the whole process of production. Take, for example, the rise in England of agricultural wages from 1849 to 1859. What was its consequence? The farmers could not, as our friend Weston would have advised them, raise the value of wheat, nor even its market prices. They had, on the contrary, to submit to their fall. But during these eleven years they introduced machinery of all sorts, adopted more scientific methods, converted part of arable land into pasture, increased the size of farms, and with this the scale of production, and by these and other processes diminishing the demand for labor by increasing its productive power, made the agricultural population again relatively redundant. This is the general method in which a reaction, quicker or slower, of capital against a rise of wages takes place in old, settled countries. Ricardo has justly remarked that machinery is in constant competition with labor, and can often be only introduced when the price of labor has reached a certain height, but the appliance of machinery is but one of the many methods for increasing the productive powers of labor. The very same development which makes common labor relatively redundant simplifies, on the other hand, skilled labor, and thus, depreciates it.

The same law obtains in another form. With the development of the productive powers of labor the accumulation of capital will be accelerated, even despite a relatively high rate of wages. Hence, one might infer, as Adam Smith, in whose days modern industry was still in its infancy, did infer, that the accelerated accumulation of capital must turn the balance in favor of the working man, by securing a growing demand for his labor. From this same standpoint many contemporary writers have wondered that English capital having grown in that last twenty years so much quicker than English population, wages should not have been more enhanced. But simultaneously with the progress of accumulation there takes place a *progressive change in the composition of capital*. That part of the aggregate capital which consists of fixed capital, machinery, raw materials, means of production in all possible forms, progressively increases as compared with the other part of capital, which is laid out in wages or in the purchase of labor. This law has been stated in a more or less accurate manner by Mr. Barton, Ricardo, Sismondi, Professor Richard Jones, Professor Ramsey, Cherbuilliez, and others.

If the proportion of these two elements of capital was originally one to one, it will, in the progress of industry, become five to one, and so forth. If of a total capital of 600, 300 is laid out in instruments, raw materials, and so forth, and 300 in wages, the total capital wants only to be doubled to create a demand for 600 working men instead of for 300. But if of a capital of 600, 500 is laid out in machinery, materials, and so forth and 100 only in wages, the same capital must increase from 600 to 3,600 in order

to create a demand for 600 workmen instead of 300. In the progress of industry the demand for labor keeps, therefore, no pace with the accumulation of capital. It will still increase, but increase in a constantly diminishing ratio as compared with the increase of capital.

These few hints will suffice to show that the very development of modern industry must progressively turn the scale in favor of the capitalist against the working man, and that consequently the general tendency of capitalistic production is not to raise, but to sink the average standard of wages, or to push the *value of labor* more or less to its *minimum limit*. Such being the tendency of *things* in this system, is this saying that the working-class ought to renounce their resistance against the encroachments of capital, and abandon their attempts at making the best of the occasional chances for their temporary improvement? If they did, they would be degraded to one level mass of broken wretches past salvation. I think I have shown that their struggles for the standard of wages are incidents inseparable from the whole wages system, that in 99 cases out of 100 their efforts at raising wages are only efforts at maintaining the given value of labor, and that the necessity of debating their price with the capitalist is inherent to their condition of having to sell themselves as commodities. By cowardly giving way in their everyday conflict with capital, they would certainly disqualify themselves for the initiating of any larger movement.

At the same time, and quite apart from the general servitude involved in the wages system, the working class ought not to exaggerate to themselves the ultimate working of these everyday struggles. They ought not to forget that they are fighting with effects, but not with the causes of those effects; that they are retarding the downward movement, but not changing its direction; that they are applying palliatives, not curing the malady. They ought, therefore, not to be exclusively absorbed in these unavoidable guerilla fights incessantly springing up from the never ceasing encroachments of capital or changes of the market. They ought to understand that, with all the miseries it imposes upon them, the present system simultaneously engenders the *material conditions* and the *social forms* necessary for an economic reconstruction of society. Instead of the *conservative* motto: "*A fair day's wage for a fair day's work!*" they ought to inscribe on their banner the *revolutionary* watchword: "*Abolition of the wages system!*"

After this very long and, I fear, tedious exposition, which I was obliged to enter into to do some justice to the subject matter, I shall conclude by proposing the following resolutions:

Firstly. A general rise in the rate of wages would result in a fall of the general rate of profit, but broadly speaking, not affect the prices of commodities.

Secondly. The general tendency of capitalist production is not to raise, but to sink the average standard of wages.

Thirdly. Trades Unions work well as centers of resistance against the encroachments of capital. They fail partially from an injudicious use of their power. They fail generally from limiting themselves to a guerilla war against the effects of the existing system, instead of simultaneously trying to change it,

instead of using their organized forces as a lever for the final emancipation of the working class that is to say the ultimate abolition of the wages system.

Karl Marx: Capital Vol. 1

Chapter Four: The General Formula for Capital

The circulation of commodities is the starting-point of capital. The production of commodities, their circulation, and that more developed form of their circulation called commerce, these form the historical ground-work from which it rises. The modern history of capital dates from the creation in the 16th century of a world-embracing commerce and a world-embracing market.

If we abstract from the material substance of the circulation of commodities, that is, from the exchange of the various use-values, and consider only the economic forms produced by this process of circulation, we find its final result to be money: this final product of the circulation of commodities is the first form in which capital appears.

As a matter of history, capital, as opposed to landed property, invariably takes the form at first of money; it appears as moneyed wealth, as the capital of the merchant and of the usurer. [17] But we have no need to refer to the origin of capital in order to discover that the first form of appearance of capital is money. We can see it daily under our very eyes. All new capital, to commence with, comes on the stage, that is, on the market, whether of commodities, labor, or money, even in our days, in the shape of money that by a definite process has to be transformed into capital.

The first distinction we notice between money that is money only, and money that is capital, is nothing more than a difference in their form of circulation.

The simplest form of the circulation of commodities is C—M—C, the transformation of commodities into money, and the change of the money back again into commodities; or selling in order to buy. But alongside of this form we find another specifically different form: M—C—M, the transformation of money into commodities, and the change of commodities back again into money; or buying in order to sell. Money that circulates in the latter manner is thereby transformed into, becomes capital, and is already potentially capital.

Now let us examine the circuit M—C—M a little closer. It consists, like the other, of two antithetical phases. In the first phase, M—C, or the purchase, the money is changed into a commodity. In the second phase, C—M, or the sale, the commodity is changed back again into money. The combination of these two phases constitutes the single movement whereby money is exchanged for a commodity, and the same commodity is again exchanged for money; whereby a commodity is bought in order to be sold, or, neglecting the distinction in form between buying and selling, whereby a

[17] The contrast between the power, based on the personal relations of dominion and servitude, that is conferred by landed property, and the impersonal power that is given by money, is well expressed by the two French proverbs, "Nulle terre sans seigneur," and "L'argent n'a pas de maître," – "No land without its lord," and "Money has no master."

commodity is bought with money, and then money is bought with a commodity. [18] The result, in which the phases of the process vanish, is the exchange of money for money, M—M. If I purchase 2,000 lbs. of cotton for £100, and resell the 2,000 lbs. of cotton for £110, I have, in fact, exchanged £100 for £110, money for money.

Now it is evident that the circuit M—C—M would be absurd and without meaning if the intention were to exchange by this means two equal sums of money, £100 for £100. The miser's plan would be far simpler and surer; he sticks to his £100 instead of exposing it to the dangers of circulation. And yet, whether the merchant who has paid £100 for his cotton sells it for £110, or lets it go for £100, or even £50, his money has, at all events, gone through a characteristic and original movement, quite different in kind from that which it goes through in the hands of the peasant who sells corn, and with the money thus set free buys clothes. We have therefore to examine first the distinguishing characteristics of the forms of the circuits M—C—M and C—M—C, and in doing this the real difference that underlies the mere difference of form will reveal itself.

Let us see, in the first place, what the two forms have in common.

Both circuits are resolvable into the same two antithetical phases, C—M, a sale, and M—C, a purchase. In each of these phases the same material elements - a commodity, and money, and the same economic dramatis personae, a buyer and a seller - confront one another. Each circuit is the unity of the same two antithetical phases, and in each case this unity is brought about by the intervention of three contracting parties, of whom one only sells, another only buys, while the third both buys and sells.

What, however, first and foremost distinguishes the circuit C—M—C from the circuit M—C—M, is the inverted order of succession of the two phases. The simple circulation of commodities begins with a sale and ends with a purchase, while the circulation of money as capital begins with a purchase and ends with a sale. In the one case both the starting-point and the goal are commodities, in the other they are money. In the first form the movement is brought about by the intervention of money, in the second by that of a commodity.

In the circulation C—M—C, the money is in the end converted into a commodity, that serves as a use-value; it is spent once for all. In the inverted form, M—C—M, on the contrary, the buyer lays out money in order that, as a seller, he may recover money. By the purchase of his commodity, he throws money into circulation, in order to withdraw it again by the sale of the same commodity. He lets the money go, but only with the sly intention of getting it back again. The money, therefore, is not spent, it is merely advanced. [19]

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[18] "Avec de l'argent on achète des marchandises et avec des marchandises on achète de l'argent." ["With money one buys commodities, and with commodities one buys money"] (Mercier de la Rivière: "L'ordre naturel et essentiel des sociétés politiques," p. 543.)

[19] "When a thing is bought in order to be sold again, the sum employed is called money advanced; when it is bought not to be sold, it may be said to be expended." — (James Steuart: "Works," &c. Edited by Gen. Sir James Steuart, his son. Lond., 1805, V. I., p. 274.)

In the circuit C—M—C, the same piece of money changes its place twice. The seller gets it from the buyer and pays it away to another seller. The complete circulation, which begins with the receipt, concludes with the payment, of money for commodities. It is the very contrary in the circuit M—C—M. Here it is not the piece of money that changes its place twice, but the commodity. The buyer takes it from the hands of the seller and passes it into the hands of another buyer. Just as in the simple circulation of commodities the double change of place of the same piece of money effects its passage from one hand into another, so here the double change of place of the same commodity brings about the reflux of the money to its point of departure.

Such reflux is not dependent on the commodity being sold for more than was paid for it. This circumstance influences only the amount of the money that comes back. The reflux itself takes place, so soon as the purchased commodity is resold, in other words, so soon as the circuit M—C—M is completed. We have here, therefore, a palpable difference between the circulation of money as capital, and its circulation as mere money.

The circuit C—M—C comes completely to an end, so soon as the money brought in by the sale of one commodity is abstracted again by the purchase of another.

If, nevertheless, there follows a reflux of money to its starting-point, this can only happen through a renewal or repetition of the operation. If I sell a quarter of corn for £3, and with this £3 buy clothes, the money, so far as I am concerned, is spent and done with. It belongs to the clothes merchant. If I now sell a second quarter of corn, money indeed flows back to me, not however as a sequel to the first transaction, but in consequence of its repetition. The money again leaves me, so soon as I complete this second transaction by a fresh purchase. Therefore, in the circuit C—M—C, the expenditure of money has nothing to do with its reflux. On the other hand, in M—C—M, the reflux of the money is conditioned by the very mode of its expenditure. Without this reflux, the operation fails, or the process is interrupted and incomplete, owing to the absence of its complementary and final phase, the sale.

The circuit C—M—C starts with one commodity, and finishes with another, which falls out of circulation and into consumption. Consumption, the satisfaction of wants, in one word, use-value, is its end and aim. The circuit M—C—M, on the contrary, commences with money and ends with money. Its leading motive, and the goal that attracts it, is therefore mere exchange-value.

In the simple circulation of commodities, the two extremes of the circuit have the same economic form. They are both commodities, and commodities of equal value. But they are also use-values differing in their qualities, as, for example, corn and clothes. The exchange of products, of the different materials in which the labor of society is embodied, forms here the basis of the movement. It is otherwise in the circulation M—C—M, which at first sight appears purposeless, because tautological. Both extremes have the same economic form. They are both monies, and therefore are not qualitatively different use-values; for money is but the converted form of commodities, in which their particular use-values vanish. To exchange £100 for cotton, and then this same cotton again for £100, is merely a roundabout way of exchanging money for money, the same for the same, and appears to be an

operation just as purposeless as it is absurd. [20] One sum of money is distinguishable from another only by its amount. The character and tendency of the process M—C—M, is therefore not due to any qualitative difference between its extremes, both being money, but solely to their quantitative difference. More money is withdrawn from circulation at the finish than was thrown into it at the start. The cotton that was bought for £100 is perhaps resold for £100 + £10 or £110. The exact form of this process is therefore M—C—M′, where M′ = M + Δ M = the original sum advanced, plus an increment. This increment or excess over the original value I call "surplus-value." The value originally advanced, therefore, not only remains intact while in circulation, but adds to itself a surplus-value or expands itself. It is this movement that converts it into capital.

Of course, it is also possible, that in C—M—C, the two extremes C—C, say corn and clothes, may represent different quantities of value. The farmer may sell his corn above its value, or may buy the clothes at less than their value. He may, on the other hand, "be done" by the clothes merchant. Yet, in the form of circulation now under consideration, such differences in value are purely accidental. The fact that the corn and the clothes are equivalents, does not deprive the process of all meaning, as it does in M—C—M. The equivalence of their values is rather a necessary condition to its normal course.

The repetition or renewal of the act of selling in order to buy, is kept within bounds by the very object it aims at, namely, consumption or the satisfaction of definite wants, an aim that lies altogether outside the sphere of circulation. But when we buy in order to sell, we, on the contrary, begin and end with the same thing, money, exchange-value; and thereby the movement becomes interminable. No doubt, M becomes M + Δ M, £100 become £110. But when viewed in their qualitative aspect alone, £110 are the same as £100, namely money; and considered quantitatively, £110 is, like £100, a sum of definite and limited value. If now, the £110 be spent as money, they cease to play their part. They are no longer capital. Withdrawn from circulation, they become petrified into a hoard, and though they remained in that state till doomsday, not a single farthing would accrue to them. If, then, the expansion of value is once aimed at, there is just the same inducement to augment the value of the £110 as that of the £100;

[20] "On n'échange pas de l'argent contre de l'argent," ["One does not exchange money for money,"] says Mercier de la Rivière to the Mercantilists (l.c., p. 486.) In a work, which, ex professo treats of "trade" and "speculation," occurs the following: "All trade consists in the exchange of things of different kinds; and the advantage" (to the merchant?) "Arises out of this difference. To exchange a pound of bread against a pound of bread ... would be attended with no advantage; ... Hence trade is advantageously contrasted with gambling, which consists in a mere exchange of money for money." (Th. Corbet, "An Inquiry into the Causes and Modes of the Wealth of Individuals; or the Principles of Trade and Speculation Explained." London, 1841, p. 5.) Although Corbet does not see that M—M, the exchange of money for money, is the characteristic form of circulation, not only of merchants' capital but of all capital, yet at least he acknowledges that this form is common to gambling and to one species of trade, viz., speculation: but then comes MacCulloch and makes out, that to buy in order to sell, is to speculate, and thus the difference between Speculation and Trade vanishes. "Every transaction in which an individual buys produce in order to sell it again, is, in fact, a speculation." (MacCulloch: "A Dictionary Practical, &c., of Commerce." Lond., 1847, p. 1009.) With much more naiveté, Pinto, the Pindar of the Amsterdam Stock Exchange, remarks, "Le commerce est un jeu: (taken from Locke) et ce n'est pas avec des gueux qu'on peut gagner. Si l'on gagnait longtemps en tout avec tous, il faudrait rendre de bon accord les plus grandes parties du profit pour recommencer le jeu." ["Trade is a game, and nothing can be won from beggars. If one won everything from everybody all the time, it would be necessary to give back the greater part of the profit voluntarily, in order to begin the game again"] (Pinto: "Traité de la Circulation et du Crédit." Amsterdam, 1771. p. 231.)

for both are but limited expressions for exchange-value, and therefore both have the same vocation to approach, by quantitative increase, as near as possible to absolute wealth. Momentarily, indeed, the value originally advanced, the £100 is distinguishable from the surplus-value of £10 that is annexed to it during circulation; but the distinction vanishes immediately. At the end of the process, we do not receive with one hand the original £100, and with the other, the surplus-value of £10. We simply get a value of £110, which is in exactly the same condition and fitness for commencing the expanding process, as the original £100 was. Money ends the movement only to begin it again. [21] Therefore, the final result of every separate circuit, in which a purchase and consequent sale are completed, forms of itself the starting-point of a new circuit. The simple circulation of commodities - selling in order to buy - is a means of carrying out a purpose unconnected with circulation, namely, the appropriation of use-values, the satisfaction of wants. The circulation of money as capital is, on the contrary, an end in itself, for the expansion of value takes place only within this constantly renewed movement. The circulation of capital has therefore no limits. [22]

As the conscious representative of this movement, the possessor of money becomes a capitalist. His person, or rather his pocket, is the point from which the money starts and to which it returns. The expansion of value, which is the objective basis or main-spring of the circulation M—C—M, becomes his subjective aim, and it is only in so far as the appropriation of ever more and more wealth in the abstract becomes the sole motive of his operations, that he functions as a capitalist, that is, as capital personified and endowed with consciousness and a will. Use-values must therefore never be looked upon as the real aim of the capitalist; neither must the profit on any single transaction. The restless

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[21] "Capital is divisible ... into the original capital and the profit, the increment to the capital ... although in practice this profit is immediately turned into capital, and set in motion with the original." (F. Engels, "Umrisse zu einer Kritik der Nationalökonomie, in: Deutsch-Französische Jahrbücher, herausgegeben von Arnold Ruge und Karl Marx." Paris, 1844, p. 99.)

[22] Aristotle opposes Œconomic to Chrematistic. He starts from the former. So far as it is the art of gaining a livelihood, it is limited to procuring those articles that are necessary to existence, and useful either to a household or the state. "True wealth (ὁ ἀληθινὸς πλοῦτος) consists of such values in use; for the quantity of possessions of this kind, capable of making life pleasant, is not unlimited. There is, however, a second mode of acquiring things, to which we may by preference and with correctness give the name of Chrematistic, and in this case, there appear to be no limits to riches and possessions. Trade (ἡ καπηλικὴ is literally retail trade, and Aristotle takes this kind because in it values in use predominate) does not in its nature belong to Chrematistic, for here the exchange has reference only to what is necessary to themselves (the buyer or seller)." Therefore, as he goes on to show, the original form of trade was barter, but with the extension of the latter, there arose the necessity for money. On the discovery of money, barter of necessity developed into καπηλικὴ, into trading in commodities, and this again, in opposition to its original tendency, grew into Chrematistic, into the art of making money. Now Chrematistic is distinguishable from Œconomic in this way, that "in the case of Chrematistic circulation is the source of riches (ποιητικὴ χρημάτων ... διὰ χρημάτων μεταβολῆς). And it appears to revolve about money, for money is the beginning and end of this kind of exchange (τὸ γὰρ νόμισμα στοιχεῖον καὶ πέρας τῆς ἀλλαγῆς ἐστίν). Therefore, also riches, such as Chrematistic strives for, are unlimited. Just as every art that is not a means to an end, but an end in itself, has no limit to its aims, because it seeks constantly to approach nearer and nearer to that end, while those arts that pursue means to an end, are not boundless, since the goal itself imposes a limit upon them, so with Chrematistic, there are no bounds to its aims, these aims being absolute wealth. Œconomic not Chrematistic has a limit ... the object of the former is something different from money, of the latter the augmentation of money. ... By confounding these two forms, which overlap each other, some people have been led to look upon the preservation and increase of money ad infinitum as the end and aim of Œconomic." (Aristoteles, De Rep. edit. Bekker, lib. I, c. 8, 9. passim.)

never-ending process of profit-making alone is what he aims at. [23] This boundless greed after riches, this passionate chase after exchange-value [24], is common to the capitalist and the miser; but while the miser is merely a capitalist gone mad, the capitalist is a rational miser. The never-ending augmentation of exchange-value, which the miser strives after, by seeking to save [25] his money from circulation, is attained by the more acute capitalist, by constantly throwing it afresh into circulation. [26]

The independent form, i.e., the money-form, which the value of commodities assumes in the case of simple circulation, serves only one purpose, namely, their exchange, and vanishes in the final result of the movement. On the other hand, in the circulation M—C—M, both the money and the commodity represent only different modes of existence of value itself, the money its general mode, and the commodity its particular, or, so to say, disguised mode. [27] It is constantly changing from one form to the other without thereby becoming lost, and thus, assumes an automatically active character. If now we take in turn each of the two different forms which self-expanding value successively assumes in the course of its life, we then arrive at these two propositions: Capital is money: Capital is commodities. [28] In truth, however, value is here the active factor in a process, in which, while constantly assuming the form in turn of money and commodities, it at the same time changes in magnitude, differentiates itself by throwing off surplus-value from itself; the original value, in other words, expands spontaneously. For the movement, in the course of which it adds surplus-value, is its own movement, its expansion, therefore, is automatic expansion. Because it is value, it has acquired the occult quality of being able to add value to itself. It brings forth living offspring, or, at the least, lays golden eggs.

Value, therefore, being the active factor in such a process, and assuming at one time the form of money, at another that of commodities, but through all these changes preserving itself and expanding, it requires some independent form, by means of which its identity may at any time be established. And this form it possesses only in the shape of money. It is under the form of money that value begins and ends, and begins again, every act of its own spontaneous generation. It began by being £100, it is now £110, and so on. But the money itself is only one of the two forms of value. Unless it takes the form of some commodity, it does not become capital. There is here no antagonism, as in the case of hoarding,

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[23] "Il mercante non conta quasi per niente il lucro fatto, ma mira sempre al futuro." ["The merchant counts the money he has made as almost nothing; he always looks to the future."] (A. Genovesi, Lezioni di Economia Civile (1765), Custodi's edit. of Italian Economists. Parte Moderna t. viii, p. 139.)

[24] "The inextinguishable passion for gain, the auri sacra fames, will always lead capitalists." (MacCulloch: "The Principles of Polit. Econ." London, 1830, p. 179.) This view, of course, does not prevent the same MacCulloch and others of his kidney, when in theoretical difficulties, such, for example, as the question of over-production, from transforming the same capitalist into a moral citizen, whose sole concern is for use-values, and who even develops an insatiable hunger for boots, hats, eggs, calico, and other extremely familiar sorts of use-values.

[25] Σώξειν is a characteristic Greek expression for hoarding. So, in English to save has the same two meanings: sauver and épargner.

[26] "Questo infinito che le cose non hanno in progresso, hanno in giro." ["That infinity which things do not possess, they possess in circulation."] (Galiani.)

[27] "Ce n'est pas la matière qui fait le capital, mais la valeur de ces matières." ["It is not matter which makes capital, but the value of that matter."] (J. B. Say: "Traité d'Econ. Polit." 3ème éd. Paris, 1817, t. II., p. 429.)

[28] "Currency (!) employed in producing articles ... is capital." (Macleod: "The Theory and Practice of Banking." London, 1855, v. 1, ch. i, p. 55.) "Capital is commodities." (James Mill: "Elements of Pol. Econ." Lond., 1821, p. 74.)

between the money and commodities. The capitalist knows that all commodities, however scurvy they may look, or however badly they may smell, are in faith and in truth money, inwardly circumcised Jews, and what is more, a wonderful means whereby out of money to make more money.

In simple circulation, C—M—C, the value of commodities attained at the most a form independent of their use-values, i.e., the form of money; but that same value now in the circulation M—C—M, or the circulation of capital, suddenly presents itself as an independent substance, endowed with a motion of its own, passing through a life-process of its own, in which money and commodities are mere forms which it assumes and casts off in turn. Nay, more: instead of simply representing the relations of commodities, it enters now, so to say, into private relations with itself. It differentiates itself as original value from itself as surplus-value; as the father differentiates himself from himself qua the son, yet both are one and of one age: for only by the surplus-value of £10 does the £100 originally advanced become capital, and so soon as this takes place, so soon as the son, and by the son, the father, is begotten, so soon does their difference vanish, and they again become one, £110.

Value therefore now becomes value in process, money in process, and, as such, capital. It comes out of circulation, enters into it again, preserves and multiplies itself within its circuit, comes back out of it with expanded bulk, and begins the same round ever afresh. [29] M—M′, money which begets money, such is the description of Capital from the mouths of its first interpreters, the Mercantilists.

Buying in order to sell, or, more accurately, buying in order to sell dearer, M—C—M′, appears certainly to be a form peculiar to one kind of capital alone, namely, merchants' capital. But industrial capital too is money, that is changed into commodities, and by the sale of these commodities, is re-converted into more money. The events that take place outside the sphere of circulation, in the interval between the buying and selling, do not affect the form of this movement. Lastly, in the case of interest-bearing capital, the circulation M—C—M′ appears abridged. We have its result without the intermediate stage, in the form M—M′, "en style lapidaries" so to say, money that is worth more money, value that is greater than itself.

M—C—M′ is therefore in reality the general formula of capital as it appears prima facie within the sphere of circulation.

Chapter Eight: Constant Capital and Variable Capital

The various factors of the labor-process play different parts in forming the value of the product.

The laborer adds fresh value to the subject of his labor by expending upon it a given amount of additional labor, no matter what the specific character and utility of that labor may be. On the other hand, the values of the means of production used up in the process are preserved, and present themselves afresh as constituent parts of the value of the product; the values of the cotton and the spindle, for instance, re-appear again in the value of the yarn. The value of the means of production is

[29] Capital: "portion fructifiante de la richesse accumulée ... valeur permanente, multipliante." (Sismondi: "Nouveaux Principes d'Econ. Polit.," t. i., p. 88, 89.)

therefore preserved, by being transferred to the product. This transfer takes place during the conversion of those means into a product, or in other words, during the labor-process. It is brought about by labor; but how?

The laborer does not perform two operations at once, one in order to add value to the cotton, the other in order to preserve the value of the means of production, or, what amounts to the same thing, to transfer to the yarn, to the product, the value of the cotton on which he works, and part of the value of the spindle with which he works. But, by the very act of adding new value, he preserves their former values. Since, however, the addition of new value to the subject of his labor, and the preservation of its former value, are two entirely distinct results, produced simultaneously by the laborer, during one operation, it is plain that this two-fold nature of the result can be explained only by the two-fold nature of his labor; at one and the same time, it must in one character create value, and in another character preserve or transfer value.

Now, in what manner does every laborer add new labor and consequently new value? Evidently, only by laboring productively in a particular way; the spinner by spinning, the weaver by weaving, the smith by forging. But, while thus, incorporating labor generally, that is value, it is by the particular form alone of the labor, by the spinning, the weaving and the forging respectively, that the means of production, the cotton and spindle, the yarn and loom, and the iron and anvil become constituent elements of the product, of a new use-value. [30] Each use-value disappears, but only to re-appear under a new form in a new use-value. Now, we saw, when we were considering the process of creating value, that, if a use-value be effectively consumed in the production of a new use-value, the quantity of labor expended in the production of the consumed article, forms a portion of the quantity of labor necessary to produce the new use-value; this portion is therefore labor transferred from the means of production to the new product. Hence, the laborer preserves the values of the consumed means of production, or transfers them as portions of its value to the product, not by virtue of his additional labor, abstractedly considered, but by virtue of the particular useful character of that labor, by virtue of its special productive form. In so far then as labor is such specific productive activity, in so far as it is spinning, weaving, or forging, it raises, by mere contact, the means of production from the dead, makes them living factors of the labor-process, and combines with them to form the new products.

If the special productive labor of the workman were not spinning, he could not convert the cotton into yarn, and therefore could not transfer the values of the cotton and spindle to the yarn. Suppose the same workman were to change his occupation to that of a joiner, he would still by a day's labor add value to the material he works upon. Consequently, we see, first, that the addition of new value takes place not by virtue of his labor being spinning in particular, or joinering in particular, but because it is labor in the abstract, a portion of the total labor of society; and we see next, that the value added is of a given definite amount, not because his labor has a special utility, but because it is exerted for a definite time. On the one hand, then, it is by virtue of its general character, as being expenditure of human labor-power in the abstract, that spinning adds new value to the values of the cotton and the spindle;

[30] "Labor gives a new creation for one extinguished." ("An Essay on the Polit. Econ. of Nations," London, 1821, p. 13.)

and on the other hand, it is by virtue of its special character, as being a concrete, useful process, that the same labor of spinning both transfers the values of the means of production to the product, and preserves them in the product. Hence at one and the same time there is produced a two-fold result.

By the simple addition of a certain quantity of labor, new value is added, and by the quality of this added labor, the original values of the means of production are preserved in the product. This two-fold effect, resulting from the two-fold character of labor, may be traced in various phenomena.

Let us assume, that some invention enables the spinner to spin as much cotton in 6 hours as he was able to spin before in 36 hours. His labor is now six times as effective as it was, for the purposes of useful production. The product of 6 hours' work has increased six-fold, from 6 lbs. to 36 lbs. But now the 36 lbs. of cotton absorb only the same amount of labor as formerly did the 6 lbs. One-sixth as much new labor is absorbed by each pound of cotton, and consequently, the value added by the labor to each pound is only one-sixth of what it formerly was. On the other hand, in the product, in the 36 lbs. of yarn, the value transferred from the cotton is six times as great as before. By the 6 hours' spinning, the value of the raw material preserved and transferred to the product is six times as great as before, although the new value added by the labor of the spinner to each pound of the very same raw material is one-sixth what it was formerly. This shows that the two properties of labor, by virtue of which it is enabled in one case to preserve value, and in the other to create value, are essentially different. On the one hand, the longer the time necessary to spin a given weight of cotton into yarn, the greater is the new value added to the material; on the other hand, the greater the weight of the cotton spun in a given time, the greater is the value preserved, by being transferred from it to the product.

Let us now assume, that the productiveness of the spinner's labor, instead of varying, remains constant, that he therefore requires the same time as he formerly did, to convert one pound of cotton into yarn, but that the exchange-value of the cotton varies, either by rising to six times its former value or falling to one-sixth of that value. In both these cases, the spinner puts the same quantity of labor into a pound of cotton, and therefore adds as much value, as he did before the change in the value: he also produces a given weight of yarn in the same time as he did before. Nevertheless, the value that he transfers from the cotton to the yarn is either one-sixth of what it was before the variation, or, as the case may be, six times as much as before. The same result occurs when the value of the instruments of labor rises or falls, while their useful efficacy in the process remains unaltered.

Again, if the technical conditions of the spinning process remain unchanged, and no change of value takes place in the means of production, the spinner continues to consume in equal working-times equal quantities of raw material, and equal quantities of machinery of unvarying value. The value that he preserves in the product is directly proportional to the new value that he adds to the product. In two weeks, he incorporates twice as much labor, and therefore twice as much value, as in one week, and during the same time he consumes twice as much material, and wears out twice as much machinery, of double the value in each case: he therefore preserves, in the product of two weeks, twice as much value as in the product of one week. So long as the conditions of production remain the same, the more value the laborer adds by fresh labor, the more value he transfers and preserves; but he does so merely

because this addition of new value takes place under conditions that have not varied and are independent of his own labor. Of course, it may be said in one sense, that the laborer preserves old value always in proportion to the quantity of new value that he adds. Whether the value of cotton rise from one shilling to two shillings, or fall to sixpence, the workman invariably preserves in the product of one hour only one half as much value as he preserves in two hours. In like manner, if the productiveness of his own labor varies by rising or falling, he will in one hour spin either more or less cotton, as the case may be, than he did before, and will consequently preserve in the product of one hour, more or less value of cotton; but, all the same, he will preserve by two hours' labor twice as much value as he will by one.

Value exists only in articles of utility, in objects: we leave out of consideration its purely symbolical representation by tokens. (Man himself, viewed as the impersonation of labor-power, is a natural object, a thing, although a living conscious thing, and labor is the manifestation of this power residing in him.) If therefore an article loses its utility, it also loses its value. The reason why means of production do not lose their value, at the same time that they lose their use-value, is this: they lose in the labor-process the original form of their use-value, only to assume in the product the form of a new use-value. But however important it may be to value, that it should have some object of utility to embody itself in, yet it is a matter of complete indifference what particular object serves this purpose; this we saw when treating of the metamorphosis of commodities. Hence it follows that in the labor-process the means of production transfer their value to the product only so far as along with their use-value they lose also their exchange-value. They give up to the product that value alone which they themselves lose as means of production. But in this respect the material factors of the labor-process do not all behave alike.

The coal burnt under the boiler vanishes without leaving a trace; so, too, the tallow with which the axles of wheels are greased. Dye stuffs and other auxiliary substances also vanish but re-appear as properties of the product. Raw material forms the substance of the product, but only after it has changed its form. Hence raw material and auxiliary substances lose the characteristic form with which they are clothed on entering the labor-process. It is otherwise with the instruments of labor. Tools, machines, workshops, and vessels, are of use in the labor-process, only so long as they retain their original shape, and are ready each morning to renew the process with their shape unchanged. And just as during their lifetime, that is to say, during the continued labor-process in which they serve, they retain their shape independent of the product, so, too, they do after their death. The corpses of machines, tools, workshops, &c., are always separate and distinct from the product they helped to turn out. If we now consider the case of any instrument of labor during the whole period of its service, from the day of its entry into the workshop, till the day of its banishment into the lumber room, we find that during this period its use-value has been completely consumed, and therefore its exchange-value completely transferred to the product. For instance, if a spinning machine lasts for 10 years, it is plain that during that working period its total value is gradually transferred to the product of the 10 years. The lifetime of an instrument of labor, therefore, is spent in the repetition of a greater or a smaller number of similar operations. Its life may be compared with that of a human being. Every day brings a

man 24 hours nearer to his grave: but how many days he has still to travel on that road, no man can tell accurately by merely looking at him. This difficulty, however, does not prevent life insurance offices from drawing, by means of the theory of averages, very accurate, and at the same time very profitable conclusions. So, it is with the instruments of labor. It is known by experience how long on the average a machine of a particular kind will last. Suppose its use-value in the labor-process to last only six days. Then, on the average, it loses each day one-sixth of its use-value, and therefore parts with one-sixth of its value to the daily product. The wear and tear of all instruments, their daily loss of use-value, and the corresponding quantity of value they part with to the product, are accordingly calculated upon this basis.

It is thus strikingly clear, that means of production never transfer more value to the product than they themselves lose during the labor-process by the destruction of their own use-value. If such an instrument has no value to lose, if, in other words, it is not the product of human labor, it transfers no value to the product. It helps to create use-value without contributing to the formation of exchange-value. In this class are included all means of production supplied by Nature without human assistance, such as land, wind, water, metals in situ, and timber in virgin forests.

Yet another interesting phenomenon here presents itself. Suppose a machine to be worth £1,000, and to wear out in 1,000 days. Then one thousandth part of the value of the machine is daily transferred to the day's product. At the same time, though with diminishing vitality, the machine as a whole continues to take part in the labor-process. Thus, it appears, that one factor of the labor-process, a means of production, continually enters as a whole into that process, while it enters into the process of the formation of value by fractions only. The difference between the two processes is here reflected in their material factors, by the same instrument of production taking part as a whole in the labor-process, while at the same time as an element in the formation of value, it enters only by fractions. [31]

On the other hand, a means of production may take part as a whole in the formation of value, while into the labor-process it enters only bit by bit. Suppose that in spinning cotton, the waste for every 115 lbs. used amounts to 15 lbs., which is converted, not into yarn, but into "devil's dust." Now,

[31] The subject of repairs of the implements of labor does not concern us here. A machine that is undergoing repair, no longer plays the part of an instrument, but that of a subject of labor. Work is no longer done with it, but upon it. It is quite permissible for our purpose to assume, that the labor expended on the repairs of instruments is included in the labor necessary for their original production. But in the text, we deal with that wear and tear, which no doctor can cure, and which little by little brings about death, with "that kind of wear which cannot be repaired from time to time, and which, in the case of a knife, would ultimately reduce it to a state in which the cutler would say of it, it is not worth a new blade." We have shown in the text, that a machine takes part in every labor-process as an integral machine, but that into the simultaneous process of creating value it enters only bit by bit. How great then is the confusion of ideas exhibited in the following extract! "Mr. Ricardo says a portion of the labor of the engineer in making [stocking] machines" is contained for example in the value of a pair of stockings. "Yet the total labor, that produced each single pair of stockings ... includes the whole labor 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." "Obs. on Certain Verbal Disputes in Pol. Econ., Particularly Relating to Value," p. 54. The author, an uncommonly self-satisfied wiseacre, is right in his confusion and therefore in his contention, to this extent only, that neither Ricardo nor any other economist, before or since him, has accurately distinguished the two aspects of labor, and still less, therefore, the part played by it under each of these aspects in the formation of value.

although this 15 lbs. of cotton never becomes a constituent element of the yarn, yet assuming this amount of waste to be normal and inevitable under average conditions of spinning, its value is just as surely transferred to the value of the yarn, as is the value of the 100 lbs. that form the substance of the yarn. The use-value of 15 lbs. of cotton must vanish into dust, before 100 lbs. of yarn can be made. The destruction of this cotton is therefore a necessary condition in the production of the yarn. And because it is a necessary condition, and for no other reason, the value of that cotton is transferred to the product. The same holds good for every kind of refuse resulting from a labor-process, so far at least as such refuse cannot be further employed as a means in the production of new and independent use-values. Such an employment of refuse may be seen in the large machine works at Manchester, where mountains of iron turnings are carted away to the foundry in the evening, in order the next morning to re-appear in the workshops as solid masses of iron.

We have seen that the means of production transfer value to the new product, so far only as during the labor-process they lose value in the shape of their old use-value. The maximum loss of value that they can suffer in the process, is plainly limited by the amount of the original value with which they came into the process, or in other words, by the labor-time necessary for their production. Therefore, the means of production can never add more value to the product than they themselves possess independently of the process in which they assist. However useful a given kind of raw material, or a machine, or other means of production may be, though it may cost £150, or, say, 500 days' labor, yet it cannot, under any circumstances, add to the value of the product more than £150. Its value is determined not by the labor-process into which it enters as a means of production, but by that out of which it has issued as a product. In the labor-process it only serves as a mere use-value, a thing with useful properties, and could not, therefore, transfer any value to the product, unless it possessed such value previously. [32]

While productive labor is changing the means of production into constituent elements of a new product, their value undergoes a metempsychosis. It deserts the consumed body, to occupy the newly created one. But this transmigration takes place, as it were, behind the back of the laborer. He is unable to add new labor, to create new value, without at the same time preserving old values, and this,

[32] From this we may judge of the absurdity of J. B. Say, who pretends to account for surplus-value (Interest, Profit, Rent), by the "services productifs" which the means of production, soil, instruments, and raw material, render in the labor-process by means of their use-values. Mr. Wm. Roscher who seldom loses an occasion of registering, in black and white, ingenious apologetic fancies, records the following specimen: - "J. B. Say (Traité, t. 1, ch. 4) very truly remarks: the value produced by an oil mill, after deduction of all costs, is something new, something quite different from the labor by which the oil mill itself was erected." (l.c., p. 82, note.) Very true, Mr. Professor! the oil produced by the oil mill is indeed something very different from the labor expended in constructing the mill! By value, Mr. Roscher understands such stuff as "oil," because oil has value, notwithstanding that "Nature" produces petroleum, though relatively "in small quantities," a fact to which he seems to refer in his further observation: "It (Nature) produces scarcely any exchange-value." Mr. Roscher's "Nature" and the exchange-value it produces are rather like the foolish virgin who admitted indeed that she had had a child, but "it was such a little one." This "savant sérieux" in continuation remarks: "Ricardo's school is in the habit of including capital as accumulated labor under the head of labor. This is unskillful work, because, indeed, the owner of capital, after all, does something more than the merely creating and preserving of the same: namely, the abstention from the enjoyment of it, for which he demands, e.g., interest." (l.c.) How very "skillful" is this "anatomic-physiological method" of Political Economy, which, "indeed," converts a mere desire "after all" into a source of value.

because the labor he adds must be of a specific useful kind; and he cannot do work of a useful kind, without employing products as the means of production of a new product, and thereby transferring their value to the new product. The property therefore which labor-power in action, living labor, possesses of preserving value, at the same time that it adds it, is a gift of Nature which costs the laborer nothing, but which is very advantageous to the capitalist inasmuch as it preserves the existing value of his capital. [33] So long as trade is good, the capitalist is too much absorbed in money-grubbing to take notice of this gratuitous gift of labor. A violent interruption of the labor-process by a crisis, makes him sensitively aware of it. [34]

As regards the means of production, what is really consumed is their use-value, and the consumption of this use-value by labor results in the product. There is no consumption of their value, [35] and it would therefore be inaccurate to say that it is reproduced. It is rather preserved; not by reason of any operation it undergoes itself in the process; but because the article in which it originally exists, vanishes, it is true, but vanishes into some other article. Hence, in the value of the product, there is a reappearance of the value of the means of production, but there is, strictly speaking, no reproduction of that value. That which is produced is a new use-value in which the old exchange-value reappears. [36]

It is otherwise with the subjective factor of the labor-process, with labor-power in action. While the laborer, by virtue of his labor being of a specialized kind that has a special object, preserves and transfers to the product the value of the means of production, he at the same time, by the mere act of working, creates each instant an additional or new value. Suppose the process of production to be

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[33] "Of all the instruments of the farmers' trade, the labor of man ... is that on which he is most to rely for the repayment of his capital. The other two ... the working stock of the cattle and the ... carts, ploughs, spades, and so forth, without a given portion of the first, are nothing at all." (Edmund Burke: "Thoughts and Details on Scarcity, originally presented to the Right Hon. W. Pitt, in the month of November 1795," Edit. London, 1800, p. 10.)

[34] In The Times of 26th November, 1862, a manufacturer, whose mill employed 800 hands, and consumed, on the average, 150 bales of East Indian, or 130 bales of American cotton, complains, in doleful manner, of the standing expenses of his factory when not working. He estimates them at £6,000 a year. Among them are a number of items that do not concern us here, such as rent, rates, and taxes, insurance, salaries of the manager, book-keeper, engineer, and others. Then he reckons £150 for coal used to heat the mill occasionally, and run the engine now and then. Besides this, he includes the wages of the people employed at odd times to keep the machinery in working order. Lastly, he puts down £1,200 for depreciation of machinery, because "the weather and the natural principle of decay do not suspend their operations because the steam-engine ceases to revolve." He says, emphatically, he does not estimate his depreciation at more than the small sum of £1,200, because his machinery is already nearly worn out.

[35] "Productive consumption ... where the consumption of a commodity is a part of the process of production. ... In these instances, there is no consumption of value." (S. P. Newman, l.c., p. 296.)

[36] In an American compendium that has gone through, perhaps, 20 editions, this passage occurs: "It matters not in what form capital re-appears;" then after a lengthy enumeration of all the possible ingredients of production whose value re-appears in the product, the passage concludes thus: "The various kinds of food, clothing, and shelter, necessary for the existence and comfort of the human being, are also changed. They are consumed from time to time, and their value re-appears in that new vigor imparted to his body and mind, forming fresh capital, to be employed again in the work of production." (F. Wayland, l.c., pp. 31, 32.) Without noticing any other oddities, it suffices to observe, that what re-appears in the fresh vigor, is not the bread's price, but its blood forming substances. What, on the other hand, re-appears in the value of that vigor, is not the means of subsistence, but their value. The same necessaries of life, at half the price, would form just as much muscle and bone, just as much vigor, but not vigor of the same value. This confusion of "value" and "vigor" coupled with our author's pharisaical indefiniteness, mark an attempt, futile for all that, to thrash out an explanation of surplus-value from a mere re-appearance of pre-existing values.

stopped just when the workman has produced an equivalent for the value of his own labor-power, when, for example, by six hours' labor, he has added a value of three shillings. This value is the surplus, of the total value of the product, over the portion of its value that is due to the means of production. It is the only original bit of value formed during this process, the only portion of the value of the product created by this process. Of course, we do not forget that this new value only replaces the money advanced by the capitalist in the purchase of the labor-power, and spent by the laborer on the necessaries of life. With regard to the money spent, the new value is merely a reproduction; but nevertheless, it is an actual, and not, as in the case of the value of the means of production, only an apparent, reproduction. The substitution of one value for another, is here affected by the creation of new value.

We know, however, from what has gone before, that the labor-process may continue beyond the time necessary to reproduce and incorporate in the product a mere equivalent for the value of the labor-power. Instead of the six hours that are sufficient for the latter purpose, the process may continue for twelve hours. The action of labor-power, therefore, not only reproduces its own value, but produces value over and above it. This surplus-value is the difference between the value of the product and the value of the elements consumed in the formation of that product, in other words, of the means of production and the labor-power.

By our explanation of the different parts played by the various factors of the labor-process in the formation of the product's value, we have, in fact, disclosed the characters of the different functions allotted to the different elements of capital in the process of expanding its own value. The surplus of the total value of the product, over the sum of the values of its constituent factors, is the surplus of the expanded capital over the capital originally advanced. The means of production on the one hand, labor-power on the other, are merely the different modes of existence which the value of the original capital assumed when from being money it was transformed into the various factors of the labor-process. That part of capital then, which is represented by the means of production, by the raw material, auxiliary material and the instruments of labor does not, in the process of production, undergo any quantitative alteration of value. I therefore call it the constant part of capital, or, more shortly, *constant capital*.

On the other hand, that part of capital, represented by labor-power, does, in the process of production, undergo an alteration of value. It both reproduces the equivalent of its own value, and also produces an excess, a surplus-value, which may itself vary, may be more or less according to circumstances. This part of capital is continually being transformed from a constant into a variable magnitude. I therefore call it the variable part of capital, or, shortly, *variable capital*. The same elements of capital which, from the point of view of the labor-process, present themselves respectively as the objective and subjective factors, as means of production and labor-power, present themselves, from the point of view of the process of creating surplus-value, as constant and variable capital.

The definition of constant capital given above by no means excludes the possibility of a change of value in its elements. Suppose the price of cotton to be one day sixpence a pound, and the next day, in

consequence of a failure of the cotton crop, a shilling a pound. Each pound of the cotton bought at sixpence, and worked up after the rise in value, transfers to the product a value of one shilling; and the cotton already spun before the rise, and perhaps circulating in the market as yarn, likewise transfers to the product twice its original value. It is plain, however, that these changes of value are independent of the increment or surplus-value added to the value of the cotton by the spinning itself. If the old cotton had never been spun, it could, after the rise, be resold at a shilling a pound instead of at sixpence. Further, the fewer the processes the cotton has gone through, the more certain is this result. We therefore find that speculators make it a rule when such sudden changes in value occur, to speculate in that material on which the least possible quantity of labor has been spent: to speculate, therefore, in yarn rather than in cloth, in cotton itself, rather than in yarn. The change of value in the case we have been considering, originates, not in the process in which the cotton plays the part of a means of production, and in which it therefore functions as constant capital, but in the process in which the cotton itself is produced. The value of a commodity, it is true, is determined by the quantity of labor contained in it, but this quantity is itself limited by social conditions. If the time socially necessary for the production of any commodity alters — and a given weight of cotton represents, after a bad harvest, more labor than after a good one — all previously existing commodities of the same class are affected, because they are, as it were, only individuals of the species, [37] and their value at any given time is measured by the labor socially necessary, *i.e.*, by the labor necessary for their production under the then existing social conditions.

As the value of the raw material may change, so, too, may that of the instruments of labor, of the machinery, &c., employed in the process; and consequently, that portion of the value of the product transferred to it from them, may also change. If in consequence of a new invention, machinery of a particular kind can be produced by a diminished expenditure of labor, the old machinery becomes depreciated more or less, and consequently transfers so much less value to the product. But here again, the change in value originates outside the process in which the machine is acting as a means of production. Once engaged in this process, the machine cannot transfer more value than it possesses apart from the process.

Just as a change in the value of the means of production, even after they have commenced to take a part in the labor-process, does not alter their character as constant capital, so, too, a change in the proportion of constant to variable capital does not affect the respective functions of these two kinds of capital. The technical conditions of the labor-process may be revolutionized to such an extent, that where formerly ten men using ten implements of small value worked up a relatively small quantity of raw material, one man may now, with the aid of one expensive machine, work up one hundred times as much raw material. In the latter case we have an enormous increase in the constant capital, that is represented by the total value of the means of production used, and at the same time a great reduction in the variable capital, invested in labor-power. Such a revolution, however, alters only the quantitative

[37] "Toutes les productions d'un même genre ne forment proprement qu'une masse, dont le prix se détermine en général et sans égard aux circonstances particulières." (Le Trosne, l.c., p. 893.) ["Properly speaking, all products of the same kind form a single mass, and their price is determined in general and without regard to particular circumstances."]

relation between the constant and the variable capital, or the proportions in which the total capital is split up into its constant and variable constituents; it has not in the least degree affected the essential difference between the two.

Chapter Nine: The Rate of Surplus-Value

SECTION 1: THE DEGREE OF EXPLOITATION OF LABOR-POWER

The surplus-value generated in the process of production by C, the capital advanced, or in other words, the self-expansion of the value of the capital C, presents itself for our consideration, in the first place, as a surplus, as the amount by which the value of the product exceeds the value of its constituent elements.

The capital C is made up of two components, one, the sum of money c laid out upon the means of production, and the other, the sum of money v expended upon the labor-power; c represents the portion that has become constant capital, and v the portion that has become variable capital. At first then, C = c + v: for example, if £500 is the capital advanced, its components may be such that the £500 = £410 const. + £90 var. When the process of production is finished, we get a commodity whose value = (c + v) + s, where s is the surplus-value; or taking our former figures, the value of this commodity may be (£410 const. + £90 var.) + £90 surpl. The original capital has now changed from C to C', from £500 to £590. The difference is s or a surplus-value of £90. Since the value of the constituent elements of the product is equal to the value of the advanced capital, it is mere tautology to say, that the excess of the value of the product over the value of its constituent elements, is equal to the expansion of the capital advanced or to the surplus-value produced.

Nevertheless, we must examine this tautology a little more closely. The two things compared are, the value of the product and the value of its constituents consumed in the process of production. Now we have seen how that portion of the constant capital which consists of the instruments of labor, transfers to the production only a fraction of its value, while the remainder of that value continues to reside in those instruments. Since this remainder plays no part in the formation of value, we may at present leave it on one side. To introduce it into the calculation would make no difference. For instance, taking our former example, c = £410: suppose this sum to consist of £312 value of raw material, £44 value of auxiliary material, and £54 value of the machinery worn away in the process; and suppose that the total value of the machinery employed is £1,054. Out of this latter sum, then, we reckon as advanced for the purpose of turning out the product, the sum of £54 alone, which the machinery loses by wear and tear in the process; for this is all it parts with to the product. Now if we also reckon the remaining £1,000, which still continues in the machinery, as transferred to the product, we ought also to reckon it as part of the value advanced, and thus, make it appear on both sides of our calculation. [38] We should, in this way, get £1,500 on one side and £1,590 on the other. The difference of these two sums, or the surplus-value, would still be £90. Throughout this Book therefore, by constant capital

[38] "If we reckon the value of the fixed capital employed as a part of the advances, we must reckon the remaining value of such capital at the end of the year as a part of the annual returns." (Malthus, "Princ. of Pol. Econ." 2nd. ed., Lond., 1836, p. 269.)

advanced for the production of value, we always mean, unless the context is repugnant thereto, the value of the means of production actually consumed in the process, and that value alone.

This being so, let us return to the formula C = c + v, which we saw was transformed into C' = (c + v) + s, C becoming C'. We know that the value of the constant capital is transferred to, and merely re-appears in the product. The new value actually created in the process, the value produced, or value-product, is therefore not the same as the value of the product; it is not, as it would at first sight appear (c + v) + s or £410 const. + £90 var. + £90 surpl.; but v + s or £90 var. + £90 surpl., not £590 but £180. If c = 0, or in other words, if there were branches of industry in which the capitalist could dispense with all means of production made by previous labor, whether they be raw material, auxiliary material, or instruments of labor, employing only labor-power and materials supplied by Nature, in that case, there would be no constant capital to transfer to the product. This component of the value of the product, *i.e.*, the £410 in our example, would be eliminated, but the sum of £180, the amount of new value created, or the value produced, which contains £90 of surplus-value, would remain just as great as if c represented the highest value imaginable. We should have C = (0 + v) = v or C' the expanded capital = v + s and therefore C' - C = s as before. On the other hand, if s = 0, or in other words, if the labor-power, whose value is advanced in the form of variable capital, were to produce only its equivalent, we should have C = c + v or C' the value of the product = (c + v) + 0 or C = C'. The capital advanced would, in this case, not have expanded its value.

From what has gone before, we know that surplus-value is purely the result of a variation in the value of v, of that portion of the capital which is transformed into labor-power; consequently, v + s = v + v', or v plus an increment of v. But the fact that it is v alone that varies, and the conditions of that variation, are obscured by the circumstance that in consequence of the increase in the variable component of the capital, there is also an increase in the sum total of the advanced capital. It was originally £500 and becomes £590. Therefore, in order that our investigation may lead to accurate results, we must make abstraction from that portion of the value of the product, in which constant capital alone appears, and consequently must equate the constant capital to zero or make c = 0. This is merely an application of a mathematical rule, employed whenever we operate with constant and variable magnitudes, related to each other by the symbols of addition and subtraction only.

A further difficulty is caused by the original form of the variable capital. In our example, C' = £410 const. + £90 var. + £90 surpl.; but £90 is a given and therefore a constant quantity; hence it appears absurd to treat it as variable. But in fact, the term £90 var. is here merely a symbol to show that this value undergoes a process. The portion of the capital invested in the purchase of labor-power is a definite quantity of materialized labor, a constant value like the value of the labor-power purchased. But in the process of production the place of the £90 is taken by the labor-power in action, dead labor is replaced by living labor, something stagnant by something flowing, a constant by a variable. The result is the reproduction of v plus an increment of v. From the point of view then of capitalist production, the whole process appears as the spontaneous variation of the originally constant value, which is transformed into labor-power. Both the process and its result, appear to be owing to this value. If,

therefore, such expressions as "£90 variable capital," or "so much self-expanding value," appear contradictory, this is only because they bring to the surface a contradiction immanent in capitalist production.

At first sight it appears a strange proceeding, to equate the constant capital to zero. Yet it is what we do every day. If, for example, we wish to calculate the amount of England's profits from the cotton industry, we first of all deduct the sums paid for cotton to the United States, India, Egypt and other countries; in other words, the value of the capital that merely re-appears in the value of the product, is put = 0.

Of course, the ratio of surplus-value not only to that portion of the capital from which it immediately springs, and whose change of value it represents, but also to the sum total of the capital advanced is economically of very great importance. We shall, therefore, in the third book, treat of this ratio exhaustively. In order to enable one portion of a capital to expand its value by being converted into labor-power, it is necessary that another portion be converted into means of production. In order that variable capital may perform its function, constant capital must be advanced in proper proportion, a proportion given by the special technical conditions of each labor-process. The circumstance, however, that retorts and other vessels, are necessary to a chemical process, does not compel the chemist to notice them in the result of his analysis. If we look at the means of production, in their relation to the creation of value, and to the variation in the quantity of value, apart from anything else, they appear simply as the material in which labor-power, the value-creator, incorporates itself. Neither the nature, nor the value of this material is of any importance. The only requisite is that there be a sufficient supply to absorb the labor expended in the process of production. That supply once given, the material may rise or fall in value, or even be, as land and the sea, without any value in itself; but this will have no influence on the creation of value or on the variation in the quantity of value. [39]

In the first place then we equate the constant capital to zero. The capital advanced is consequently reduced from c + v to v, and instead of the value of the product (c + v) + s we have now the value produced (v + s). Given the new value produced = £180, which sum consequently represents the whole labor expended during the process, then subtracting from it £90 the value of the variable capital, we have remaining £90, the amount of the surplus-value. This sum of £90 or s expresses the absolute quantity of surplus-value produced. The relative quantity produced, or the increase per cent of the variable capital, is determined, it is plain, by the ratio of the surplus-value to the variable capital, or is expressed by s/v. In our example this ratio is 90/90, which gives an increase of 100%. This relative

[39] hat Lucretius says is self-evident; "nil posse creari de nihilo," out of nothing, nothing can be created. Creation of value is transformation of labor-power into labor. Labor-power itself is energy transferred to a human organism by means of nourishing matter.

increase in the value of the variable capital, or the relative magnitude of the surplus-value, I call, "The rate of surplus-value." [40]

We have seen that the laborer, during one portion of the labor-process, produces only the value of his labor-power, that is, the value of his means of subsistence. Now since his work forms part of a system, based on the social division of labor, he does not directly produce the actual necessaries which he himself consumes; he produces instead a particular commodity, yarn for example, whose value is equal to the value of those necessaries or of the money with which they can be bought. The portion of his day's labor devoted to this purpose, will be greater or less, in proportion to the value of the necessaries that he daily requires on an average, or, what amounts to the same thing, in proportion to the labor-time required on an average to produce them. If the value of those necessaries represents on an average the expenditure of six hours' labor, the workman must on an average work for six hours to produce that value. If instead of working for the capitalist, he worked independently on his own account, he would, other things being equal, still be obliged to labor for the same number of hours, in order to produce the value of his labor-power, and thereby to gain the means of subsistence necessary for his conservation or continued reproduction. But as we have seen, during that portion of his day's labor in which he produces the value of his labor-power, say three shillings, he produces only an equivalent for the value of his labor-power already advanced [41] by the capitalist; the new value created only replaces the variable capital advanced. It is owing to this fact, that the production of the new value of three shillings takes the semblance of a mere reproduction. That portion of the working-day, then, during which this reproduction takes place, I call "*necessary*" labor time, and the labor expended during that time I call "*necessary*" labor. [42] Necessary, as regards the laborer, because independent of the particular social form of his labor; necessary, as regards capital, and the world of capitalists, because on the continued existence of the laborer depends their existence also.

During the second period of the labor-process, that in which his labor is no longer necessary labor, the workman, it is true, labors, expends labor-power; but his labor, being no longer necessary labor, he creates no value for himself. He creates surplus-value which, for the capitalist, has all the charms of a creation out of nothing. This portion of the working-day, I name surplus labor-time, and to the labor expended during that time, I give the name of surplus-labor. It is every bit as important, for a correct understanding of surplus-value, to conceive it as a mere congelation of surplus labor-time, as nothing but materialized surplus-labor, as it is, for a proper comprehension of value, to conceive it as a

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[40] In the same way that the English use the terms "rate of profit," "rate of interest." We shall see, in Book III, that the rate of profit is no mystery, so soon as we know the laws of surplus-value. If we reverse the process, we cannot comprehend either the one or the other.

[41] Note added in the 3rd German edition. — The author resorts here to the economic language in current use. It will be remembered that on p. 182 (present edition, p. 174) it was shown that in reality the laborer "advances" to the capitalist and not the capitalist to the laborer. — F. E.

[42] In this work, we have, up to now, employed the term "necessary labor-time," to designate the time necessary under given social conditions for the production of any commodity. Henceforward we use it to designate also the time necessary for the production of the particular commodity labor-power. The use of one and the same technical term in different senses is inconvenient, but in no science can it be altogether avoided. Compare, for instance, the higher with the lower branches of mathematics.

mere congelation of so many hours of labor, as nothing but materialized labor. The essential difference between the various economic forms of society, between, for instance, a society based on slave-labor, and one based on wage-labor, lies only in the mode in which this surplus-labor is in each case extracted from the actual producer, the laborer. [43]

Since, on the one hand, the values of the variable capital and of the labor-power purchased by that capital are equal, and the value of this labor-power determines the necessary portion of the working-day; and since, on the other hand, the surplus-value is determined by the surplus portion of the working-day, it follows that surplus-value bears the same ratio to variable capital, that surplus-labor does to necessary labor, or in other words, the rate of surplus-value, s/v = (surplus labor)/(necessary labor). Both ratios, s/v and (surplus labor)/(necessary labor), express the same thing in different ways; in the one case by reference to materialized, incorporated labor, in the other by reference to living, fluent labor.

The rate of surplus-value is therefore an exact expression for the degree of exploitation of labor-power by capital, or of the laborer by the capitalist. [44]

We assumed in our example, that the value of the product = £410 const. + £90 var. + £90 surpl., and that the capital advanced = £500. Since the surplus-value = £90, and the advanced capital = £500, we should, according to the usual way of reckoning, get as the rate of surplus-value (generally confounded with rate of profits) 18%, a rate so low as possibly to cause a pleasant surprise to Mr. Carey and other harmonizers. But in truth, the rate of surplus-value is not equal to s/C or s/(c+v), but to s/v: thus, it is not 90/500 but 90/90 or 100%, which is more than five times the apparent degree of exploitation. Although, in the case we have supposed, we are ignorant of the actual length of the working-day, and of the duration in days or weeks of the labor-process, as also of the number of laborers employed, yet the rate of surplus-value s/v accurately discloses to us, by means of its equivalent expression, surplus-labor/necessary labor the relation between the two parts of the working-day. This relation is here one of equality, the rate being 100%. Hence, it is plain, the laborer, in our example, works one half of the day for himself, the other half for the capitalist.

The method of calculating the rate of surplus-value is therefore, shortly, as follows. We take the total value of the product and put the constant capital which merely re-appears in it, equal to zero.

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[43] Herr Wilhelm Thucydides Roscher has found a mare's nest. He has made the important discovery that if, on the one hand, the formation of surplus-value, or surplus-produce, and the consequent accumulation of capital, is now-a-days due to the thrift of the capitalist, on the other hand, in the lowest stages of civilization it is the strong who compel the weak to economize. (l.c., p. 78.) To economies what? Labor? Or superfluous wealth that does not exist? What is it that makes such men as Roscher account for the origin of surplus-value, by a mere réchauffé of the more or less plausible excuses by the capitalist, for his appropriation of surplus-value? It is, besides their real ignorance, their apologetic dread of a scientific analysis of value and surplus-value, and of obtaining a result, possibly not altogether palatable to the powers that be.

[44] Although the rate of surplus-value is an exact expression for the degree of exploitation of labor-power, it is, in no sense, an expression for the absolute amount of exploitation. For example, if the necessary labor = 5 hours and the surplus-labor = 5 hours, the degree of exploitation is 100%. The amount of exploitation is here measured by 5 hours. If, on the other hand, the necessary labor = 6 hours and the surplus-labor = 6 hours, the degree of exploitation remains, as before, 100%, while the actual amount of exploitation has increased 20%, namely from five hours to six.

What remains, is the only value that has, in the process of producing the commodity, been actually created. If the amount of surplus-value be given, we have only to deduct it from this remainder, to find the variable capital. And *vice versâ,* if the latter be given, and we require to find the surplus-value. If both be given, we have only to perform the concluding operation, viz., to calculate s/v, the ratio of the surplus-value to the variable capital.

Though the method is so simple, yet it may not be amiss, by means of a few examples, to exercise the reader in the application of the novel principles underlying it.

First, we will take the case of a spinning mill containing 10,000 mule spindles, spinning No. 32 yarn from American cotton, and producing 1 lb. of yarn weekly per spindle. We assume the waste to be 6%: under these circumstances 10,600 lbs. of cotton are consumed weekly, of which 600 lbs. go to waste. The price of the cotton in April, 1871, was 7¾d. per lb.; the raw material therefore costs in round numbers £342. The 10,000 spindles, including preparation-machinery, and motive power, cost, we will assume, £1 per spindle, amounting to a total of £10,000. The wear and tear we put at 10%, or £1,000 yearly = £20 weekly. The rent of the building we suppose to be £300 a year, or £6 a week. Coal consumed (for 100 horse-power indicated, at 4 lbs. of coal per horse-power per hour during 60 hours, and inclusive of that consumed in heating the mill), 11 tons a week at 8s. 6d. a ton, amounts to about £4½ a week: gas, £1 a week, oil, &c., £4½ a week. Total cost of the above auxiliary materials, £10 weekly. Therefore, the constant portion of the value of the week's product is £378. Wages amount to £52 a week. The price of the yarn is 12¼d. per. lb. which gives for the value of 10,000 lbs. the sum of £510. The surplus-value is therefore in this case £510 - £430 = £80. We put the constant part of the value of the product = 0, as it plays no part in the creation of value. There remains £132 as the weekly value created, which = £52 var. + £80 surpl. The rate of surplus-value is therefore 80/52 = 153 11/13%. In a working-day of 10 hours with average labor the result is: necessary labor = 3 31/33 hours, and surplus-labor = 6 2/33. [45]

One more example. Jacob gives the following calculation for the year 1815. Owing to the previous adjustment of several items it is very imperfect; nevertheless, for our purpose it is sufficient. In it he assumes the price of wheat to be 8s. a quarter, and the average yield per acre to be 22 bushels.

VALUE PRODUCED PER ACRE			
Seed	£1 9s. 0d.	**Tithes, Rates, and taxes**,	£1 1s. 0d.
Manure	£2 10s. 0d.	**Rent**	£1 8s. 0d.
Wages	£3 10s. 0d.	**Farmer's Profit and Interest**	£1 2s. 0d.

[45] The above data, which may be relied upon, were given me by a Manchester spinner. In England the horse-power of an engine was formerly calculated from the diameter of its cylinder, now the actual horse-power shown by the indicator is taken.

TOTAL	£7 9s. 0d.	**TOTAL**	£3 11s 0d.

Assuming that the price of the product is the same as its value, we here find the surplus-value distributed under the various heads of profit, interest, rent, &c. We have nothing to do with these in detail; we simply add them together, and the sum is a surplus-value of £3 11s. 0d. The sum of £3 19s. 0d., paid for seed and manure, is constant capital, and we put it equal to zero. There is left the sum of £3 10s. 0d., which is the variable capital advanced: and we see that a new value of £3 10s. 0d + £3 11s. 0d. has been produced in its place. Therefore s/v = £3 11s. 0d. / £3 10s. 0d., giving a rate of surplus-value of more than 100%. The laborer employs more than one half of his working-day in producing the surplus-value, which different persons, under different pretexts, share amongst themselves. [46]

SECTION 2: THE REPRESENTATION OF THE COMPONENTS OF THE VALUE OF THE PRODUCT BY CORRESPONDING PROPORTIONAL PARTS OF THE PRODUCT ITSELF

Let us now return to the example by which we were shown how the capitalist converts money into capital.

The product of a working-day of 12 hours is 20 lbs. of yarn, having a value of 30s. No less than 8/10ths of this value, or 24s., is due to mere re-appearance in it, of the value of the means of production (20 lbs. of cotton, value 20s., and spindle worn away, 4s.): it is therefore constant capital. The remaining 2/10ths or 6s. is the new value created during the spinning process: of this one half replaces the value of the day's labor-power, or the variable capital, the remaining half constitutes a surplus-value of 3s. The total value then of the 20 lbs. of yarn is made up as follows:

30s. value of yarn = 24s. const. + 3s. var. + 3s. surpl.

Since the whole of this value is contained in the 20 lbs. of yarn produced, it follows that the various component parts of this value, can be represented as being contained respectively in corresponding parts of the product.

If the value of 30s. is contained in 20 lbs. of yarn, then 8/10ths of this value, or the 24s. that form its constant part, is contained in 8/10ths of the product or in 16 lbs. of yarn. Of the latter 13 1/3 lbs. represent the value of the raw material, the 20s. worth of cotton spun, and 2 2/3 lbs. represent the 4s. worth of spindle, &c., worn away in the process.

Hence the whole of the cotton used up in spinning the 20 lbs. of yarn, is represented by 13 1/3 lbs. of yarn. This latter weight of yarn contains, it is true, by weight, no more than 13 1/3 lbs. of cotton, worth 13 1/3 shillings; but the 6 2/3 shillings additional value contained in it, are the equivalent for the cotton consumed in spinning the remaining 6 2/3 lbs. of yarn. The effect is the same as if these 6 2/3 lbs. of yarn contained no cotton at all, and the whole 20 lbs. of cotton were concentrated in the 13 1/3

[46] The calculations given in the text are intended merely as illustrations. We have in fact. assumed that prices = values. We shall, however, see, in Book III., that even in the case of average prices the assumption cannot be made in this very simple manner.

lbs. of yarn. The latter weight, on the other hand, does not contain an atom either of the value of the auxiliary materials and implements, or of the value newly created in the process.

In the same way, the 2 2/3 lbs. of yarn, in which the 4s., the remainder of the constant capital, is embodied, represents nothing but the value of the auxiliary materials and instruments of labor consumed in producing the 20 lbs. of yarn.

We have, therefore, arrived at this result: although eight-tenths of the product, or 16 lbs. of yarn, is, in its character of an article of utility, just as much the fabric of the spinner's labor, as the remainder of the same product, yet when viewed in this connexon, it does not contain, and has not absorbed any labor expended during the process of spinning. It is just as if the cotton had converted itself into yarn, without help; as if the shape it had assumed was mere trickery and deceit: for so soon as our capitalist sells it for 24s., and with the money replaces his means of production, it becomes evident that this 16 lbs. of yarn is nothing more than so much cotton and spindle-waste in disguise.

On the other hand, the remaining 2/10ths of the product, or 4 lbs. of yarn, represent nothing but the new value of 6s., created during the 12 hours' spinning process. All the value transferred to those 4 lbs., from the raw material and instruments of labor consumed, was, so to say, intercepted in order to be incorporated in the 16 lbs. first spun. In this case, it is as if the spinner had spun 4 lbs. of yarn out of air, or, as if he had spun them with the aid of cotton and spindles, that, being the spontaneous gift of Nature, transferred no value to the product.

Of this 4 lbs. of yarn, in which the whole of the value newly created during the process, is condensed, one half represents the equivalent for the value of the labor consumed, or the 3s. variable capital, the other half represents the 3s. surplus-value.

For 12 working-hours of the spinner are embodied in 6s., it follows that in yarn of the value of 30s., there must be embodied 60 working-hours. And this quantity of labor-time does in fact exist in the 20 lbs. of yarn; for in 8/10ths or 16 lbs. there are materialized the 48 hours of labor expended, before the commencement of the spinning process, on the means of production; and in the remaining 2/10ths or 4 lbs. there are materialized the 12 hours' work done during the process itself.

On a former page we saw that the value of the yarn is equal to the sum of the new value created during the production of that yarn plus the value previously existing in the means of production.

It has now been shown how the various component parts of the value of the product, parts that differ functionally from each other, may be represented by corresponding proportional parts of the product itself.

To split up in this manner the product into different parts, of which one represents only the labor previously spent on the means of production, or the constant capital, another, only the necessary labor spent during the process of production, or the variable capital, and another and last part, only the surplus-labor expended during the same process, or the surplus-value; to do this, is, as will be seen

later on from its application to complicated and hitherto unsolved problems, no less important than it is simple.

In the preceding investigation we have treated the total product as the final result, ready for use, of a working-day of 12 hours. We can however follow this total product through all the stages of its production; and in this way we shall arrive at the same result as before, if we represent the partial products, given off at the different stages, as functionally different parts of the final or total product.

The spinner produces in 12 hours 20 lbs. of yarn, or in 1 hour 1⅔ lbs.; consequently, he produces in 8 hours 13⅔ lbs., or a partial product equal in value to all the cotton that is spun in a whole day. In like manner the partial product of the next period of 1 hour and 36 minutes, is 2⅔ lbs. of yarn: this represents the value of the instruments of labor that are consumed in 12 hours. In the following hour and 12 minutes, the spinner produces 2 lbs. of yarn worth 3 shillings, a value equal to the whole value he creates in his 6 hours' necessary labor. Finally, in the last hour and 12 minutes he produces another 2 lbs. of yarn, whose value is equal to the surplus-value, created by his surplus-labor during half a day. This method of calculation serves the English manufacturer for every-day use; it shows, he will say, that in the first 8 hours, or ⅔ of the working-day, he gets back the value of his cotton; and so on for the remaining hours. It is also a perfectly correct method: being in fact the first method given above with this difference, that instead of being applied to space, in which the different parts of the completed product lie side by side, it deals with time, in which those parts are successively produced. But it can also be accompanied by very barbarian notions, more especially in the heads of those who are as much interested, practically, in the process of making value beget value, as they are in misunderstanding that process theoretically. Such people may get the notion into their heads, that our spinner, for example, produces or replaces in the first 8 hours of his working-day the *value* of the cotton; in the following hour and 36 minutes the *value* of the instruments of labor worn away; in the next hour and 12 minutes the *value* of the wages; and that he devotes to the production of surplus-value for the manufacturer, only that well known "last hour." In this way the poor spinner is made to perform the two-fold miracle not only of producing cotton, spindles, steam-engine, coal, oil, &c., at the same time that he spins with them, but also of turning one working-day into five; for, in the example we are considering, the production of the raw material and instruments of labor demands four working-days of twelve hours each, and their conversion into yarn requires another such day. That the love of lucre induces an easy belief in such miracles, and that sycophant doctrinaires are never wanting to prove them, is vouched for by the following incident of historical celebrity.

SECTION 3: SENIOR'S "LAST HOUR"

One fine morning, in the year 1836, Nassau W. Senior, who may be called the bel-esprit of English economists, well known, alike for his economic "science," and for his beautiful style, was summoned from Oxford to Manchester, to learn in the latter place, the Political Economy that he taught in the former. The manufacturers elected him as their champion, not only against the newly passed Factory Act, but against the still more menacing Ten-hours' agitation. With their usual practical acuteness, they had found out that the learned Professor "wanted a good deal of finishing;" it was this

discovery that caused them to write for him. On his side the Professor has embodied the lecture he received from the Manchester manufacturers, in a pamphlet, entitled: "Letters on the Factory Act, as it affects the cotton manufacture." London, 1837. Here we find, amongst others, the following edifying passage:

"Under the present law, no mill in which persons under 18 years of age are employed, ... can be worked more than 11½ hours a day, that is, 12 hours for 5 days in the week, and nine on Saturday.

"Now the following analysis (!) will show that in a mill so worked, the whole net profit is derived *from the last hour*. I will suppose a manufacturer to invest £100,000: — £80,000 in his mill and machinery, and £20,000 in raw material and wages. The annual return of that mill, supposing the capital to be turned once a year, and gross profits to be 15 per cent., ought to be goods worth £115,000.... Of this £115,000, each of the twenty-three half-hours of work produces 5-115ths or one twenty-third. Of these 23-23rds (constituting the whole £115,000) twenty, that is to say £100,000 out of the £115,000, simply replace the capital; — one twenty-third (or £5,000 out of the £115,000) makes up for the deterioration of the mill and machinery. The remaining 2-23rds, that is, the last two of the twenty-three half-hours of every day, produce the net profit of 10 per cent. If, therefore (prices remaining the same), the factory could be kept at work thirteen hours instead of eleven and a half, with an addition of about £2,600 to the circulating capital, the net profit would be more than doubled. On the other hand, if the hours of working were reduced by one hour per day (prices remaining the same), the *net* profit would be destroyed — if they were reduced by one hour and a half, even the *gross* profit would be destroyed." [47]

And the Professor calls this an "analysis!" If, giving credence to the out-cries of the manufacturers, he believed that the workmen spend the best part of the day in the production, i.e., the reproduction or replacement of the value of the buildings, machinery, cotton, coal, &c., then his analysis was superfluous. His answer would simply have been: — Gentlemen! if you work your mills for 10 hours instead of 11½, then, other things being equal, the daily consumption of cotton, machinery, &c., will decrease in proportion. You gain just as much as you lose. Your work-people will in future

[47] Senior, l.c., pp. 12, 13. We let pass such extraordinary notions as are of no importance for our purpose; for instance, the assertion, that manufacturers reckon as part of their profit, gross or net, the amount required to make good wear and tear of machinery, or in other words, to replace a part of the capital. So, too, we pass over any question as to the accuracy of his figures. Leonard Horner has shown in "A Letter to Mr. Senior," &c., London, 1837, that they are worth no more than so-called "Analysis." Leonard Horner was one of the Factory Inquiry Commissioners in 1833, and Inspector, or rather Censor of Factories till 1859. He rendered undying service to the English working-class. He carried on a life-long contest, not only with the embittered manufacturers, but also with the Cabinet, to whom the number of votes given by the masters in the Lower House, was a matter of far greater importance than the number of hours worked by the "hands" in the mills.

Apart from efforts in principle, Senior's statement is confused. What he really intended to say was this: The manufacturer employs the workman for 11½ hours or for 23 half-hours daily. As the working-day, so, too, the working year, may be conceived to consist of 11½ hours or 23 half-hours, but each multiplied by the number of working-days in the year. On this supposition, the 23 half-hours yield an annual product of £115,000; one half-hour yields 1/23 × £115,000; 20 half-hours yield 20/23 × £115,000 = £100,000, i.e., they replace no more than the capital advanced. There remain 3 half-hours, which yield 3/23 × £115,000 = £5,000 or the gross profit. Of these 3 half-hours, one yields 1/23 × £115,000 = £15,000; i.e., it makes up for the wear and tear of the machinery; the remaining 2 half-hours, i.e., the last hour, yield 2/23 × £115,000 = £10,000 or the net profit. In the text Senior converts the last 2/23 of the product into portions of the working-day itself.

spend one hour and a half less time in reproducing or replacing the capital that has been advanced. — If, on the other hand, he did not believe them without further inquiry, but, as being an expert in such matters, deemed an analysis necessary, then he ought, in a question that is concerned exclusively with the relations of net profit to the length of the working-day, before all things to have asked the manufacturers, to be careful not to lump together machinery, workshops, raw material, and labor, but to be good enough to place the constant capital, invested in buildings, machinery, raw material, &c., on one side of the account, and the capital advanced in wages on the other side. If the Professor then found, that in accordance with the calculation of the manufacturers, the workman reproduced or replaced his wages in 2 half-hours, in that case, he should have continued his analysis thus:

According to your figures, the workman in the last hour but one produces his wages, and in the last hour your surplus-value or net profit. Now, since in equal periods he produces equal values, the produce of the last hour but one, must have the same value as that of the last hour. Further, it is only while he labors that he produces any value at all, and the amount of his labor is measured by his labor-time. This you say, amounts to 11½ hours a day. He employs one portion of these 11½ hours, in producing or replacing his wages, and the remaining portion in producing your net profit. Beyond this he does absolutely nothing. But since, on your assumption, his wages, and the surplus-value he yields, are of equal value, it is clear that he produces his wages in 5¾ hours, and your net profit in the other 5¾ hours. Again, since the value of the yarn produced in 2 hours, is equal to the sum of the values of his wages and of your net profit, the measure of the value of this yarn must be 11½ working-hours, of which 5¾ hours measure the value of the yarn produced in the last hour but one, and 5¾, the value of the yarn produced in the last hour. We now come to a ticklish point; therefore, attention! The last working-hour but one is, like the first, an ordinary working-hour, neither more nor less. How then can the spinner produce in one hour, in the shape of yarn, a value that embodies 5¾ hours' labor? The truth is that he performs no such miracle. The use-value produced by him in one hour, is a definite quantity of yarn. The value of this yarn is measured by 5¾ working-hours, of which 4¾ were, without any assistance from him, previously embodied in the means of production, in the cotton, the machinery, and so on; the remaining one hour alone is added by him. Therefore, since his wages are produced in 5¾ hours, and the yarn produced in one hour also contains 5¾ hours' work, there is no witchcraft in the result, that the value created by his 5¾ hours' spinning, is equal to the value of the product spun in one hour. You are altogether on the wrong track, if you think that he loses a single moment of his working-day, in reproducing or replacing the values of the cotton, the machinery, and so on. On the contrary, it is because his labor converts the cotton and spindles into yarn, because he spins, that the values of the cotton and spindles go over to the yarn of their own accord. This result is owing to the quality of his labor, not to its quantity. It is true, he will in one hour transfer to the yarn more value, in the shape of cotton, than he will in half an hour; but that is only because in one hour he spins up more cotton than in half an hour. You see then, your assertion, that the workman produces, in the last hour but one, the value of his wages, and in the last hour your net profit, amounts to no more than this, that in the yarn produced by him in 2 working-hours, whether they are the 2 first or the 2 last hours of the working-day, in that yarn, there are incorporated 11½ working-hours, or just a whole day's work, *i.e.*,

two hours of his own work and 9½ hours of other people's. And my assertion that, in the first 5¾ hours, he produces his wages, and in the last 5¾ hours your net profit, amounts only to this, that you pay him for the former, but not for the latter. In speaking of payment of labor, instead of payment of labor-power, I only talk your own slang. Now, gentlemen, if you compare the working-time you pay for, with that which you do not pay for, you will find that they are to one another, as half a day is to half a day; this gives a rate of 100%, and a very pretty percentage it is. Further, there is not the least doubt, that if you make your "hands" toil for 13 hours, instead of 11½, and, as may be expected from you, treat the work done in that extra one hour and a half, as pure surplus-labor, then the latter will be increased from 5¾ hours' labor to 7¼ hours' labor, and the rate of surplus-value from 100% to 126 2/23%. So that you are altogether too sanguine, in expecting that by such an addition of 1½ hours to the working-day, the rate will rise from 100% to 200% and more, in other words that it will be "more than doubled." On the other hand — man's heart is a wonderful thing, especially when carried in the purse — you take too pessimist a view, when you fear, that with a reduction of the hours of labor from 11½ to 10, the whole of your net profit will go to the dogs. Not at all. All other conditions remaining the same, the surplus-labor will fall from 5¾ hours to 4¾ hours, a period that still gives a very profitable rate of surplus-value, namely 82 14/23%. But this dreadful "last hour," about which you have invented more stories than have the millenarians about the day of judgment, is "all bosh." If it goes, it will cost neither you, your net profit, nor the boys and girls whom you employ, their "purity of mind." [48]Whenever your "last hour" strikes in earnest, think of the Oxford Professor. And now, gentlemen, "farewell, and may we meet again in yonder better world, but not before."

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[48] If, on the one hand, Senior proved that the net profit of the manufacturer, the existence of the English cotton industry, and England's command of the markets of the world, depend on "the last working-hour," on the other hand, Dr. Andrew Ure showed, that if children and young persons under 18 years of age, instead of being kept the full 12 hours in the warm and pure moral atmosphere of the factory, are turned out an hour sooner into the heartless and frivolous outer world, they will be deprived, by idleness and vice, of all hope of salvation for their souls. Since 1848, the factory inspectors have never tired of twitting the masters with this "last," this "fatal hour." Thus Mr. Hovell in his report of the 21st May, 1855: "Had the following ingenious calculation (he quotes Senior) been correct, every cotton factory in the United Kingdom would have been working at a loss since the year 1850." (Reports of the Insp. of Fact., for the half-year, ending 30th April, 1855, pp. 19, 20.) In the year 1848, after the passing of the 10 hours' bill, the masters of some flax spinning mills, scattered, few and far between, over the country on the borders of Dorset and Somerset, foisted a petition against the bill on to the shoulders of a few of their work-people. One of the clauses of this petition is as follows: "Your petitioners, as parents, conceive that an additional hour of leisure will tend more to demoralize the children than otherwise, believing that idleness is the parent of vice." On this the factory report of 31st Oct., 1848, says: The atmosphere of the flax mills, in which the children of these virtuous and tender parents work, is so loaded with dust and fiber from the raw material, that it is exceptionally unpleasant to stand even 10 minutes in the spinning rooms: for you are unable to do so without the most painful sensation, owing to the eyes, the ears, the nostrils, and mouth, being immediately filled by the clouds of flax dust from which there is no escape. The labor itself, owing to the feverish haste of the machinery, demands unceasing application of skill and movement, under the control of a watchfulness that never tires, and it seems somewhat hard, to let parents apply the term "idling" to their own children, who, after allowing for meal-times, are fettered for 10 whole hours to such an occupation, in such an atmosphere.... These children work longer than the laborers in the neighboring villages.... Such cruel talk about "idleness and vice" ought to be branded as the purest cant, and the most shameless hypocrisy.... That portion of the public, who, about 12 years ago, were struck by the assurance with which, under the sanction of high authority, it was publicly and most earnestly proclaimed, that the whole net profit of the manufacturer flows from the labor of the last hour, and that, therefore, the reduction of the working-day by one hour, would destroy his net profit, that portion of the public, we say, will hardly believe its own eyes, when it now finds, that the original discovery of the virtues of "the last hour" has since been so far improved, as to include

Senior invented the battle cry of the "last hour" in 1836. [49] In the London *Economist* of the 15th April, 1848, the same cry was again raised by James Wilson, an economic mandarin of high standing: this time in opposition to the 10 hours' bill.

SECTION 4: SURPLUS-PRODUCE

The portion of the product that represents the surplus-value, (one tenth of the 20 lbs., or 2 lbs. of yarn, in the example given in Sec. 2) we call "surplus-produce." Just as the rate of surplus-value is determined by its relation, not to the sum total of the capital, but to its variable part; in like manner, the relative quantity of surplus-produce is determined by the ratio that this produce bears, not to the remaining part of the total product, but to that part of it in which is incorporated the necessary labor. Since the production of surplus-value is the chief end and aim of capitalist production, it is clear, that the greatness of a man's or a nation's wealth should be measured, not by the absolute quantity produced, but by the relative magnitude of the surplus-produce. [50]

The sum of the necessary labor and the surplus-labor, *i.e.*, of the periods of time during which the workman replaces the value of his labor-power, and produces the surplus-value, this sum constitutes the actual time during which he works, *i.e.*, the working-day.

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morals as well as profit; so that, if the duration of the labor of children, is reduced to a full 10 hours, their morals, together with the net profits of their employers, will vanish, both being dependent on this last, this fatal hour. (See Repts., Insp. of Fact., for 31st Oct., 1848, p. 101.) The same report then gives some examples of the morality and virtue of these same pure-minded manufacturers, of the tricks, the artifices, the cajoling, the threats, and the falsifications, they made use of, in order, first, to compel a few defenseless workmen to sign petitions of such a kind, and then to impose them upon Parliament as the petitions of a whole branch of industry, or a whole country. It is highly characteristic of the present status of so-called economic science, that neither Senior himself, who, at a later period, to his honor be it said, energetically supported the factory legislation, nor his opponents, from first to last, have ever been able to explain the false conclusions of the "original discovery." They appeal to actual experience, but the why and wherefore remains a mystery.

[49] Nevertheless, the learned professor was not without some benefit from his journey to Manchester. In the "Letters on the Factory Act," he makes the whole net gains including "profit" and "interests" and even "something more," depend upon a single unpaid hour's work of the laborer. One year previously, in his "Outlines of Political Economy," written for the instruction of Oxford students and cultivated Philistines, he had also "discovered, in opposition to Ricardo's determination of value by labor, that profit is derived from the labor of the capitalist, and interest from his asceticism, in other words, from his abstinence." The dodge was an old one, but the word "abstinence" was new. Herr Roscher translates it rightly by "Enthaltung." Some of his countrymen, the Browns, Jones, and Robinsons, of Germany, not so well versed in Latin as he, have, monk-like, rendered it by "Entsagung" (renunciation).

[50] "To an individual with a capital of £20,000, whose profits were £2,000 per annum, it would be a matter quite indifferent whether his capital would employ 100 or 1,000 men, whether the commodity produced sold for £10,000 or £20,000, provided, in all cases, his profit were not diminished below £2,000. Is not the real interest of the nation similar? Provided its net real income, its rent and profits, be the same, it is of no importance whether the nation consists of 10 or of 12 million of inhabitants." (Ric. l.c.,.p. 416.) Long before Ricardo, Arthur Young, a fanatical upholder of surplus-produce, for the rest, a rambling, uncritical writer, whose reputation is in the inverse ratio of his merit, says, "Of what use, in a modern kingdom, would be a whole province thus divided [in the old Roman manner, by small independent peasants], however well cultivated, except for the mere purpose of breeding men, which taken singly is a most useless purpose?" (Arthur Young: "Political Arithmetic, &c." London, 1774, p. 47.)

Very curious is "the strong inclination... to represent net wealth as beneficial to the laboring class... though it is evidently not on account of being net." (Th . Hopkins, "On Rent of Land, &c." London, 1828, p. 126.)

SECTION 1: THE LIMITS OF THE WORKING-DAY

We started with the supposition that labor-power is bought and sold at its value. Its value, like that of all other commodities, is determined by the working-time necessary to its production. If the production of the average daily means of subsistence of the laborer takes up 6 hours, he must work, on the average, 6 hours every day, to produce his daily labor-power, or to reproduce the value received as the result of its sale. The necessary part of his working-day amounts to 6 hours, and is, therefore, *caeteris paribus* [other things being equal], a given quantity. But with this, the extent of the working-day itself is not yet given.

Let us assume that the line A–––B represents the length of the necessary working-time, say 6 hours. If the labor be prolonged 1, 3, or 6 hours beyond A––B, we have 3 other lines:

Working-day I.	Working-day II.	Working-day III.
A–––B–C.	A–––B––C.	A–––B–––C.

representing 3 different working-days of 7, 9, and 12 hours. The extension B––C of the line A––B represents the length of the surplus-labor. As the working-day is A––B + B––C or A––C, it varies with the variable quantity B––C. Since A––B is constant, the ratio of B––C to A––B can always be calculated. In working-day I, it is 1/6, in working-day II, 3/6, in working day III 6/6 of A––B. Since further the ratio (surplus working-time)/(necessary working-time), determines the rate of the surplus-value, the latter is given by the ratio of B––C to A––B. It amounts in the 3 different working-days respectively to 16 2/3, 50 and 100 per cent. On the other hand, the rate of surplus-value alone would not give us the extent of the working-day. If this rate, *e.g.*, were 100 per cent., the working-day might be of 8, 10, 12, or more hours. It would indicate that the 2 constituent parts of the working-day, necessary-labor and surplus-labor time, were equal in extent, but not how long each of these two constituent parts was.

The working-day is thus not a constant, but a variable quantity. One of its parts, certainly, is determined by the working-time required for the reproduction of the labor-power of the laborer himself. But its total amount varies with the duration of the surplus-labor. The working-day is, therefore, determinable, but is, *per se*, indeterminate. [51]

Although the working-day is not a fixed, but a fluent quantity, it can, on the other hand, only vary within certain limits. The minimum limit is, however, not determinable; of course, if we make the extension line B––C or the surplus-labor = 0, we have a minimum limit, *i.e.*, the part of the day which the laborer must necessarily work for his own maintenance. On the basis of capitalist production, however, this necessary labor can form a part only of the working-day; the working-day itself can never be reduced to this minimum. On the other hand, the working-day has a maximum limit. It

[51] "A day's labor is vague; it may be long or short." ("An Essay on Trade and Commerce, Containing Observations on Taxes, &c." London. 1770, p. 73.)

cannot be prolonged beyond a certain point. This maximum limit is conditioned by two things. First, by the physical bounds of labor-power. Within the 24 hours of the natural day a man can expend only a definite quantity of his vital force. A horse, in like manner, can only work from day to day, 8 hours. During part of the day this force must rest, sleep; during another part the man has to satisfy other physical needs, to feed, wash, and clothe himself. Besides these purely physical limitations, the extension of the working-day encounters moral ones. The laborer needs time for satisfying his intellectual and social wants, the extent and number of which are conditioned by the general state of social advancement. The variation of the working-day fluctuates, therefore, within physical and social bounds. But both these limiting conditions are of a very elastic nature, and allow the greatest latitude. So, we find working-days of 8, 10, 12, 14, 16, 18 hours, i.e., of the most different lengths.

The capitalist has bought the labor-power at its day-rate. To him its use-value belongs during one working-day. He has thus acquired the right to make the laborer work for him during one day. But what is a working-day? [52]

At all events, less than a natural day. By how much? The capitalist has his own views of this *ultima Thule* [the outermost limit], the necessary limit of the working-day. As capitalist, he is only capital personified. His soul is the soul of capital. But capital has one single life impulse, the tendency to create value and surplus-value, to make its constant factor, the means of production, absorb the greatest possible amount of surplus-labor. [53]

Capital is dead labor, that, vampire-like, only lives by sucking living labor, and lives the more, the more labor it sucks. The time during which the laborer works, is the time during which the capitalist consumes the labor-power he has purchased of him. [54]

If the laborer consumes his disposable time for himself, he robs the capitalist. [55]

The capitalist then takes his stand on the law of the exchange of commodities. He, like all other buyers, seeks to get the greatest possible benefit out of the use-value of his commodity. Suddenly the voice of the laborer, which had been stifled in the storm and stress of the process of production, rises:

The commodity that I have sold to you differs from the crowd of other commodities, in that its use creates value, and a value greater than its own. That is why you bought it. That which on your side

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[52] This question is far more important than the celebrated question of Sir Robert Peel to the Birmingham Chamber of Commerce: What is a pound? A question that could only have been proposed, because Peel was as much in the dark as to the nature of money as the "little shilling men" of Birmingham.

[53] "It is the aim of the capitalist to obtain with his expended capital the greatest possible quantity of labor (d'obtenir du capital dépense la plus forte somme de travail possible)." J. G. Courcelle-Seneuil. "Traité théorique et pratique des entreprises industrielles." 2nd ed. Paris, 1857, p. 63.

[54] "An hour's labor lost in a day is a prodigious injury to a commercial State.... There is a very great consumption of luxuries among the laboring poor of this kingdom: particularly among the manufacturing populace, by which they also consume their time, the most fatal of consumptions." "An Essay on Trade and Commerce, &c.," p. 47, and 15 3.

[55] "Si le manouvrier libre prend un instant de repos, l'économie sordide qui le suit des yeux avec inquiétude, prétend qu'il la vole." [If the free laborer allows himself an instant of rest, the base and petty management, which follows him with wary eyes, claims he is stealing from it.] N. Linguet, "Théorie des Lois Civiles. &c." London, 1767, t. II., p. 466.

appears a spontaneous expansion of capital, is on mine extra expenditure of labor-power. You and I know on the market only one law, that of the exchange of commodities. And the consumption of the commodity belongs not to the seller who parts with it, but to the buyer, who acquires it. To you, therefore, belongs the use of my daily labor-power. But by means of the price that you pay for it each day, I must be able to reproduce it daily, and to sell it again. Apart from natural exhaustion through age, &c., I must be able on the morrow to work with the same normal amount of force, health and freshness as to-day. You preach to me constantly the gospel of "saving" and "abstinence." Good! I will, like a sensible saving owner, husband my sole wealth, labor-power, and abstain from all foolish waste of it. I will each day spend, set in motion, put into action only as much of it as is compatible with its normal duration, and healthy development. By an unlimited extension of the working-day, you may in one day use up a quantity of labor-power greater than I can restore in three. What you gain in labor I lose in substance. The use of my labor-power and the spoliation of it are quite different things. If the average time that (doing a reasonable amount of work) an average laborer can live, is 30 years, the value of my labor-power, which you pay me from day to day is 1/(365×30) or 1/10950 of its total value. But if you consume it in 10 years, you pay me daily 1/10950 instead of 1/3650 of its total value, *i.e.*, only 1/3 of its daily value, and you rob me, therefore, every day of 2/3 of the value of my commodity. You pay me for one day's labor-power, whilst you use that of 3 days. That is against our contract and the law of exchanges. I demand, therefore, a working-day of normal length, and I demand it without any appeal to your heart, for in money matters sentiment is out of place. You may be a model citizen, perhaps a member of the Society for the Prevention of Cruelty to Animals, and in the odour of sanctity to boot; but the thing that you represent face to face with me has no heart in its breast. That which seems to throb there is my own heart-beating. I demand the normal working-day because I, like every other seller, demand the value of my commodity. [56]

We see then, that, apart from extremely elastic bounds, the nature of the exchange of commodities itself imposes no limit to the working-day, no limit to surplus-labor. The capitalist maintains his rights as a purchaser when he tries to make the working-day as long as possible, and to make, whenever possible, two working-days out of one. On the other hand, the peculiar nature of the commodity sold implies a limit to its consumption by the purchaser, and the laborer maintains his right as seller when he wishes to reduce the working-day to one of definite normal duration. There is here, therefore, an antinomy, right against right, both equally bearing the seal of the law of exchanges. Between equal rights force decides. Hence is it that in the history of capitalist production, the determination of what is a working-day, presents itself as the result of a struggle, a struggle between collective capital, *i.e.*, the class of capitalists, and collective labor, *i.e.*, the working-class.

[56] During the great strike of the London builders, 1860-61, for the reduction of the working-day to 9 hours, their committee published a manifesto that contained, to some extent, the plea of our worker. The manifesto alludes, not without irony, to the fact, that the greatest profit-monger amongst the building masters, a certain Sir M. Peto, was in the odour of sanctity (This same Peto, after 1867, came to an end a la Strousberg.)

Capital has not invented surplus-labor. Wherever a part of society possesses the monopoly of the means of production, the laborer, free or not free, must add to the working-time necessary for his own maintenance an extra working-time in order to produce the means of subsistence for the owners of the means of production, [57] whether this proprietor be the Athenian caloς cagaqoς [well-to-do man], Etruscan theocrat, *civis Romanus* [Roman citizen], Norman baron, American slave-owner, Wallachian Boyard, modern landlord or capitalist. [58] It is, however, clear that in any given economic formation of society, where not the exchange-value but the use-value of the product predominates, surplus-labor will be limited by a given set of wants which may be greater or less, and that here no boundless thirst for surplus-labor arises from the nature of the production itself. Hence in antiquity over-work becomes horrible only when the object is to obtain exchange-value in its specific independent money-form; in the production of gold and silver. Compulsory working to death is here the recognized form of over-work. Only read Diodorus Siculus.[59] Still these are exceptions in antiquity. But as soon as people, whose production still moves within the lower forms of slave-labor, corvée-labor, &c., are drawn into the whirlpool of an international market dominated by the capitalistic mode of production, the sale of their products for export becoming their principal interest, the civilized horrors of over-work are grafted on the barbaric horrors of slavery, serfdom, &c. Hence the negro labor in the Southern States of the American Union preserved something of a patriarchal character, so long as production was chiefly directed to immediate local consumption. But in proportion, as the export of cotton became of vital interest to these states, the over-working of the negro and sometimes the using up of his life in 7 years of labor became a factor in a calculated and calculating system. It was no longer a question of obtaining from him a certain quantity of useful products. It was now a question of production of surplus-labor itself: So was it also with the corvée, e.g., in the Danubian Principalities (now Romania).

The comparison of the greed for surplus-labor in the Danubian Principalities with the same greed in English factories has a special interest, because surplus-labor in the corvée has an independent and palpable form.

Suppose the working-day consists of 6 hours of necessary labor, and 6 hours of surplus-labor. Then the free laborer gives the capitalist every week 6 x 6 or 36 hours of surplus-labor. It is the same as if he worked 3 days in the week for himself, and 3 days in the week gratis for the capitalist. But this is not evident on the surface. Surplus-labor and necessary labor glide one into the other. I can, therefore, express the same relationship by saying, e.g., that the laborer in every minute works 30 seconds for himself, and 30 for the capitalist, etc. It is otherwise with the corvée. The necessary labor which the

[57] "Those who labor ... in reality feed both the pensioners ... [called the rich] and themselves." (Edmund Burke, l.c., p. 2.)
[58] Niebuhr in his "Roman History" says very naively: "It is evident that works like the Etruscan, which in their ruins astound us, pre-suppose in little (!) states lords and vassals." Sismondi says far more to the purpose that "Brussels lace" pre-supposes wage-lords and wage-slaves.
[59] "One cannot see these unfortunates (in the gold mines between Egypt, Ethiopia, and Arabia) who cannot even have their bodies clean, or their nakedness clothed, without pitying their miserable lot. There is no indulgence, no forbearance for the sick, the feeble, the aged, for woman's weakness. All must, forced by blows, work on until death puts an end to their sufferings and their distress." ("Diod. Sic. Bibl. Hist.," lib. 2, c. 13.)

Wallachian peasant does for his own maintenance is distinctly marked off from his surplus-labor on behalf of the Boyard. The one he does on his own field, the other on the seignorial estate. Both parts of the labor-time exist, therefore, independently, side by side one with the other. In the corvée the surplus-labor is accurately marked off from the necessary labor. This, however, can make no difference with regard to the quantitative relation of surplus-labor to necessary labor. Three days' surplus-labor in the week remain three days that yield no equivalent to the laborer himself, whether it be called corvée or wage-labor. But in the capitalist the greed for surplus-labor appears in the straining after an unlimited extension of the working-day, in the Boyard more simply in a direct hunting after days of corvée. [60]

In the Danubian Principalities the corvée was mixed up with rents in kind and other appurtenances of bondage, but it formed the most important tribute paid to the ruling class. Where this was the case, the corvée rarely arose from serfdom; serfdom much more frequently on the other hand took origin from the corvée. [61] This is what took place in the Rumanian provinces. Their original mode of production was based on community of the soil, but not in the Slavonic or Indian form. Part of the land was cultivated in severalty as freehold by the members of the community, another part — *ager publicus* — was cultivated by them in common. The products of this common labor served partly as a reserve fund against bad harvests and other accidents, partly as a public store for providing the costs of war, religion, and other common expenses. In course of time military and clerical dignitaries usurped, along with the common land, the labor spent upon it. The labor of the free peasants on their common land was transformed into corvée for the thieves of the common land. This corvée soon developed into a servile relationship existing in point of fact, not in point of law, until Russia, the liberator of the world, made it legal under presence of abolishing serfdom. The code of the corvée, which the Russian General Kisseleff proclaimed in 1831, was of course dictated by the Boyards themselves. Thus, Russia conquered with one blow the magnates of the Danubian provinces, and the applause of liberal cretins throughout Europe.

According to the "Règlement organique," as this code of the corvée is called, every Wallachian peasant owes to the so-called landlord, besides a mass of detailed payments in kind: *(1)*, 12 days of general labor; *(2)*, one day of field labor; *(3)*, one day of wood carrying. In all, 14 days in the year. With deep insight into Political Economy, however, the working-day is not taken in its ordinary sense, but as the working-day necessary to the production of an average daily product; and that average daily product is determined in so crafty a way that no Cyclops would be done with it in 24 hours. In dry words, the Réglement itself declares with true Russian irony that by 12 working-days one must

[60] That which follows refers to the situation in the Rumanian provinces before the change effected since the Crimean war.
[61] This holds likewise for Germany, and especially for Prussia east of the Elbe. In the 15th century the German peasant was nearly everywhere a man, who, whilst subject to certain rents paid in produce and labor was otherwise at least practically free. The German colonists in Brandenburg, Pomerania, Silesia, and Eastern Prussia, were even legally acknowledged as free men. The victory of the nobility in the peasants' war put an end to that. Not only were the conquered South German peasants again enslaved. From the middle of the 16th century the peasants of Eastern Prussia, Brandenburg, Pomerania, and Silesia, and soon after the free peasants of Schleswig-Holstein were degraded to the condition of serfs. (Maurer, Fronhöfe iv. vol., — Meitzen, "Der Boden des preussischen Staats" — Hanssen, "Leibeigenschaft in Schleswig-Holstein." — F. E.)

understand the product of the manual labor of 36 days, by 1 day of field labor 3 days, and by 1 day of wood carrying in like manner three times as much. In all, 42 corvée days. To this had to be added the so-called jobbágy, service due to the lord for extraordinary occasions. In proportion to the size of its population, every village has to furnish annually a definite contingent to the jobbágy. This additional corvée is estimated at 14 days for each Wallachian peasant. Thus, the prescribed corvée amounts to 56 working-days yearly. But the agricultural year in Wallachia numbers in consequence of the severe climate only 210 days, of which 40 for Sundays and holidays, 30 on an average for bad weather, together 70 days, do not count. 140 working-days remain. The ratio of the corvée to the necessary labor 56/84 or 66 2/3 % gives a much smaller rate of surplus-value than that which regulates the labor of the English agricultural or factory laborer. This is, however, only the legally prescribed corvée. And in a spirit yet more "liberal" than the English Factory Acts, the "Règlement organique" has known how to facilitate its own evasion. After it has made 56 days out of 12, the nominal day's work of each of the 56 corvée days is again so arranged that a portion of it must fall on the ensuing day. In one day, e.g., must be weeded an extent of land, which, for this work, especially in maize plantations, needs twice as much time. The legal day's work for some kinds of agricultural labor is interpretable in such a way that the day begins in May and ends in October. In Moldavia conditions are still harder.

"The 12 corvée days of the 'Règlement organique' cried a Boyard drunk with victory, amount to 365 days in the year." [62]

If the Règlement organique of the Danubian provinces was a positive expression of the greed for surplus-labor which every paragraph legalized, the English Factory Acts are the negative expression of the same greed. These acts curb the passion of capital for a limitless draining of labor-power, by forcibly limiting the working-day by state regulations, made by a state that is ruled by capitalist-and landlord. Apart from the working-class movement that daily grew more threatening, the limiting of factory labor was dictated by the same necessity which spread guano over the English fields. The same blind eagerness for plunder that in the one case exhausted the soil, had, in the other, torn up by the roots the living force of the nation. Periodical epidemics speak on this point as clearly as the diminishing military standard in Germany and France. [63]

The Factory Act of 1850 now in force (1867) allows for the average working-day 10 hours, i.e., for the first 5 days 12 hours from 6 a.m. to 6 p.m., including ½ an hour for breakfast, and an hour for

[62] Further details are to be found in E. Regnault's "Histoire politique et sociale des Principautés Danubiennes," Paris, 1855.
[63] "In general, and within certain limits, exceeding the medium size of their kind, is evidence of the prosperity of organic beings. As to man, his bodily height lessens if his due growth is interfered with, either by physical or local conditions. In all European countries in which the conscription holds, since its introduction, the medium height of adult men, and generally their fitness for military service, has diminished. Before the revolution (1789), the minimum for the infantry in France was 165 centimeters; in 1818 (law of March 10th), 157; by the law of March 21, 1832, 156 cm.; on the average in France more than half are rejected on account of deficient height or bodily weakness. The military standard in Saxony was in 1780, 178 cm. It is now 155. In Prussia it is 157. According to the statement of Dr. Meyer in the Bavarian Gazette, May 9th, 1862, the result of an average of 9 years is, that in Prussia out of 1,000 conscripts 716 were unfit for military service, 317 because of deficiency in height, and 399 because of bodily defects.... Berlin in 1858 could not provide its contingent of recruits, it was 156 men short." J. von Liebig: "Die Chemie in ihrer Anwendung auf Agrikultur und Physiologie. 1862," 7th Ed., vol. 1, pp. 117, 118.

dinner, and thus, leaving 10½ working-hours, and 8 hours for Saturday, from 6 a.m. to 2 p.m., of which ½ an hour is subtracted for breakfast. 60 working-hours are left, 10½ for each of the first 5 days, 7½ for the last. [64]

Certain guardians of these laws are appointed, Factory Inspectors, directly under the Home Secretary, whose reports are published half-yearly, by order of Parliament. They give regular and official statistics of the capitalistic greed for surplus-labor.

Let us listen, for a moment, to the Factory Inspectors. [65]

"The fraudulent mill-owner begins work a quarter of an hour (sometimes more, sometimes less) before 6 a.m., and leaves off a quarter of an hour (sometimes more, sometimes less) after 6 p.m. He takes 5 minutes from the beginning and from the end of the half hour nominally allowed for breakfast, and 10 minutes at the beginning and end of the hour nominally allowed for dinner. He works for a quarter of an hour (sometimes more, sometimes less) after 2 p.m. on Saturday. Thus, his gain is —

Before 6 a.m.,	15 minutes.
After 6 p.m.,	15 "
At breakfast time,	10 "
At dinner time,	20 "
Five days — 300 minutes,	60 "
On Saturday before 6 a.m.,	15 minutes.
At breakfast time,	10 "
After 2 p.m.,	15 "
	40 minutes.
Total weekly,	340 minutes.

Or 5 hours and 40 minutes weekly, which multiplied by 50 working weeks in the year (allowing two for holidays and occasional stoppages) is equal to 27 working-days." [66]

[64] The history of the Factory Act of 1850 will be found in the course of this chapter.

[65] I only touch here and there on the period from the beginning of modern industry in England to 1845. For this period, I refer the reader to "Die Lage der arbeitenden Klasse in England," [Condition of the Working Class in England] von Friedrich Engels, Leipzig, 1845. How completely Engels understood the nature of the capitalist mode of production is shown by the Factory Reports, Reports on Mines, &c., that have appeared since 1845, and how wonderfully he painted the circumstances in detail is seen on the most superficial comparison of his work with the official reports of the Children's Employment Commission, published 18 to 20 years later (1863-1867). These deal especially with the branches of industry in which the Factory Acts had not, up to 1862, been introduced, in fact are not yet introduced. Here, then, little or no alteration had been enforced, by authority, in the conditions painted by Engels. I borrow my examples chiefly from the Free-trade period after 1848, that age of paradise, of which the commercial travelers for the great firm of Free-trade, blatant as ignorant, tell such fabulous tales. For the rest England figures here in the foreground because she is the classic representative of capitalist production, and she alone has a continuous set of official statistics of the things we are considering.

[66] "Suggestions, &c. by Mr. L. Horner, Inspector of Factories," in Factories Regulation Acts. Ordered by the House of Commons to be printed, 9th August, 1859, pp. 4, 5.

"Five minutes a day's increased work, multiplied by weeks, are equal to two and a half days of produce in the year." [67]

"An additional hour a day gained by small instalments before 6 a.m., after 6 p.m., and at the beginning and end of the times nominally fixed for meals, is nearly equivalent to working 13 months in the year." [68]

Crises during which production is interrupted and the factories work "short time," i.e., for only a part of the week, naturally do not affect the tendency to extend the working-day. The less business there is, the more profit has to be made on the business done. The less time spent in work, the more of that time has to be turned into surplus labor-time.

Thus, the Factory Inspector's report on the period of the crisis from 1857 to 1858:

"It may seem inconsistent that there should be any overworking at a time when trade is so bad; but that very badness leads to the transgression by unscrupulous men, they get the extra profit of it. ... In the last half year, says Leonard Horner, 122 mills in my district have been given up; 143 were found standing," yet, over-work is continued beyond the legal hours. [69]

"For a great part of the time," says Mr. Howell, "owing to the depression of trade, many factories were altogether closed, and a still greater number were working short time. I continue, however, to receive about the usual number of complaints that half, or three-quarters of an hour in the day, are snatched from the workers by encroaching upon the times professedly allowed for rest and refreshment." [70]

The same phenomenon was reproduced on a smaller scale during the frightful cotton-crises from 1861 to 1865. [71]

"It is sometimes advanced by way of excuse, when persons are found at work in a factory, either at a meal hour, or at some illegal time, that they will not leave the mill at the appointed hour, and that compulsion is necessary to force them to cease work [cleaning their machinery, &c.], especially on Saturday afternoons. But, if the hands remain in a factory after the machinery has ceased to revolve ... they would not have been so employed if sufficient time had been set apart specially for cleaning, &c., either before 6 a.m. *[sic.!]* or before 2 p.m. on Saturday afternoons." [72]

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[67] Reports of the Inspector of Factories for the half year. October, 1856, p. 35.
[68] Reports, &c., 30th April, 1858, p. 9.
[69] Reports, &c., l.c., p. 10.
[70] Reports &c., l.c., p. 25.
[71] Reports &c., for the half year ending 30th April, 1861. See Appendix No. 2; Reports, &c., 31st October, 1862, pp. 7, 52, 53. The violations of the Acts became more numerous during the last half year 1863. Cf Reports, &c., ending 31st October, 1863, p. 7.
[72] Reports, &c., October 31st, 1860, p. 23. With what fanaticism, according to the evidence of manufacturers given in courts of law, their hands set themselves against every interruption in factory labor, the following curious circumstance shows. In the beginning of June, 1836, information reached the magistrates of Dewsbury (Yorkshire) that the owners of 8 large mills in the neighborhood of Batley had violated the Factory Acts. Some of these gentlemen were accused of having kept at work 5 boys between 12 and 15 years of age, from 6 a.m. on Friday to 4 p.m. on the following Saturday, not allowing them any respite except for meals and one hour for sleep at midnight. And these children had to do this ceaseless labor of 30 hours in the

"The profit to be gained by it (over-working in violation of the Act) appears to be, to many, a greater temptation than they can resist; they calculate upon the chance of not being found out; and when they see the small amount of penalty and costs, which those who have been convicted have had to pay, they find that if they should be detected there will still be a considerable balance of gain.... [73] In cases where the additional time is gained by a multiplication of small thefts in the course of the day, there are insuperable difficulties to the inspectors making out a case." [74]

These "small thefts" of capital from the laborer's meal and recreation time, the factory inspectors also designate as "petty pilfering of minutes," [75] "snatching a few minutes," [76] or, as the laborers technically called them, "nibbling and cribbling at meal-times." [77]

It is evident that in this atmosphere the formation of surplus-value by surplus-labor, is no secret.

"If you allow me," said a highly respectable master to me, "to work only ten minutes in the day over-time, you put one thousand a year in my pocket." [78] "Moments are the elements of profit." [79]

Nothing is from this point of view more characteristic than the designation of the workers who work full time as "full-timers," and the children under 13 who are only allowed to work 6 hours as "half-timers." The worker is here nothing more than personified labor-time. All individual distinctions are merged in those of "full-timers" and "half-timers." [80]

SECTION 3: BRANCHES OF ENGLISH INDUSTRY WITHOUT LEGAL LIMITS TO EXPLOITATION

We have hitherto considered the tendency to the extension of the working-day, the were-wolf's hunger for surplus-labor in a department where the monstrous exactions, not surpassed, says an English bourgeois economist, by the cruelties of the Spaniards to the American red-skins, [81] caused

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"shoddy hole," as the hole is called, in which the woolen rags are pulled in pieces, and where a dense atmosphere of dust, shreds, &c., forces even the adult workman to cover his mouth continually with handkerchiefs for the protection of his lungs! The accused gentlemen affirm in lieu of taking an oath — as quakers they were too scrupulously religious to take an oath — that they had, in their great compassion for the unhappy children, allowed them four hours for sleep, but the obstinate children absolutely would not go to bed. The quaker gentlemen were mulcted in £20. Dryden anticipated these gentry:

Fox full fraught in seeming sanctity,
That feared an oath, but like the devil would lie,
That looked like Lent, and had the holy leer,
And durst not sin! before he said his prayer!"

[73] Rep., 31st Oct., 1856, p. 34.
[74] l.c., p. 35
[75] l.c., p. 48.
[76] l.c., p. 48.
[77] l.c., p. 48.
[78] l.c., p. 48.
[79] Report of the Insp. &c., 30th April 1860, p. 56.
[80] This is the official expression both in the factories and in the reports.
[81] "The cupidity of mill-owners whose cruelties in the pursuit of gain have hardly been exceeded by those perpetrated by the Spaniards on the conquest of America in the pursuit of gold." John Wade, "History of the Middle and Working Classes," 3rd Ed. London, 1835, p. 114. The theoretical part of this book, a kind of hand-book of Political Economy, is, considering the time of its publication, original in some parts, e.g., on commercial crises. The historical part is, to a great extent, a shameless plagiarism of Sir F. M. Eden's "The State of the Poor," London, 1797.

capital at last to be bound by the chains of legal regulations. Now, let us cast a glance at certain branches of production in which the exploitation of labor is either free from fetters to this day, or was so yesterday.

Mr. Broughton Charlton, county magistrate, declared, as chairman of a meeting held at the Assembly Rooms, Nottingham, on the 14th January, 1860, "that there was an amount of privation and suffering among that portion of the population connected with the lace trade, unknown in other parts of the kingdom, indeed, in the civilized world .... Children of nine or ten years are dragged from their squalid beds at two, three, or four o'clock in the morning and compelled to work for a bare subsistence until ten, eleven, or twelve at night, their limbs wearing away, their frames dwindling, their faces whitening, and their humanity absolutely sinking into a stone-like torpor, utterly horrible to contemplate.... We are not surprised that Mr. Mallett, or any other manufacturer, should stand forward and protest against discussion.... The system, as the Rev. Montagu Valpy describes it, is one of unmitigated slavery, socially, physically, morally, and spiritually.... What can be thought of a town which holds a public meeting to petition that the period of labor for men shall be diminished to eighteen hours a day? .... We declaim against the Virginian and Carolinian cotton-planters. Is their black-market, their lash, and their barter of human flesh more detestable than this slow sacrifice of humanity which takes place in order that veils and collars may be fabricated for the benefit of capitalists?" [82]

The potteries of Staffordshire have, during the last 22 years, been the subject of three parliamentary inquiries. The result is embodied in Mr. Scriven's Report of 1841 to the " Children's Employment Commissioners," in the report of Dr. Greenhow of 1860 published by order of the medical officer of the Privy Council (Public Health, 3rd Report, 112-113), lastly, in the report of Mr. Longe of 1862 in the "First Report of the Children's Employment Commission, of the 13th June, 1863." For my purpose it is enough to take, from the reports of 1860 and 1863, some depositions of the exploited children themselves. From the children we may form an opinion as to the adults, especially the girls and women, and that in a branch of industry by the side of which cotton-spinning appears an agreeable and healthful occupation. [83]

William Wood, 9 years old, was 7 years and 10 months when he began to work. He "ran molds" (carried ready-molded articles into the drying-room, afterwards bringing back the empty mold) from the beginning. He came to work every day in the week at 6 a.m., and left off about 9 p.m. "I work till 9 o'clock at night six days in the week. I have done so seven or eight weeks."

Fifteen hours of labor for a child 7 years old! J. Murray, 12 years of age, says: "I turn jigger, and run moulds. I come at 6. Sometimes I come at 4. I worked all night last night, till 6 o'clock this morning. I have not been in bed since the night before last. There were eight or nine other boys working last

[82] Daily Telegraph, 17th January, 1860.
[83] Cf. F. Engels "Lage, etc." pp. 249-51.

night. All but one have come this morning. I get 3 shillings and sixpence. I do not get any more for working at night. I worked two nights last week."

Fernyhough, a boy of ten:

"I have not always an hour (for dinner). I have only half an hour sometimes; on Thursday, Friday, and Saturday." [84]

Dr. Greenhow states that the average duration of life in the pottery districts of Stoke-on-Trent, and Wolstanton is extraordinarily short. Although in the district of Stoke, only 36.6% and in Wolstanton only 30.4% of the adult male population above 20 are employed in the potteries, among the men of that age in the first district more than half, in the second, nearly 2/5 of the whole deaths are the result of pulmonary diseases among the potters. Dr. Boothroyd, a medical practitioner at Hanley, says:

"Each successive generation of potters is more dwarfed and less robust than the preceding one."

In like manner another doctor, Mr. M'Bean:

"Since he began to practice among the potters 25 years ago, he had observed a marked degeneration especially shown in diminution of stature and breadth."

These statements are taken from the report of Dr. Greenhow in 1860. [85]

From the report of the Commissioners in 1863, the following: Dr. J. T. Arledge, senior physician of the North Staffordshire Infirmary, says:

"The potters as a class, both men and women, represent a degenerated population, both physically and morally. They are, as a rule, stunted in growth, ill-shaped, and frequently ill-formed in the chest; they become prematurely old, and are certainly short-lived; they are phlegmatic and bloodless, and exhibit their debility of constitution by obstinate attacks of dyspepsia, and disorders of the liver and kidneys, and by rheumatism. But of all diseases they are especially prone to chest-disease, to pneumonia, phthisis, bronchitis, and asthma. One form would appear peculiar to them, and is known as potter's asthma, or potter's consumption. Scrofula attacking the glands, or bones, or other parts of the body, is a disease of two-thirds or more of the potters .... That the 'degenerescence' of the population of this district is not even greater than it is, is due to the constant recruiting from the adjacent country, and intermarriages with more healthy races." [86]

Mr. Charles Parsons, late house surgeon of the same institution, writes in a letter to Commissioner Longe, amongst other things:

"I can only speak from personal observation and not from statistical data, but I do not hesitate to assert that my indignation has been aroused again and again at the sight of poor children whose health has

[84] Children's Employment Commission. First report., etc., 1863. Evidence. pp. 16, 19, 18.
[85] Public Health, 3rd report, etc., pp. 102, 104, 105.
[86] Child. Empl. Comm. I. Report, p. 24.

been sacrificed to gratify the avarice of either parents or employers." He enumerates the causes of the diseases of the potters, and sums them up in the phrase, "long hours." The report of the Commission trusts that "a manufacture which has assumed so prominent a place in the whole world, will not long be subject to the remark that its great success is accompanied with the physical deterioration, widespread bodily suffering, and early death of the workpeople ... by whose labor and skill such great results have been achieved." [87]

And all that holds of the potteries in England is true of those in Scotland. [88]

The manufacture of lucifer matches dates from 1833, from the discovery of the method of applying phosphorus to the match itself. Since 1845 this manufacture has rapidly developed in England, and has extended especially amongst the thickly populated parts of London as well as in Manchester, Birmingham, Liverpool, Bristol, Norwich, Newcastle and Glasgow. With it has spread the form of lockjaw, which a Vienna physician in 1845 discovered to be a disease peculiar to lucifer-matchmakers. Half the workers are children under thirteen, and young persons under eighteen. The manufacture is on account of its unhealthiness and unpleasantness in such bad odour that only the most miserable part of the laboring class, half-starved widows and so forth, deliver up their children to it, "the ragged, half-starved, untaught children." [89]

Of the witnesses that Commissioner White examined (1863), 270 were under 18, 50 under 10, 10 only 8, and 5 only 6 years old. A range of the working-day from 12 to 14 or 15 hours, night-labor, irregular meal-times, meals for the most part taken in the very workrooms that are pestilent with phosphorus. Dante would have found the worst horrors of his Inferno surpassed in this manufacture.

In the manufacture of paper-hangings the coarser sorts are printed by machine; the finer by hand (block-printing). The most active business months are from the beginning of October to the end of April. During this time the work goes on fast and furious without intermission from 6 a.m. to 10 p.m. or further into the night.

J. Leach deposes:

"Last winter six out of nineteen girls were away from ill-health at one time from over-work. I have to bawl at them to keep them awake." W. Duffy: "I have seen when the children could none of them keep their eyes open for the work; indeed, none of us could." J. Lightbourne: "Am 13 ... We worked last winter till 9 (evening), and the winter before till 10. I used to cry with sore feet every night last winter." G. Apsden: "That boy of mine when he was 7 years old, I used to carry him on my back to and fro through the snow, and he used to have 16 hours a day ... I have often knelt down to feed him as he stood by the machine, for he could not leave it or stop." Smith, the managing partner of a Manchester factory: "We (he means his "hands" who work for "us") work on with no stoppage for meals, so that

[87] Children's Employment Commission, p. 22, and xi.
[88] l.c., p. xlviii.
[89] l.c., p. liv.

day's work of 10½ hours is finished by 4.30 p.m., and all after that is over-time." [90] (Does this Mr. Smith take no meals himself during 10½ hours?) "We (this same Smith) seldom leave off working before 6 p.m. (he means leave off the consumption of "our" labor-power machines), so that we (iterum Crispinus) are really working over-time the whole year round. For all these, children and adults alike (152 children and young persons and 140 adults), the average work for the last 18 months has been at the very least 7 days, 5 hours, or 78 1/2 hours a week. For the six weeks ending May 2nd this year (1862), the average was higher — 8 days or 84 hours a week."

Still this same Mr. Smith, who is so extremely devoted to the *pluralis majestatis* [the Royal "we," i.e., speaking on behalf of his subjects], adds with a smile, "Machine-work is not great." So, the employers in the block-printing say: "Hand labor is healthier than machine work." On the whole, manufacturers declare with indignation against the proposal "to stop the machines at least during meal-times."

"A clause," says Mr. Otley, manager of a wall-paper factory in the Borough, "which allowed work between, say 6 a.m. and 9 p.m. in would suit us (!) very well, but the factory hours, 6 a.m. to 6 p.m., are not suitable. Our machine is always stopped for dinner. (What generosity!) There is no waste of paper and color to speak of. But," he adds sympathetically, "I can understand the loss of time not being liked."

The report of the Commission opines with naïveté that the fear of some "leading firms" of losing time, *i.e.,* the time for appropriating the labor of others, and thence losing profit is not a sufficient reason for allowing children under 13, and young persons under 18, working 12 to 16 hours per day, to lose their dinner, nor for giving it to them as coal and water are supplied to the steam-engine, soap to wool, oil to the wheel — as merely auxiliary material to the instruments of labor, during the process of production itself. [91]

No branch of industry in England (we do not take into account the making of bread by machinery recently introduced) has preserved up to the present day a method of production so archaic, so — as we see from the poets of the Roman Empire — pre-Christian, as baking. But capital, as was said earlier, is at first indifferent as to the technical character of the labor-process; it begins by taking it just as it finds it.

The incredible adulteration of bread, especially in London, was first revealed by the House of Commons Committee "on the adulteration of articles of food" (1855-56), and Dr. Hassall's work, "Adulterations detected." [92] The consequence of these revelations was the Act of August 6th, 1860, "for

[90] This is not to be taken in the same sense as our surplus-labor time. These gentlemen consider 10½ hours of labor as the normal working-day, which includes of course the normal surplus-labor. After this begins "overtime" which is paid a little better. It will be seen later that the labor expended during the so-called normal day is paid below its value, so that the overtime is simply a capitalist trick in order to extort more surplus-labor, which it would still be, even if the labor-power expended during the normal working-day were properly paid.

[91] l.c., Evidence, pp. 123, 124, 125, 140, and 54.

[92] Alum finely powdered, or mixed with salt, is a normal article of commerce bearing the significant name of "bakers' stuff."

preventing the adulteration of articles of food and drink," an inoperative law, as it naturally shows the tenderest consideration for every Free-trader who determines by the buying or selling of adulterated commodities "to turn an honest penny." [93] The Committee itself formulated more or less naïvely its conviction that Free-trade meant essentially trade with adulterated, or as the English ingeniously put it, "sophisticated" goods. In fact, this kind of sophistry knows better than Protagoras how to make white black, and black white, and better than the Eleatics how to demonstrate *ad oculos* [before your own eyes] that everything is only appearance. [94]

At all events the Committee had directed the attention of the public to its "daily bread," and therefore to the baking trade. At the same time in public meetings and in petitions to Parliament rose the cry of the London journeymen bakers against their over-work, &c. The cry was so urgent that Mr. H. S. Tremenheere, also a member of the Commission of 1863 several times mentioned, was appointed Royal Commissioner of Inquiry. His report, [95] together with the evidence given, roused not the heart of the public but its stomach. Englishmen, always well up in the Bible, knew well enough that man, unless by elective grace a capitalist, or landlord, or sinecurist, is commanded to eat his bread in the sweat of his brow, but they did not know that he had to eat daily in his bread a certain quantity of human perspiration mixed with the discharge of abscesses, cobwebs, dead black-beetles, and putrid German yeast, without counting alum, sand, and other agreeable mineral ingredients. Without any regard to his holiness, Free-trade, the free baking-trade was therefore placed under the supervision of the State inspectors (Close of the Parliamentary session of 1863), and by the same Act of Parliament, work from 9 in the evening to 5 in the morning was forbidden for journeymen bakers under 18. The last clause speaks volumes as to the over-work in this old-fashioned, homely line of business.

"The work of a London journeyman baker begins, as a rule, at about eleven at night. At that hour he 'makes the dough,' — a laborious process, which lasts from half an hour to three quarters of an hour, according to the size of the batch or the labor bestowed upon it. He then lies down upon the kneading-board, which is also the covering of the trough in which the dough is 'made'; and with a sack under him, and another rolled up as a pillow, he sleeps for about a couple of hours. He is then engaged in a rapid and continuous labor for about five hours — throwing out the dough, 'scaling it off,' molding it, putting it into the oven, preparing and baking rolls and fancy bread, taking the batch bread out of the

[93] Soot is a well-known and very energetic form of carbon, and forms a manure that capitalistic chimney-sweeps sell to English farmers. Now in 1862 the British juryman had in a law-suit to decide whether soot, with which, unknown to the buyer, 90% of dust and sand are mixed, is genuine soot in the commercial sense or adulterated soot in the legal sense. The "amis du commerce" [friends of commerce] decided it to be genuine commercial soot, and non-suited the plaintiff farmer, who had in addition to pay the costs of the suit.

[94] The French chemist, Chevallier, in his treatise on the "sophistications" of commodities, enumerates for many of the 600 or more articles which he passes in review, 10, 20, 30 different methods of adulteration. He adds that he does not know all the methods and does not mention all that he knows. He gives 6 kinds of adulteration of sugar, 9 of olive oil, 10 of butter, 12 of salt, 19 of milk, 20 of bread, 23 of brandy, 24 of meal, 28 of chocolate, 30 of wine, 32 of coffee, etc. Even God Almighty does not escape this fate. See Rouard de Card, "On the Falsifications of the materials of the Sacrament." ("De la falsification des substances sacramentelles," Paris, 1856.)

[95] "Report, &c., relative to the grievances complained of by the journeymen bakers, &c., London, 1862," and "Second Report, &c., London, 1863."

oven, and up into the shop, &c., &c. The temperature of a bakehouse ranges from about 75 to upwards of 90 degrees, and in the smaller bakehouses approximates usually to the higher rather than to the lower degree of heat. When the business of making the bread, rolls, &c., is over, that of its distribution begins, and a considerable proportion of the journeymen in the trade, after working hard in the manner described during the night, are upon their legs for many hours during the day, carrying baskets, or wheeling hand-carts, and sometimes again in the bakehouse, leaving off work at various hours between 1 and 6 p.m. according to the season of the year, or the amount and nature of their master's business; while others are again engaged in the bakehouse in 'bringing out' more batches until late in the afternoon. [96] ... During what is called 'the London season,' the operatives belonging to the 'full-priced' bakers at the West End of the town, generally begin work at 11 p.m., and are engaged in making the bread, with one or two short (sometimes very short) intervals of rest, up to 8 o'clock the next morning. They are then engaged all day long, up to 4, 5, 6, and as late as 7 o'clock in the evening carrying out bread, or sometimes in the afternoon in the bakehouse again, assisting in the biscuit-baking. They may have, after they have done their work, sometimes five or six, sometimes only four- or five-hours' sleep before they begin again. On Fridays they always begin sooner, some about ten o'clock, and continue in some cases, at work, either in making or delivering the bread up to 8 p.m. on Saturday night, but more generally up to 4 or 5 o'clock, Sunday morning. On Sundays the men must attend twice or three times during the day for an hour or two to make preparations for the next day's bread.... The men employed by the underselling masters (who sell their bread under the 'full price,' and who, as already pointed out, comprise three-fourths of the London bakers) have not only to work on the average longer hours, but their work is almost entirely confined to the bakehouse. The underselling masters generally sell their bread... in the shop. If they send it out, which is not common, except as supplying chandlers' shops, they usually employ other hands for that purpose. It is not their practice to deliver bread from house to house. Towards the end of the week ... the men begin on Thursday night at 10 o'clock, and continue on with only slight intermission until late on Saturday evening." [97]

Even the bourgeois intellect understands the position of the "underselling" masters. "The unpaid labor of the men was made the source whereby the competition was carried on."[98] And the "full-priced" baker denounces his underselling competitors to the Commission of Inquiry as thieves of foreign labor and adulterators.

"They only exist now by first defrauding the public, and next getting 18 hours' work out of their men for 12 hours' wages." [99]

The adulteration of bread and the formation of a class of bakers that sells the bread below the full price, date from the beginning of the 18th century, from the time when the corporate character of the trade was lost, and the capitalist in the form of the miller or flour-factor, rises behind the nominal

[96] l.c., First Report, &c., p. vi.
[97] l.c., p. lxxi.
[98] George Read, "The History of Baking," London, 1848, p. 16.
[99] Report (First) &c. Evidence of the "full-priced" baker Cheeseman, p. 108.

master baker. [100] thus, was laid the foundation of capitalistic production in this trade, of the unlimited extension of the working-day and of night-labor, although the latter only since 1824 gained a serious footing, even in London. [101]

After what has just been said, it will be understood that the Report of the Commission classes journeymen bakers among the short-lived laborers, who, having by good luck escaped the normal decimation of the children of the working-class, rarely reach the age of 42. Nevertheless, the baking trade is always overwhelmed with applicants. The sources of the supply of these labor-powers to London are Scotland, the western agricultural districts of England, and Germany.

In the years 1858-60, the journeymen bakers in Ireland organized at their own expense great meetings to agitate against night and Sunday work. The public — e.g., at the Dublin meeting in May, 1860 — took their part with Irish warmth. As a result of this movement, day-labor alone was successfully established in Wexford, Kilkenny, Clonmel, Waterford, &c.

"In Limerick, where the grievances of the journeymen are demonstrated to be excessive, the movement has been defeated by the opposition of the master bakers, the miller bakers being the greatest opponents. The example of Limerick led to a retrogression in Ennis and Tipperary. In Cork, where the strongest possible demonstration of feeling took place, the masters, by exercising their power of turning the men out of employment, have defeated the movement. In Dublin, the master bakers have offered the most determined opposition to the movement, and by discountenancing as much as possible the journeymen promoting it, have succeeded in leading the men into acquiescence in Sunday work and night-work, contrary to the convictions of the men." [102]

The Committee of the English Government, which Government, in Ireland, is armed to the teeth, and generally knows how to show it, remonstrates in mild, though funereal, tones with the implacable master bakers of Dublin, Limerick, Cork, &c.:

"The Committee believe that the hours of labor are limited by natural laws, which cannot be violated with impunity. That for master bakers to induce their workmen, by the fear of losing employment, to violate their religious convictions and their better feelings, to disobey the laws of the land, and to disregard public opinion (this all refers to Sunday labor), is calculated to provoke ill-feeling between workmen and masters, ... and affords an example dangerous to religion, morality, and social order.... The Committee believe that any constant work beyond 12 hours a-day encroaches on the domestic and private life of the working-man, and so leads to disastrous moral results, interfering with each man's home, and the discharge of his family duties as a son, a brother, a husband, a father. That work beyond

[100] George Read, l.c. At the end of the 17th and the beginning of the 18th centuries the factors (agents) that crowded into every possible trade were still denounced as "public nuisances." Thus, the Grand Jury at the quarter session of the Justices of the Peace for the County of Somerset, addressed a presentment to the Lower House which, among other things, states, "that these factors of Blackwell Hall are a Public Nuisance and Prejudice to the Clothing Trade, and ought to be put down as a Nuisance." "The Case of our English Wool., &c.," London, 1685, pp. 6, 7.
[101] First Report, &c.
[102] Report of Committee on the Baking Trade in Ireland for 1861.

12 hours has a tendency to undermine the health of the workingman, and so leads to premature old age and death, to the great injury of families of working-men, thus deprived of the care and support of the head of the family when most required." [103]

So far, we have dealt with Ireland. On the other side of the channel, in Scotland, the agricultural laborer, the ploughman, protests against his 13-14 hours' work in the most inclement climate, with 4 hours' additional work on Sunday (in this land of Sabbatarians!), [104] whilst, at the same time, three railway men are standing before a London coroner's jury — a guard, an engine-driver, a signalman. A tremendous railway accident has hurried hundreds of passengers into another world. The negligence of the employee is the cause of the misfortune. They declare with one voice before the jury that ten or twelve years before, their labor only lasted eight hours a-day. During the last five or six years it had been screwed up to 14, 18, and 20 hours, and under an especially severe pressure of holiday-makers, at times of excursion trains, it often lasted for 40 or 50 hours without a break. They were ordinary men, not Cyclops. At a certain point their labor-power failed. Torpor seized them. Their brain ceased to think, their eyes to see. The thoroughly "respectable" British jurymen answered by a verdict that sent them to the next assizes on a charge of manslaughter, and, in a gentle "rider" to their verdict, expressed the pious hope that the capitalistic magnates of the railways would, in future, be more extravagant in the purchase of a sufficient quantity of labor-power, and more "abstemious," more "self-denying," more "thrifty," in the draining of paid labor-power. [105]

From the motley crowd of laborers of all callings, ages, sexes, that press on us more busily than the souls of the slain-on Ulysses, on whom — without referring to the blue books under their arms —

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[103] l.c.

[104] Public meeting of agricultural laborers at Lasswade, near Edinburgh, January 5th, 1866. (See Workman's Advocate, January 13th, 1866.) The formation since the close of 1865 of a Trades' Union among the agricultural laborers at first in Scotland is a historic event. In one of the most oppressed agricultural districts of England, Buckinghamshire, the laborers, in March, 1867, made a great strike for the raising of their weekly wage from 9-10 shillings to 12 shillings. (It will be seen from the preceding passage that the movement of the English agricultural proletariat, entirely crushed since the suppression of its violent manifestations after 1830, and especially since the introduction of the new Poor Laws, begins again in the sixties, until it becomes finally epoch-making in 1872. I return to this in the 2nd volume, as well as to the blue books that have appeared since 1867 on the position of the English land laborers. Addendum to the 3rd ed.)

[105] Reynolds' Newspaper, January, 1866. — Every week this same paper has, under the sensational headings, "Fearful and fatal accidents," "Appalling tragedies," &c., a whole list of fresh railway catastrophes. On these an employee on the North Staffordshire line comments: "Everyone knows the consequences that may occur if the driver and fireman of a locomotive engine are not continually on the look-out. How can that be expected from a man who has been at such work for 29 or 30 hours, exposed to the weather, and without rest. The following is an example which is of very frequent occurrence: — One fireman commenced work on the Monday morning at a very early hour. When he had finished what is called a day's work, he had been on duty 14 hours 50 minutes. Before he had time to get his tea, he was again called on for duty.... The next time he finished he had been on duty 14 hours 25 minutes, making a total of 29 hours 15 minutes without intermission. The rest of the week's work was made up as follows: — Wednesday, 15 hours; Thursday, 15 hours 35 minutes; Friday, 14½ hours; Saturday, 14 hours 10 minutes, making a total for the week of 88 hours 30 minutes. Now, sir, fancy his astonishment on being paid 6 1/4 days for the whole. Thinking it was a mistake, he applied to the time-keeper, and inquired what they considered a day's work, and was told 13 hours for a goods man (i.e., 78 hours).... He then asked for what he had made over and above the 78 hours per week, but was refused. However, he was at last told they would give him another quarter, i.e., 10d.," l.c., 4th February. 1866.

we see at a glance the mark of over-work, let us take two more figures whose striking contrast proves that before capital all men are alike — a milliner and a blacksmith.

In the last week of June, 1863, all the London daily papers published a paragraph with the "sensational" heading, "Death from simple over-work." It dealt with the death of the milliner, Mary Anne Walkley, 20 years of age, employed in a highly-respectable dressmaking establishment, exploited by a lady with the pleasant name of Elise. The old, often-told story, [106] was once more recounted. This girl worked, on an average, 16½ hours, during the season often 30 hours, without a break, whilst her failing labor-power was revived by occasional supplies of sherry, port, or coffee. It was just now the height of the season. It was necessary to conjure up in the twinkling of an eye the gorgeous dresses for the noble ladies bidden to the ball in honor of the newly-imported Princess of Wales. Mary Anne Walkley had worked without intermission for 26½ hours, with 60 other girls, 30 in one room, that only afforded 1/3 of the cubic feet of air required for them. At night, they slept in pairs in one of the stifling holes into which the bedroom was divided by partitions of board. [107] And this was one of the best millinery establishments in London. Mary Anne Walkley fell ill on the Friday, died on Sunday, without, to the astonishment of Madame Elise, having previously completed the work in hand. The doctor, Mr. Keys, called too late to the death-bed, duly bore witness before the coroner's jury that

> "Mary Anne Walkley had died from long hours of work in an over-crowded work-room, and a too small and badly ventilated bedroom."

In order to give the doctor a lesson in good manners, the coroner's jury thereupon brought in a verdict that

> "The deceased had died of apoplexy, but there was reason to fear that her death had been accelerated by over-work in an over-crowded workroom, &c."

"Our white slaves," cried the *Morning Star*, the organ of the Free-traders, Cobden and Bright, "our white slaves, who are toiled into the grave, for the most part silently pine and die." [108]

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[106] Cf F. Engels, l.c., pp. 253, 254.

[107] Dr. Letheby, Consulting Physician of the Board of Health, declared: "The minimum of air for each adult ought to be in a sleeping room 300, and in a dwelling room 500 cubic feet." Dr. Richardson, Senior Physician to one of the London Hospitals: "With needlewomen of all kinds, including milliners, dressmakers, and ordinary seamstresses, there are three miseries — over-work, deficient air, and either deficient food or deficient digestion.... Needlework, in the main, ... is infinitely better adapted to women than to men. But the mischiefs of the trade, in the metropolis especially, are that it is monopolized by some twenty-six capitalists, who, under the advantages that spring from capital, can bring in capital to force economy out of labor. This power tells throughout the whole class. If a dressmaker can get a little circle of customers, such is the competition that, in her home, she must work to the death to hold together, and this same over-work she must of necessity inflict on any who may assist her. If she fails, or do not try independently, she must join an establishment, where her labor is not less, but where her money is safe. Placed thus, she becomes a mere slave, tossed about with the variations of society. Now at home, in one room, starving, or near to it, then engaged 15, 16, aye, even 18 hours out of the 24, in an air that is scarcely tolerable, and on food which, even if it be good, cannot be digested in the absence of pure air. On these victims, consumption, which is purely a disease of bad air, feeds." Dr. Richardson: "Work and Over-work," in "Social Science Review," 18th July, 1863.

[108] Morning Star, 23rd June, 1863. — The Times made use of the circumstance to defend the American slave-owners against Bright, &c. "Very many of us think," says a leader of July 2nd, 1863, "that, while we work our own young women to death, using the scourge of starvation, instead of the crack of the whip, as the instrument of compulsion, we have scarcely a right to

"It is not in dressmakers' rooms that working to death is the order of the day, but in a thousand other places; in every place I had almost said, where 'a thriving business' has to be done.... We will take the blacksmith as a type. If the poets were true, there is no man so hearty, so merry, as the blacksmith; he rises early and strikes his sparks before the sun; he eats and drinks and sleeps as no other man. Working in moderation, he is, in fact, in one of the best of human positions, physically speaking. But we follow him into the city or town, and we see the stress of work on that strong man, and what then is his position in the death-rate of his country. In Marylebone, blacksmiths die at the rate of 31 per thousand per annum, or 11 above the mean of the male adults of the country in its entirety. The occupation, instinctive almost as a portion of human art, unobjectionable as a branch of human industry, is made by mere excess of work, the destroyer of the man. He can strike so many blows per day, walk so many steps, breathe so many breaths, produce so much work, and live an average, say of fifty years; he is made to strike so many more blows, to walk so many more steps, to breathe so many more breaths per day, and to increase altogether a fourth of his life. He meets the effort; the result is, that producing for a limited time a fourth more work, he dies at 37 for 50." [109]

SECTION 4: DAY AND NIGHT WORK. THE RELAY SYSTEM.

Constant capital, the means of production, considered from the standpoint of the creation of surplus-value, only exist to absorb labor, and with every drop of labor a proportional quantity of surplus-labor. While they fail to do this, their mere existence causes a relative loss to the capitalist, for they represent during the time they lie fallow, a useless advance of capital. And this loss becomes positive and absolute as soon as the intermission of their employment necessitates additional outlay at the recommencement of work. The prolongation of the working-day beyond the limits of the natural day, into the night, only acts as a palliative. It quenches only in a slight degree the vampire thirst for the living blood of labor. To appropriate labor during all the 24 hours of the day is, therefore, the inherent tendency of capitalist production. But as it is physically impossible to exploit the same individual labor-power constantly during the night as well as the day, to overcome this physical hindrance, an alternation becomes necessary between the workpeople whose powers are exhausted by day, and those who are used up by night. This alternation may be affected in various ways; e.g., it may be so arranged that part of the workers is one week employed on day-work, the next week on night-work. It is well known that this relay system, this alternation of two sets of workers, held full sway in the full-blooded youth-time of the English cotton manufacture, and that at the present time it still

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hound on fire and slaughter against families who were born slave-owners, and who, at least, feed their slaves well, and work them lightly." In the same manner, the Standard, a Tory organ, fell afoul of the Rev. Newman Hall: "He excommunicated the slave-owners, but prays with the fine folk who, without remorse, make the omnibus drivers and conductors of London, &c., work 16 hours a-day for the wages of a dog." Finally, spake the oracle, Thomas Carlyle, of whom I wrote, in 1850, "Zum Teufel ist der Genius, der Kultus ist geblieben." ["In the cult of genius ... The cult remains," paraphrasing Schiller] In a short parable, he reduces the one great event of contemporary history, the American Civil War, to this level, that the Peter of the North wants to break the head of the Paul of the South with all his might, because the Peter of the North hires his labor by the day, and the Paul of the South hires his by the life. (Macmillan's Magazine. Ilias Americana in nuce. August, 1863.) thus the bubble of Tory sympathy for the urban workers — by no means for the rural — has burst at last. The sum of all is — slavery!

[109] Dr. Richardson, l.c.

flourishes, among others, in the cotton spinning of the Moscow district. This 24 hours' process of production exists to-day as a system in many of the branches of industry of Great Britain that are still "free," in the blast-furnaces, forges, plate-rolling mills, and other metallurgical establishments in England, Wales, and Scotland. The working-time here includes, besides the 24 hours of the 6 working-days, a great part also of the 24 hours of Sunday. The workers consist of men and women, adults and children of both sexes. The ages of the children and young persons run through all intermediate grades, from 8 (in some cases from 6) to 18. [110]

In some branches of industry, the girls and women work through the night together with the males. [111]

Placing on one side the generally injurious influence of night-labor, [112] the duration of the process of production, unbroken during the 24 hours, offers very welcome opportunities of exceeding the limits of the normal working-day, e.g., in the branches of industry already mentioned, which are of an exceedingly fatiguing nature; the official working-day means for each worker usually 12 hours by night or day. But the over-work beyond this amount is in many cases, to use the words of the English official report, "truly fearful." [113]

"It is impossible," the report continues, "for any mind to realize the amount of work described in the following passages as being performed by boys of from 9 to 12 years of age ... without coming irresistibly to the conclusion that such abuses of the power of parents and of employers can no longer be allowed to exist." [114]

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[110] Children's Employment Commission. Third Report. London, 1864, pp. iv., v., vi.

[111] "Both in Staffordshire and in South Wales young girls and women are employed on the pit banks and on the coke heaps, not only by day but also by night. This practice has been often noticed in Reports presented to Parliament, as being attended with great and notorious evils. These females employed with the men, hardly distinguished from them in their dress, and begrimed with dirt and smoke, are exposed to the deterioration of character, arising from the loss of self-respect, which can hardly fail to follow from their unfeminine occupation." (l. c., 194, p. xxvi. Cf. Fourth Report (1865), 61, p. xiii.) It is the same in glass-works.

[112] A steel manufacturer who employs children in night-labor remarked: "It seems but natural that boys who work at night cannot sleep and get proper rest by day, but will be running about." (l.c., Fourth Report, 63, p. xiii.) On the importance of sunlight for the maintenance and growth of the body, a physician writes: "Light also acts upon the tissues of the body directly in hardening them and supporting their elasticity. The muscles of animals, when they are deprived of a proper amount of light, become soft and inelastic, the nervous power loses its tone from defective stimulation, and the elaboration of all growth seems to be perverted.... In the case of children, constant access to plenty of light during the day, and to the direct rays of the sun for a part of it, is most essential to health. Light assists in the elaboration of good plastic blood, and hardens the fiber after it has been laid down. It also acts as a stimulus upon the organs of sight, and by this means brings about more activity in the various cerebral functions." Dr. W. Strange, Senior Physician of the Worcester General Hospital, from whose work on "Health" (1864) this passage is taken, writes in a letter to Mr. White, one of the commissioners: "I have had opportunities formerly, when in Lancashire, of observing the effects of nightwork upon children, and I have no hesitation in saying, contrary to what some employers were fond of asserting, those children who were subjected to it soon suffered in their health." (l.c., 284., p. 55.) That such a question should furnish the material of serious controversy, shows plainly how capitalist production acts on the brain-functions of capitalists and their retainers.

[113] l.c., 57, p. xii.

[114] l.c.. Fourth Report (1865). 58. p. xii.

"The practice of boys working at all by day and night turns either in the usual course of things, or at pressing times, seems inevitably to open the door to their not unfrequently working unduly long hours. These hours are, indeed, in some cases, not only cruelly but even incredibly long for children. Amongst a number of boys, it will, of course, not unfrequently happen that one or more are from some cause absent. When this happens, their place is made up by one or more boys, who work in the other turn. That this is a well understood system is plain ... from the answer of the manager of some large rolling-mills, who, when I asked him how the place of the boys absent from their turn was made up, 'I daresay, sir, you know that as well as I do,' and admitted the fact." [115]

> "At a rolling-mill where the proper hours were from 6 a.m. to 5½ p.m., a boy worked about four nights every week till 8½ p.m. at least ... and this for six months. Another, at 9 years old, sometimes made three 12-hour shifts running, and, when 10, has made two days and two nights running." A third, "now 10 ... worked from 6 a.m. till 12 p.m. three nights, and till 9 p.m. the other nights." "Another, now 13, ... worked from 6 p.m. till 12 noon next day, for a week together, and sometimes for three shifts together, e.g., from Monday morning till Tuesday night." "Another, now 12, has worked in an iron foundry at Stavely from 6 a.m. till 12 p.m. for a fortnight on end; could not do it anymore." "George Allinsworth, age 9, came here as cellar-boy last Friday; next morning we had to begin at 3, so I stopped here all night. Live five miles off. Slept on the floor of the furnace, overhead, with an apron under me, and a bit of a jacket over me. The two other days I have been here at 6 a.m. Aye! it *is* hot in here. Before I came here, I was nearly a year at the same work at some works in the country. Began there, too, at 3 on Saturday morning — always did, but was very gain [near] home, and could sleep at home. Other days I began at 6 in the morning, and given over at 6 or 7 in the evening," &c. [116]

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[115] l.c.

[116] l.c., p. xiii. The degree of culture of these "labor-powers" must naturally be such as appears in the following dialogues with one of the commissioners: Jeremiah Haynes, age 12 — "Four times four is 8; 4 fours are 16. A king is him that has all the money and gold. We have a king (told it is a Queen), they call her the Princess Alexandra. Told that she married the Queen's son. The Queen's son is the Princess Alexandra. A Princess is a man." William Turner, age 12 — "Don't live in England. Think it is a country, but didn't know before." John Morris, age 14 — "Have heard say that God made the world, and that all the people was drowned but one, heard say that one was a little bird." William Smith age 15 — "God made man, manmade woman." Edward Taylor, age 15 — "Do not know of London." Henry Matthewman, age 17 — "Had been to chapel, but missed a good many times lately. One name that they preached about was Jesus Christ, but I cannot say any others, and I cannot tell anything about him. He was not killed, but died like other people. He was not the same as other people in some ways, because he was religious in some ways and others isn't." (l.c., p. xv.) "The devil is a good person. I don't know where he lives." "Christ was a wicked man." "This girl spelt God as dog, and did not know the name of the queen." ("Ch. Employment Comm. V. Report, 1866" p. 55, n. 278.) The same system obtains in the glass and paper works as in the metallurgical, already cited. In the paper factories, where the paper is made by machinery, night-work is the rule for all processes, except rag-sorting. In some cases, night-work, by relays, is carried on incessantly through the whole week, usually from Sunday night until midnight of the following Saturday. Those who are on day-work work 5 days of 12, and 1 day of 18 hours; those on night-work 5 nights of 12, and 1 of 6 hours in each week. In other cases, each set works 24 hours consecutively on alternate days, one set working 6 hours on Monday, and 18 on Saturday to make up the 24 hours. In other cases, an intermediate system prevails, by which all employed on the paper-making machinery work 15 or 16 hours every day in the week. This system, says Commissioner Lord, "seems to combine all the evils of both the 12 hours' and the 24 hours' relays." Children under 13, young persons under 18, and women, work under this night system. Sometimes under the 12 hours' system they are obliged, on account of the non-appearance of those that ought to relieve them, to work a double

Let us now hear how capital itself regards this 24 hours' system. The extreme forms of the system, its abuse in the "cruel and incredible" extension of the working-day are naturally passed over in silence. Capital only speaks of the system in its "normal" form.

Messrs. Naylor & Vickers, steel manufacturers, who employ between 600 and 700 persons, among whom only 10 per cent are under 18, and of those, only 20 boys under 18 work in night sets, thus express themselves:

> "The boys do not suffer from the heat. The temperature is probably from 86° to 90°.... At the forges and in the rolling mills the hands work night and day, in relays, but all the other parts of the work are day-work, *i.e.,* from 6 a.m. to 6 p.m. In the forge the hours are from 12 to 12. Some of the hands always work in the night, without any alternation of day and night work.... We do not find any difference in the health of those who work regularly by night and those who work by day, and probably people can sleep better if they have the same period of rest than if it is changed.... About 20 of the boys under the age of 18 work in the night sets.... We could not well do without lads under 18 working by night. The objection would be the increase in the cost of production.... Skilled hands and the heads in every department are difficult to get, but of lads we could get any number.... But from the small proportion of boys that we employ, the subject *(i.e.*, of restrictions on night-work) is of little importance or interest to us." [117]

Mr. J. Ellis, one of the firm of Messrs. John Brown & Co., steel and iron works, employing about 3,000 men and boys, part of whose operations, namely, iron and heavier steel work, goes on night and day by relays, states "that in the heavier steel work one or two boys are employed to a score or two men." Their concern employs upwards of 500 boys under 18, of whom about 1/3 or 170 are under the age of 13. With reference to the proposed alteration of the law, Mr. Ellis says:

"I do not think it would be very objectionable to require that no person under the age of 18 should work more than 12 hours in the 24. But we do not think that any line could be drawn over the age of 12, at which boys could be dispensed with for night-work. But we would sooner be prevented from employing boys under the age of 13, or even so high as 14, at all, then not be allowed to employ boys that we do have at night. Those boys who work in the day sets must take their turn in the night sets also, because the men could not work in the night sets only; it would ruin their health.... We think, however, that night-work in alternate weeks is no harm."

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turn of 24 hours. The evidence proves that boys and girls very often work overtime, which, not unfrequently, extends to 24 or even 36 hours of uninterrupted toil. In the continuous and unvarying process of glazing are found girls of 12 who work the whole month 14 hours a day, "without any regular relief or cessation beyond 2 or, at most, 3 breaks of half an hour each for meals." In some mills, where regular night-work has been entirely given up, over-work goes on to a terrible extent, "and that often in the dirtiest, and in the hottest, and in the most monotonous of the various processes." ("Ch. Employment Comm. Report IV., 1865," p. xxxviii, and xxxix.)

[117] Fourth Report, &c.. 1865, 79, p. xvi.

(Messrs. Naylor & Vickers, on the other hand, in conformity with the interest of their business, considered that periodically changed night-labor might possibly do more harm than continual night-labor.)

"We find the men who do it, as well as the others who do other work only by day.... Our objections to not allowing boys under 18 to work at night, would be on account of the increase of expense, but this is the only reason."

(What cynical naïveté!) "We think that the increase would be more than the trade, with due regard to its being successfully carried out, could fairly bear. (What mealy-mouthed phraseology!) Labor is scarce here, and might fall short if there were such a regulation." *(i.e.,* Ellis Brown & Co. might fall into the fatal perplexity of being obliged to pay labor-power its full value.) [118]

The "Cyclops Steel and Iron Works," of Messrs. Cammell & Co., are concocted on the same large scale as those of the above-mentioned John Brown & Co. The managing director had handed in his evidence to the Government Commissioner, Mr. White, in writing. Later he found it convenient to suppress the MS. when it had been returned to him for revision. Mr. White, however, has a good memory. He remembered quite clearly that for the Messrs. Cyclops the forbidding of the night-labor of children and young persons "would be impossible, it would be tantamount to stopping their works," and yet their business employs little more than 6% of boys under 18, and less than 1% under 13. [119]

On the same subject Mr. E. F. Sanderson, of the firm of Sanderson, Bros., & Co., steel rolling-mills and forges, Attercliffe, says:

"Great difficulty would be caused by preventing boys under 18 from working at night. The chief would be the increase of cost from employing men instead of boys. I cannot say what this would be, but probably it would not be enough to enable the manufacturers to raise the price of steel, and consequently it would fall on them, as of course the men (what queer-headed folk!) would refuse to pay it."

Mr. Sanderson does not know how much he pays the children, but

> "Perhaps the younger boys get from 4s. to 5s. a week.... The boys' work is of a kind for which the strength of the boys is generally ('generally,' of course not always) quite sufficient, and consequently there would be no gain in the greater strength of the men to counterbalance the loss, or it would be only in the few cases in which the metal is heavy. The men would not like so well not to have boys under them, as men would be less obedient. Besides, boys must begin young to learn the trade. Leaving day-work alone open to boys would not answer this purpose."
>
> And why not? Why could not boys learn their handicraft in the day-time? Your reason?

[118] l.c., 80. p. xvi.
[119] l.c., 82. p. xvii.

"Owing to the men working days and nights in alternate weeks, the men would be separated half the time from their boys, and would lose half the profit which they make from them. The training which they give to an apprentice is considered as part of the return for the boys' labor, and thus enables the man to get it at a cheaper rate. Each man would want half of this profit."

In other words, Messrs. Sanderson would have to pay part of the wages of the adult men out of their own pockets instead of by the night-work of the boys. Messrs. Sanderson's profit would thus fall to some extent, and this is the good Sandersonian reason why boys cannot learn their handicraft in the day. [120] In addition to this, it would throw night-labor on those who worked instead of the boys, which they would not be able to stand. The difficulties in fact would be so great that they would very likely lead to the giving up of night-work altogether, and "as far as the work itself is concerned," says E. F. Sanderson, "this would suit as well, but —" But Messrs. Sanderson have something else to make besides steel. Steel-making is simply a pretext for surplus-value making. The smelting furnaces, rolling-mills, &c., the buildings, machinery, iron, coal, &c., have something more to do than transform themselves into steel. They are there to absorb surplus-labor, and naturally absorb more in 24 hours than in 12. In fact, they give, by grace of God and law, the Sandersons a cheque on the working-time of a certain number of hands for all the 24 hours of the day, and they lose their character as capital, are therefore a pure loss for the Sandersons, as soon as their function of absorbing labor is interrupted.

"But then there would be the loss from so much expensive machinery, lying idle half the time, and to get through the amount of work which we are able to do on the present system, we should have to double our premises and plant, which would double the outlay."

But why should these Sandersons pretend to a privilege not enjoyed by the other capitalists who only work during the day, and whose buildings, machinery, raw material, therefore lie "idle" during the night? E. F. Sanderson answers in the name of all the Sandersons:

"It is true that there is this loss from machinery lying idle in those manufactories in which work only goes on by day. But the use of furnaces would involve a further loss in our case. If they were kept up there would be a waste of fuel (instead of, as now, a waste of the living substance of the workers), and if they were not, there would be loss of time in laying the fires and getting the heat up (whilst the loss of sleeping time, even to children of 8 is a gain of working-time for the Sanderson tribe), and the furnaces themselves would suffer from the changes of temperature." (Whilst those same furnaces suffer nothing from the day and night change of labor.) [121]

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[120] In our reflecting and reasoning age a man is not worth much who cannot give a good reason for everything, no matter how bad or how crazy. Everything in the world that has been done wrong has been done wrong for the very best of reasons. (Hegel, l.c., p. 249)

[121] l.c., 85, p. xvii. To similar tender scruples of the glass manufacturers that regular meal-times for the children are impossible because as a consequence a certain quantity of heat, radiated by the furnaces, would be "a pure loss" or "wasted," Commissioner White makes answer. His answer is unlike that of Ure, Senior, &c., and their puny German plagiarists à la Roscher who are touched by the "abstinence," "self-denial," "saving," of the capitalists in the expenditure of their gold, and by their Timur-Tamerlanish prodigality of human life! "A certain amount of heat beyond what is usual at present might also be going to waste, if meal-times were secured in these cases, but it seems likely not equal in money-value to the waste of

"What is a working-day? What is the length of time during which capital may consume the labor-power whose daily value it buys? How far may the working-day be extended beyond the working-time necessary for the reproduction of labor-power itself?" It has been seen that to these questions capital replies: the working-day contains the full 24 hours, with the deduction of the few hours of repose without which labor-power absolutely refuses its services again. Hence it is self-evident that the laborer is nothing else, his whole life through, then labor-power, that therefore all his disposable time is by nature and law labor-time, to be devoted to the self-expansion of capital. Time for education, for intellectual development, for the fulfilling of social functions and for social intercourse, for the free-play of his bodily and mental activity, even the rest time of Sunday (and that in a country of Sabbatarians!) [122] — moonshine! But in its blind unrestrainable passion, its were-wolf hunger for surplus-labor, capital oversteps not only the moral, but even the merely physical maximum bounds of the working-day. It usurps the time for growth, development, and healthy maintenance of the body. It steals the time required for the consumption of fresh air and sunlight. It higgles over a meal-time, incorporating it where possible with the process of production itself, so that food is given to the laborer as to a mere means of production, as coal is supplied to the boiler, grease and oil to the machinery. It reduces the sound sleep needed for the restoration, reparation, refreshment of the bodily powers to just so many hours of torpor as the revival of an organism, absolutely exhausted, renders essential. It is not the normal maintenance of the labor-power which is to determine the limits of the working-day; it is

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animal power now going on in glass-houses throughout the kingdom from growing boys not having enough quiet time to eat their meals at ease, with a little rest afterwards for digestion." (l.c., p. xiv.) And this in the year of progress 1865! Without considering the expenditure of strength in lifting and carrying, such a child, in the sheds where bottle and flint glass are made, walks during the performance of his work 15-20 miles in every 6 hours! And the work often lasts 14 or 15 hours! In many of these glass works, as in the Moscow spinning mills, the system of 6 hours' relays is in force. "During the working part of the week six hours is the utmost unbroken period ever attained at any one time for rest, and out of this has to come the time spent in coming and going to and from work, washing, dressing, and meals, leaving a very short period indeed for rest, and none for fresh air and play, unless at the expense of the sleep necessary for young boys, especially at such hot and fatiguing work.... Even the short sleep is obviously liable to be broken by a boy having to wake himself if it is night, or by the noise, if it is day." Mr. White gives cases where a boy worked 36 consecutive hours; others where boys of 12 drudged on until 2 in the morning, and then slept in the works till 5 a.m. (3 hours!) only to resume their work. "The amount of work," say Tremenheere and Tufnell, who drafted the general report, "done by boys, youths, girls, and women, in the course of their daily or nightly spell of labor, is certainly extraordinary." (l.c., xliii. and xliv.) Meanwhile, late by night, self-denying Mr. Glass-Capital, primed with port-wine, reels out of his club homeward droning out idiotically. "Britons never, never shall be slaves!"

[122] In England even now occasionally in rural districts a laborer is condemned to imprisonment for desecrating the Sabbath, by working in his front garden. The same laborer is punished for breach of contract if he remains away from his metal, paper, or glass works on the Sunday, even if it be from a religious whim. The orthodox Parliament will hear nothing of Sabbath-breaking if it occurs in the process of expanding capital. A memorial (August 1863), in which the London day-laborers in fish and poultry shops asked for the abolition of Sunday labor, states that their work lasts for the first 6 days of the week on an average 15 hours a-day, and on Sunday 8-10 hours. From this same memorial we learn also that the delicate gourmands among the aristocratic hypocrites of Exeter Hall, especially encourage this "Sunday labor." These "holy ones," so zealous in cute curanda [in attending to their bodily pleasures], show their Christianity by the humility with which they bear the overwork, the privations, and the hunger of others. Obsequium ventris istis (the laborers) pernicious est [Gluttony is more ruinous to their stomachs – paraphrase of Horace].

the greatest possible daily expenditure of labor-power, no matter how diseased, compulsory, and painful it may be, which is to determine the limits of the laborers' period of repose. Capital cares nothing for the length of life of labor-power. All that concerns it is simply and solely the maximum of labor-power, that can be rendered fluent in a working-day. It attains this end by shortening the extent of the laborer's life, as a greedy farmer snatches increased produce from the soil by robbing it of its fertility.

The capitalistic mode of production (essentially the production of surplus-value, the absorption of surplus-labor), produces thus with the extension of the working-day, not only the deterioration of human labor-power by robbing it of its normal, moral and physical, conditions of development and function. It produces also the premature exhaustion and death of this labor-power itself. [123] It extends the laborer's time of production during a given period by shortening his actual life-time.

But the value of the labor-power includes the value of the commodities necessary for the reproduction of the worker, or for the keeping up of the working-class. If then the unnatural extension of the working-day, that capital necessarily strives after in its unmeasured passion for self-expansion, shortens the length of life of the individual laborer, and therefore the duration of his labor-power, the forces used up have to be replaced at a more rapid rate and the sum of the expenses for the reproduction of labor-power will be greater; just as in a machine the part of its value to be reproduced every day is greater the more rapidly the machine is worn out. It would seem therefore that the interest of capital itself points in the direction of a normal working-day.

The slave-owner buys his laborer as he buys his horse. If he loses his slave, he loses capital that can only be restored by new outlay in the slave-mart.

But "the rice-grounds of Georgia, or the swamps of the Mississippi may be fatally injurious to the human constitution; but the waste of human life which the cultivation of these districts necessitates, is not so great that it cannot be repaired from the teeming preserves of Virginia and Kentucky. Considerations of economy, moreover, which, under a natural system, afford some security for humane treatment by identifying the master's interest with the slave's preservation, when once trading in slaves is practiced, become reasons for racking to the uttermost the toil of the slave; for, when his place can at once be supplied from foreign preserves, the duration of his life becomes a matter of less moment than its productiveness while it lasts. It is accordingly a maxim of slave management, in slave-importing countries, that the most effective economy is that which takes out of the human chattel in the shortest space of time the utmost amount of exertion it is capable of putting forth. It is in tropical culture, where annual profits often equal the whole capital of plantations, that negro life is most recklessly sacrificed. It is the agriculture of the West Indies, which has been for centuries prolific of fabulous wealth, that has engulfed millions of the African race. It is in Cuba, at this day, whose revenues are reckoned by millions, and whose planters are princes, that we see in the servile class, the coarsest fare, the most

[123] "We have given in our previous reports the statements of several experienced manufacturers to the effect that over-hours ... certainly tend prematurely to exhaust the working power of the men." (l.c., 64. p. xiii.)

exhausting and unremitting toil, and even the absolute destruction of a portion of its numbers every year." [124]

Mutato nomine de te fabula narratur [It is of you that the story is told – Horace]. For slave-trade read labor-market, for Kentucky and Virginia, Ireland and the agricultural districts of England, Scotland, and Wales, for Africa, Germany. We heard how over-work thinned the ranks of the bakers in London. Nevertheless, the London labor-market is always over-stocked with German and other candidates for death in the bakeries. Pottery, as we saw, is one of the shortest-lived industries. Is there any want therefore of potters? Josiah Wedgwood, the inventor of modern pottery, himself originally a common workman, said in 1785 before the House of Commons that the whole trade employed from 15,000 to 20,000 people. [125] In the year 1861 the population alone of the town centers of this industry in Great Britain numbered 101,302.

"The cotton trade has existed for ninety years.... It has existed for three generations of the English race, and I believe I may safely say that during that period it has destroyed nine generations of factory operatives." [126]

No doubt in certain epochs of feverish activity the labor-market shows significant gaps. In 1834, *e.g.* But then the manufacturers proposed to the Poor Law Commissioners that they should send the "surplus-population" of the agricultural districts to the north, with the explanation "that the manufacturers would absorb and use it up." [127]

Agents were appointed with the consent of the Poor Law Commissioners. ... An office was set up in Manchester, to which lists were sent of those workpeople in the agricultural districts wanting employment, and their names were registered in books. The manufacturers attended at these offices, and selected such persons as they chose; when they had selected such persons as their 'wants required', they gave instructions to have them forwarded to Manchester, and they were sent, ticketed like bales of goods, by canals, or with carriers, others tramping on the road, and many of them were found on the way lost and half-starved. This system had grown up unto a regular trade. This House will hardly believe it, but I tell them, that this traffic in human flesh was as well kept up, they were in effect as regularly sold to these [Manchester] manufacturers as slaves are sold to the cotton-grower in the United States.... In 1860, 'the cotton trade was at its zenith.' ... The manufacturers again found that they were short of hands.... They applied to the 'flesh agents, as they are called. Those agents sent to the southern downs of England, to the pastures of Dorsetshire, to the glades of Devonshire, to the people tending kine[128] in Wiltshire, but they sought in vain. The surplus-population was 'absorbed.'"

[124] Cairnes, "The Slave Power," pp. 110. 111.
[125] John Ward: "The Borough of Stoke-upon-Trent," London, 1843, p. 42.
[126] Ferrand's Speech in the House of Commons, 27th April, 1863.
[127] "Those were the very words used by the cotton manufacturers." l.c.
[128] cow

The *Bury Guardian* said, on the completion of the French treaty, that "10,000 additional hands could be absorbed by Lancashire, and that 30,000 or 40,000 will be needed." After the "flesh agents and sub-agents" had in vain sought through the agricultural districts,

"a deputation came up to London, and waited on the right hon. gentleman [Mr. Villiers, President of the Poor Law Board] with a view of obtaining poor children from certain union houses for the mills of Lancashire." [129]

What experience shows to the capitalist generally is a constant excess of population, i.e., an excess in relation to the momentary requirements of surplus-labor-absorbing capital, although this excess is made up of generations of human beings stunted, short-lived, swiftly replacing each other, plucked, so to say, before maturity. [130] And, indeed, experience shows to the intelligent observer with what swiftness and grip the capitalist mode of production, dating, historically speaking, only from yesterday, has seized the vital power of the people by the very root — shows how the degeneration of the industrial population is only retarded by the constant absorption of primitive and physically uncorrupted elements from the country — shows how even the country laborers, in spite of fresh air and the principle of natural selection, that works so powerfully amongst them, and only permits the

[129] l.c. Mr. Villiers, despite the best of intentions on his part, was "legally" obliged to refuse the requests of the manufacturers. These gentlemen, however, attained their end through the obliging nature of the local poor law boards. Mr. A. Redgrave, Inspector of Factories, asserts that this time the system under which orphans and pauper children were treated "legally" as apprentices "was not accompanied with the old abuses" (on these "abuses" see Engels, l.c.), although in one case there certainly was "abuse of this system in respect to a number of girls and young women brought from the agricultural districts of Scotland into Lancashire and Cheshire." Under this system the manufacturer entered into a contract with the workhouse authorities for a certain period. He fed, clothed and lodged the children, and gave them a small allowance of money. A remark of Mr. Redgrave to be quoted directly seems strange, especially if we consider that even among the years of prosperity of the English cotton trade, the year 1860 stands unparalleled, and that, besides, wages were exceptionally high. For this extraordinary demand for work had to contend with the depopulation of Ireland, with unexampled emigration from the English and Scotch agricultural districts to Australia and America, with an actual diminution of the population in some of the English agricultural districts, in consequence partly of an actual breakdown of the vital force of the laborers, partly of the already effected dispersion of the disposable population through the dealers in human flesh. Despite all this Mr. Redgrave says: "This kind of labor, however, would only be sought after when none other could be procured, for it is a high-priced labor. The ordinary wages of a boy of 13 would be about 4s. per week, but to lodge, to clothe, to feed, and to provide medical attendance and proper superintendence for 50 or 100 of these boys, and to set aside some remuneration for them, could not be accomplished for 4s. a-head per week." (Report of the Inspector of Factories for 30th April, 1860, p. 27.) Mr. Redgrave forgets to tell us how the laborer himself can do all this for his children out of their 4s. a-week wages, when the manufacturer cannot do it for the 50 or 100 children lodged, boarded, superintended all together. To guard against false conclusions from the text, I ought here to remark that the English cotton industry, since it was placed under the Factory Act of 1850 with its regulations of labor-time, &c., must be regarded as the model industry of England. The English cotton operative is in every respect better off than his Continental companion in misery. "The Prussian factory operative labors at least ten hours per week more than his English competitor, and if employed at his own loom in his own house, his labor is not restricted to even those additional hours. ("Rep. of Insp. of Fact.," 31st October, 1855, p. 103.) Redgrave, the Factory Inspector mentioned above, after the Industrial Exhibition in 1851, travelled on the Continent, especially in France and Germany, for the purpose of inquiring into the conditions of the factories. Of the Prussian operative he says: "He receives a remuneration sufficient to procure the simple fare, and to supply the slender comforts to which he has been accustomed ... he lives upon his coarse fare, and works hard, wherein his position is subordinate to that of the English operative." ("Rep. of Insp. of Fact." 31st Oct., 1855, p. 85.)

[130] The over-worked "die off with strange rapidity; but the places of those who perish are instantly filled, and a frequent change of persons makes no alteration in the scene." ("England and America." London, 1833, vol. I, p. 55. By E. G. Wakefield.)

survival of the strongest, are already beginning to die off. [131] Capital that has such good reasons for denying the sufferings of the legions of workers that surround it, is in practice moved as much and as little by the sight of the coming degradation and final depopulation of the human race, as by the probable fall of the earth into the sun. In every stockjobbing swindle everyone knows that some time or other the crash must come, but every one hopes that it may fall on the head of his neighbor, after he himself has caught the shower of gold and placed it in safety. *Après moi le déluge! [After me, the flood] is* the watchword of every capitalist and of every capitalist nation. Hence Capital is reckless of the health or length of life of the laborer, unless under compulsion from society. [132] To the out-cry as to the physical and mental degradation, the premature death, the torture of over-work, it answers: Ought these to trouble us since they increase our profits? But looking at things as a whole, all this does not, indeed, depend on the good or ill will of the individual capitalist. Free competition brings out the inherent laws of capitalist production, in the shape of external coercive laws having power over every individual capitalist. [133]

The establishment of a normal working-day is the result of centuries of struggle between capitalist and laborer. The history of this struggle shows two opposed tendencies. Compare, e.g., the English factory legislation of our time with the English labor Statutes from the 14th century to well into the middle of the 18th. [134] Whilst the modern Factory Acts compulsorily shortened the working-day, the earlier statutes tried to lengthen it by compulsion. Of course, the pretensions of capital in embryo — when, beginning to grow, it secures the right of absorbing a *quantum sufficit* [sufficient quantity] of

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[131] See "Public Health. Sixth Report of the Medical Officer of the Privy Council, 1863." Published in London 1864. This report deals especially with the agricultural laborers. "Sutherland ... is commonly represented as a highly improved county ... but ... recent inquiry has discovered that even there, in districts once famous for fine men and gallant soldiers, the inhabitants have degenerated into a meagre and stunted race. In the healthiest situations, on hill sides fronting the sea, the faces of their famished children are as pale as they could be in the foul atmosphere of a London alley." (W. Th. Thornton. "Overpopulation and its Remedy." l.c., pp. 74, 75.) They resemble in fact the 30,000 "gallant Highlanders" whom Glasgow pigs together in its wynds and closes, with prostitutes and thieves.

[132] "But though the health of a population is so important a fact of the national capital, we are afraid it must be said that the class of employers of labor have not been the most forward to guard and cherish this treasure.... The consideration of the health of the operatives was forced upon the mill-owners." (Times, November 5th, 1861.) "The men of the West Riding became the clothiers of mankind ... the health of the workpeople was sacrificed, and the lace in a few generations must have degenerated. But a reaction set in. Lord Shaftesbury's Bill limited the hours of children's labor," &c. ("Report of the Registrar-General," for October 1861.)

[133] We, therefore, find, e.g., that in the beginning of 1863, 26 firms owning extensive potteries in Staffordshire, amongst others, Josiah Wedgwood, & Sons, petition in a memorial for "some legislative enactment." Competition with other capitalists permits them no voluntary limitation of working-time for children, &c. "Much as we deplore the evils before mentioned, it would not be possible to prevent them by any scheme of agreement between the manufacturers. ... Taking all these points into consideration, we have come to the conviction that some legislative enactment is wanted." ("Children's Employment Comm." Rep. I, 1863, p. 322.) Most recently a much more striking example offers. The rise in the price of cotton during a period of feverish activity, had induced the manufacturers in Blackburn to shorten, by mutual consent, the working-time in their mills during a certain fixed period. This period terminated about the end of November, 1871. Meanwhile, the wealthier manufacturers, who combined spinning with weaving, used the diminution of production resulting from this agreement, to extend their own business and thus to make great profits at the expense of the small employers. The latter thereupon turned in their extremity to the operatives, urged them earnestly to agitate for the 9 hours' system, and promised contributions in money to this end.

[134] The labor Statutes, the like of which were enacted at the same time in France, the Netherlands, and elsewhere, were first formally repealed in England in 1813, long after the changes in methods of production had rendered them obsolete.

surplus-labor, not merely by the force of economic relations, but by the help of the State — appear very modest when put face to face with the concessions that, growling and struggling, it has to make in its adult condition. It takes centuries ere the "free" laborer, thanks to the development of capitalistic production, agrees, *i.e., is* compelled by social conditions, to sell the whole of his active life, his very capacity for work, for the price of the necessaries of life, his birth-right for a mess of pottage. Hence it is natural that the lengthening of the working-day, which capital, from the middle of the 14th to the end of the 17th century, tries to impose by State-measures on adult laborers, approximately coincides with the shortening of the working-day which, in the second half of the 19th century, has here and there been affected by the State to prevent the coining of children's blood into capital. That which to-day, *e.g.*, in the State of Massachusetts, until recently the freest State of the North-American Republic, has been proclaimed as the statutory limit of the labor of children under 12, was in England, even in the middle of the 17th century, the normal working-day of able-bodied artisans, robust laborers, athletic blacksmiths. [135]

The first "Statute of Laborers" (23 Edward III., 1349) found its immediate pretext (not its cause, for legislation of this kind lasts centuries after the pretext for it has disappeared) in the great plague that decimated the people, so that, as a Tory writer says, "The difficulty of getting men to work on reasonable terms (*i.e.*, at a price that left their employers a reasonable quantity of surplus-labor) grew to such a height as to be quite intolerable." [136] Reasonable wages were, therefore, fixed by law as well as the limits of the working-day. The latter point, the only one that here interests us, is repeated in the Statute of 1496 (Henry VII.). The working-day for all artificers and field laborers from March to September ought, according to this statute (which, however, could not be enforced), to last from 5 in the morning to between 7 and 8 in the evening. But the meal-times consist of 1 hour for breakfast, 1½ hours for dinner, and ½ an hour for "noon-meat," i.e., exactly twice as much as under the factory acts now in force. [137] In winter, work was to last from 5 in the morning until dark, with the same intervals. A

[135] "No child under 12 years of age shall be employed in any manufacturing establishment more than 10 hours in one day." General Statutes of Massachusetts, 63, ch. 12. (The various Statutes were passed between 1836 and 1858.) "Labor performed during a period of 10 hours on any day in all cotton, woolen, silk, paper, glass, and flax factories, or in manufactories of iron and brass, shall be considered a legal day's labor. And be it enacted, that hereafter no minor engaged in any factory shall be holden or required to work more than 10 hours in any day, or 60 hours in any week; and that hereafter no minor shall be admitted as a worker under the age of 10 years in any factory within this State." State of New Jersey. An Act to limit the hours of labor, &c., § 1 and 2. (Law of 18th March, 1851.) "No minor who has attained the age of 12 years, and is under the age of 15 years, shall be employed in any manufacturing establishment more than 11 hours in any one day, nor before 5 o'clock in the morning, nor after 7.30 in the evening." ("Revised Statutes of the State of Rhode Island," &c., ch. 139, § 23, 1st July, 1857.)

[136] "Sophisms of Free Trade." 7th Ed. London, 1850, p. 205, 9th Ed., p. 253. This same Tory, moreover, admits that "Acts of Parliament regulating wages, but against the laborer and in favor of the master, lasted for the long period of 464 years. Population grew. These laws were then found, and really became, unnecessary and burdensome." (l.c., p. 206.)

[137] In reference to this statute, J. Wade with truth remarks: "From the statement above (i.e., with regard to the statute) it appears that in 1496 the diet was considered equivalent to one-third of the income of an artificer and one-half the income of a laborer, which indicates a greater degree of independence among the working-classes than prevails at present; for the board, both of laborers and artificers, would now be reckoned at a much higher proportion of their wages." (J. Wade, "History of the Middle and Working Classes," pp. 24, 25, and 577.) The opinion that this difference is due to the difference in the price-relations between food and clothing then and now is refuted by the most cursory glance at "Chronicon Preciosum, &c." By Bishop Fleetwood. 1st Ed., London, 1707; 2nd Ed., London, 1745.

statute of Elizabeth of 1562 leaves the length of the working-day for all laborers "hired for daily or weekly wage" untouched, but aims at limiting the intervals to 2½ hours in the summer, or to 2 in the winter. Dinner is only too last 1 hour, and the "afternoon-sleep of half an hour" is only allowed between the middle of May and the middle of August. For every hour of absence 1d. is to be subtracted from the wage. In practice, however, the conditions were much more favorable to the laborers than in the statute-book. William Petty, the father of Political Economy, and to some extent the founder of Statistics, says in a work that he published in the last third of the 17th century:

"Laboring-men (then meaning field-laborers) work 10 hours per diem, and make 20 meals per week, viz., 3 a day for working-days, and 2 on Sundays; whereby it is plain, that if they could fast on Friday nights, and dine in one hour and an half, whereas they take two, from eleven to one; thereby thus working 1/20 more, and spending 1/20 less, the above-mentioned (tax) might be raised." [138]

Was not Dr. Andrew Ure right in crying down the 12 hours' bill of 1833 as a retrogression to the times of the dark ages? It is true these regulations contained in the statute mentioned by Petty, apply also to apprentices. But the condition of child-labor, even at the end of the 17th century, is seen from the following complaint:

"'Tis not their practice (in Germany) as with us in this kingdom, to bind an apprentice for seven years; three or four is their common standard: and the reason is, because they are educated from their cradle to something of employment, which renders them the more apt and docile, and consequently the more capable of attaining to a ripeness and quicker proficiency in business. Whereas our youth, here in England, being bred to nothing before they come to be apprentices, make a very slow progress and require much longer time wherein to reach the perfection of accomplished artists." [139]

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[138] W. Petty. "Political Anatomy of Ireland, Verbum Sapienti," 1672, Ed. 1691, p. 10.

[139] "A Discourse on the necessity of encouraging Mechanick Industry," London, 1690, p. 13. Macaulay, who has falsified English history in the interests of the Whigs and the bourgeoisie, declares as follows: "The practice of setting children prematurely to work ... prevailed in the 17th century to an extent which, when compared with the extent of the manufacturing system, seems almost incredible. At Norwich, the chief seat of the clothing trade, a little creature of six years old was thought fit for labor. Several writers of that time, and among them some who were considered as eminently benevolent, mention with exultation the fact that in that single city, boys and girls of very tender age create wealth exceeding what was necessary for their own subsistence by twelve thousand pounds a year. The more carefully we examine the history of the past, the more reason shall we find to dissent from those who imagine that our age has been fruitful of new social evils.... That which is new is the intelligence and the humanity which remedies them." ("History of England," vol. 1., p. 417.) Macaulay might have reported further that "extremely well-disposed" amis du commerce in the 17th century, narrate with "exultation" how in a poorhouse in Holland a child of four was employed, and that this example of "vertu mise en pratique" [applied virtue] passes muster in all the humanitarian works, à la Macaulay, to the time of Adam Smith. It is true that with the substitution of manufacture for handicrafts, traces of the exploitation of children begin to appear. This exploitation existed always to a certain extent among peasants, and was the more developed, the heavier the yoke pressing on the husbandman. The tendency of capital is there unmistakably; but the facts themselves are still as isolated as the phenomena of two-headed children. Hence, they were noted "with exultation" as especially worthy of remark and as wonders by the far-seeing "amis du commerce," and recommended as models for their own time and for posterity. This same Scotch sycophant and fine talker, Macaulay, says: "We hear to-day only of retrogression and see only progress." What eyes, and especially what ears!

Still, during the greater part of the 18th century, up to the epoch of Modern Industry and mechanism, capital in England had not succeeded in seizing for itself, by the payment of the weekly value of labor-power, the whole week of the laborer, with the exception, however, of the agricultural laborers. The fact that they could live for a whole week on the wage of four days, did not appear to the laborers a sufficient reason that they should work the other two days for the capitalist. One party of English economists, in the interest of capital, denounces this obstinacy in the most violent manner, another party defends the laborers. Let us listen, *e.g., to* the contest between Postlethwayt whose Dictionary of Trade then had the same reputation as the kindred works of MacCulloch and MacGregor to-day, and the author (already quoted) of the "Essay on Trade and Commerce." [140]

Postlethwayt says among other things:

"We cannot put an end to those few observations, without noticing that trite remark in the mouth of too many; that if the industrious poor can obtain enough to maintain themselves in five days, they will not work the whole six. Whence they infer the necessity of even the necessaries of life being made dear by taxes, or any other means, to compel the working artisan and manufacturer to labor the whole six days in the week, without ceasing. I must beg leave to differ in sentiment from those great politicians, who contend for the perpetual slavery of the working people of this kingdom; they forget the vulgar adage, all work and no play. Have not the English boasted of the ingenuity and dexterity of her working artists and manufacturers which have heretofore given credit and reputation to British wares in general? What has this been owing to? To nothing more probably than the relaxation of the working people in their own way. Were they obliged to toil the year round, the whole six days in the week, in a repetition of the same work, might it not blunt their ingenuity, and render them stupid instead of alert and dexterous; and might not our workmen lose their reputation instead of maintaining it by such eternal slavery? ... And what sort of workmanship could we expect from such hard-driven animals? ... Many of them will execute as much work in four days as a Frenchman will in five or six. But if Englishmen are to be eternal drudges, 'tis to be feared they will degenerate below the Frenchmen. As our people are famed for bravery in war, do we not say that it is owing to good English roast beef and pudding in their bellies, as well as their constitutional spirit of liberty? And why may not the superior ingenuity and dexterity of, our artists and manufacturers, be owing to that freedom and liberty to direct themselves in their own way, and I hope we shall never have them deprived of such privileges and that good living from whence their ingenuity no less than their courage may proceed." [141]

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[140] Among the accusers of the workpeople, the angriest is the anonymous author quoted in the text of "An Essay on Trade and Commerce, containing Observations on Taxes, &c.," London, 1770. He had already dealt with this subject in his earlier work: "Considerations on Taxes." London, 1765. On the same side follows Polonius Arthur Young, the unutterable statistical prattler. Among the defenders of the working-classes the foremost are: Jacob Vanderlint, in: "Money Answers all Things." London, 1734 the Rev. Nathaniel Forster, D. D., in "An Enquiry into the Causes of the Present High Price of Provisions," London, 1767; Dr. Price, and especially Postlethwayt, as well in the supplement to his "Universal Dictionary of Trade and Commerce," as in his "Great Britain's Commercial Interest explained and improved." 2nd Edition, 1755. The facts themselves are confirmed by many other writers of the time, among others by Josiah Tucker.

[141] Postlethwayt, l.c., "First Preliminary Discourse," p. 14.

Thereupon the author of the "Essay on Trade and Commerce" replies:

"If the making of every seventh day a holiday is supposed to be of divine institution, as it implies the appropriating the other six days to labor" (he means capital as we shall soon see) "surely it will not be thought cruel to enforce it .... That mankind in general, are naturally inclined to ease and indolence, we fatally experience to be true, from the conduct of our manufacturing populace, who do not labor, upon an average, above four days in a week, unless provisions happen to be very dear.... Put all the necessaries of the poor under one denomination; for instance, call them all wheat, or suppose that ... the bushel of wheat shall cost five shillings and that he (a manufacturer) earns a shilling by his labor, he then would be obliged to work five days only in a week. If the bushel of wheat should cost but four shillings, he would be obliged to work but four days; but as wages in this kingdom are much higher in proportion to the price of necessaries ... the manufacturer, who labors four days, has a surplus of money to live idle with the rest of the week . ... I hope I have said enough to make it appear that the moderate labor of six days in a week is no slavery. Our laboring people do this, and to all appearance are the happiest of all our laboring poor, [142] but the Dutch do this in manufactures, and appear to be a very happy people. The French do so, when holidays do not intervene. [143] But our populace has adopted a notion, that as Englishmen they enjoy a birthright privilege of being freer and more independent than in any country in Europe. Now this idea, as far as it may affect the bravery of our troops, may be of some use; but the less the manufacturing poor have of it, certainly the better for themselves and for the State. The laboring people should never) think themselves independent of their superiors.... It is extremely dangerous to encourage mobs in a commercial state like ours, where, perhaps, seven parts out of eight of the whole, are people with little or no property. The cure will not be perfect, till our manufacturing poor are contented to labor six days for the same sum which they now earn in four days." [144]

To this end, and for "extirpating idleness debauchery and excess," promoting a spirit of industry, "lowering the price of labor in our manufactories, and easing the lands of the heavy burden of poor's rates," our "faithful Eckart" of capital proposes this approved device: to shut up such laborers as become dependent on public support, in a word, paupers, in "an *ideal workhouse."* Such ideal workhouse must be made a "House of Terror," and not an asylum for the poor, "where they are to be plentifully fed, warmly and decently clothed, and where they do but little work." [145] In this "House of

[142] "An Essay," &c. He himself relates on p. 96 wherein the "happiness" of the English agricultural laborer already in 1770 consisted. "Their powers are always upon the stretch, they cannot live cheaper than they do, nor work harder."
[143] Protestantism, by changing almost all the traditional holidays into workdays, plays an important part in the genesis of capital.
[144] "An Essay," 4c., pp. 15, 41, 96, 97, 55, 57, 69. — Jacob Vanderlint, as early as 1734, declared that the secret of the out-cry of the capitalists as to the laziness of the working people was simply that they claimed for the same wages 6 days' labor instead of 4.
[145] l.c., p. 242.

Terror," this "ideal workhouse, the poor shall work 14 hours in a day, allowing proper time for meals, in such manner that there shall remain 12 hours of neat-labor." [146]

Twelve working-hours daily in the Ideal Workhouse, in the "House of Terror" of 1770! 63 years later, in 1833, when the English Parliament reduced the working-day for children of 13 to 18, in four branches of industry to 12 full hours, the judgment day of English Industry had dawned! In 1852, when Louis Bonaparte sought to secure his position with the bourgeoisie by tampering with the legal working-day, the French working people cried out with one voice "the law that limits the working-day to 12 hours is the one good that has remained to us of the legislation of the Republic!" [147] At Zürich the work of children over 10, is limited to 12 hours; in Aargau in 1862, the work of children between 13 and 16, was reduced from 12½ to 12 hours; in Austria in 1860, for children between 14 and 16, the same reduction was made. [148] "What a progress," since 1770! Macaulay would shout with exultation!

The "House of Terror" for paupers of which the capitalistic soul of 1770 only dreamed, was realized a few years later in the shape of a gigantic "Workhouse" for the industrial worker himself. It is called the Factory. And the ideal this time fades before the reality.

SECTION 6: THE STRUGGLE FOR THE NORMAL WORKING-DAY. COMPULSORY LIMITATION BY LAW OF THE WORKING-TIME. THE ENGLISH FACTORY ACTS, 1833 TO 1864

After capital had taken centuries in extending the working-day to its normal maximum limit, and then beyond this to the limit of the natural day of 12 hours, [149] there followed on the birth of mechanism and modern industry in the last third of the 18th century, a violent encroachment like that of an avalanche in its intensity and extent. All bounds of morals and nature, age and sex, day and night, were broken down. Even the ideas of day and night, of rustic simplicity in the old statutes,

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[146] l.c. "The French," he says, "laugh at our enthusiastic ideas of liberty." l.c., p. 78.

[147] "They especially objected to work beyond the 12 hours per day, because the law which fixed those hours, is the only good which remains to them of the legislation of the Republic." ("Rep. of Insp. of Fact.", 31st October, 1856, p. 80.) The French Twelve Hours' Bill of September 5th, 1850, a bourgeois edition of the decree of the Provisional Government of March 2nd, 1848, holds in all workshops without exceptions. Before this law the working-day in France was without definite limit. It lasted in the factories 14, 15, or more hours. See "Des classes ouvrières en France, pendant l'année 1848. Par M. Blanqui." M. Blanqui the economist, not the Revolutionist, had been entrusted by the Government with an inquiry into the condition of the working-class.

[148] Belgium is the model bourgeois state in regard to the regulation of the working-day. Lord Howard of Welden, English Plenipotentiary at Brussels, reports to the Foreign Office May 12th, 1862: "M. Rogier, the minister, informed me that children's labor is limited neither by a general law nor by any local regulations; that the Government, during the last three years, intended in every session to propose a bill on the subject, but always found an insuperable obstacle in the jealous opposition to any legislation in contradiction with the principle of perfect freedom of labor."

[149] "It is certainly much to be regretted that any class of persons should toil 12 hours a day, which, including the time for their meals and for going to and returning from their work, amounts, in fact, to 14 of the 24 hours.... Without entering into the question of health, no one will hesitate, I think, to admit that, in a moral point of view, so entire an absorption of the time of the working-classes, without intermission, from the early age of 13, and in trades not subject to restriction, much younger, must be extremely prejudicial, and is an evil greatly to be deplored.... For the sake, therefore, of public morals, of bringing up an orderly population, and of giving the great body of the people a reasonable enjoyment of life, it is much to be desired that in all trades some portion of every working-day should be reserved for rest and leisure." (Leonard Horner in "Reports of Insp. of Fact. for 31st Dec., 1841.")

became so confused that an English judge, as late as 1860, needed a quite Talmudic sagacity to explain "judicially" what was day and what was night. [150] Capital celebrated its orgies.

As soon as the working-class, stunned at first by the noise and turmoil of the new system of production, recovered, in some measure, its senses, its resistance began, and first in the native land of mechanism, in England. For 30 years, however, the concessions conquered by the workpeople were purely nominal. Parliament passed 5 labor Laws between 1802 and 1833, but was shrewd enough not to vote a penny for their carrying out, for the requisite officials, &c. [151]

They remained a dead letter. "The fact is, that prior to the Act of 1833, young persons and children were worked all night, all day, or both *ad libitum*." [152]

A normal working-day for modern industry only dates from the Factory Act of 1833, which included cotton, wool, flax, and silk factories. Nothing is more characteristic of the spirit of capital than the history of the English Factory Acts from 1833 to 1864.

The Act of 1833 declares the ordinary factory working-day to be from half-past five in the morning to half-past eight in the evening and within these limits, a period of 15 hours, it is lawful to employ young persons (*i.e.*, persons between 13 and 18 years of age), at any time of the day, provided no one individual young person should work more than 12 hours in any one day, except in certain cases especially provided for. The 6th section of the Act provided. "That there shall be allowed in the course of every day not less than one and a half hours for meals to every such person restricted as hereinbefore provided." The employment of children under 9, with exceptions mentioned later was forbidden; the work of children between 9 and 13 was limited to 8 hours a day, night-work, *i.e.*, according to this Act, work between 8:30 p.m. and 5:30 a.m., was forbidden for all persons between 9 and 18.

The law-makers were so far from wishing to trench on the freedom of capital to exploit adult labor-power, or, as they called it, "the freedom of labor," that they created a special system in order to prevent the Factory Acts from having a consequence so outrageous.

"The great evil of the factory system as at present conducted," says the first report of the Central Board of the Commission of June 28th 1833, "has appeared to us to be that it entails the necessity of continuing the labor of children to the utmost length of that of the adults. The only remedy for this evil,

[150] See "Judgment of Mr. J. H. Otway, Belfast. Hilary Sessions, County Antrim, 1860."

[151] It is very characteristic of the regime of Louis Philippe, the bourgeois king, that the one Factory Act passed during his reign, that of March 22nd, 1841, was never put in force. And this law only dealt with child-labor. It fixed 8 hours a day for children between 8 and 12, 12 hours for children between 12 and 16, &c., with many exceptions which allow night-work even for children 8 years old. The supervision and enforcement of this law are, in a country where every mouse is under police administration, left to the good-will of the amis du commerce. Only since 1853, in one single department — the Département du Nord — has a paid government inspector been appointed. Not less characteristic of the development of French society, generally, is the fact, that Louis Philippe's law stood solitary among the all-embracing mass of French laws, till the Revolution of 1848.

[152] "Report of Insp. of Fact." 30th April, 1860, p. 50.

short of the limitation of the labor of adults which would, in our opinion, create an evil greater than that which is sought to be remedied, appears to be the plan of working double sets of children."

... Under the name of System of Relays, this "plan" was therefore carried out, so that, e.g., from 5.30 a.m. until 1.30 in the afternoon, one set of children between 9 and 13, and from 1.30 p.m. to 8.30 in the evening another set were "put to," &c.

In order to reward the manufacturers for having, in the most barefaced way, ignored all the Acts as to children's labor passed during the last twenty-two years, the pill was yet further gilded for them. Parliament decreed that after March 1st, 1834, no child under 11, after March 1st 1835, no child under 12, and after March 1st, 1836, no child under 13 was to work more than eight hours in a factory. This "liberalism," so full of consideration for "capital," was the more noteworthy as. Dr. Farre, Sir A. Carlisle, Sir B. Brodie, Sir C. Bell, Mr. Guthrie, &c., in a word, the most distinguished physicians and surgeons in London, had declared in their evidence before the House of Commons, that there was danger in delay. Dr. Farre expressed himself still more coarsely.

"Legislation is necessary for the prevention of death, in any form in which it can be prematurely inflicted, and certainly this (i.e., the factory method) must be viewed as a most cruel mode of inflicting it."

That same "reformed" Parliament, which in its delicate consideration for the manufacturers, condemned children under 13, for years to come, to 72 hours of work per week in the Factory Hell, on the other hand, in the Emancipation Act, which also administered freedom drop by drop, forbade the planters, from the outset, to work any negro slave more than 45 hours a week.

But in no wise conciliated, capital now began a noisy agitation that went on for several years. It turned chiefly on the age of those who, under the name of children, were limited to 8 hours' work, and were subject to a certain amount of compulsory education. According to capitalistic anthropology, the age of childhood ended at 10, or at the outside, at 11. The more nearly the time approached for the coming into full force of the Factory Act, the fatal year 1836, the more wildly raged the mob of manufacturers. They managed, in fact, to intimidate the government to such an extent that in 1835 it proposed to lower the limit of the age of childhood from 13 to 12. In the meantime, the pressure from without grew more threatening. Courage failed the House of Commons. It refused to throw children of 13 under the Juggernaut Car of capital for more than 8 hours a day, and the Act of 1833 came into full operation. It remained unaltered until June, 1844.

In the ten years during which it regulated factory work, first in part, and then entirely, the official reports of the factory inspectors teem with complaints as to the impossibility of putting the Act into force. As the law of 1833 left it optional with the lords of capital during the 15 hours, from 5.30 a.m. to 8.30 p.m., to make every "young person," and "every child" begin, break off, resume, or end his 12 or 8 hours at any moment they liked, and also permitted them to assign to different persons, different times for meals, these gentlemen soon discovered a new "system of relays," by which the labor-horses were not changed at fixed stations, but were constantly re-harnessed at changing stations. We do not pause

longer on the beauty of this system, as we shall have to return to it later. But this much is clear at the first glance: that this system annulled the whole Factory Act, not only in the spirit, but in the letter. How could factory inspectors, with this complex bookkeeping in respect to each individual child or young person, enforce the legally determined work-time and the granting of the legal mealtimes? In a great many of the factories, the old brutalities soon blossomed out again unpunished. In an interview with the Home Secretary (1844), the factory inspectors demonstrated the impossibility of any control under the newly invented relay system. [153] In the meantime, however, circumstances had greatly changed. The factory hands, especially since 1838, had made the Ten Hours' Bill their economic, as they had made the Charter their political, election-cry. Some of the manufacturers, even, who had managed their factories in conformity with the Act of 1833, overwhelmed Parliament with memorials on the immoral competition of their false brethren whom greater impudence, or more fortunate local circumstances, enabled to break the law. Moreover, however much the individual manufacturer might give the rein to his old lust for gain, the spokesmen and political leaders of the manufacturing class ordered a change of front and of speech towards the workpeople. They had entered upon the contest for the repeal of the Corn Laws, and needed the workers to help them to victory. They promised therefore, not only a double-sized loaf of bread, but the enactment of the Ten Hours' Bill in the Free-trade millennium. [154] Thus, they still less dared to oppose a measure intended only to make the law of 1833 a reality. Threatened in their holiest interest, the rent of land, the Tories thundered with philanthropic indignation against the "nefarious practices" [155] of their foes.

This was the origin of the additional Factory Act of June 7th, 1844. It came into effect on September 10th, 1844. It places under protection a new category of workers, viz., the women over 18. They were placed in every respect on the same footing as the young persons, their work time limited to twelve hours, their night-labor forbidden, &c. For the first time, legislation saw itself compelled to control directly and officially the labor of adults. In the Factory Report of 1844-1845, it is said with irony:

"No instances have come to my knowledge of adult women having expressed any regret at their *rights* being thus far interfered with."[156] The working-time of children under 13 was reduced to 6½, and in certain circumstances to 7 hours a-day. [157]

To get rid of the abuses of the "spurious relay system," the law established besides others the following important regulations: —

[153] "Rept. of Insp. of Fact.," 31st October, 1849, p. 6.
[154] "Rept. of Insp. of Fact.," 31st October, 1848, p. 98.
[155] Leonard Horner uses the expression "nefarious practices" in his official reports. ("Report of Insp. of Fact.," 31st October, 1859, p. 7.)
[156] "Rept.," &c., 30th Sept., 1844, p. 15.
[157] The Act allows children to be employed for 10 hours if they do not work day after day, but only on alternate days. In the main, this clause remained inoperative.

"That the hours of work of children and young persons shall be reckoned from the time when any child or young person shall begin to work in the morning."

So that if A, *e.g.,* begins work at 8 in the morning, and B at 10, B's work-day must nevertheless end at the same hour as A's. "The time shall be regulated by a public clock," for example, the nearest railway clock, by which the factory clock is to be set. The occupier is to hang up a "legible" printed notice stating the hours for the beginning and ending of work and the times allowed for the several meals. Children beginning work before 12 noon may not be again employed after I p.m. The afternoon shift must therefore consist of other children than those employed in the morning. Of the hour and a half for meal-times,

> "One hour thereof at the least shall be given before three of the clock in the afternoon ... and at the same period of the day. No child or young person shall be employed more than five hours before I p.m. without an interval for meal-time of at least 30 minutes. No child or young person [or female] shall be employed or allowed to remain in any room in which any manufacturing process is then [*i.e.*, at mealtimes] carried on," &c.

It has been seen that these minutiae, which, with military uniformity, regulate by stroke of the clock the times, limits, pauses of the work were not at all the products of Parliamentary fancy. They developed gradually out of circumstances as natural laws of the modern mode of production. Their formulation, official recognition, and proclamation by the State, were the result of a long struggle of classes. One of their first consequences was that in practice the working-day of the adult males in factories became subject to the same limitations, since in most processes of production the co-operation of the children. young persons, and women is indispensable. On the whole, therefore, during the period from 1844 to 1847, the 12 hours' working-day became general and uniform in all branches of industry under the Factory Act.

The manufacturers, however, did not allow this "progress" without a compensating "retrogression." At their instigation the House of Commons reduced the minimum age for exploitable children from 9 to 8, in order to assure that additional supply of factory children which is due to capitalists, according to divine and human law. [158]

The years 1846-47 are epoch-making in the economic history of England. The Repeal of the Corn Laws, and of the duties on cotton and other raw material; Free-trade proclaimed as the guiding star of legislation; in a word, the arrival of the millennium. On the other hand, in the same years, the Chartist movement and the 10 hours' agitation reached their highest point. They found allies in the Tories panting for revenge. Despite the fanatical opposition of the army of perjured Free-traders, with Bright and Cobden at their head, the Ten Hours' Bill, struggled for so long, went through Parliament.

[158] "As a reduction in their hours of work would cause a larger number (of children) to be employed, it was thought that the additional supply of children from 8 to 9 years of age would meet the increased demand" (l.c., p. 13).

The new Factory Act of June 8th, 1847, enacted that on July 1st, 1847, there should be a preliminary shortening of the working-day for "young persons" (from 13 to 18), and all females to 11 hours, but that on May 1st, 1848, there should be a definite limitation of the working-day to 10 hours. In other respects, the Act only amended and completed the Acts of 1833 and 1844.

Capital now entered upon a preliminary campaign in order to hinder the Act from coming into full force on May 1st, 1848. And the workers themselves, under the presence that they had been taught by experience, were to help in the destruction of their own work. The moment was cleverly chosen.

"It must be remembered, too, that there has been more than two years of great suffering (in consequence of the terrible crisis of 1846-47) among the factory operatives, from many mills having worked short time, and many being altogether closed. A considerable number of the operatives must therefore be in very narrow circumstances many, it is to be feared, in debt; so that it might fairly have been presumed that at the present time they would prefer working the longer time, in order to make up for past losses, perhaps to pay off debts, or get their furniture out of pawn, or replace that sold, or to get a new supply of clothes for themselves and their families." [159]

The manufacturers tried to aggravate the natural effect of these circumstances by a general reduction of wages by 10%. This was done so to say, to celebrate the inauguration of the new Free-trade era. Then followed a further reduction of 8 1/3% as soon as the working-day was shortened to 11, and a reduction of double that amount as soon as it was finally shortened to 10 hours. Wherever, therefore, circumstances allowed it, a reduction of wages of at least 25% took place. [160] Under such favorably prepared conditions the agitation among the factory workers for the repeal of the Act of 1847 was begun. Neither lies, bribery, nor threats were spared in this attempt. But all was in vain. Concerning the half-dozen petitions in which workpeople were made to complain of "their oppression by the Act," the petitioners themselves declared under oral examination, that their signatures had been extorted from them. "They felt themselves oppressed, but not exactly by the Factory Act." [161] But if the manufacturers did not succeed in making the workpeople speak as they wished, they themselves shrieked all the louder in press and Parliament in the name of the workpeople. They denounced the Factory Inspectors as a kind of revolutionary commissioners like those of the French National Convention ruthlessly sacrificing the unhappy factory workers to their humanitarian crotchet. This maneuver also failed. Factory Inspector Leonard Horner conducted in his own person, and through his sub-inspectors, many examinations of witnesses in the factories of Lancashire. About 70% of the workpeople examined

[159] "Rep. of Insp. of Fact.," 31st Oct., 1848, p. 16.

[160] "I found that men who had been getting 10s. a week, had had 1s. taken off for a reduction in the rate of 10 per cent, and 1s. 6d. off the remaining 9s. for the reduction in time, together 2s. 6d.. and notwithstanding this, many of them said they would rather work 10 hours." l.c.

[161] "'Though I signed it [the petition], I said at the time I was putting my hand to a wrong thing.' 'Then why did you put your hand to it?' 'Because I should have been turned off if I had refused.' Whence it would appear that this petitioner felt himself 'oppressed,' but not exactly by the Factory Act." l.c., p. 102.

declared in favor of 10 hours, a much smaller percentage in favor of 11, and an altogether insignificant minority for the old 12 hours. [162]

Another "friendly" dodge was to make the adult males work 12 to 15 hours, and then to blazon abroad this fact as the best proof of what the proletariat desired in its heart of hearts. But the "ruthless" Factory Inspector Leonard Horner was again to the fore. The majority of the "over-times" declared:

"They would much prefer working ten hours for less wages, but that they had no choice; that so many were out of employment (so many spinners getting very low wages by having to work as piecers, being unable to do better), that if they refused to work the longer time, others would immediately get their places, so that it was a question with them of agreeing to work the longer time, or of being thrown out of employment altogether." [163]

The preliminary campaign of capital thus came to grief, and the Ten Hours' Act came into force May 1st, 1848. But meanwhile the fiasco of the Chartist party whose leaders were imprisoned, and whose organisation was dismembered, had shaken the confidence of the English working-class in its own strength. Soon after this the June insurrection in Paris and its bloody suppression united, in England as on the Continent, all fractions of the ruling classes, landlords and capitalists, stock-exchange wolves and shop-keepers, Protectionists and Free traders, government and opposition, priests and freethinkers, young whores and old nuns, under the common cry for the salvation of Property, Religion, the Family and Society. The working-class was everywhere proclaimed, placed under a ban, under a virtual law of suspects. The manufacturers had no need any longer to restrain themselves. They broke out in open revolt not only against the Ten Hours' Act, but against the whole of the legislation that since 1833 had aimed at restricting in some measure the "free" exploitation of labor-power. It was a pro-slavery rebellion in miniature, carried on for over two years with a cynical recklessness, a terrorist energy all the cheaper because the rebel capitalist risked nothing except the skin of his "hands."

To understand that which follows we must remember that the Factory Acts of 1833, 1844, and 1847 were all three in force so far as the one did not amend the other: that not one of these limited the working-day of the male worker over 18, and that since 1833 the 15 hours from 5.30 a.m. to 8.30 p.m. had remained the legal "day," within the limits of which at first the 12, and later the 10 hours' labor of young persons and women had to be performed under the prescribed conditions.

The manufacturers began by here and there discharging a part of, in many cases half of the young persons and women employed by them, and then, for the adult males, restoring the almost obsolete night-work. The Ten Hours' Act, they cried, leaves no other alternative. [164]

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[162] p. 17, l.c. In Mr. Horner's district 10,270 adult male laborers were thus examined in 181 factories. Their evidence is to be found in the appendix to the Factory Reports for the half-year ending October 1848. These examinations furnish valuable material in other connexions also.

[163] l.c. See the evidence collected by Leonard Horner himself, Nos. 69, 70, 71, 72, 92, 93, and that collected by Sub-inspector A., Nos. 51, 52, 58, 59, 62, 70, of the Appendix. One manufacturer, too, tells the plain truth. See No. 14, and No. 265, l.c.

[164] Reports, &c., for 31st October, 1848, pp. 133, 134.

Their second step dealt with the legal pauses for meals. Let us hear the Factory Inspectors.

"Since the restriction of the hours of work to ten, the factory occupiers maintain, although they have not yet practically gone the whole length, that supposing the hours of work to be from 9 a.m. to 7 p.m. they fulfil the provisions of the statutes by allowing an hour before 9 a.m. and half an hour after 7 p.m. [for meals]. In some cases, they now allow an hour, or half an hour for dinner, insisting at the same time, that they are not bound to allow any part of the hour and a half in the course of the factory working-day." [165] The manufacturers maintained therefore that the scrupulously strict provisions of the Act of 1844 with regard to meal-times only gave the operatives permission to eat and drink before coming into, and after leaving the factory — i.e., at home. And why should not the workpeople eat their dinner before 9 in the morning? The crown lawyers, however, decided that the prescribed meal-times

> "Must be in the interval during the working-hours, and that it will not be lawful to work for 10 hours continuously, from 9 a.m. to 7 p.m., without any interval." [166]

After these pleasant demonstrations, Capital preluded its revolt by a step which agreed with the letter of the law of 1844, and was therefore legal.

The Act of 1844 certainly prohibited the employment after 1 p.m. of such children, from 8 to 13, as had been employed before noon. But it did not regulate in any way the 6½ hours' work of the children whose work-time began at 12 midday or later. Children of 8 might, if they began work at noon, be employed from 12 to 1, 1 hour; from 2 to 4 in the afternoon, 2 hours; from 5 to 8.30 in the evening, 3½ hours; in all, the legal 6½ hours. Or better still. In order to make their work coincide with that of the adult male laborers up to 8.30 p.m., the manufacturers only had to give them no work till 2 in the afternoon, they could then keep them in the factory without intermission till 8.30 in the evening.

> "And it is now expressly admitted that the practice exists in England from the desire of mill-owners to have their machinery at work for more than 10 hours a-day, to keep the children at work with male adults after all the young persons and women have left, and until 8.30 p.m. if the factory-owners choose." [167]

Workmen and factory inspectors protested on hygienic and moral grounds, but Capital answered:

> "My deeds upon my head! I crave the law,
> The penalty and forfeit of my bond."

In fact, according to statistics laid before the House of Commons on July 26th, 1850, in spite of all protests, on July 15th, 1850, 3,742 children were subjected to this "practice" in 257 factories. [168] Still, this

[165] Reports, &c., for 30th April, 1848, p. 47.
[166] Reports, &c., for 31st October, 1848, p. 130.
[167] Reports, &c., l.c., p. 142.
[168] Reports &c., for 31st October, 1850, pp. 5, 6.

was not enough. The Lynx eye of Capital discovered that the Act of 1844 did not allow 5 hours' work before mid-day without a pause of at least 30 minutes for refreshment, but prescribed nothing of the kind for work after mid-day. Therefore, it claimed and obtained the enjoyment not only of making children of 8 drudge without intermission from 2 to 8.30 p.m., but also of making them hunger during that time.

"Ay, his heart.
So says the bond."

This Shylock-clinging [169] to the letter of the law of 1844, so far as it regulated children's labor, was but to lead up to an open revolt against the same law, so far as it regulated the labor of "young persons and women." It will be remembered that the abolition of the "false relay system" was the chief aim and object of that law. The masters began their revolt with the simple declaration that the sections of the Act of 1844 which prohibited the *ad libitum* use of young persons and women in such short fractions of the day of 15 hours as the employer chose, were "comparatively harmless" so long as the work-time was fixed at 12 hours. But under the Ten Hours' Act they were a "grievous hardship." [170] They informed the inspectors in the coolest manner that they should place themselves above the letter of the law, and re-introduce the old system on their own account. [171] They were acting in the interests of the ill-advised operatives themselves, "in order to be able to pay them higher wages."

"This was the only possible plan by which to maintain, under the Ten Hours' Act, the industrial supremacy of Great Britain." "Perhaps it may be a little difficult to detect irregularities under the relay system; but what of that? Is the great manufacturing interest of this country to be treated as a secondary matter in order to save some little trouble to Inspectors and Sub-Inspectors of Factories?" [172]

All these shifts naturally were of no avail. The Factory Inspectors appealed to the Law Courts. But soon such a cloud of dust in the way of petitions from the masters overwhelmed the Home Secretary, Sir George Grey, that in a circular of August 5th, 1848, he recommends the inspectors not

"To lay information against mill-owners for a breach of the letter of the Act, or for employment of young persons by relays in cases in which there is no reason to believe that such young persons have been actually employed for a longer period than that sanctioned by law." Hereupon, Factory Inspector J. Stuart allowed the so-called relay system during the 15 hours of the factory day throughout Scotland,

[169] The nature of capital remains the same in its developed as in its undeveloped form. In the code which the influence of the slave-owners, shortly before the outbreak of the American Civil War, imposed on the territory of New Mexico, it is said that the laborer, in as much as the capitalist has bought his labor-power, "is his (the capitalist's) money." The same view was current among the Roman patricians. The money they had advanced to the plebeian debtor had been transformed via the means of subsistence into the flesh and blood of the debtor. This "flesh and blood" were, therefore, "their money." Hence, the Shylock-law of the Ten Tables. Linguet's hypothesis that the patrician creditors from time to time prepared, beyond the Tiber, banquets of debtors' flesh, may remain as undecided as that of Daumer on the Christian Eucharist.
[170] Reports, &c.. for 30th April, 1848, p. 28.
[171] thus, among others, Philanthropist Ashworth to Leonard Horner, in a disgusting Quaker letter. (Reports, &c., April, 1849, p. 4.)
[172] l.c., p. 140.

where it soon flourished again as of old. The English Factory Inspectors, on the other hand, declared that the Home Secretary had no power dictatorially to suspend the law, and continued their legal proceedings against the pro-slavery rebellion.

But what was the good of summoning the capitalists when the Courts in this case the county magistrates — Cobbett's "Great Unpaid" — acquitted them? In these tribunals, the masters sat in judgment on themselves an example. One Eskrigge, cotton-spinner, of the firm of Kershaw, Leese, & Co., had laid before the Factory Inspector of his district the scheme of a relay system intended for his mill. Receiving a refusal, he at first kept quiet. A few months later, an individual named Robinson, also a cotton-spinner, and if not his Man Friday, at all events related to Eskrigge, appeared before the borough magistrates of Stockport on a charge of introducing the identical plan of relays invented by Eskrigge. Four Justices sat, among them three cotton spinners, at their head this same inevitable Eskrigge. Eskrigge acquitted Robinson, and now was of opinion that what was right for Robinson was fair for Eskrigge. Supported by his own legal decision, he introduced the system at once into his own factory. [173] Of course, the composition of this tribunal was in itself a violation of the law. [174]

These judicial farces, exclaims Inspector Howell, "urgently call for a remedy — either that the law should be so altered as to be made to conform to these decisions, or that it should be administered by a less fallible tribunal, whose decisions would conform to the law ... when these cases are brought forward. I long for a stipendiary magistrate." [175]

The crown lawyers declared the masters' interpretation of the Act of 1848 absurd. But the Saviors of Society would not allow themselves to be turned from their purpose. Leonard Horner reports,

"Having endeavored to enforce the Act ... by ten prosecutions in seven magisterial divisions, and having been supported by the magistrates in one case only ... I considered it useless to prosecute more for this evasion of the law. That part of the Act of 1848 which was framed for securing uniformity in the hours of work, ... is thus no longer in force in my district (Lancashire). Neither have the sub-inspectors or myself any means of satisfying ourselves, when we inspect a mill working by shifts, that the young persons and women are not working more than 10 hours a-day.... In a return of the 30th April, ... of millowners working by shifts, the number amounts to 114, and has been for some time rapidly increasing. In general, the time of working the mill is extended to 13½ hours' from 6 a.m. to 7½ p.m., ... in some instances, it amounts to 15 hours, from 5½ a.m. to 8½ p.m." [176]

Already, in December, 1848, Leonard Horner had a list of 65 manufacturers and 29 overlookers who unanimously declared that no system of supervision could, under this relay system, prevent

[173] Reports, &c., for 30th April, 1849, pp. 21, 22. Cf like examples ibid., pp. 4, 5.
[174] By I. and II. Will. IV., ch. 24, s. 10, known as Sir John Hobhouse's Factory Act, it was forbidden to any owner of a cotton-spinning or weaving mill, or the father, son, or brother of such owner, to act as Justice of the Peace in any inquiries that concerned the Factory Act.
[175] l.c.
[176] Reports, &c., for 30th April, 1849, p. 5.

enormous over-work. [177] Now, the same children and young persons were shifted from the spinning-room to the weaving-room, now, during 15 hours, from one factory to another. [178] How was it possible to control a system which,

> "Under the guise of relays, is some one of the many plans for shuffling 'the hands' about in endless variety, and shifting the hours of work and of rest for different individuals throughout the day, so that you may never have one complete set of hands working together in the same room at the same time." [179]

But altogether independently of actual over-work, this so-called relay system was an offspring of capitalistic fantasy, such as Fourier, in his humorous sketches of "Courtes Seances," has never surpassed, except that the "attraction of labor" was changed into the attraction of capital. Look, for example, at those schemes of the masters which the "respectable" press praised as models of "what a reasonable degree of care and method can accomplish." The *personnel* of the workpeople were sometimes divided into from 12 to 14 categories, which themselves constantly changed and recharged their constituent parts. During the 15 hours of the factory day, capital dragged in the laborer now for 30 minutes, now for an hour, and then pushed him out again, to drag him into the factory and to thrust him out afresh, hounding him hither and thither, in scattered shreds of time, without ever losing hold of him until the full 10 hours' work was done. As on the stage, the same persons had to appear in turns in the different scenes of the different acts. But as an actor during the whole course of the play belongs to the stage, so the operatives, during 15 hours, belonged to the factory, without reckoning the time for going and coming. Thus, the hours of rest were turned into hours of enforced idleness, which drove the youths to the pot-house, and the girls to the brothel. At every new trick that the capitalist, from day to day, hit upon for keeping his machinery going 12 or 15 hours without increasing the number of his hands, the worker had to swallow his meals now in this fragment of time, now in that. At the time of the 10 hours' agitation, the masters cried out that the working mob petitioned in the hope of obtaining 12 hours' wages for 10 hours' work. Now they reversed the medal. They paid 10 hours' wages for 12- or 15-hours' lordship over labor-power. [180] This was the gist of the matter, this the masters' interpretation of the 10 hours' law! These were the same unctuous Free-traders, perspiring with the love of humanity, who for full 10 years, during the Anti-Corn Law agitation, had preached to the operatives, by a reckoning of pounds, shillings, and pence, that with free importation of corn, and with the means possessed by English industry, 10 hours' labor would be quite enough to enrich the capitalists. [181] This revolt of capital, after two years was at last crowned with victory by a decision of one of the four highest Courts of Justice in England, the Court of Exchequer, which in a case brought before it on February 8th, 1850, decided that the manufacturers were certainly acting against the sense

[177] Reports, &c., for 31st October, 1849, p. 6.
[178] Reports, &c., for 30th April, 1849, p. 21.
[179] Reports, &c., for 31st October, 1848, p. 95.
[180] See Reports, &c., for 30th April, 1849, p. 6, and the detailed explanation of the "shifting system," by Factory Inspectors Howell and Saunders, in "Reports, &c., for 31st October, 1848." See also the petition to the Queen from the clergy of Ashton and vicinity, in the spring of 1849, against the "shift system."
[181] Cf. for example, "The Factory Question and the Ten Hours' Bill.", By R. H. Greg, 1837.

of the Act of 1844, but that this Act itself contained certain words that rendered it meaningless. "By this decision, the Ten Hours' Act was abolished." [182] A crowd of masters, who until then had been afraid of using the relay system for young persons and women, now took it up heart and soul. [183]

But on this apparently decisive victory of capital, followed at once a revulsion. The workpeople had hitherto offered a passive, although inflexible and unremitting resistance. They now protested in Lancashire and Yorkshire in threatening meetings. The pretended Ten Hours' Act was thus simple humbug, parliamentary cheating, had never existed! The Factory Inspectors urgently warned the Government that the antagonism of classes had arrived at an incredible tension. Some of the masters themselves murmured:

"On account of the contradictory decisions of the magistrates, a condition of things altogether abnormal and anarchical obtains. One law holds in Yorkshire, another in Lancashire, one law in one parish of Lancashire, another in its immediate neighborhood. The manufacturer in large towns could evade the law, the manufacturer in country districts could not find the people necessary for the relay system, still less for the shifting of hands from one factory to another," &c.

And the first birthright of capital is equal exploitation of labor-power by all capitalists.

Under these circumstances a compromise between masters and men was affected that received the seal of Parliament in the additional Factory Act of August 5th, 1850. The working-day for "young persons and women," was raised from 10 to 10 — hours for the first five days of the week, and shortened to 7½ on the Saturday. The work was to go on between 6 a.m. and 6 p.m., [184] with pauses of not less than 1½ hours for meal-times, these meal-times to be allowed at one and the same time for all, and conformably to the conditions of 1844. By this an end was put to the relay system once for all. [185] For children's labor, the Act of 1844 remained in force.

One set of masters, this time as before, secured to itself special seigneurial rights over the children of the proletariat. These were the silk manufacturers. In 1833 they had howled out in threatening fashion, "if the liberty of working children of any age for 10 hours a day were taken away, it would stop their works." [186] It would be impossible for them to buy a sufficient number of children over 13. They extorted the privilege they desired. The pretext was shown on subsequent investigation to be a deliberate lie. [187] it did not, however, prevent them, during 10 years, from spinning silk 10 hours a day out of the blood of little children who had to be placed upon stools for the performance of their work.

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[182] F. Engels: "The English Ten Hours' Bill." (In the "Neue Rheinische Zeitung. Politisch-oekonomische Revue." Edited by K. Marx. April number, 1850, p. 13.) The same "high" Court of Justice discovered, during the American Civil War, a verbal ambiguity which exactly reversed the meaning of the law against the arming of pirate ships.

[183] Rep., &c., for 30th April, 1850.

[184] In winter, from 7 a.m. to 7 p.m. may be substituted

[185] "The present law (of 1850) was a compromise whereby the employed surrendered the benefit of the Ten Hours' Act for the advantage of one uniform period for the commencement and termination of the labor of those whose labor is restricted." (Reports, &c., for 30th April, 1852, p. 14.)

[186] Reports, &c., for Sept., 1844, p. 13.

[187] l.c.

[188] The Act of 1844 certainly "robbed" them of the "liberty" of employing children under 11 longer than 6½ hours a day. But it secured to them, on the other hand, the privilege of working children between 11 and 13, 10 hours a day, and of annulling in their case the education made compulsory for all other factory children. This time the pretext was

> "The delicate texture of the fabric in which they were employed, requiring a lightness of touch, only to be acquired by their early introduction to these factories." [189]

The children were slaughtered out-and-out for the sake of their delicate fingers, as in Southern Russia the horned cattle for the sake of their hide and tallow. At length, in 1850, the privilege granted in 1844, was limited to the departments of silk-twisting and silk-winding. But here, to make amends to capital bereft of its "freedom," the work-time for children from 11 to 13 was raised from 10 to 10½ hours. Pretext: "Labor in silk mills was lighter than in mills for other fabrics, and less likely in other respects also to be prejudicial to health." [190] Official medical inquiries proved afterwards that, on the contrary,

> "The average death-rate is exceedingly high in the silk districts and amongst the female part of the population is higher even than it is in the cotton districts of Lancashire." [191]

Despite the protests of the Factory Inspector, renewed every 6 months, the mischief continues to this hour. [192]

The Act of 1850 changed the 15 hours' time from 6 a.m. to 8.30 p.m., into the 12 hours from 6 a.m. to 6 p.m. for "young persons and women" only. It did not, therefore, affect children who could always be employed for half an hour before and 2½ hours after this period, provided the whole of their labor

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[188] l.c.

[189] "Reports, &c., for 31st Oct., 1846," p. 20.

[190] Reports, &c., for 31st Oct., 1861, p. 26.

[191] l.c.,p. 27. On the whole the working population, subject to the Factory Act, has greatly improved physically. All medical testimony agrees on this point, and personal observation at different times has convinced me of it. Nevertheless, and exclusive of the terrible death-rate of children in the first years of their life, the official reports of Dr. Greenhow show the unfavorable health condition of the manufacturing districts as compared with "agricultural districts of normal health." As evidence, take the following table from his 1861 report: —

Pecentage of Adult Males Engaged in Manufactures	14.9	42.6	37.3	41.9	31.0	14.9	36.6	30.4	—
Death-rate from Pulmonary Affections per 100,000 Males	598	708	547	611	691	588	721	726	305
Name of District	Wigan	Blackburn	Halifax	Bradford	Maccles-field	Leek	Stoke-upon-Trent	Woolstanton	Eight healthy agricultural districts
Death-rate from Pulmonary Affections per 100,000 Females	644	734	564	603	804	705	665	727	340
Pecentage of Adult Females Engaged in Manufactures	18.0	34.9	20.4	30.0	26.0	17.2	19.3	13.9	—
Kind of Female Occupation	Cotton	Do.	Worsted	Do.	Silk	Do.	Earthenware	Do.	—

[192] It is well known with what reluctance the English "Free-traders" gave up the protective duty on the silk manufacture. Instead of the protection against French importation, the absence of protection to English factory children now serves their turn.

did not exceed 6½ hours. Whilst the bill was under discussion, the Factory Inspectors laid before Parliament statistics of the infamous abuses due to this anomaly. To no purpose. In the background lurked the intention of screwing up, during prosperous years, the working-day of adult males to 15 hours by the aid of the children. The experience of the three following years showed that such an attempt must come to grief against the resistance of the adult male operatives. The Act of 1850 was therefore finally completed in 1853 by forbidding the "employment of children in the morning before and in the evening after young persons and women." Henceforth with a few exceptions the Factory Act of 1850 regulated the working-day of all workers in the branches of industry that come under it. [193] Since the passing of the first Factory Act half a century had elapsed. [194]

Factory legislation for the first time went beyond its original sphere in the "Printworks' Act of 1845." The displeasure with which capital received this new "extravagance" speaks through every line of the Act. It limits the working-day for children from 8 to 13, and for women to 16 hours, between 6 a.m. and 10 p.m., without any legal pause for meal-times. It allows males over 13 to be worked at will day and night. [195] It is a Parliamentary abortion. [196]

However, the principle had triumphed with its victory in those great branches of industry which form the most characteristic creation of the modern mode of production. Their wonderful development from 1853 to 1860, hand-in-hand with the physical and moral regeneration of the factory workers, struck the most purblind. The masters from whom the legal limitation and regulation had been wrung step by step after a civil war of half a century, themselves referred ostentatiously to the contrast with the branches of exploitation still "free." [197] The Pharisees of "Political Economy" now proclaimed the discernment of the necessity of a legally fixed working-day as a characteristic new discovery of their "science." [198] It will be easily understood that after the factory magnates had resigned themselves and become reconciled to the inevitable, the power of resistance of capital gradually weakened, whilst at the same time the power of attack of the working-class grew with the number of its allies in the classes

[193] During 1859 and 1860, the zenith years of the English cotton industry, some manufacturers tried, by the decoy bait of higher wages for over-time, to reconcile the adult male operatives to an extension of the working-day. The hand-mule spinners and self-actor mincers put an end to the experiment by a petition to their employers in which they say, "Plainly speaking, our lives are to us a burthen; and, while we are confined to the mills nearly two days a week more than the other operatives of the country, we feel like helots in the land, and that we are perpetuating a system injurious to ourselves and future generations.... This, therefore, is to give you most respectful notice that when we commence work again after the Christmas and New Year's holidays, we shall work 60 hours per week, and no more, or from six to six, with one hour and a half out." (Reports, &c., for 30th April, 1860, p. 30.)

[194] On the means that the wording of this Act afforded for its violation of the Parliamentary Return "Factories Regulation Act" (6th August, 1859), and in it Leonard Horner's "Suggestions for amending the Factory Acts to enable the Inspectors to prevent illegal working, now becoming very prevalent."

[195] "Children of the age of 8 years and upwards, have, indeed, been employed from 6 a.m. to 9 p.m. during the last half year in my district." (Reports, &c., for 31st October, 1857, p. 39.)

[196] "The Printworks' Act is admitted to be a failure both with reference to its educational and protective provisions." (Reports, &c., for 31st October, 1862, p. 52.)

[197] thus e.g., E. Potter in a letter to the Times of March 24th, 1863. The Times reminded him of the manufacturers' revolt against the Ten Hours' Bill.

[198] Thus, among others, Mr. W. Newmarch, collaborator and editor of Tooke's "History of Prices." Is it a scientific advance to make cowardly concessions to public opinion?

of society not immediately interested in the question. Hence the comparatively rapid advance since 1860.

The dye-works and bleach-works all came under the Factory Act of 1850 in 1860; [199] lace and stocking manufactures in 1861.

In consequence of the first report of the Commission on the employment of children (1863) the same fate was shared by the manufacturers of all earthenware (not merely pottery), Lucifer-matches, percussion caps, cartridges, carpets, fustian-cutting, and many processes included under the name of "finishing." In the year 1863 bleaching in the open air [200] and baking were placed under special Acts, by which, in the former, the labor of young persons and women during the night-time (from 8 in the evening to 6 in the morning), and in the latter, the employment of journeymen bakers under 18,

[199] The Act passed in 1860, determined that, in regard to dye and bleachworks, the working-day should be fixed on August 1st, 1861, provisionally at 12 hours, and definitely on August 1st, 1862, at 10 hours, i.e., at 10½ hours for ordinary days, and 7½ for Saturday. Now, when the fatal year, 1862, came, the old farce was repeated. Besides, the manufacturers petitioned Parliament to allow the employment of young persons and women for 12 hours during one year longer. "In the existing condition of the trade (the time of the cotton famine), it was greatly to the advantage of the operatives to work 12 hours per day, and make wages when they could." A bill to this effect had been brought in, "and it was mainly due to the action of the operative bleachers in Scotland that the bill was abandoned." (Reports, &c., for 31st October, 1862, pp. 14-15.) Thus, defeated by the very workpeople, in whose name it pretended to speak, Capital discovered, with the help of lawyer spectacles, that the Act of 1860, drawn up, like all the Acts of Parliament for the "protection of labor," in equivocal phrases, gave them a pretext to exclude from its working the calenderers and finishers. English jurisprudence, ever the faithful servant of capital, sanctioned in the Court of Common Pleas this piece of pettifogging. "The operatives have been greatly disappointed ... they have complained of over-work, and it is greatly to be regretted that the clear intention of the legislature should have failed by reason of a faulty definition." (l.c., p. 18.)

[200] The "open-air bleachers" had evaded the law of 1860, by means of the lie that no women worked at it in the night. The lie was exposed by the Factory Inspectors, and at the same time Parliament was, by petitions from the operatives, bereft of its notions as to the cool meadow-fragrance, in which bleaching in the open-air was reported to take place. In this aerial bleaching, drying-rooms were used at temperatures of from 90° to 100° Fahrenheit, in which the work was done for the most part by girls. "Cooling" is the technical expression for their occasional escape from the drying-rooms into the fresh air. "Fifteen girls in stoves. Heat from 80° to 90° for linens, and 100° and upwards for cambrics. Twelve girls ironing and doing-up in a small room about 10 feet square, in the centre of which is a close stove. The girls stand round the stove, which throws out a terrific heat, and dries the cambrics rapidly for the ironers. The hours of work for these hands are unlimited. If busy, they work till 9 or 12 at night for successive nights." (Reports, &c., for 31st October, 1862, p. 56.) A medical man states: "No special hours are allowed for cooling, but if the temperature gets too high, or the workers' hands get soiled from perspiration, they are allowed to go out for a few minutes.... My experience, which is considerable, in treating the diseases of stove workers, compels me to express the opinion that their sanitary condition is by no means so high as that of the operatives in a spinning factory (and Capital, in its memorials to Parliament, had painted them as floridly healthy after the manner of Rubens.) The diseases most observable amongst them are phthisis, bronchitis, irregularity of uterine functions, hysteria in its most aggravated forms, and rheumatism. All of these, I believe, are either directly or indirectly induced by the impure, overheated air of the apartments in which the hands are employed and the want of sufficient comfortable clothing to protect them from the cold, damp atmosphere, in winter, when going to their homes." (l.c., pp. 56-57.) The Factory Inspectors remarked on the supplementary law of 1860, torn from these open-air bleachers: "The Act has not only failed to afford that protection to the workers which it appears to offer, but contains a clause ... apparently so worded that, unless persons are detected working after 8 o'clock at night they appear to come under no protective provisions at all, and if they do so work the mode of proof is so doubtful that a conviction can scarcely follow." (l.c., p. 52.) "To all intents and purposes, therefore, as an Act for any benevolent or educational purpose, it is a failure; since it can scarcely be called benevolent to permit, which is tantamount to compelling, women and children to work 14 hours a day with or without meals, as the case may be, and perhaps for longer hours than these, without limit as to age, without reference to sex, and without regard to the social habits of the families of the neighborhood, in which such works (bleaching and dyeing) are situated." (Reports, &c., for 30th April, 1863, p. 40.)

between 9 in the evening and 5 in the morning were forbidden. We shall return to the later proposals of the same Commission, which threatened to deprive of their "freedom" all the important branches of English Industry, with the exception of agriculture, mines, and the means of transport. [201]

SECTION 7: THE STRUGGLE FOR THE NORMAL WORKING-DAY. RE-ACTION OF THE ENGLISH FACTORY ACTS ON OTHER COUNTRIES

The reader will bear in mind that the production of surplus-value, or the extraction of surplus-labor, is the specific end and aim, the sum and substance, of capitalist production, quite apart from any changes in the mode of production, which may arise from the subordination of labor to capital. He will remember that as far as we have at present gone only the independent laborer, and therefore only the laborer legally qualified to act for himself, enters as a vendor of a commodity into a contract with the capitalist. If, therefore, in our historical sketch, on the one hand, modern industry, on the other, the labor of those who are physically and legally minors, play important parts, the former was to us only a special department, and the latter only a specially striking example of labor exploitation. Without, however, anticipating the subsequent development of our inquiry, from the mere connexon of the historic facts before us it follows:

First. The passion of capital for an unlimited and reckless extension of the working-day, is first gratified in the industries earliest revolutionized by water-power, steam, and machinery, in those first creations of the modern mode of production, cotton, wool, flax, and silk spinning, and weaving. The changes in the material mode of production, and the corresponding changes in the social relations of the producers [202] gave rise first to an extravagance beyond all bounds, and then in opposition to this, called forth a control on the part of Society which legally limits, regulates, and makes uniform the working-day and its pauses. This control appears, therefore, during the first half of the nineteenth century simply as exceptional legislation. [203] As soon as this primitive dominion of the new mode of production was conquered, it was found that, in the meantime, not only had many other branches of production been made to adopt the same factory system, but that manufactures with more or less obsolete methods, such as potteries, glass-making, &c., that old-fashioned handicrafts, like baking, and, finally, even that the so-called domestic industries, such as nail-making,[204] had long since fallen as completely under capitalist exploitation as the factories themselves. Legislation was, therefore,

[201] Note to the 2nd Ed. Since 1866, when I wrote the above passages, a reaction has again set in.
[202] "The conduct of each of these classes (capitalists and workmen) has been the result of the relative situation in which they have been placed." (Reports, &c., for 31st October, 1848, p. 113.)
[203] "The employments, placed under restriction, were connected with the manufacture of textile fabrics by the aid of steam or water-power There were two conditions to which an employment must be subject to cause it to be inspected, viz., the use of steam or waterpower, and the manufacture of certain specified fiber." (Reports, &c., for 31st October, 1864, p. 8.)
[204] On the condition of so-called domestic industries, especially valuable materials are to be found in the latest reports of the Children's Employment Commission.

compelled to gradually get rid of its exceptional character, or where, as in England, it proceeds after the manner of the Roman Casuists, to declare any house in which work was done to be a factory. [205]

Second. The history of the regulation of the working-day in certain branches of production, and the struggle still going on in others in regard to this regulation, prove conclusively that the isolated laborer, the laborer as "free" vendor of his labor-power, when capitalist production has once attained a certain stage, succumbs without any power of resistance. The creation of a normal working-day is, therefore, the product of a protracted civil war, more or less dissembled, between the capitalist class and the working-class. As the contest takes place in the arena of modern industry, it first breaks out in the home of that industry — England. [206] The English factory workers were the champions, not only of the English, but of the modern working-class generally, as their theorists were the first to throw down the gauntlet to the theory of capital. [207] Hence, the philosopher of the Factory, Ure, denounces as an ineffable disgrace to the English working-class that they inscribed "the slavery of the Factory Acts" on the banner which they bore against capital, manfully striving for "perfect freedom of labor." [208]

France limps slowly behind England. The February revolution was necessary to bring into the world the 12 hours' law, [209] which is much more deficient than its English original. For all that, the French revolutionary method has its special advantages. It once for all commands the same limit to the working-day in all shops and factories without distinction, whilst English legislation reluctantly yields to the pressure of circumstances, now on this point, now on that, and is getting lost in a hopelessly bewildering tangle of contradictory enactments. [210] On the other hand, the French law proclaims as a

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[205] "The Acts of last Session (1864) ... embrace a diversity of occupations, the customs in which differ greatly, and the use of mechanical power to give motion to machinery is no longer one of the elements necessary, as formerly, to constitute, in legal phrase, a 'Factory.'" (Reports, &c., for 31st October, 1864, p. 8.)

[206] Belgium, the paradise of Continental Liberalism, shows no trace of this movement. Even in the coal and metal mines laborers of both sexes, and all ages, are consumed, in perfect "freedom" at any period and through any length of time. Of every 1,000 persons employed there, 733 are men, 88 women, 135 boys, and 44 girls under 16; in the blast furnaces, &c., of every 1,000, 668 are men, 149 women, 98 boys, and 85 girls under 16. Add to this the low wages for the enormous exploitation of mature and immature labor-power. The average daily pay for a man is 2s. 8d., for a woman, 1s. 8d., for a boy, 1s. 2½d. As a result, Belgium had in 1863, as compared with 1850, nearly doubled both the amount and the value of its exports of coal, iron, &c.

[207] Robert Owen, soon after 1810, not only maintained the necessity of a limitation of the working-day in theory, but actually introduced the 10 hours' day into his factory at New Lanark. This was laughed at as a communistic Utopia; so were his "Combination of children's education with productive labor and the Co-operative Societies of workingmen, first called into being by him. To-day, the first Utopia is a Factory Act, the second figures as an official phrase in all Factory Acts, the third is already being used as a cloak for reactionary humbug.

[208] Ure: "French translation, Philosophie des Manufactures." Paris, 1836, Vol. II, pp. 39, 40, 67, 77, &c.

[209] In the Compte Rendu of the International Statistical Congress at Paris, 1855, it is stated: "The French law, which limits the length of daily labor in factories and workshops to 12 hours, does not confine this work to definite fixed hours. For children's labor only the work-time is prescribed as between 5 a.m. and 9 p.m. Therefore, some of the masters use the right which this fatal silence gives them to keep their works going, without intermission, day in, day out, possibly with the exception of Sunday. For this purpose, they use two different sets of workers, of whom neither is in the workshop more than 12 hours at a time, but the work of the establishment lasts day and night. The law is satisfied, but is humanity?" Besides "the destructive influence or night-labor on the human organism," stress is also laid upon "the fatal influence of the association of the two sexes by night in the same badly-lighted workshops."

[210] "For instance, there is within my district one occupier who, within the same curtilage, is at the same time a bleacher and dyer under the Bleaching and Dyeing Works Act, a printer under the Print Works Act, and a finisher under the Factory Act."

principle that which in England was only won in the name of children, minors, and women, and has been only recently for the first time claimed as a general right. [211]

In the United States of North America, every independent movement of the workers was paralyzed so long as slavery disfigured a part of the Republic. Labor cannot emancipate itself in the white skin where in the black it is branded. But out of the death of slavery a new life at once arose. The first fruit of the Civil War was the eight hours' agitation, that ran with the seven-leagued boots of the locomotive from the Atlantic to the Pacific, from New England to California. The General Congress of labor at Baltimore (August 16th, 1866) declared:

"The first and great necessity of the present, to free the labor of this country from capitalistic slavery, is the passing of a law by which eight hours shall be the normal working-day in all States of the American Union. We are resolved to put forth all our strength until this glorious result is attained." [212]

At the same time, the Congress of the International Working Men's Association at Geneva, on the proposition of the London General Council, resolved that "the limitation of the working-day is a preliminary condition without which all further attempts at improvement and emancipation must prove abortive... the Congress proposes eight hours as the legal limit of the working-day."

Thus, the movement of the working-class on both sides of the Atlantic, that had grown instinctively out of the conditions of production themselves, endorsed the words of the English Factory Inspector, R. J. Saunders

"Further steps towards a reformation of society can never be carried out with any hope of success, unless the hours of labor be limited, and the prescribed limit strictly enforced." [213]

It must be acknowledged that our laborer comes out of the process of production other than he entered. In the market he stood as owner of the commodity "labor-power" face to face with other owners of commodities, dealer against dealer. The contract by which he sold to the capitalist his labor-power proved, so to say, in black and white that he disposed of himself freely. The bargain concluded, it is discovered that he was no "free agent," that the time for which he is free to sell his labor-power is

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(Report of Mr. Baker, in Reports, lic., for October 31st, 1861, p. 20.) After enumerating the different provisions of these Acts, and the complications arising from them, Mr. Baker says: "It will hence appear that it must be very difficult to secure the execution of these three Acts of Parliament where the occupier chooses to evade the law." But what is assured to the lawyers by this is law-suits.

[211] Thus, the Factory Inspectors at last venture to say: "These objections (of capital to the legal limitation of the working-day) must succumb before the broad principle of the rights of labor.... There is a time when the master's right in his workman's labor ceases, and his time becomes his own, even if there were no exhaustion in the question." (Reports, 8cc., for 31st Oct., 1862, p. 54.)

[212] "We, the workers of Dunkirk, declare that the length of time of labor required under the present system is too great, and that, far from leaving the worker time for rest and education, it plunges him into a condition of servitude but little better than slavery. That is why we decide that 8 hours are enough for a working-day, and ought to be legally recognized as enough; why we call to our help that powerful lever, the press; ... and why we shall consider all those that refuse us this help as enemies of the reform of labor and of the rights of the laborer." (Resolution of the Working Men of Dunkirk, New York State, 1866.)

[213] Reports, &c., for Oct., 1848, p. 112.

the time for which he is forced to sell it, [214] that in fact the vampire will not lose its hold on him "so long as there is a muscle, a nerve, a drop of blood to be exploited." [215] For "protection" against "the serpent of their agonies," the laborers must put their heads together, and, as a class, compel the passing of a law, an all-powerful social barrier that shall prevent the very workers from selling, by voluntary contract with capital, themselves and their families into slavery and death. [216] In place of the pompous catalogue of the "inalienable rights of man" comes the modest Magna Charta of a legally limited working-day, which shall make clear "when the time which the worker sells is ended, and when his own begins." Quantum mutatus ab illo! [What a great change from that time! – Virgil] [217]

Chapter 24: Conversion of Surplus-Value into Capital

SECTION 1: CAPITALIST PRODUCTION ON A PROGRESSIVELY INCREASING SCALE. TRANSITION OF THE LAWS OF PROPERTY THAT CHARACTERISE PRODUCTION OF COMMODITIES INTO LAWS OF CAPITALIST APPROPRIATION

Hitherto we have investigated how surplus-value emanates from capital; we have now to see how capital arises from surplus-value. Employing surplus-value as capital, reconverting it into capital, is called accumulation of capital. [218]

First let us consider this transaction from the standpoint of the individual capitalist. Suppose a spinner to have advanced a capital of £10,000, of which four-fifths (£8,000) are laid out in cotton, machinery, &c., and one-fifth (£2,000) in wages. Let him produce 240,000 lbs. of yarn annually, having a value of £12,000. The rate of surplus-value being 100%, the surplus-value lies in the surplus or net product of 40,000 lbs. of yarn, one-sixth of the gross product, with a value of £2,000 which will be realized by a sale. £2,000 is £2,000. We can neither see nor smell in this sum of money a trace of surplus-

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[214] . "The proceedings (the manoeuvres of capital, e.g., from 1848-50) have afforded, moreover, incontrovertible proof of the fallacy of the assertion so often advanced, that operatives need no protection, but may be considered as free agents in the disposal of the only property which they possess — the labor of their hands and the sweat of their brows." (Reports, &c., for April 30th, 1850, p. 45.) "Free labor (if so, it may be termed) even in a free country, requires the strong arm of the law to protect it." (Reports, &c., for October 31st, 1864, p. 34.) "To permit, which is tantamount to compelling ... to work 14 hours a day with or without meals," &c. (Repts., &c., for April 30th, 1863, p. 40.)

[215] Friedrich Engels, l.c., p. 5.

[216] The 10 Hours' Act has, in the branches of industry that come under it, "put an end to the premature decrepitude of the former long-hour workers." (Reports, &c., for 31st Oct., 1859, p. 47.) "Capital (in factories) can never be employed in keeping the machinery in motion beyond a limited time, without certain injury to the health and morals of the laborers employed; and they are not in a position to protect themselves." l.c., p. 8)

[217] "A still greater boon is the distinction at last made clear between the worker's own time and his master's. The worker knows now when that which he sells is ended, and when his own begins; and by possessing a sure foreknowledge of this, is enabled to prearrange his own minutes for his own purposes." (l.c., p. 52.) "By making them masters of their own time (the Factory Acts) have given them a moral energy which is directing them to the eventual possession of political power" (l.c., p. 47). With suppressed irony, and in very well weighed words, the Factory Inspectors hint that the actual law also frees the capitalist from some of the brutality natural to a man who is a mere embodiment of capital, and that it has given him time for a little "culture." "Formerly the master had no time for anything but money; the servant had no time for anything but labor" (l.c., p. 48).

[218] "Accumulation of capital; the employment of a portion of revenue as capital." (Malthus: "Definitions, &c.," ed. Cazenove, p. 11.) "Conversion of revenue into capital," (Malthus: "Princ. of Pol. Econ " 2nd Ed., Lond.. 1836, p. 320.)

value. When we know that a given value is surplus-value, we know how its owner came by it; but that does not alter the nature either of value or of money.

In order to convert this additional sum of £2,000 into capital, the master-spinner will, all circumstances remaining as before, advance four-fifths of it (£1,600) in the purchase of cotton, &c., and one-fifth (£400) in the purchase of additional spinners, who will find in the market the necessaries of life whose value the master has advanced to them.

Then the new capital of £2,000 functions in the spinning mill, and brings in, in its turn, a surplus-value of £400.

The capital value was originally advanced in the money form. The surplus-value on the contrary is, originally, the value of a definite portion of the gross product. If this gross product be sold, converted into money, the capital value regains its original form. From this moment the capital value and the surplus-value are both of them sums of money, and their reconversion into capital takes place in precisely the same way. The one, as well as the other, is laid out by the capitalist in the purchase of commodities that place him in a position to begin afresh the fabrication of his goods, and this time, on an extended scale. But in order to be able to buy those commodities, he must find them ready in the market.

His own yarns circulate, only because he brings his annual product to market, as all other capitalists likewise do with their commodities. But these commodities, before coming to market, were part of the general annual product, part of the total mass of objects of every kind, into which the sum of the individual capitals, *i.e.*, the total capital of society, had been converted in the course of the year, and of which each capitalist had in hand only an aliquot part. The transactions in the market effectuate only the interchange of the individual components of this annual product, transfer them from one hand to another, but can neither augment the total annual production, nor alter the nature of the objects produced. Hence the use that can be made of the total annual product, depends entirely upon its own composition, but in no way upon circulation.

The annual production must in the first place furnish all those objects (use values) from which the material components of capital, used up in the course of the year, have to be replaced. Deducting these there remains the net or surplus-product, in which the surplus-value lies. And of what does this surplus-product consist? Only of things destined to satisfy the wants and desires of the capitalist class, things which, consequently, enter into the consumption fund of the capitalists? Were that the case, the cup of surplus-value would be drained to the very dregs, and nothing but simple reproduction would ever take place.

To accumulate it is necessary to convert a portion of the surplus-product into capital. But we cannot, except by a miracle, convert into capital anything but such articles as can be employed in the labor process (*i.e.*, means of production), and such further articles as are suitable for the sustenance of the laborer (*i.e.*, means of subsistence). Consequently, a part of the annual surplus-labor must have been applied to the production of additional means of production and subsistence, over and above the

quantity of these things required to replace the capital advanced. In one word, surplus-value is convertible into capital solely because the surplus-product, whose value it is, already comprises the material elements of new capital. [219]

Now in order to allow of these elements actually functioning as capital, the capitalist class requires additional labor. If the exploitation of the laborers already employed do not increase, either extensively or intensively, then additional labor-power must be found. For this the mechanism of capitalist production provides beforehand, by converting the working class into a class dependent on wages, a class whose ordinary wages suffice, not only for its maintenance, but for its increase. It is only necessary for capital to incorporate this additional labor-power, annually supplied by the working class in the shape of laborers of all ages, with the surplus means of production comprised in the annual produce, and the conversion of surplus-value into capital is complete. From a concrete point of view, accumulation resolves itself into the reproduction of capital on a progressively increasing scale. The circle in which simple reproduction moves, alters its form, and, to use Sismondi's expression, changes into a spiral. [220]

Let us now return to our illustration. It is the old story: Abraham begat Isaac, Isaac begat Jacob, and so on. The original capital of £10,000 brings in a surplus-value of £2,000, which is capitalized. The new capital of £2,000 brings in a surplus-value of £400, and this, too, is capitalized, converted into a second additional capital, which, in its turn, produces a further surplus-value of £80. And so, the ball rolls on.

We here leave out of consideration the portion of the surplus-value consumed by the capitalist. Just as little does it concern us, for the moment, whether the additional capital is joined on to the original capital, or is separated from it to function independently; whether the same capitalist, who accumulated it, employs it, or whether he hands it over to another. This only we must not forget, that by the side of the newly-formed capital, the original capital continues to reproduce itself, and to produce surplus-value, and that this is also true of all accumulated capital, and the additional capital engendered by it.

The original capital was formed by the advance of £10,000. How did the owner become possessed of it? "By his own labor and that of his forefathers," answer unanimously the spokesmen of Political Economy. [221] And, in fact, their supposition appears the only one consonant with the laws of the production of commodities.

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[219] We here take no account of export trade, by means of which a nation can change articles of luxury either into means of production or means of subsistence, and vice versà. In order to examine the object of our investigation in its integrity, free from all disturbing subsidiary circumstances, we must treat the whole world as one nation, and assume that capitalist production is everywhere established and has possessed itself of every branch of industry.

[220] Sismondi's analysis of accumulation suffers from the great defect, that he contents himself, to too great an extent, with the phrase "conversion of revenue into capital," without fathoming the material conditions of this operation.

[221] "Le travail primitif auquel son capital a dû sa naissance." [the original labor, to which his capital owed its origin] Sismondi, l. c., ed. Paris, t. I., p. 109.

But it is quite otherwise with regard to the additional capital of £2,000. How that originated we know perfectly well. There is not one single atom of its value that does not owe its existence to unpaid labor. The means of production, with which the additional labor-power is incorporated, as well as the necessaries with which the laborers are sustained, are nothing but component parts of the surplus-product, of the tribute annually exacted from the working class by the capitalist class. Though the latter with a portion of that tribute purchases the additional labor-power even at its full price, so that equivalent is exchanged for equivalent, yet the transaction is for all that only the old dodge of every conqueror who buys commodities from the conquered with the money he has robbed them of.

If the additional capital employs the person who produced it, this producer must not only continue to augment the value of the original capital, but must buy back the fruits of his previous labor with more labor than they cost. When viewed as a transaction between the capitalist class and the working class, it makes no difference that additional laborers are employed by means of the unpaid labor of the previously employed laborers. The capitalist may even convert the additional capital into a machine that throws the producers of that capital out of work, and that replaces them by a few children. In every case the working class creates by the surplus-labor of one year the capital destined to employ additional labor in the following year. [222] And this is what is called: creating capital out of capital.

The accumulation of the first additional capital of £2,000 presupposes a value of £10,000 belonging to the capitalist by virtue of his "primitive labor," and advanced by him. The second additional capital of £400 presupposes, on the contrary, only the previous accumulation of the £2,000, of which the £400 is the surplus-value capitalized. The ownership of past unpaid labor is thenceforth the sole condition for the appropriation of living unpaid labor on a constantly increasing scale. The more the capitalist has accumulated, the more is he able to accumulate.

In so far as the surplus-value, of which the additional capital, No. 1, consists, is the result of the purchase of labor-power with part of the original capital, a purchase that conformed to the laws of the exchange of commodities, and that, from a legal standpoint, presupposes nothing beyond the free disposal, on the part of the laborer, of his own capacities, and on the part of the owner of money or commodities, of the values that belong to him; in so far as the additional capital, No. 2, &c., is the mere result of No. 1, and, therefore, a consequence of the above conditions; in so far as each single transaction invariably conforms to the laws of the exchange of commodities, the capitalist buying labor-power, the laborer selling it, and we will assume at its real value; in so far as all this is true, it is evident that the laws of appropriation or of private property, laws that are based on the production and circulation of commodities, become by their own inner and inexorable dialectic changed into their very opposite. The exchange of equivalents, the original operation with which we started, has now become turned round in such a way that there is only an apparent exchange. This is owing to the fact, first, that the capital which is exchanged for labor-power is itself but a portion of the product of others' labor appropriated without an equivalent; and, secondly, that this capital must not only be replaced by its

[222] "Labor creates capital before capital employs labor." E. G. Wakefield, "England and America," Lond., 1833, Vol. II, p. 110.

producer, but replaced together with an added surplus. The relation of exchange subsisting between capitalist and laborer becomes a mere semblance appertaining to the process of circulation, a mere form, foreign to the real nature of the transaction, and only mystifying it. The ever-repeated purchase and sale of labor-power is now the mere form; what really takes place is this — the capitalist again and again appropriates, without equivalent, a portion of the previously materialized labor of others, and exchanges it for a greater quantity of living labor. At first the rights of property seemed to us to be based on a man's own labor. At least, some such assumption was necessary since only commodity-owners with equal rights confronted each other, and the sole means by which a man could become possessed of the commodities of others, was by alienating his own commodities; and these could be replaced by labor alone. Now, however, property turns out to be the right, on the part of the capitalist, to appropriate the unpaid labor of others or its product, and to be the impossibility, on the part of the laborer, of appropriating his own product. The separation of property from labor has become the necessary consequence of a law that apparently originated in their identity. [223]

Therefore, [224] however much the capitalist mode of appropriation may seem to fly in the face of the original laws of commodity production, it nevertheless arises, not from a violation, but, on the contrary, from the application of these laws. Let us make this clear once more by briefly reviewing the consecutive phases of motion whose culminating point is capitalist accumulation.

We saw, in the first place, that the original conversion of a sum of values into capital was achieved in complete accordance with the laws of exchange. One party to the contract sells his labor-power, the other buys it. The former receives the value of his commodity, whose use value — labor — is thereby alienated to the buyer. Means of production which already belong to the latter are then transformed by him, with the aid of labor equally belonging to him, into a new product which is likewise lawfully his.

The value of this product includes: first, the value of the used-up means of production. Useful labor cannot consume these means of production without transferring their value to the new product, but to be saleable, labor-power must be capable of supplying useful labor in the branch of industry in which it is to be employed.

The value of the new product further includes: the equivalent of the value of the labor-power together with a surplus-value. This is so because the value of the labor-power — sold for a definite length of time, say a day, a week, etc. — is less than the value created by its use during that time. But the worker has received payment for the exchange-value of his labor-power and by so doing has alienated its use value — this being the case in every sale and purchase.

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[223] The property of the capitalist in the product of the labor of others "is a strict consequence of the law of appropriation, the fundamental principle of which was, on the contrary, the exclusive title of every laborer to the product of his own labor." (Cherbuliez, "Richesse ou Pauvreté," Paris, 1841, p. 58, where, however, the dialectical reversal is not properly developed.)

[224] The following passage (to p. 551 "laws of capitalist appropriation.") has been added to the English text in conformity with the 4th German edition.

The fact that this particular commodity, labor-power, possesses the peculiar use value of supplying labor, and therefore of creating value, cannot affect the general law of commodity production. If, therefore, the magnitude of value advanced in wages is not merely found again in the product, but is found there augmented by a surplus-value, this is not because the seller has been defrauded, for he has really received the value of his commodity; it is due solely to the fact that this commodity has been used up by the buyer.

The law of exchange requires equality only between the exchange-values of the commodities given in exchange for one another. From the very outset it presupposes even a difference between their use values and it has nothing whatever to do with their consumption, which only begins after the deal is closed and executed.

Thus, the original conversion of money into capital is achieved in the most exact accordance with the economic laws of commodity production and with the right of property derived from them. Nevertheless, its result is:

(1) that the product belongs to the capitalist and not to the worker;

(2) that the value of this product includes, besides the value of the capital advanced, a surplus-value which costs the worker labor but the capitalist nothing, and which none the less becomes the legitimate property of the capitalist;

(3) that the worker has retained his labor-power and can sell it anew if he can find a buyer.

Simple reproduction is only the periodical repetition of this first operation; each time money is converted afresh into capital. Thus, the law is not broken; on the contrary, it is merely enabled to operate continuously. "Several successive acts of exchange have only made the last represent the first" (Sismondi, "Nouveaux Principes, etc.," p. 70).

And yet we have seen that simple reproduction suffices to stamp this first operation, in so far as it is conceived as an isolated process, with a totally changed character. "Of those who share the national income among themselves, the one side (the workers) acquire every year a fresh right to their share by fresh work; the others (the capitalists) have already acquired, by work done originally, a permanent right to their share" (Sismondi, l. c., pp. 110, 111). It is indeed notorious that the sphere of labor is not the only one in which primogeniture works miracles.

Nor does it matter if simple reproduction is replaced by reproduction on an extended scale, by accumulation. In the former case the capitalist squanders the whole surplus-value in dissipation, in the latter he demonstrates his bourgeois virtue by consuming only a portion of it and converting the rest into money.

The surplus-value is his property; it has never belonged to anyone else. If he advances it for the purposes of production, the advances made come from his own funds, exactly as on the day when he first entered the market. The fact that on this occasion the funds are derived from the unpaid labor of

his workers makes absolutely no difference. If worker B is paid out of the surplus-value which worker A produced, then, in the first place, A furnished that surplus-value without having the just price of his commodity cut by a half-penny, and, in the second place, the transaction is no concern of B's whatever. What B claims, and has a right to claim, is that the capitalist should pay him the value of his labor-power. "Both were still gainers: the worker because he was advanced the fruits of his labor" (should read: of the unpaid labor of other workers) "before the work was done" (should read: before his own labor had borne fruit); "the employer *(le maître),* because the labor of this worker was worth more than his wages" (should read: produced more value than the value of his wages). (Sismondi, l. c., p. 135.)

To be sure, the matter looks quite different if we consider capitalist production in the uninterrupted flow of its renewal, and if, in place of the individual capitalist and the individual worker, we view in their totality, the capitalist class and the working class confronting each other. But in so doing we should be applying standards entirely foreign to commodity production.

Only buyer and seller, mutually independent, face each other in commodity production. The relations between them cease on the day when the term stipulated in the contract they concluded expires. If the transaction is repeated, it is repeated as the result of a new agreement which has nothing to do with the previous one and which only by chance brings the same seller together again with the same buyer.

If, therefore, commodity production, or one of its associated processes, is to be judged according to its own economic laws, we must consider each act of exchange by itself, apart from any connexon with the act of exchange preceding it and that following it. And since sales and purchases are negotiated solely between particular individuals, it is not admissible to seek here for relations between whole social classes.

However long a series of periodical reproductions and preceding accumulations the capital functioning today may have passed through, it always preserves its original virginity. So long as the laws of exchange are observed in every single act of exchange the mode of appropriation can be completely revolutionized without in any way affecting the property rights which correspond to commodity production. These same rights remain in force both at the outset, when the product belongs to its producer, who, exchanging equivalent for equivalent, can enrich himself only by his own labor, and also in the period of capitalism, when social wealth becomes to an ever-increasing degree the property of those who are in a position to appropriate continually and ever afresh the unpaid labor of others.

This result becomes inevitable from the moment there is a free sale, by the laborer himself, of labor-power as a commodity. But it is also only from then onwards that commodity production is generalized and becomes the typical form of production; it is only from then onwards that, from the first, every product is produced for sale and all wealth produced goes through the sphere of circulation. Only when and where wage labor is its basis does commodity production impose itself upon society as a whole; but only then and there also does it unfold all its hidden potentialities. To say

that the supervention of wage labor adulterates commodity production is to say that commodity production must not develop if it is to remain unadulterated. To the extent that commodity production, in accordance with its own inherent laws, develops further, into capitalist production, the property laws of commodity production change into the laws of capitalist appropriation. [225]

We have seen that even in the case of simple reproduction, all capital, whatever its original source, becomes converted into accumulated capital, capitalized surplus-value. But in the flood of production all the capital originally advanced becomes a vanishing quantity *(magnitudo evanescens,* in the mathematical sense), compared with the directly accumulated capital, *i.e.*, with the surplus-value or surplus-product that is reconverted into capital, whether it functions in the hands of its accumulator, or in those of others. Hence, Political Economy describes capital in general as "accumulated wealth" (converted surplus-value or revenue), "that is employed over again in the production of surplus-value," [226] and the capitalist as "the owner of surplus-value." [227] It is merely another way of expressing the same thing to say that all existing capital is accumulated or capitalized interest, for interest is a mere fragment of surplus-value. [228]

SECTION 2: ERRONEOUS CONCEPTION, BY POLITICAL ECONOMY, OF REPRODUCTION ON A PROGRESSIVELY INCREASING SCALE

Before we further investigate accumulation or the reconversion of surplus-value into capital, we must brush on one side an ambiguity introduced by the classical economists.

Just as little as the commodities that the capitalist buys with a part of the surplus-value for his own consumption, serve the purpose of production and of creation of value, so little is the labor that he buys for the satisfaction of his natural and social requirements, productive labor. Instead of converting surplus-value into capital, he, on the contrary, by the purchase of those commodities and that labor, consumes or expends it as revenue. In the face of the habitual mode of life of the old feudal nobility, which, as Hegel rightly says, "consists in consuming what is in hand," and more especially displays itself in the luxury of personal retainers, it was extremely important for bourgeois economy to promulgate the doctrine that accumulation of capital is the first duty of every citizen, and to preach without ceasing, that a man cannot accumulate, if he eats up all his revenue, instead of spending a good part of it in the acquisition of additional productive laborers, who bring in more than they cost. On the other hand the economists had to contend against the popular prejudice, that confuses capitalist production with hoarding, [229] and fancies that accumulated wealth is either wealth that is rescued from

[225] We may well, therefore, feel astonished at the cleverness of Proudhon, who would abolish capitalistic property by enforcing the eternal laws of property that are based on commodity production!

[226] "Capital, viz., accumulated wealth employed with a view to profit." (Malthus, l. c.) "Capital ... consists of wealth saved from revenue, and used with a view to profit." (R. Jones: "An Introductory Lecture on Polit. Econ.," Lond., 1833, p. 16.)

[227] "The possessors of surplus-produce or capital." ("The Source and Remedy of the National Difficulties. A Letter to Lord John Russell." Lond., 1821.)

[228] "Capital, with compound interest on every portion of capital saved, is so all engrossing that all the wealth in the world from which income is derived, has long ago become the interest on capital." (London, Economist, 19th July, 1851.)

[229] "No political economist of the present day can by saving mean mere hoarding: and beyond this contracted and insufficient proceeding, no use of the term in reference to the national wealth can well be imagined, but that which must arise from a

being destroyed in its existing form, *i.e.*, from being consumed, or wealth that is withdrawn from circulation. Exclusion of money from circulation would also exclude absolutely its self-expansion as capital, while accumulation of a hoard in the shape of commodities would be sheer tomfoolery. [230] The accumulation of commodities in great masses is the result either of over-production or of a stoppage of circulation. [231] It is true that the popular mind is impressed by the sight, on the one hand, of the mass of goods that are stored up for gradual consumption by the rich, [232] and on the other hand, by the formation of reserve stocks; the latter, a phenomenon that is common to all modes of production, and on which we shall dwell for a moment, when we come to analyze circulation. Classical economy is therefore quite right, when it maintains that the consumption of surplus-products by productive, instead of by unproductive laborers, is a characteristic feature of the process of accumulation. But at this point the mistakes also begin. Adam Smith has made it the fashion, to represent accumulation as nothing more than consumption of surplus products by productive laborers, which amounts to saying, that the capitalizing of surplus-value consists in merely turning surplus-value into labor-power.

Let us see what Ricardo, *e.g.*, says:

"It must be understood that all the productions of a country are consumed; but it makes the greatest difference imaginable whether they are consumed by those who reproduce, or by those who do not reproduce another value. When we say that revenue is saved, and added to capital, what we mean is, that the portion of revenue, so said to be added to capital, is consumed by productive instead of unproductive laborers. There can be no greater error than in supposing that capital is increased by non-consumption." [233]

There can be no greater error than that which Ricardo and all subsequent economists repeat after A. Smith, viz., that

"The part of revenue, of which it is said, it has been added to capital, is consumed by productive laborers."

According to this, all surplus-value that is changed into capital becomes variable capital. So far from this being the case, the surplus-value, like the original capital, divides itself into constant capital and variable capital, into means of production and labor-power. Labor-power is the form under which variable capital exists during the process of production. In this process the labor-power is itself consumed by the capitalist while the means of production are consumed by the labor-power in the

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different application of what is saved, founded upon a real distinction between the different kinds of labor maintained by it." (Malthus, l. c., pp. 38, 39.)

[230] Thus for instance, Balzac, who so thoroughly studied every shade of avarice, represents the old usurer Gobseck as in his second childhood when he begins to heap up a hoard of commodities.

[231] "Accumulation of stocks ... non-exchange ... over-production." (Th. Corbet. l. c., p. 104.)

[232] In this sense Necker speaks of the "objets de faste et de somptuosité," [things of pomp and luxury] of which "le temps a grossi l'accummulation," [accumulation has grown with time] and which "les lois de propriété ont rassemblés dans une seule classe de la société." [the laws of property have brought into the hands of one class of society alone] (Oeuvres de M. Necker, Paris and Lausanne, 1789, t. ii., p. 291.)

[233] Ricardo, l.c., p. 163, note.

exercise of its function, labor. At the same time, the money paid for the purchase of the labor-power, is converted into necessaries, that are consumed, not by "productive labor," but by the "productive laborer." Adam Smith, by a fundamentally perverted analysis, arrives at the absurd conclusion, that even though each individual capital is divided into a constant and a variable part, the capital of society resolves itself only into variable capital, *i.e.*, is laid out exclusively in payment of wages. For instance, suppose a cloth manufacturer converts £2,000 into capital. One portion he lays out in buying weavers, the other in woolen yarn, machinery, &c. But the people, from whom he buys the yarn and the machinery, pay for labor with a part of the purchase money, and so on until the whole £2,000 are spent in the payment of wages, *i.e.*, until the entire product represented by the £2,000 has been consumed by productive laborers. It is evident that the whole gist of this argument lies in the words "and so on," which send us from pillar to post. In truth, Adam Smith breaks his investigation off, just where its difficulties begin. [234]

The annual process of reproduction is easily understood, so long as we keep in view merely the sum total of the year's production. But every single component of this product must be brought into the market as a commodity, and there the difficulty begins. The movements of the individual capitals, and of the personal revenues, cross and intermingle and are lost in the general change of places, in the circulation of the wealth of society; this dazes the sight, and propounds very complicated problems for solution. In the third part of Book II. I shall give the analysis of the real bearings of the facts. It is one of the great merits of the Physiocrats, that in their *Tableau économique* they were the first to attempt to depict the annual production in the shape in which it is presented to us after passing through the process of circulation. [235]

For the rest, it is a matter of course, that Political Economy, acting in the interests of the capitalist class, has not failed to exploit the doctrine of Adam Smith, viz., that the whole of that part of the surplus-product which is converted into capital, is consumed by the working class.

SECTION 3: SEPARATION OF SURPLUS-VALUE INTO CAPITAL AND REVENUE. THE ABSTINENCE THEORY

In the last preceding chapter, we treated surplus-value (or the surplus-product) solely as a fund for supplying the individual consumption of the capitalist. In this chapter we have, so far, treated it

[234] In spite of his "Logic," John St. Mill never detects even such faulty analysis as this when made by his predecessors, an analysis which, even from the bourgeois standpoint of the science, cries out for rectification. In every case he registers with the dogmatism of a disciple, the confusion of his master's thoughts. So here: "The capital itself in the long run becomes entirely wages, and when replaced by the sale of produce becomes wages again."

[235] In his description of the process of reproduction, and of accumulation, Adam Smith, in many ways, not only made no advance, but even lost considerable ground, compared with his predecessors, especially by the Physiocrats. Connected with the illusion mentioned in the text, is the really wonderful dogma, left by him as an inheritance to Political Economy, the dogma, that the price of commodities is made up of wages, profit (interest) and rent, i.e., of wages and surplus-value. Starting from this basis, Storch naively confesses, "Il est impossible de résoudre le prix nécessaire dans ses éléments les plus simples." [... it is impossible to resolve the necessary price into its simplest elements] (Storch, l. c., Petersb. Edit., 1815, t. ii., p. 141, note.) A fine science of economy this, which declares it impossible to resolve the price of a commodity into its simplest elements! This point will be further investigated in the seventh part of Book iii.

solely as a fund for accumulation. It is, however, neither the one nor the other, but is both together. One portion is consumed by the capitalist as revenue, [236] the other is employed as capital, is accumulated.

Given the mass of surplus-value, then, the larger the one of these parts, the smaller is the other. *Caeteris paribus*, the ratio of these parts determines the magnitude of the accumulation. But it is by the owner of the surplus-value, by the capitalist alone, that the division is made. It is his deliberate act. That part of the tribute exacted by him which he accumulates, is said to be saved by him, because he does not eat it, *i.e.*, because he performs the function of a capitalist, and enriches himself.

Except as personified capital, the capitalist has no historical value, and no right to that historical existence, which, to use an expression of the witty Lichnowsky, "hasn't got no date." And so far, only is the necessity for his own transitory existence implied in the transitory necessity for the capitalist mode of production. But, so far as he is personified capital, it is not values in use and the enjoyment of them, but exchange-value and its augmentation, that spur him into action. Fanatically bent on making value expand itself, he ruthlessly forces the human race to produce for production's sake; he thus forces the development of the productive powers of society, and creates those material conditions, which alone can form the real basis of a higher form of society, a society in which the full and free development of every individual forms the ruling principle. Only as personified capital is the capitalist respectable. As such, he shares with the miser the passion for wealth as wealth. But that which in the miser is a mere idiosyncrasy, is, in the capitalist, the effect of the social mechanism, of which he is but one of the wheels. Moreover, the development of capitalist production makes it constantly necessary to keep increasing the amount of the capital laid out in a given industrial undertaking, and competition makes the immanent laws of capitalist production to be felt by each individual capitalist, as external coercive laws. It compels him to keep constantly extending his capital, in order to preserve it, but extend it he cannot, except by means of progressive accumulation.

So far, therefore, as his actions are a mere function of capital — endowed as capital is, in his person, with consciousness and a will — his own private consumption is a robbery perpetrated on accumulation, just as in book-keeping by double entry, the private expenditure of the capitalist is placed on the debtor side of his account against his capital. To accumulate, is to conquer the world of social wealth, to increase the mass of human beings exploited by him, and thus to extend both the direct and the indirect sway of the capitalist. [237]

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[236] The reader will notice, that the word revenue is used in a double sense: first, to designate surplus-value so far as it is the fruit periodically yielded by capital; secondly, to designate the part of that fruit which is periodically consumed by the capitalist, or added to the fund that supplies his private consumption. I have retained this double meaning because it harmonizes with the language of the English and French economists.

[237] Taking the usurer, that old-fashioned but ever renewed specimen of the capitalist for his text, Luther shows very aptly that the love of power is an element in the desire to get rich. "The heathen was 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 honor, 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 stool, 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. Meanwhile, we hang the

But original sin is at work everywhere. As capitalist production, accumulation, and wealth, become developed, the capitalist ceases to be the mere incarnation of capital. He has a fellow-feeling for his own Adam, and his education gradually enables him to smile at the rage for asceticism, as a mere prejudice of the old-fashioned miser. While the capitalist of the classical type brands individual consumption as a sin against his function, and as "abstinence" from accumulating, the modernized capitalist is capable of looking upon accumulation as "abstinence" from pleasure.

"Two souls, alas, do dwell with in his breast;
The one is ever parting from the other." [238]

At the historical dawn of capitalist production, — and every capitalist upstart has personally to go through this historical stage — avarice, and desire to get rich, are the ruling passions. But the progress of capitalist production not only creates a world of delights; it lays open, in speculation and the credit system, a thousand sources of sudden enrichment. When a certain stage of development has been reached, a conventional degree of prodigality, which is also an exhibition of wealth, and consequently a source of credit, becomes a business necessity to the "unfortunate" capitalist. Luxury enters into capital's expenses of representation. Moreover, the capitalist gets rich, not like the miser, in proportion to his personal labor and restricted consumption, but at the same rate as he squeezes out the labor-power of others, and enforces on the laborer abstinence from all life's enjoyments. Although, therefore, the prodigality of the capitalist never possesses the bona fide character of the open-handed feudal lord's prodigality, but, on the contrary, has always lurking behind it the most sordid avarice and the most anxious calculation, yet his expenditure grows with his accumulation, without the one necessarily restricting the other. But along with this growth, there is at the same time developed in his breast, a Faustian conflict between the passion for accumulation, and the desire for enjoyment.

Dr. Aikin says in a work published in 1795:

"The trade of Manchester may be divided into four periods. First, when manufacturers were obliged to work hard for their livelihood."

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small thieves.... Little thieves are put in the stocks; great thieves go flaunting in gold and silk.... 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-glutton, 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 be his serf forever. To wear fine cloaks, golden chains, rings, to wipe his mouth, to be deemed and taken for a worthy, pious man .... Usury is a great huge monster, like a werewolf, who lays waste all, more than any Cacus, Gerion or Antus. 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. But Hercules shall hear the cry of the oxen and of his 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... And since we break on the wheel, and behead highwaymen, murderers and housebreakers, how much more ought we to break on the wheel and kill.... hunt down, curse and behead all usurers." (Martin Luther, l. c.)

[238] See Goethe's "Faust."

They enriched themselves chiefly by robbing the parents, whose children were bound as apprentices to them; the parents paid a high premium, while the apprentices were starved. On the other hand, the average profits were low, and to accumulate, extreme parsimony was requisite. They lived like misers and were far from consuming even the interest on their capital.

> "The second period, when they had begun to acquire little fortunes, but worked as hard as before," — for direct exploitation of labor costs labor, as every slave-driver knows — "and lived in as plain a manner as before.... The third, when luxury began, and the trade was pushed by sending out riders for orders into every market town in the Kingdom.... It is probable that few or no capitals of £3,000 to £4,000 acquired by trade existed here before 1690. However, about that time, or a little later, the traders had got money beforehand, and began to build modern brick houses, instead of those of wood and plaster."

Even in the early part of the 18th century, a Manchester manufacturer, who placed a pint of foreign wine before his guests, exposed himself to the remarks and headshakings of all his neighbors. Before the rise of machinery, a manufacturer's evening expenditure at the public house where they all met, never exceeded sixpence for a glass of punch, and a penny for a screw of tobacco. It was not till 1758, and this marks an epoch, that a person actually engaged in business was seen with an equipage of his own.

"The fourth period," the last 30 years of the 18th century, "is that in which expense and luxury have made great progress, and was supported by a trade extended by means of riders and factors through every part of Europe." [239]

What would the good Dr. Aikin say if he could rise from his grave and see the Manchester of today?

Accumulate, accumulate! That is Moses and the prophets! "Industry furnishes the material which saving accumulates." [240] Therefore, save, save, *i.e.*, reconvert the greatest possible portion of surplus-value, or surplus-product into capital! Accumulation for accumulation's sake, production for production's sake: by this formula classical economy expressed the historical mission of the bourgeoisie, and did not for a single instant deceive itself over the birth-throes of wealth. [241] But what avails lamentation in the face of historical necessity? If to classical economy, the proletarian is but a machine for the production of surplus-value; on the other hand, the capitalist is in its eyes only a machine for the conversion of this surplus-value into additional capital. Political Economy takes the historical function of the capitalist in bitter earnest. In order to charm out of his bosom the awful conflict between the desire for enjoyment and the chase after riches, Malthus about the year 1820,

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[239] Dr. Aikin: "Description of the Country from 30 to 40 miles round Manchester." Lond., 1795, p. 182, sq.

[240] A. Smith, l. c., bk. iii., ch. iii.

[241] Even J. B. Say says: "Les épargnes des riches se font aux dépens des pauvres." [the savings of the rich are made at the expense of the poor] "The Roman proletarian lived almost entirely at the expense of society.... It can almost be said that modern society lives at the expense of the proletarians, on what it keeps out of the remuneration of labor." (Sismondi: "études, &c.," t. i., p. 24.)

advocated a division of labor, which assigns to the capitalist actually engaged in production, the business of accumulating, and to the other sharers in surplus-value, to the landlords, the place-men, the beneficed clergy, &c., the business of spending. It is of the highest importance, he says,

"To keep separate the passion for expenditure and the passion for accumulation." [242]

The capitalists having long been good livers and men of the world, uttered loud cries. What, exclaimed one of their spokesmen, a disciple of Ricardo, Mr. Malthus preaches high rents, heavy taxes, &c., so that the pressure of the spur may constantly be kept on the industrious by unproductive consumers! By all means, production, production on a constantly increasing scale, runs the shibboleth; but

> "Production will, by such a process, be far more curbed in than spurred on. Nor is it quite fair thus to maintain in idleness a number of persons, only to pinch others, who are likely, from their characters, if you can force them to work, to work with success." [243]

Unfair as he finds it to spur on the industrial capitalist, by depriving his bread of its butter, yet he thinks it necessary to reduce the laborer's wages to a minimum "to keep him industrious." Nor does he for a moment conceal the fact, that the appropriation of unpaid labor is the secret of surplus-value.

"Increased demand on the part of the laborers means nothing more than their willingness to take less of their own product for themselves, and leave a greater part of it to their employers; and if it be said, that this begets glut, by lessening consumption" (on the part of the laborers), "I can only reply that glut is synonymous with large profits." [244]

The learned disputation, how the booty pumped out of the laborer may be divided, with most advantage to accumulation, between the industrial capitalist and the rich idler, was hushed in face of the revolution of July. Shortly afterwards, the town proletariat at Lyons sounded the tocsin of revolution, and the country proletariat in England began to set fire to farm-yards and corn-stacks. On this side of the Channel Owenism began to spread; on the other side, St. Simonism and Fourierism. The hour of vulgar economy had struck. Exactly a year before Nassau W. Senior discovered at Manchester, that the profit (including interest) of capital is the product of the last hour of the twelve, he had announced to the world another discovery.

"I substitute," he proudly says, "for the word capital, considered as an instrument of production, the word abstinence."

An unparalleled sample this, of the discoveries of vulgar economy! It substitutes for an economic category, a sycophantic phrase — *voilà tout.* [that's all]

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[242] Malthus, l. c., pp. 319, 320.
[243] "An Inquiry into those Principles Respecting the Nature of Demand, &c.," p. 67.
[244] l. c., p. 59.

"When the savage," says Senior, "makes bows, he exercises an industry, but he does not practice abstinence." [245]

This explains how and why, in the earlier states of society, the implements of labor were fabricated without abstinence on the part of the capitalist.

"The more society progresses, the more abstinence is demanded," [246]

Namely, from those who ply the industry of appropriating the fruits of others' industry. All the conditions for carrying on the labor process are suddenly converted into so many acts of abstinence on the part of the capitalist. If the corn is not all eaten, but part of it also sown — abstinence of the capitalist. If the wine gets time to mature — abstinence of the capitalist. [247] The capitalist robs his own self, whenever he "lends (!) the instruments of production to the laborer," that is, whenever by incorporating labor-power with them, he uses them to extract surplus-value out of that labor-power, instead of eating them up, steam-engines, cotton, railways, manure, horses, and all; or as the vulgar economist childishly puts it, instead of dissipating "their value" in luxuries and other articles of consumption. [248] How the capitalists as a class are to perform that feat, is a secret that vulgar economy has hitherto obstinately refused to divulge. Enough, that the world still jogs on, solely through the self-chastisement of this modern penitent of Vishnu, the capitalist. Not only accumulation, but the simple "conservation of a capital requires a constant effort to resist the temptation of consuming it." [249] The simple dictates of humanity therefore plainly enjoin the release of the capitalist from this martyrdom and temptation, in the same way that the Georgian slave-owner was lately delivered, by the abolition of slavery, from the painful dilemma, whether to squander the surplus-product, lashed out of his niggers, entirely in champagne, or whether to reconvert a part of it into more niggers and more land.

In economic forms of society of the most different kinds, there occurs, not only simple reproduction, but, in varying degrees, reproduction on a progressively increasing scale. By degrees

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[245] (Senior, "Principes fondamentaux del'Écon. Pol." trad. Arrivabene. Paris, 1836, p. 308.) This was rather too much for the adherents of the old classical school. "Mr. Senior has substituted for it" (the expression, labor and profit) "the expression labor and Abstinence. He who converts his revenue abstains from the enjoyment which its expenditure would afford him. It is not the capital, but the use of the capital productively, which is the cause of profits." (John Cazenove, l. c., p. 130, Note.) John St. Mill, on the contrary, accepts on the one hand Ricardo's theory of profit, and annexes on the other hand Senior's "remuneration of abstinence." He is as much at home in absurd contradictions, as he feels at sea in the Hegelian contradiction, the source of all dialectic. It has never occurred to the vulgar economist to make the simple reflexion, that every human action may be viewed, as "abstinence" from its opposite. Eating is abstinence from fasting, walking, abstinence from standing still, working, abstinence from idling, idling, abstinence from working, &c. These gentlemen would do well, to ponder, once in a while, over Spinoza's: "Determinatio est Negatio."

[246] Senior, l. c., p. 342.

[247] "No one ... will sow his wheat, for instance, and allow it to remain a twelvemonth in the ground, or leave his wine in a cellar for years, instead of consuming these things or their equivalent at once ... unless he expects to acquire additional value, &c." (Scrope, "Polit. Econ.," edit. by A. Potter, New York, 1841, pp. 133-134.)

[248] "No one ... will sow his wheat, for instance, and allow it to remain a twelvemonth in the ground, or leave his wine in a cellar for years, instead of consuming these things or their equivalent at once ... unless he expects to acquire additional value, &c." (Scrope, "Polit. Econ.," edit. by A. Potter, New York, 1841, pp. 133-134.)

[249] "La conservation d'un capital exige ... un effort constant pour résister a la tentation de le consommer." (Courcelle-Seneuil, l. c., p. 57.)

more is produced and more consumed, and consequently more products have to be converted into means of production. This process, however, does not present itself as accumulation of capital, nor as the function of a capitalist, so long as the laborer's means of production, and with them, his product and means of subsistence, do not confront him in the shape of capital. [250] Richard Jones, who died a few years ago, and was the successor of Malthus in the chair of Political Economy at Haileybury College, discusses this point well in the light of two important facts. Since the great mass of the Hindu population are peasants cultivating their land themselves, their products, their instruments of labor and means of subsistence never take "the shape of a fund saved from revenue, which fund has, therefore, gone through a previous process of accumulation." [251] On the other hand, the non-agricultural laborers in those provinces where the English rule has least disturbed the old system, are directly employed by the magnates, to whom a portion of the agricultural surplus-product is rendered in the shape of tribute or rent. One portion of this product is consumed by the magnates in kind, another is converted, for their use, by the laborers, into articles of luxury and such like things, while the rest forms the wages of the laborers, who own their implements of labor. Here, production and reproduction on a progressively increasing scale, go on their way without any intervention from that queer saint, that knight of the woeful countenance, the capitalist "abstainer."

SECTION 4: CIRCUMSTANCES THAT, INDEPENDENTLY OF THE PROPORTIONAL DIVISION OF SURPLUS-VALUE INTO CAPITAL AND REVENUE, DETERMINE THE AMOUNT OF ACCUMULATION. DEGREE OF EXPLOITATION OF LABOR-POWER. PRODUCTIVITY OF LABOR. GROWING DIFFERENCE IN AMOUNT BETWEEN CAPITAL EMPLOYED AND CAPITAL CONSUMED. MAGNITUDE OF CAPITAL ADVANCED

The proportion in which surplus-value breaks up into capital and revenue being given, the magnitude of the capital accumulated clearly depends on the absolute magnitude of the surplus-value. Suppose that 80 per cent. were capitalized and 20 per cent. eaten up, the accumulated capital will be £2,400 or £1,200, according as the total surplus-value has amounted to £3,000 or £1,500. Hence all the circumstances that determine the mass of surplus-value operate to determine the magnitude of the accumulation. We sum them up once again, but only in so far as they afford new points of view in regard to accumulation.

It will be remembered that the rate of surplus-value depends, in the first place, on the degree of exploitation of labor-power. Political Economy values this fact so highly, that it occasionally identifies the acceleration of accumulation due to increased productiveness of labor, with its acceleration due to increased exploitation of the laborer. [252] In the chapters on the production of surplus-value it was constantly presupposed that wages are at least equal to the value of labor-power. Forcible reduction of

[250] "The particular classes of income which yield the most abundantly to the progress of national capital, change at different stages of their progress, and are, therefore, entirely different in nations occupying different positions in that progress.... Profits ... unimportant source of accumulation, compared with wages and rents, in the earlier stages of society.... When a considerable advance in the powers of national industry has actually taken place, profits rise into comparative importance as a source of accumulation." (Richard Jones, "Textbook, &c.," pp. 16, 21.)

[251] l. c., p. 36, sq.

[252] l. c., p. 36, sq.

wages below this value plays, however, in practice too important a part, for us not to pause upon it for a moment. It, in fact, transforms, within certain limits, the laborer's necessary consumption fund into a fund for the accumulation of capital.

"Wages," says John Stuart Mill, "have no productive power; they are the price of a productive power. Wages do not contribute, along with labor, to the production of commodities, no more than the price of tools contributes along with the tools themselves. If labor could be had without purchase, wages might be dispensed with." [253]

But if the laborers could live on air they could not be bought at any price. The zero of their cost is therefore a limit in a mathematical sense, always beyond reach, although we can always approximate more and more nearly to it. The constant tendency of capital is to force the cost of labor back towards this zero. A writer of the 18th century, often quoted already, the author of the "Essay on Trade and Commerce," only betrays the innermost secret soul of English capitalism, when he declares the historic mission of England to be the forcing down of English wages to the level of the French and the Dutch. [254] With other things he says naively:

> "But if our poor" (technical term for laborers) "will live luxuriously ... then labor must, of course, be dear ... When it is considered what luxuries the manufacturing populace consumes, such as brandy, gin, tea, sugar, foreign fruit, strong beer, printed linens, snuff, tobacco, &C." [255]

He quotes the work of a Northamptonshire manufacturer, who, with eyes squinting heavenward moans:

"Labor is one-third cheaper in France than in England; for their poor work hard, and fare hard, as to their food and clothing. Their chief diet is bread, fruit, herbs, roots, and dried fish; for they very seldom eat flesh; and when wheat is dear, they eat very little bread." [256] "To which may be added," our essayist goes on, "that their drink is either water or other small liquors, so that they spend very little money.... These things are very difficult to be brought about; but they are not impracticable, since they have been affected both in France and in Holland." [257]

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[253] J. Stuart Mill: "Essays on Some Unsettled Questions of Political Economy," Lond., 1844, p. 90.

[254] "An Essay on Trade and Commerce," Lond., 1770, P. 44. The Times of December, 1866, and January, 1867, in like manner published certain outpourings of the heart of the English mine-owner, in which the happy lot of the Belgian miners was pictured, who asked and received no more than was strictly necessary for them to live for their "masters." The Belgian laborers have to suffer much, but to figure in The Times as model laborers! In the beginning of February, 1867, came the answer: strike of the Belgian miners at Marchienne, put down by powder and lead.

[255] l. c., pp. 44, 46.

[256] The Northamptonshire manufacturer commits a pious fraud, pardonable in one whose heart is so full. He nominally compares the life of the English and French manufacturing laborer, but in the words just quoted he is painting, as he himself confesses in his confused way, the French agricultural laborers.

[257] l. c., pp. 70, 71. Note in the 3rd German edition: today, thanks to the competition on the world-market, established since then, we have advanced much further. "If China," says Mr. Stapleton, M.P., to his constituents, "should become a great manufacturing country, I do not see how the manufacturing population of Europe could sustain the contest without descending to the level of their competitors." (Times, Sept. 3, 1873, p. 8.) The wished-for goal of English capital is no longer Continental wages but Chinese.

Twenty years later, an American humbug, the baronised Yankee, Benjamin Thompson (*alias* Count Rumford) followed the same line of philanthropy to the great satisfaction of God and man. His "Essays" are a cookery book with receipts of all kinds for replacing by some succedaneum the ordinary dear food of the laborer. The following is a particularly successful receipt of this wonderful philosopher:

"5 lbs. of barleymeal, 7½d.; 5 lbs. of Indian corn, 6¼d.; 3d. worth of red herring, 1d. salt, 1d. vinegar, 2d. pepper and sweet herbs, in all 20¾.; make a soup for 64 men, and at the medium price of barley and of Indian corn ... this soup may be provided at ¼d., the portion of 20 ounces. [258]

With the advance of capitalistic production, the adulteration of food rendered Thompson's ideal superfluous. [259] At the end of the 18th and during the first ten years of the 19th century, the English farmers and landlords enforced the absolute minimum of wage, by paying the agricultural laborers less than the minimum in the form of wages, and the remainder in the shape of parochial relief. An example of the waggish way in which the English Dogberries acted in their "legal" fixing of a wages tariff:

"The squires of Norfolk had dined, says Mr. Burke, when they fixed the rate of wages; the squires of Berks evidently thought the laborers ought not to do so, when they fixed the rate of wages at Speenhamland, 1795.... There they decide that 'income (weekly) should be 3s. for a man,' when the gallon or half-peck loaf of 8 lbs. 11 oz. is at 1s., and increase regularly till bread is 1s. 5d.; when it is above that sum decrease regularly till it be at 2s., and then his food *should be* 1/5th less." [260]

Before the Committee of Inquiry of the House of Lords, 1814, a certain A. Bennett, a large farmer, magistrate, poor-law guardian, and wage-regulator, was asked:

"Has any proportion of the value of daily labor been made up to the laborers out of the poors' rate?" Answer: "Yes, it has; the weekly income of every family is made up to the gallon loaf (8 lbs. 11 oz.), and 3d. per head!... The gallon loaf per week is what we suppose sufficient for the maintenance of every person in the family for the week; and the 3d. is for clothes, and if the parish think proper to find clothes; the 3d. is deducted. This practice goes through all the western part of Wiltshire, and, I believe,

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[258] Benjamin Thompson: "Essays, Political, Economical, and Philosophical, &c.," 3 vols., Lond, 1796-1802, vol. i., p. 294. In his "The State of the Poor, or an History of the Laboring Classes in England, &c.," Sir F. M. Eden strongly recommends the Rumfordian beggar-soup to workhouse overseers, and reproachfully warns the English laborers that "many poor people, particularly in Scotland, live, and that very comfortably, for months together, upon oat-meal and barley-meal, mixed with only water and salt." (l. c., vol. i, book i., ch. 2, p. 503.) The same sort of hints in the 19th century. "The most wholesome mixtures of flour having been refused (by the English agricultural laborer)... in Scotland, where education is better, this prejudice is, probably, unknown." (Charles H. Parry, M. D., "The Question of the Necessity of the Existing Corn Laws Considered." London, 1816, p. 69.) This same Parry, however, complains that the English laborer is now (1815) in a much worse condition than in Eden's time (1797.)

[259] From the reports of the last Parliamentary Commission on adulteration of means of subsistence, it will be seen that the adulteration even of medicines is the rule, not the exception in England. E.g., the examination of 34 specimens of opium, purchased of as many different chemists in London, showed that 31 were adulterated with poppy heads, wheat-flour, gum, clay, sand, &c. Several did not contain an atom of morphia.

[260] G. B. Newnham (barrister-at-law): "A Review of the Evidence before the Committee of the two Houses of Parliament on the Corn Laws." Lond., 1815, p. 20, note.

throughout the country." [261] "For years," exclaims a bourgeois author of that time, "they (the farmers) have degraded a respectable class of their countrymen, by forcing them to have recourse to the workhouse ... the farmer, while increasing his own gains, has prevented any accumulation on the part of his laboring dependents." [262]

The part played in our days by the direct robbery from the laborer's necessary consumption fund in the formation of surplus-value, and, therefore, of the accumulation fund of capital, the so-called domestic industry has served to show. (Ch. xv., sect. 8, c.) Further facts on this subject will be given later.

Although in all branches of industry that part of the constant capital consisting of instruments of labor must be sufficient for a certain number of laborers (determined by the magnitude of the undertaking), it by no means always necessarily increases in the same proportion as the quantity of labor employed. In a factory, suppose that 100 laborers working 8 hours a day yield 800 working-hours. If the capitalist wishes to raise this sum by one half, he can employ 50 more workers; but then he must also advance more capital, not merely for wages, but for instruments of labor. But he might also let the 100 laborers work 12 hours instead of 8, and then the instruments of labor already to hand would be enough. These would then simply be more rapidly consumed. Thus, additional labor, begotten of the greater tension of labor-power, can augment surplus-product and surplus-value (i.e., the subject-matter of accumulation), without corresponding augmentation in the constant part of capital.

In the extractive industries, mines, &c., the raw materials form no part of the capital advanced. The subject of labor is in this case not a product of previous labor, but is furnished by Nature gratis, as in the case of metals, minerals, coal, stone, &c. In these cases, the constant capital consists almost exclusively of instruments of labor, which can very well absorb an increased quantity of labor (day and night shifts of laborers, *e.g.*). All other things being equal, the mass and value of the product will rise in direct proportion to the labor expended. As on the first day of production, the original produce-formers, now turned into the creators of the material elements of capital — man and Nature — still work together. Thanks to the elasticity of labor-power, the domain of accumulation has extended without any previous enlargement of constant capital.

In agriculture the land under cultivation cannot be increased without the advance of more seed and manure. But this advance once made, the purely mechanical working of the soil itself produces a marvelous effect on the amount of the product. A greater quantity of labor, done by the same number of laborers as before, thus increases the fertility, without requiring any new advance in the instruments

[261] l. c., pp. 19, 20.

[262] C. H. Parry, l. c., pp. 77, 69. The landlords, on their side, not only "indemnified" themselves for the Anti-Jacobin War, which they waged in the name of England, but enriched themselves enormously. Their rents doubled, trebled, quadrupled, "and in one instance, increased sixfold in eighteen years." (I. c., pp. 100, 101.)

of labor. It is once again the direct action of man on Nature which becomes an immediate source of greater accumulation, without the intervention of any new capital.

Finally, in what is called manufacturing industry, every additional expenditure of labor presupposes a corresponding additional expenditure of raw materials, but not necessarily of instruments of labor. And as extractive industry and agriculture supply manufacturing industry with its raw materials and those of its instruments of labor, the additional product the former have created without additional advance of capital, tells also in favor of the latter.

General result: by incorporating with itself the two primary creators of wealth, labor-power and the land, capital acquires a power of expansion that permits it to augment the elements of its accumulation beyond the limits apparently fixed by its own magnitude, or by the value and the mass of the means of production, already produced, in which it has its being.

Another important factor in the accumulation of capital is the degree of productivity of social labor.

With the productive power of labor increases the mass of the products, in which a certain value, and, therefore, a surplus-value of a given magnitude, is embodied. The rate of surplus-value remaining the same or even falling, so long as it only falls more slowly, than the productive power of labor rises, the mass of the surplus-product increases. The division of this product into revenue and additional capital remaining the same, the consumption of the capitalist may, therefore, increase without any decrease in the fund of accumulation. The relative magnitude of the accumulation fund may even increase at the expense of the consumption fund, whilst the cheapening of commodities places at the disposal of the capitalist as many means of enjoyment as formerly, or even more than formerly. But hand-in-hand with the increasing productivity of labor, goes, as we have seen, the cheapening of the laborer, therefore a higher rate of surplus-value, even when the real wages are rising. The latter never rise proportionally to the productive power of labor. The same value in variable capital therefore sets in movement more labor-power, and, therefore, more labor. The same value in constant capital is embodied in more means of production, *i.e.*, in more instruments of labor, materials of labor and auxiliary materials; it therefore also supplies more elements for the production both of use value and of value, and with these more absorbers of labor. The value of the additional capital, therefore, remaining the same or even diminishing, accelerated accumulation still takes place. Not only does the scale of reproduction materially extend, but the production of surplus-value increases more rapidly than the value of the additional capital.

The development of the productive power of labor reacts also on the original capital already engaged in the process of production. A part of the functioning constant capital consists of instruments of labor, such as machinery, &c., which are not consumed, and therefore not reproduced, or replaced by new ones of the same kind, until after long periods of time. But every year a part of these instruments of labor perishes or reaches the limit of its productive function. It reaches, therefore, in that year, the time for its periodical reproduction, for its replacement by new ones of the same kind. If the

productiveness of labor has, during the using up of these instruments of labor, increased (and it develops continually with the uninterrupted advance of science and technology), more efficient and (considering their increased efficiency), cheaper machines, tools, apparatus, &c., replace the old. The old capital is reproduced in a more productive form, apart from the constant detail improvements in the instruments of labor already in use. The other part of the constant capital, raw material and auxiliary substances, is constantly reproduced in less than a year; those produced by agriculture, for the most part annually. Every introduction of improved methods, therefore, works almost simultaneously on the new capital and on that already in action. Every advance in Chemistry not only multiplies the number of useful materials and the useful applications of those already known, thus extending with the growth of capital its sphere of investment. It teaches at the same time how to throw the excrements of the processes of production and consumption back again into the circle of the process of reproduction, and thus without any previous outlay of capital, creates new matter for capital. Like the increased exploitation of natural wealth by the mere increase in the tension of labor-power, science and technology give capital a power of expansion independent of the given magnitude of the capital actually functioning. They react at the same time on that part of the original capital which has entered upon its stage of renewal. This, in passing into its new shape, incorporates gratis the social advance made while its old shape was being used up. Of course, this development of productive power is accompanied by a partial depreciation of functioning capital. So far as this depreciation makes itself acutely felt in competition, the burden falls on the laborer, in the increased exploitation of whom the capitalist looks for his indemnification.

Labor transmits to its product the value of the means of production consumed by it. On the other hand, the value and mass of the means of production set in motion by a given quantity of labor increase as the labor becomes more productive. Though the same quantity of labor adds always to its products only the same sum of new value, still the old capital value, transmitted by the labor to the products, increases with the growing productivity of labor.

An English and a Chinese spinner, e.g., may work the same number of hours with the same intensity; then they will both in a week create equal values. But in spite of this equality, an immense difference will obtain between the value of the week's product of the Englishman, who works with a mighty automaton, and that of the Chinaman, who has but a spinning-wheel. In the same time as the Chinaman spins one pound of cotton, the Englishman spins several hundreds of pounds. A sum, many hundred times as great, of old values swells the value of his product, in which those re-appear in a new, useful form, and can thus function anew as capital.

"In 1782," as Frederick Engels teaches us, "all the wool crop in England of the three preceding years, lay untouched for want of laborers, and so it must have lain, if newly invented machinery had not come to its aid and spun it." [263]

[263] Friedrich Engels, "Lage der arbeitenden Klasse in England," p. 20.

Labor embodied in the form of machinery of course did not directly force into life a single man, but it made it possible for a smaller number of laborers, with the addition of relatively less living labor, not only to consume the wool productively, and put into it new value, but to preserve in the form of yarn, &c., its old value. At the same time, it caused and stimulated increased reproduction of wool. It is the natural property of living labor, to transmit old value, whilst it creates new. Hence, with the increase in efficacy, extent and value of its means of production, consequently with the accumulation that accompanies the development of its productive power, labor keeps up and eternizes an always increasing capital value in a form ever new." [264] This natural power of labor takes the appearance of an

[264] Classic economy has, on account of a deficient analysis of the labor process, and of the process of creating value, never properly grasped this weighty element of reproduction, as may be seen in Ricardo; he says, e.g., whatever the change in productive power, "a million men always produce in manufactures the same value." This is accurate, if the extension and degree of intensity of their labor are given. But it does not prevent (this Ricardo overlooks in certain conclusions he draws) a million men with different powers of productivity in their labor, turning into products very different masses of the means of production, and therefore preserving in their products very different masses of value; in consequence of which the values of the products yielded may vary considerably. Ricardo has, it may be noted in passing, tried in vain to make clear to J. B. Say, by that very example, the difference between use value (which he here calls wealth or material riches) and exchange-value. Say answers: "Quant à la difficulté qu'élève Mr. Ricardo en disant que, par des procédés mieux entendus un million de personnes peuvent produire deux fois, trois fois autant de richesses, sans produire plus de valeurs, cette difficulté n'est pas une lorsque l'on considére, ainsi qu'on le doit, la production comme un échange dans lequel on donne les services productifs de son travail, de sa terre, et de ses capitaux, pour obtenir des produits. C'est par le moyen de ces services productifs, que nous acquérons tous les produits qui sont au monde. Or... nous sommes d'autant plus riches, nos services productifs ont d'autant plus de valeur qu'ils obtiennent dans l'échange appelé production une plus grande quantité de choses utiles." [As for the difficulty raised by Ricardo when he says that, by using better methods of production, a million people can produce two or three times as much wealth, without producing any more value, this difficulty disappears when one bears in mind, as one should, that production is like an exchange in which a man contributes the productive services of his labor, his land, and his capital, in order to obtain products. It is by means of these productive services that we acquire all the products existing in the world. Therefore ... we are richer, our productive services have the more value, the greater the quantity of useful things they bring in through the exchange which is called production] (J. B. Say, "Lettres à M. Malthus," Paris, 1820, pp. 168, 169.) The "difficulté" — it exists for him, not for Ricardo — that Say means to clear up is this: Why does not the exchange-value of the use values increase, when their quantity increases in consequence of increased productive power of labor? Answer: the difficulty is met by calling use value, exchange-value, if you please. Exchange-value is a thing that is connected one way or another with exchange. If therefore production is called an exchange of labor and means of production against the product, it is clear as day that you obtain more exchange-value in proportion as the production yields more use value. In other words, the more use values, e.g., stockings, a working-day yields to the stocking-manufacturer, the richer is he in stockings. Suddenly, however, Say recollects that "with a greater quantity" of stockings their "price" (which of course has nothing to do with their exchange-value!) falls "parce que la concurrence les (les producteurs) oblige à donner les produits pour ce qu'ils leur coûtent... [because competition obliges them (the producers) to sell their products for what they cost to make] But whence does the profit come, if the capitalist sells the commodities at cost-price? Never mind! Say declares that, in consequence of increased productivity, every one now receives in return for a given equivalent two pairs of stockings instead of one as before. The result he arrives at, is precisely that proposition of Ricardo that he aimed at disproving. After this mighty effort of thought, he triumphantly apostrophises Malthus in the words: "Telle est, monsieur, la doctrine bien liée, sans laquelle il est impossible, je le déclare, d'expliquer les plus grandes difficultés de l'économie politique, et notamment, comment il se peut qu'une nation soit plus riche lorsque ses produits diminuent de valeur, quoique la richesse soit de la valeur." [This, Sir, is the well-founded doctrine without which it is impossible, I say, to explain the greatest difficulties in political economy, and, in particular, to explain why it is that a nation can be richer when its products fall in value, even though wealth is value] (l. c., p. 170.) An English economist remarks upon the conjuring tricks of the same nature that appear in Say's "Lettres": "Those affected ways of talking make up in general that which M. Say is pleased to call his doctrine and which he earnestly urges Malthus to teach at Hertford, as it is already taught 'dans plusieurs parties de l'Europe.' He says, 'Si vous trouvez une physionomie de paradoxe à toutes ces propositions, voyez les choses qu'elles expriment, et j'ose croire qu'elles vous paraîtront fort simples et fort raisonnables.' [in numerous parts of Europe ... If all those propositions appear paradoxical to you, look at the things they express, and I venture to believe that they will then appear very simple and very

intrinsic property of capital, in which it is incorporated, just as the productive forces of social labor take the appearance of inherent properties of capital, and as the constant appropriation of surplus-labor by the capitalists, takes that of a constant self-expansion of capital.

With the increase of capital, the difference between the capital employed and the capital consumed increases. In other words, there is increase in the value and the material mass of the instruments of labor, such as buildings, machinery, drain-pipes, working-cattle, apparatus of every kind that function for a longer or shorter time in processes of production constantly repeated, or that serve for the attainment of particular useful effects, whilst they themselves only gradually wear out, therefore only lose their value piecemeal, therefore transfer that value to the product only bit by bit. In the same proportion as these instruments of labor serve as product-formers without adding value to the product, *i.e.,* in the same proportion as they are wholly employed but only partly consumed, they perform, as we saw earlier, the same gratuitous service as the natural forces, water, steam, air, electricity, etc. This gratuitous service of past labor, when seized and filled with a soul by living labor, increases with the advancing stages of accumulation.

Since past labor always disguises itself as capital, *i.e.*, since the passive of the labor of A, B, C, etc., takes the form of the active of the non-laborer X, bourgeois and political economists are full of praises of the services of dead and gone labor, which, according to the Scotch genius MacCulloch, ought to receive a special remuneration in the shape of interest, profit, etc. [265] The powerful and ever-increasing assistance given by past labor to the living labor process under the form of means of production is, therefore, attributed to that form of past labor in which it is alienated, as unpaid labor, from the worker himself, *i.e.*, to its capitalistic form. The practical agents of capitalistic production and their pettifogging ideologists are as unable to think of the means of production as separate from the antagonistic social mask they wear today, as a slave-owner to think of the worker himself as distinct from his character as a slave.

With a given degree of exploitation of labor-power, the mass of the surplus-value produced is determined by the number of workers simultaneously exploited; and this corresponds, although in varying proportions, with the magnitude of the capital. The more, therefore, capital increases by means of successive accumulations, the more does the sum of the value increase that is divided into consumption fund and accumulation fund. The capitalist can, therefore, live a jollier life, and at the same time show more "abstinence." And, finally, all the springs of production act with greater elasticity, the more its scale extends with the mass of the capital advanced.

SECTION 5: THE SO-CALLED LABOR FUND

It has been shown in the course of this inquiry that capital is not a fixed magnitude, but is a part of social wealth, elastic and constantly fluctuating with the division of fresh surplus-value into revenue and additional capital. It has been seen further that, even with a given magnitude of functioning

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rational] Doubtless, and in consequence of the same process, they will appear everything else, except original." ("An Inquiry into those Principles Respecting the Nature of Demand, &c.," pp. 116, 110.)

[265] MacCulloch took out a patent for "wages of past labor," long before Senior did for "wages of abstinence."

capital, the labor-power, the science, and the land (by which are to be understood, economically, all conditions of labor furnished by Nature independently of man), embodied in it, form elastic powers of capital, allowing it, within certain limits, a field of action independent of its own magnitude. In this inquiry we have neglected all effects of the process of circulation, effects which may produce very different degrees of efficiency in the same mass of capital. And as we presupposed the limits set by capitalist production, that is to say, presupposed the process of social production in a form developed by purely spontaneous growth, we neglected any more rational combination, directly and systematically practicable with the means of production, and the mass of labor-power at present disposable. Classical economy always loved to conceive social capital as a fixed magnitude of a fixed degree of efficiency. But this prejudice was first established as a dogma by the arch-Philistine, Jeremy Bentham, that insipid, pedantic, leather-tongued oracle of the ordinary bourgeois intelligence of the 19th century. [266] Bentham is among philosophers what Martin Tupper is among poets. Both could only have been manufactured in England. [267] In the light of his dogma the commonest phenomena of the process of production, as, *e.g.,* its sudden expansions and contractions, nay, even accumulation itself, become perfectly inconceivable. [268] The dogma was used by Bentham himself, as well as by Malthus James Mill, MacCulloch, etc., for an apologetic purpose, and especially in order to represent one part of capital, namely, variable capital, or that part convertible into labor-power, as a fixed magnitude. The material of variable capital, *i.e.*, the mass of the means of subsistence it represents for the laborer, or the so-called labor fund, was fabled as a separate part of social wealth, fixed by natural laws and unchangeable. To set in motion the part of social wealth which is to function as constant capital, or, to express it in a material form, as means of production, a definite mass of living labor is required. This mass is given technologically. But neither is the number of laborers required to render fluid this mass of labor-power given (it changes with the degree of exploitation of the individual labor-

[266] Compare among others, Jeremy Bentham: "Théorie des Peines et des Récompenses," traduct. d'Et. Dumont, 3ème édit. Paris, 1826, t. II, L. IV., ch. II.

[267] Bentham is a purely English phenomenon. Not even excepting our philosopher, Christian Wolff, in no time and in no country has the most homespun commonplace ever strutted about in so self-satisfied a way. The principle of utility was no discovery of Bentham. He simply reproduced in his dull way what Helvétius and other Frenchmen had said with esprit in the 18th century. To know what is useful for a dog, one must study dog-nature. This nature itself is not to be deduced from the principle of utility. Applying this to man, he that would criticize all human acts, movements, relations, etc., by the principle of utility, must first deal with human nature in general, and then with human nature as modified in each historical epoch. Bentham makes short work of it. With the driest naiveté he takes the modern shopkeeper, especially the English shopkeeper, as the normal man. Whatever is useful to this queer normal man, and to his world, is absolutely useful. This yard-measure, then, he applies to past, present, and future. The Christian religion, e.g., is "useful," "because it forbids in the name of religion the same faults that the penal code condemns in the name of the law." Artistic criticism is "harmful," because it disturbs worthy people in their enjoyment of Martin Tupper, etc. With such rubbish has the brave fellow, with his motto, "nulla dies sine linea!," piled up mountains of books. Had I the courage of my friend, Heinrich Heine, I should call Mr. Jeremy a genius in the way of bourgeois stupidity.

[268] "Political economists are too apt to consider a certain quantity of capital and a certain number of laborers as productive instruments of uniform power, or operating with a certain uniform intensity.... Those... who maintain ... that commodities are the sole agents of production ... prove that production could never be enlarged, for it requires as an indispensable condition to such an enlargement that food, raw materials, and tools should be previously augmented; which is in fact maintaining that no increase of production can take place without a previous increase, or, in other words, that an increase is impossible." (S. Bailey: "Money and its Vicissitudes," pp. 58 and 70.) Bailey criticizes the dogma mainly from the point of view of the process of circulation.

power), nor is the price of this labor-power given, but only its minimum limit, which is moreover very variable. The facts that lie at the bottom of this dogma are these: on the one hand, the laborer has no right to interfere in the division of social wealth into means of enjoyment for the non-laborer and means of production. [269] On the other hand, only in favorable and exceptional cases, has he the power to enlarge the so-called labor fund at the expense of the "revenue" of the wealthy.

What silly tautology results from the attempt to represent the capitalistic limits of the labor fund as its natural and social limits may be seen, e.g., in Professor Fawcett. [270]

"The circulating capital of a country," he says, "is its wage-fund. Hence, if we desire to calculate the average money wages received by each laborer, we have simply to divide the amount of this capital by the number of the laboring population." [271]

That is to say, we first add together the individual wages actually paid, and then we affirm that the sum thus obtained, forms the total value of the "labor fund" determined and vouchsafed to us by God and Nature. Lastly, we divide the sum thus obtained by the number of laborers to find out again how much may come to each on the average. An uncommonly knowing dodge this. It did not prevent Mr. Fawcett saying in the same breath:

"The aggregate wealth which is annually saved in England, is divided into two portions; one portion is employed as capital to maintain our industry, and the other portion is exported to foreign countries... Only a portion, and perhaps, not a large portion of the wealth which is annually saved in this country, is invested in our own industry. [272]

The greater part of the yearly accruing surplus-product, embezzled, because abstracted without return of an equivalent, from the English laborer, is thus used as capital, not in England, but in foreign countries. But with the additional capital thus exported, a part of the "labor fund" invented by God and Bentham is also exported. [273]

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[269] John Stuart Mill, in his "Principles of Political Economy," says: "The really exhausting and the really repulsive labors instead of being better paid than others, are almost invariably paid the worst of all.... The more revolting the occupation, the more certain it is to receive the minimum of remuneration.... The hardships and the earnings, instead of being directly proportional, as in any just arrangements of society they would be, are generally in an inverse ratio to one another." To avoid misunderstanding, let me say that although men like John Stuart Mill are to blame for the contradiction between their traditional economic dogmas and their modern tendencies, it would be very wrong to class them with the herd of vulgar economic apologists.

[270] H. Fawcett, Professor of Political Economy at Cambridge. "The Economic position of the British laborer." London, 1865, p. 120.

[271] I must here remind the reader that the categories, "variable and constant capital," were first used by me. Political Economy since the time of Adam Smith has confusedly mixed up the essential distinctions involved in these categories, with the mere formal differences, arising out of the process of circulation, of fixed and circulating capital. For further details on this point, see Book II., Part II.

[272] Fawcett, l. c., pp. 122, 123.

[273] It might be said that not only capital, but also laborers, in the shape of emigrants, are annually exported from England. In the text, however, there is no question of the peculium of the emigrants, who are in great part not laborers. The sons of farmers make up a great part of them. The additional capital annually transported abroad to be put out at interest is in much greater proportion to the annual accumulation than the yearly emigration is to the yearly increase of population.

Segal: Principles of Political Economy.

[text is not in English]

Chapter 4:

Chapter 5:

Chapter 6:

Chapter 7:

Unit 3. Forms of Capital and Surplus value.

Topics covered:

I. Industrial capital, it's cycle and rotation.
II. General rate of profit.
III. Interest. Banks.
IV. Commercial profit.

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CHAPTER 8: WAGES

The Price of Labor-power. Essential Nature of Wages

Under the capitalist mode of production, labor-power, like every other commodity, has value. The value of labor-power, expressed in money, is the price of labor-power.

The price of labor-power' is unlike the price of other commodities. When a commodity producer sells cloth, say, in the market, the sum of money which he receives is simply the price of the commodity which he has sold. When a proletarian sells his labor-power to a capitalist and obtains a certain sum of money in the form of wages, that sum of money appears not as the price of the commodity labor-power but as the price of labor.

This comes about for the following reasons. First, the capitalist pays the worker his wages after the worker has expended his labor. Second, wages are fixed either in accordance with the amount of time worked (in hours, days, weeks) or in accordance with the quantity of product produced. Let us take our previous example. Let us suppose that the worker works 12 hours a day. During 6 hours he produces the value of 6 dollars, equal to the value of his labor-power. In the remaining 6 hours he produces the value of 6 dollars, which is appropriated by the capitalist as surplus-value. As the employer has hired the proletarian for a full working day, he pays him 6 dollars for the whole 12 hours of his labor. Thus, a false impression is created, as though wages were the price of labor and 6 dollars were full payment for the whole of the 12-hour working day. In fact, the 6 dollars are/only the value of one day's labor-power, whereas the proletarian's labor has created value equal to 12 dollars. If wages at the given enterprise are worked out in relation to the product turned out, it looks as though the worker is paid for the labor expended in every unit of the commodity he has made, i.e., as above, that the whole of the labor expended by the worker has been fully paid for.

This deceptive appearance is not an accidental delusion. It arises from the very conditions of capitalist production, under which exploitation is concealed, slurred over and the relations between the employer and the wage-worker appear in distorted form as relations between equal commodity producers.

In reality the wages of the wage-worker are not the value or price of his labor. If we suppose that labor is itself a commodity and has value, then the magnitude of this value must be measured by some means. Evidently, the magnitude of "the value of labor", as of any other commodity, must be measured by the amount of labor contained in it. Such a supposition creates a vicious circle: labor is measured by labor.

Further, if a capitalist were to pay a worker "the value of his labor", i.e., were to pay for his labor to the full extent, there would then be no source for the capitalist's wealth, i.e., no surplus-value, or, in other words, the capitalist mode of production could not exist.

Labor is the creator of the value of commodities, but labor is not itself a commodity and has no value. What in everyday life is called "the value of labor" is in reality the value of labor-power.

The capitalist buys on the market not labor but a special commodity labor-power. The use of labor-power, i.e., the expenditure of the energy of the worker's muscles, nerves and brain, is the process of labor. The value of labor-power is always less than the value newly created by the worker's labor. Wages are the payment for only part of the working day, namely, for necessary labor-time. But in so far as wages take the form of payment for labor the impression is created that the whole of the working

day is fully paid for. For this reason, Marx calls wages in bourgeois society the transmuted form of the value or price of labor-power.

"Wages are not what they appear to be, namely the value, or price, of labor, but only a masked form for the value, or price, of labor-power." (Marx, "Critique of the Gotha Programme," Marx and Engels, Selected Works, 1950, English edition, vol. II, p. 27.)

Wages are the monetary expression of the value of labor power, its price, outwardly appearing as the price of labor.

Under slavery no buying and selling of labor-power takes place between slave-owner and slave. The slave is the property of the slave-owner. It therefore seems as though the whole of the slave's labor is given for nothing, that even that part of his labor which replaces what has been spent on his upkeep is unpaid labor, labor for the slave-owner. In feudal society the necessary labor of the peasant on his own holding and his surplus labor on the landlord's demesne are distinctly separated in time and space. Under the capitalist system even the unpaid labor of the wage-worker appears to be paid for.

Wages conceal all traces of the division of the working day into necessary and surplus labor-time, into paid and unpaid labor, and so cover up the relation of capitalist exploitation.

Basic Forms of Wages

The basic forms of wages are: (1) time wages and (2) piece wages (payment by the job).

Time wages are that form of wages under which the magnitude of a worker's wages depends on the time which he works-in hours, days, weeks or months. In accordance with these units of time we distinguish payment by the hour, by the day, by the week, by the month.

With one and the same magnitude of time wages, the actual earnings of a worker can differ, depending on the length of the working day. The price of one working hour serves as the measure of payment to the worker for the labor expended by him in a unit of time. Although, as has been shown labor itself has no value, nor, consequently, any price, the conventional name "price of labor" is used to define the size of a worker's earnings. The unit of measurement of the "price of labor" is provided by the payment for the labor of one working hour, or the price of one hour's work. Thus, if the average working day lasts 12 hours, and the average per-day value of labor-power is equivalent to 6 dollars, then the average price of a working hour (600 cents÷12) will be 50 cents.

Time wages enable the capitalist to intensify the exploitation of the worker by way of lengthening the working day-to lower the price of a working hour, while leaving the wages per day, week or month unchanged. Let us suppose that the daily rate of payment remains as before, 6 dollars, but the working day is increased from 12 to 13 hours. In such a case the price of 1 working hour (600 cents÷13) will be reduced from 50 to 46 cents. Under pressure of the workers' demands the capitalist is sometimes obliged to raise the daily (and, accordingly, the weekly and monthly) rate of wages, but the price of 1 working hour may nevertheless remain unchanged or even decline. Thus, if the daily wage is raised

from 6 dollars to 6 dollars 20 cents, while the working day is increased from 12 to 14 hours, the price of a working hour is thereby reduced (620 cents÷14) to 44 cents.

The growth in the intensity of labor means in practice also a fall in the price of a working hour, since the payment remains the same for a greater output of energy, equivalent to a lengthening of the working day. As a result of the fall in the price of a working hour the proletariat, in order to exist, is obliged to agree to a further lengthening of the working day. Both the lengthening of the working day and the unbounded intensification of labor lead to increased expenditure of labor-power and to its being undermined.

The lower the payment for each hour, the greater the amount of labor or the longer the working day that is needed for the worker to secure even a low wage. From another aspect, the lengthening of the working period brings in its turn a lowering of the payment for a working hour.

The capitalist makes use in his own interests of the circumstance that, with a lengthening of the working day or an increase in the intensity of labor, the payment for 1 hour labor is reduced. When conditions are favorable for the sale of commodities, he lengthens the working day, introduces overtime, i.e., work beyond the established duration of the working day. If market conditions are unfavorable and the capitalist is forced temporarily to reduce the extent of his production, he reduces the working day and introduces hourly rates of payment. Hourly rates, when the working day or working week are incomplete, sharply reduce earnings. If, in our example, the working day be shortened from 12 to 6 hours while the rate of payment for labor remains, as before, 50 cents per hour, then the daily earnings for a worker amount in all to 3 dollars, i.e., they will be half the daily value of labor-power. Thus, the worker loses in earnings not only when the working day is lengthened beyond the usual duration but also when he is obliged to work short time.

"The capitalist can now wring from the laborer a certain quantity of surplus labor without allowing him the labor-time necessary for his own subsistence. He can annihilate all regularity of employment and, according to his own convenience, caprice and the interest of the moment make the most enormous overwork alternate with relative or absolute cessation of work." (Marx, Capital, Kerr edition, vol. 1, p. 597.)

With time wages the size of the worker's earnings bear no direct relation to the degree of intensity of his labor: if the intensity of labor is increased, time wages are not raised and in fact the price of a working hour falls. So as to intensify exploitation the capitalist employs special overlookers who see that the workers obey capitalist labor discipline and intensify this discipline still further.

Time wages were widespread in the early stages of the development of capitalism, when the employer, meeting as yet little organized resistance from the workers, was in a position to increase surplus-value by lengthening the working day. Time wages have been retained, however, even in the highest phase of capitalism. In a number of cases, they offer several advantages to the capitalist: through speeding up the movement of the machinery the capitalist obliges the workers to work still more intensively, without increasing their wages.

Piece wages (payment by results) is that form of wages under which the size of the worker's earnings depends on the quantity of articles or separate parts which he produces, or the number of operations he completes, in a given unit of time. Under time wages payment for labor expended varies with its length, under piece wages it vanes with the number of articles produced or operations completed, each of which is paid for at a definite rate.

In fixing the rate, the capitalist takes into account, first, the time wages of the worker per day and, second, the number of articles or parts which the worker produces in the course of a day; usually he fixes the production quota at the highest level attained by a worker. If the average daily wage in the given ranch of production under time wages amounts to 6 dollars, and the quantity of articles of a particular kind produced by a worker is 60, then the piece-rate for an article or part will be 10 cents. In fixing the piece-rate the capitalist strive that the hourly (daily, weekly) earnings of a worker should not be higher than under time wages. Thus, piece wages are fundamentally a modified form of time wages.

Piece wages, even more than time wages, give rise to the deceptive appearance that the worker is selling the capitalist not labor-power but labor, and is receiving full payment for his labor in accordance with the amount he produces.

Capitalist piece-wage systems lead to continually greater intensification of labor. In addition, they help the entrepreneur in the matter of supervision of the workers. The degree of intensity of labor is here controlled by the quantity and quality of the product which the worker must make in order to obtain the means of subsistence which he needs. The worker is compelled to increase his output by working more intensively. But as soon as a more or less considerable section of the workers achieve the new, heightened level of intensity of labor, the capitalist lowers the piece-rates. If, in our example, the piece-rate is halved, say, the worker is obliged, in order to keep his earnings at their former level, to work twice as hard, i.e., either to work longer hours or to work at still greater intensity, so that in one day he can produce not 60 but 120 parts. "The worker tries to keep up the amount of his wages by working more, whether by working longer hours or by producing more in one hour.... The result is that the more he works, the less wages he receives." (Marx, "Wage Labor and Capital", Marx and Engels, Selected Works, 1950, English edition, vol. 1, p. 95) This is the most important peculiarity of piece wages under capitalism. Time and piece forms of wages are often in force at the same time in one and the same enterprise. Under capitalism both of these forms of wages are only different ways of intensifying the exploitation of the working class.

Capitalist piece-work provides the basis for the sweating systems of wages which are applied in capitalist countries.

Sweating Systems of Wages

The most important feature of capitalist piece-work is the unbounded intensification of work, which drains the worker's entire strength. At the same time the wages paid do not compensate for this increased expenditure of labor-power. Beyond the limits of a certain length and intensity of work, no additional payment can avert direct destruction of labor-power.

As a result of the use in capitalist enterprises of exhausting methods of organizing labor, towards the end of the working day an overstrain of the worker's muscular and nervous strength usually makes itself felt, which leads to a falling-off in the productivity of labor. In his pursuit of increased surplus-value the capitalist resorts to various sweating systems of wages, so as to achieve a high intensity of labor throughout the entire length of the working day. Under capitalism it is such aims as these that are served by the so-called "scientific organisation of labor". Widespread forms of such organisation of labor, with use of wage-systems which are extremely exhausting in their effect on the worker, are Taylorism and Fordism, underlying both of which is the principle of raising the intensity of labor to the maximum.

The essence of Taylorism (the system is named after its deviser, the American engineer F. Taylor) is as follows. The strongest and most dexterous workers in the enterprise are picked out. They are obliged to work at their maximum intensity. Their execution of each separate operation is timed in seconds and fractions of a second. On the basis of the data obtained by this time-study a production regime and time norms are laid down for the whole mass of the workers. When he overfulfils the norm (the "job"), the worker receives a small addition to his daily wage-a bonus; if the norm is not fulfilled the worker is paid at a lower rate. Capitalist organisation of labor in accordance with Taylor's system sucks out all the worker's strength; and transforms him into an automaton mechanically performing the same movements over and over again

V. I. Lenin gives an actual example (the work of loading pig-iron on to a truck), where with the introduction of Taylor's system into the execution of one operation alone a capitalist was able to reduce the number of workers from 500 to 140, i.e., to divide it by 3.6; by monstrously intensifying the work, the daily norm of a worker engaged in loading was raised from 16 to 59 tons, i.e., multiplied by 3.7. While a worker now carried out in one day work which previously he had taken three to four days to carry out, his daily wages normally increased (and then only for a time) by only 63 per cent in all. In other words, with the introduction of this system of payment the daily earnings of a worker were divided, in fact, if one compares them with the labor expended, by 2.3. "As a result," wrote Lenin, in those same 9-10 hours of work three times as much labor is extorted from the worker, all his strength is ruthlessly exhausted, every drop of the wage-slave's nervous and muscular energy is sucked out of him at treble speed. Does he die sooner than he would have done? There are many others at the gate! ... " (Lenin, "A 'Scientific' System of Squeezing Out Sweat", Works, Russian edition, vol. XVIII, p, 556.)

Lenin called such ways of organizing the worker's labor and wages a "scientific" system of squeezing out sweat.

The system of organizing labor and wages introduced by the American "automobile king" H. Ford and other capitalists (the, system of Fordism) has the same aim, that of extracting the largest possible amount of surplus-value by maximizing the intensity of labor. This it achieves by continually greater speeding-up of the conveyor belts and introduction of sweating systems of wage-payment. The simplicity of the work operations performed by a worker at one of Ford's conveyor belts makes it possible to use the labor of unskilled workers on a wide scale and to fix a low rate of wages for them.

The tremendous intensification of labor is not accompanied by any increase in wages or reduction of working hours. The result is that the worker quickly becomes worn out and transformed into a sick man; he is dismissed from the works as unfit and falls into the ranks of the unemployed.

Intensified exploitation of the workers is attained also by other systems of organizing labor and wages which are variants of Taylorism and Fordism. Among these is the Gantt system (U.S.A.). Unlike Taylor's piece-work system, the Gantt system is one of time-bonuses. The worker is assigned a certain "job" and a very low guaranteed payment is fixed for a unit of working time, regardless of fulfilment of the norm. If he fulfils the norm the worker is paid a small addition to his guaranteed minimum-a "bonus". The Halsey system (U.S.A.) is based on the principle of bonus payments for "time saved" supplementing an "average wage" per hour's work. Under this system, for example, when the intensity of labor is doubled, for every hour of "saved" time a "bonus" is paid, amounting to about a third of the hourly rate. By this method, the more intensive the worker's labor the greater the degree to which his wages fall in relation to the labor it he expends. The Rowan system (Britain) is based on the same principles.

A method of increasing surplus-value which is grounded in deception of the workers is so-called "profit-sharing". On the pretext of giving the workers an interest in raising the profitability of the enterprise, the capitalist lowers the workers' wages and at their expense sets up a fund for "distribution of profits among the workers". Later on, towards the end of the year, the worker is paid, under the name of "profit", what is in fact part of the wages which had previously been kept back from him. In the end the worker who is "sharing the profits" receives in fact less than the usual wages. For the same purpose shares in an enterprise are distributed among the workers.

The capitalists' tricks in all kinds of wage systems are aimed at extracting as much surplus-value as possible from the workers. The employers use such methods in order to befuddle the workers' minds with an imaginary interest in intensifying labor, reducing expenditure on wages per unit of production and raising the profits of the concern. In this way the capitalist strives to weaken the proletariat's resistance to the offensive of capital, to induce the workers to refuse to join trade unions or take part in strikes and to bring about a split in the labor movement.

Behind all the various forms of capitalist piece-work the essence remains the same: as the intensity and productivity of labor is raised the workers' earnings in fact fall while the capitalist's income increases.

Nominal and Real Wages

In the early stage of capitalism's development payment of wages to the workers in kind was widespread: the worker received shelter, some meagre food and a little money.

Wages in kind survive to some extent even into the machine period of capitalism. They existed, for instance in the extractive and textile industries of pre-revolutionary Russia. Wages in kind are widespread in capitalist agriculture where the labor of poor peasants is used, in certain branches of industry in the capitalist countries, and in the colonial and dependent countries. The forms in which

the worker is paid in kind vary. The capitalists place the workers in a position where they are forced to take food on credit from the factory shop, to lease a dwelling near the mine or on the plantation on oppressive terms fixed by their employer, etc. Under methods of wage-payment in kind the capitalist exploits the wageworker not only as a seller of labor-power but also as a consumer.

Money wages are characteristic of the capitalist mode of production in its developed form.

Nominal wages must be distinguished from real wages.

Nominal wages are wages expressed in money; the sum of money which the worker receives from the sale of his labor-power to the capitalist.

Nominal wages do not in themselves give any idea of the actual level of payment received by the worker. For example, nominal wages may remain unchanged, but if at the same time taxes and the prices of consumer goods rise, the worker's actual wages fall. Nominal wages may even increase but if the cost of living rises to a greater extent in the same period of time, then in fact wages have fallen.

Real wages are wages expressed in terms of the worker's means of subsistence; they show how many and what kinds of consumer goods and services a worker can buy with his money wages. To determine a worker's real wage, one must start the size of his nominal wages, the level of prices of goods, the level of rents, the burden of taxes borne by the workers, the circumstances that some days he may receive no wages owing to short-time working, and the number of unemployed and semi-unemployed who are supported by the' working class. One must also take into account the length the working day and the degree of intensity of labor.

In determining the average level of wages bourgeois statistics distort reality: they include in wages the incomes of the upper administrative groups of the industrial and financial bureaucracy (managers of enterprises, bank directors, etc.); include only the wages of skilled workers in the category of wages while excluding from it the numerous stratum of poorly-paid, unskilled workers and the agricultural proletariat; ignore the huge army of unemployed and semi-unemployed, the rise in the prices of mass consumer goods and in taxation; and resort to other methods of falsification so as to embellish the situation of the working class under capitalism.

Even falsified bourgeois statistics cannot, however, hide the fact that wages under capitalism, owing to their low level, the raising of the cost of living and the growth of unemployment fail to guarantee a living wage to the majority of the workers.

In 1938 some bourgeois economists in the U.S.A. worked out, using extremely modest standards, a living wage for a worker's family consisting of four persons: 2,177 dollars a year. Yet in 1938 the average wage per head of an industrial worker in the U.S.A. amounted to 1,176 dollars, i.e., considerably less than half of his living wage; if the unemployed were brought into the calculation, the figure came to 740 dollars, i.e., only a third of this subsistence minimum. In 1937 a quite humble living wage for an average worker's family in Britain was defined by some bourgeois economists at 55s. a week. Official figures showed that 80 per cent of the workers in the coal industry, 75 per cent of the

workers in the extractive industries other than coal mining, and 57 per cent of municipal workers in Britain were being paid less than this subsistence minimum.

Decline of Real Wages under Capitalism

On the basis of his analysis of the capitalist mode of production, Marx established the following fundamental law relating to wages. "The general tendency of capitalist production is not to raise but to sink the average standard of wages." (Marx, "Wages, Price and Profit", Marx and Engels, Selected Works, 1950, English edition, vol. I, p. 405.)

Wages as the price of labor-power, like the price of any other commodity, are determined by the law of value. The prices of commodities vary in capitalist economy both above and below their value, under the influence of supply and demand. But unlike the prices of other commodities the price of labor-power, as a rule, tends to fall below its value.

This tendency of wages to fall below the value of labor-power is due above all to the existence of unemployment. The capitalist tries to buy labor-power as cheap as he can. When there is unemployment the supply of labor-power exceeds the demand for it. The commodity labor-power differs from others in that the proletarian cannot put off selling it. So as not to die of hunger, he is compelled to sell his labor-power on whatever terms the capitalist offers him. In periods of complete, or partial unemployment the worker is either entirely without wages or else their level falls sharply. When there is unemployment, this intensifies competition among the workers. Taking advantage of this, the capitalist pays the worker wages which are less than the value of his labor-power. In this way the wretched situation of the unemployed; who form part of the working class, has an effect on the material position of the workers in employment, reducing the level of their wages.

Furthermore, the use of machinery provides the capitalist with extensive opportunities of substituting female and child labor for men's. The value of labor-power is determined by the value of the means of subsistence which are needed by a worker and his family. When, therefore, the worker's wife and children are drawn into production, the worker's wages fall and the entire family now receives approximately the same amount as previously was received by the head of the family only. This by itself means that the working class as a whole is being exploited still more intensely. In capitalist countries women workers doing the same work as men are paid considerably less wages.

Capital extorts surplus-value by unrestrainedly exploiting child labor. The wages of children and youths are much lower than those of adult workers in all capitalist and colonial countries.

The average wage of a woman worker is lower than the average wage of a male worker by 41 per cent in the U.S.A. (1949),46 per cent in Great Britain (1951), and 42 per cent in Western Germany (1951). The difference is even more marked in colonial and dependent countries.

In the U.S.A. in 1949, according to conservative figures, more than 3,300,000 of the wageworkers were children and youths. The working day for children and youths is very long; Thus, in starch works

and in canning and meat factories, laundries and dry-cleaning workshops, children work 12-13 hours a day.

In Japan the practice of selling children for work in the factories is widespread. Child labor was employed extensively in Tsarist Russia. A considerable section of the workers in textile and several other kinds of enterprise in Russia was made up of children aged eight to ten.

The exploitation of child labor by capital assumes particularly cruel forms in colonial and dependent countries. In the textile and tobacco factories of Turkey children of seven to fourteen work a full working day, the same as adults.

The low wages of women workers and the exploitation of child labor brings in its train a tremendous growth of sickness and child mortality and has a baneful effect on the upbringing and education of the rising generation.

The decline in the workers' real wages is caused also by the fact that, as capitalism develops, the position of a substantial section of the skilled workers deteriorates. As already mentioned, the expenses of a worker's training enter into the value of his labor-power. A skilled worker creates more value, including surplus-value, in a given unit of time, than an unskilled worker. The capitalist is obliged to pay for skilled labor more than he pays for unskilled. But as capitalism develops, with the growth of industrial technique, while on the one hand there arises a demand for highly-skilled workers, able to control and operate complicated mechanisms, on the other hand many work operations are simplified and the labor of a considerable section of the skilled workers becomes redundant. Considerable sections of the skilled workers lose their skill, are pushed out of employment and are forced to take up unskilled work which is paid a great deal less.

The rise in the cost of living and the fall in the level of real wages connected with this are caused also by the rise in prices of mass consumer goods. Thus, in France, on account of inflation, retail prices of foodstuffs stood in 1938 at a level more than seven times as high as in 1914.

A considerable part of the worker's wages is absorbed by rent. In Germany between 1900 and 1930 the average rent grew by 69 per cent. According to the figures of the International Labor Office, in the 1930's the workers spent on rent heating and lighting, in the U.S.A., 25 percent of their family budgets, in Britain 20 per cent and in Canada 27 per cent. In Tsarist Russia workers' expenditure on housing came to as much as a third of their wages.

Taxes which fall on the working people make a big deduction from their wages. In the principal capitalist countries in the post-war period direct and indirect taxes absorb as much as a third of the wages of a working-class family.

One widespread method of reducing wages was the system of fines. In Tsarist Russia, until the promulgation of the law on fines (1886), which somewhat restricted the arbitrary behavior of the factory owners, deductions from wages in the shape of fines amounted in certain cases to as much as half the monthly earnings of a worker. A worker was fined on every kind of pretext: for "unsatisfactory

work", for "breach of regulations", for talking, for taking part in demonstrations, etc. Fines serve not only as a means of strengthening capitalist labor discipline but also as a source of additional income for the capitalist.

Another factor in the decline of the workers' real wages is the exceptionally low wages received by the agricultural proletariat. The great army of surplus labor-power in the countryside exerts a constant downward pressure on the wage-level of the employed workers.

Thus, for example, during the period 1910-39 the average monthly wage of an agricultural worker in the U.S.A. varied between 28 to 47 per cent of the wage of an industrial worker. The situation of the agricultural workers in Tsarist Russia was an exceptionally hard one. For a working day of 16-17 hours the average daily wage drawn by a seasonal agricultural worker in Russia in 1901-10 amounted to 69 kopeks, and the miserable pay which he thus obtained during ploughing, sowing and harvest periods had to support him during the remaining months of the year when he was completely or partially unemployed.

So, with the development of the capitalist mode of production the real wages of the working class suffer a reduction.

In 1924 the real wages of the German workers were 75 per cent of what they had been in 1900, and in 1935 they were 66 per cent. In the U.S.A. the average nominal wages of the workers (unemployed included) grew by 68 per cent between 1900 and 1938; in the same period, however, the cost of living rose to 2.3 times its height at the beginning of the century, so that the workers' real wages fell by much as 74 per cent between these years. In France, Italy and Japan, not to speak of the colonial and dependent countries, the decline real wages in the nineteenth to twentieth centuries was considerably greater than in the U.S.A. In Tsarist Russia in 1913 the real wages of industrial workers had fallen by not less than 90 percent from the level in 1900.

The value of labor-power is not identical in all countries.

The conditions which determine the value of labor-power vary from one country to another. This, fact gives rise to national differences in wages. Marx wrote that, in making comparisons between wages in different countries, one must take into account all the factors which determine variations in the magnitude of the value of labor-power: the historical conditions under which the working class was formed and its established level of requirements, the cost of training a worker, the part played by the labor of women and children, the productivity of labor, the intensity of labor, the prices of consumer goods, etc.

An especially low level of wages is to be observed in colonial and dependent countries. In carrying out its policy of enslaving; and systematically plundering the colonial and dependent countries, capital takes advantage of the great surplus of working; hands available in those countries and pays for labor-power at very much less than its value. In this connection the worker's nationality is taken into account. Thus, for instance, whites and Negroes doing the same work are paid at different

rates. In South Africa the average wage of a Negro worker is only one-tenth that of a white worker. In the U.S.A. Negroes in the cities are paid two-fifths as much, and in agriculture hardly one-third as much as whites who do the same work.

The bourgeoisie creates, at the expense of the lowered wages of the basic mass of the workers and the plunder of the colonies, privileged conditions for a relatively small stratum of well-paid workers. The bourgeoisie uses the so-called aristocracy of labor formed from these well-paid strata, including a section of trade union officials and co-operative bureaucrats, some of the foremen, etc., for the purpose of splitting the labor movement, and poisoning the consciousness of the basic mass of proletarians with preachings about class peace and the unity of interests between exploiters and exploited.

The Struggle of the Working Class to Raise Wages

In each country a certain level of wages is established on the basis of the law of the value of labor-power, as a result of a fierce class struggle between the proletariat and the bourgeoisie.

The extent to which wages can diverge from the value of labor-power has its limits.

The minimum limit of wages under capitalism is fixed by purely physical conditions: the worker must have that quantity of means of subsistence which he needs absolutely in order to live and reproduce his labor-power. "If the price of labor-power falls to this minimum it falls below its value since under such circumstances, it can be maintained and developed only in a crippled state. (Marx, Capital, Kerr edition, vol. 1, p. 192.) When wages fall below this limit there occurs tin accelerated process of direct physical destruction of labor-power and dying-off of the working population. This finds expression in a shortening of the average expectation of life, a fall in the birth rate and an increase in the mortality rate among the working population, both in the developed countries and also and especially, in the colonial countries.

The maximum limit of wages under capitalism is the value of labor-power. The degree to which the average level of wages approximates to this limit is determined by the relation of class forces as between proletariat and bourgeoisie.

The bourgeoisie endeavors, in its striving for greater profits, to reduce wages below the physical minimum limit. The working class fights against cuts in wages and for increased wages, for the establishment of a guaranteed minimum wage, for the introduction of social insurance, and for a shorter working day. In this struggle the working class is opposed by the capitalist class as a whole and by the bourgeois State.

The stubborn struggle waged by the working class to raise wages had its beginning along with the rise of industrial capitalism. It developed first in Britain, and later spread to the other capitalist countries and to the colonies.

As the proletariat takes shape as a class the workers come together in trade unions for the purpose of successfully conducting their economic struggle. The result of this is that the employer finds himself opposed no longer by individual proletarians but by an entire organisation. With the

development of the class struggle, besides local and national trade unions there came into being international associations of trade Unions. The trade unions provide a school of class struggle for the broad masses of the workers.

On their part, the capitalists come together in employers' associations. They bribe venal and reactionary trade union officials, organize strike-breaking, split the workers' organisations, and use the police, troops, courts and prisons to suppress the labor movement.

One of the effective methods of struggle used by the workers under capitalism to secure increased wages, shorter working hours and improved conditions of work is the strike. As class contradictions become more acute and the working-class movement becomes better organized in the capitalist and colonial countries, many millions of workers are drawn into strike struggles. When workers struggling against capital show determination and stubbornness, economic strikes force the capitalists to accept the strikers' terms.

It is only as a result of the unremitting struggle of the working class for its vital interests that the bourgeois States are compelled to promulgate laws on minimum wages, on reduction of working hours and on restriction of child labor.

The economic struggle of the proletariat is of great importance: as a rule, trade unions under steadfast class leadership put up a successful resistance to the employers. The struggle of the working class is a factor which to a certain extent restrict the fall in wages. But the economic struggle of the working class cannot abolish the system of capitalist enslavement of the working people and deliver the workers from exploitation and want.

While recognizing the great importance of the economic struggle of the working class against the bourgeoisie, Marxism-Leninism teaches that this struggle is directed merely against the consequences of capitalism and not against the root cause of the oppressed situation and poverty of the proletariat. This root cause is the capitalist mode of production itself.

Only through revolutionary political struggle can the working class abolish the system of wage slavery, the source of its economic and political oppression.

BRIEF CONCLUSIONS

(1) In capitalist society wages are the monetary expression of the value of labor-power, its price, appearing to be the price of labor. Wages hide the relationship of capitalist exploitation, creating the false impression that all the worker's labor is paid for, whereas in reality wages constitute only the price of his labor-power.

(2) The main forms of wages are time wages and piece wages. Under the time-wage system the size of the worker's wage-packet depends on the time he spends at work. Under the piece-wage system the size of the worker's wage-packet depends on the number of articles he produces. For the purpose of increasing surplus-value the capitalists employ a variety of sweating systems of wage-payment, which

lead to a tremendous increase in the intensity of labor and to an accelerated wearing-out of labor-power.

(3) Nominal wages are the amount of money received by the worker for the labor-power which he sells to the capitalist. Real wages are wages expressed in terms of the worker's means of subsistence; they show what quantity of means of subsistence and services the worker can buy for his money wages.

(4) As capitalism develops real wages fall. Unlike the prices of other commodities, the price of labor-power, as a rule, fluctuates below its value. This is due above all to the existence of unemployment, to extensive use of female and child labor and to the paying of extremely low wages to the agricultural workers and also to the workers in the colonial and dependent countries: An important factor in the decline in real wages is the rise in the prices of consumer goods, high rents and the growth of taxation.

(5) The working class, united in trade unions, conducts a struggle to shorten working hours and raise wages. The economic struggle of the proletariat against capital cannot by itself free the proletariat from exploitation. Only with the liquidation of the capitalist mode of production through revolutionary political struggle can the conditions be eliminated under which the working class is economically and politically oppressed.

CHAPTER 9: ACCUMULATION OF CAPITAL AND IMPOVERISHMENT OF THE PROLETARIAT

Production and Reproduction

If it is to live and develop, society must produce material wealth. It cannot stop producing, as it cannot stop consuming.

From day to day and year to year people consume bread, meat and other foodstuffs, and wear out clothes and footwear but at the same time fresh masses of bread, meat, cloth footwear and other products are being produced by human labor. Coal is being burnt in stoves and furnaces but at the same time fresh masses of coal are being drawn from the bowels of the earth. Machine-tools gradually wear out, locomotives sooner or later become decrepit, but fresh machine-tools are being built in the factories and fresh locomotives are being made. Under any system of social relations, the process production must continually be renewed.

This continued renewal and ceaseless repetition of the production-process is reproduction. "When viewed, therefore, as a connected whole, and as flowing on with incessant renewal, every social process of production is at the same time a process of reproduction." (Marx, Capital, Kerr edition, vol. 1, p. 620) Whatever the conditions of production are, so also are the conditions of reproduction. If production is capitalist in form, then reproduction takes this form too.

The process of reproduction consists not only in people making ever fresh masses of products in place of, and in excess of, those consumed, but also in the fact that the corresponding production-relations in society are constantly being renewed.

Two types of reproduction must be distinguished: simple and extended.

Simple reproduction means repetition of the production-process on the same scale as before, the newly-produced products merely replacing the means of production and consumer goods which have been expended.

Extended reproduction means repetition of the production-process on an enlarged scale, when society does not merely replace the material wealth which has been consumed but also produces additional means of production and consumer goods over and above this.

Before the rise of capitalism, the productive forces developed very slowly. The dimensions of social production changed little from year to year and from decade to decade. Under capitalism the former scarcely-moving, stagnant state of social production gave place to a much more rapid development of productive forces. Typical of the capitalist mode of production is extended reproduction which is interrupted by economic crises, when production falls off.

Capitalist Simple Reproduction

Under capitalist simple reproduction the production-process is renewed without change of volume, the surplus-value being spent entirely on personal consumption by the capitalists.

An examination even of simple reproduction enables one to look more closely into some of the essential features of capitalism.

In the process of capitalist reproduction, it is not only the products of labor that are incessantly being renewed but also the relations of capitalist exploitation. On the one hand, in the course of reproduction wealth is constantly being created; this belongs to the capitalist and he uses it to appropriate surplus-value. At the expiration of each production-process the employer appears, again and again, as the owner of capital which enables him to enrich himself by exploiting workers. On the other hand, the worker constantly emerges from the production-process as a propertyless proletarian and is therefore obliged, if he is not to die of hunger, again and again to sell his labor-power to the capitalist. Reproduction of hired labor-power always remains a necessary condition for the reproduction of capital.

"Capitalist production therefore, of itself reproduces the separation between labor-power and the means of labor. It thereby reproduces and perpetuates the condition for exploiting the worker. It incessantly forces him to sell his labor-power in order to live, and enables the capitalist to purchase labor-power in order that he may enrich himself." (Marx, Capital, Kerr edition, vol. 1, p. 623.)

Thus, the fundamental relationship of capitalism is continually renewed in the process of production: the capitalist on the one hand and the wage-worker on the other. Even before he sells his labor-power to one employer or another, the worker already belongs to the combination of capitalists, i.e., to the class of capitalists as a whole. When the proletarian changes his place of work, he only exchanges one exploiter for another. The worker is chained for life to the chariot of capital.

If we examine a single process of production, it seems at first sight as though the capitalist, when he buys labor-power, is advancing money to the worker from his own funds, since at the time when he

pays the worker his wages the capitalist may not yet have had time to sell the commodity which the worker has produced in the period for which he is paid (a month, say). But if we take the buying and selling of labor-power, not in isolation but as an element of reproduction, as a continually repeated relationship, then the true character of this transaction is revealed.

First of all, while the worker's labor is creating new value, including surplus-value, in this period the product turned out by the worker in the preceding period is being realized on the market and transformed into money. Hence, it is clear that the capitalist pays the worker his wages not out of his own pocket but out of the value which the worker's labor has created in the preceding period of production (e.g., during the previous month). To use Marx's expression, the capitalist class acts on the time-honored principle of the conqueror: it buys commodities from the conquered with their own money, of which it has robbed them.

Secondly, unlike what happens with other commodities, labor-power is paid for by the capitalist only after the worker has performed a certain amount of labor. So, it turns out that it is not the capitalist who makes an advance to the proletarian, but, on the contrary, it is the proletarian who makes an advance to the capitalist. For this reason, employers endeavor to pay wages at as long intervals as possible, so prolonging the time during which they are receiving free credit from the workers.

The capitalist is continually supplying the workers, in the form of wages, with money for purchasing the means of subsistence, i.e., with a certain part of the product which the workers' labor has created and which has been appropriated by the exploiters. This money the workers no less regularly give back to the capitalists, receiving in exchange for it the means of subsistence which the working class itself has produced.

An examination of capitalist relations in the course of reproduction reveals not only the real source of wages but also the real source of all capital.

Let us suppose that a capital of £100,000 invested by an entrepreneur brings in annually surplus-value to the amount of £10,000, and that the whole of this sum is spent entirely by the capitalist on his personal consumption. If the entrepreneur did not appropriate the worker's unpaid labor, his capital would be completely exhausted after ten years had elapsed. This does not happen because the sum of £100,000 which is spent by the capitalist on his personal consumption during this period is completely renewed from the surplus-value created by the unpaid labor of the workers.

Consequently, whatever might be the original source of a given capital, in the course of simple reproduction itself this capital becomes within a certain period value created by the workers' labor and appropriated without compensation by the capitalist. This exposes the absurdity of the assertions made by bourgeois economists that capital is wealth created by the employer's own labor.

Simple reproduction is a constituent part or element of extended reproduction. The relations of exploitation which are inherent in capitalist simple reproduction become still accentuated under conditions of capitalist extended reproduction.

Capitalist Extended Reproduction. Accumulation of Capital

Under extended reproduction a part of the surplus-value is put back by the capitalist in order to increase the scale of production: for the purchase of additional means of production and the hiring of additional workers. Thus, part of the surplus-value is amalgamated with already existing capital, i.e., is accumulated.

The accumulation of capital means the addition of part of the surplus-value to capital, or the transformation of part of the surplus-value into capital. Thus, it is surplus-value that provides the source of accumulation. Capital grows through the exploitation of the working class, and along with-it capitalist production-relations are reproduced on an extended basis.

Among the compelling motives for accumulation of capital is, first and foremost, the striving to increase surplus-value. Under the capitalist mode of production greed for gain knows no limits. As the extent of production grows, so grows the mass of surplus-value appropriated by the capitalist, and consequently, so also grows that part of it which goes to satisfy the personal requirements and whims of the capitalists. On the other hand, the capitalists are enabled, at the expense of the growing amount of surplus-value, to extend production more and more, to exploit an ever-greater number of workers and to appropriate an ever-increasing mass of surplus-value.

Another motive force in the accumulation of capital is the ferocious competitive struggle, in the course of which the larger capitalists find themselves in a better position than the others and strike down the small ones. Competition forces every capitalist, under penalty of ruin, to improve his technique and extend production. To stop the growth of technique and the extension of production means to lag behind, and those who lag behind are conquered by their competitors. Thus, the competitive struggle compels every capitalist to increase his capital, and he can increase his capital only by continually accumulating part of the surplus-value.

The accumulation of capital is the source of extended reproduction.

Organic Composition of Capital. Concentration and Centralization of Capital

In the course of capitalist accumulation, the total mass of capital grows, but the different parts into which it is divided do not change at the same rate and consequently the composition of capital changes.

When he accumulates surplus-value and extends his enterprise, the capitalist usually introduces new machinery and technical improvements, because these promise him an increase in his profits. The development of technique means a more rapid growth of that part of capital which exists in the form of means of production-machinery, buildings, raw materials, i.e., constant capital. On the other hand, that

part of capital which is spent on the purchase of labor-power, i.e., variable capital, grows much more slowly.

The proportion between constant and variable capital, being determined by the proportion between the mass of means of production and of living labor-power, is called the organic composition of capital. Let us take, for example, a capital of £100,000. Suppose that of this sum £80,000 is spent on buildings, machinery, raw materials, etc., and £20,000 on wages. The organic composition of this capital is, then, 80 c : 20 v, or 4 : 1.

In different branches of industry and in different enterprises within one and the same branch the organic composition of capital varies: it is higher where there are more complex and costly machines and more worked up material per worker; it is lower where living labor predominates and the amount of machinery and material per worker is less and is comparatively inexpensive. With the accumulation of capital, the organic composition of capital grows: the share of variable capital declines while that of constant capital increases. Thus, in the industry of the U.S.A. the organic composition of-capital, which in 1889 was 4.4 : 1, was 5.7 : 1 in 1904, 6.1 : 1 in 1929, and 6.5 : 1 in 1939.

The size of individual capitals grows in the course of capitalist reproduction. This occurs through the concentration and centralization of capital.

The concentration of capital means the growth in the size of capital as a result of the accumulation of surplus-value obtained in the given enterprise. The capitalist becomes, through investing in his enterprise part of the surplus-value which he has appropriated, the owner of an ever-larger capital. The centralization of capital means the growth in the size of capital as a result of fusing several capitals into one larger capital. In the competitive struggle large capital ruins and devours smaller and medium capitalist enterprises which cannot stand up to competition. By buying up the enterprises of his ruined competitor at low prices, or annexing them to his own by some other method (e.g., by means of loans), the large-scale factory-owner increases the amount of capital in his possession. The union of many capitals into one is affected also by the forming of joint-stock companies, etc.

Concentration and centralization of capital mean the concentrating of monstrous amounts of wealth in the hands of a few persons. The enlargement of capitals opens wide possibilities for the concentration of production, i.e., for the gathering together of production in large-scale enterprises.

Large-scale production has decisive advantages over small. Large-scale enterprises can introduce machinery and technical improvements, and can apply a broad division and specialization of labor which is beyond the resources of small concerns. This results in products being turned out more cheaply in large-scale enterprises than in small-scale ones. The competitive struggle involves great expenses and losses. A large-scale concern can bear these losses and later recover them with interest; whereas small and even medium ones are ruined by them. Large capitalists are able to obtain loans with comparatively much greater ease, and on more favorable conditions; and credit is one of the chief weapons used in the competitive struggle. Owing to all these advantages which they possess it is large

concerns, equipped with powerful technique, that increasingly come to the forefront in the capitalist countries, while a multitude of small and medium concerns go down in ruin. As a result of the concentration and centralization of capital a few capitalists, the owners of enormous fortunes, become masters of the fate of tens and hundreds of thousands of workers.

Capitalist concentration in agriculture leads to the land and other means of production becoming increasingly concentrated in the hands of large property-owners, while broad strata of small and middle peasants, deprived of land, draught animals and implements, fall into debt-bondage to capital. Masses of peasants and craftsmen are ruined and transformed into proletarians.

The concentration and centralization of capital thus lead to sharpening of class contradictions, to deepening of the gulf between the bourgeois, exploiting minority and the propertyless, exploited majority of society. The concentration of production also results in ever greater masses of the proletariat being concentrated in large capitalist enterprises, in industrial centers. This facilitates the welding together of the workers and their organisations for the struggle against capital.

The Industrial Reserve Army

The growth of production under capitalism, as mentioned already, is accompanied by a rise in the organic composition of capital. The demand for labor-power is determined by the size, not of capital as a whole, but only of its variable part. But the variable part of capital declines, compared with constant capital, as technical progress advances. Therefore, as capital accumulates and its organic composition increases, the demand for workers relatively contracts, although the total numbers of the proletariat grow in proportion as capitalism develops.

As a result, a substantial mass of workers is unable to find application for their labor. Part of the working population becomes "redundant", forming the so-called relative surplus-population. This surplus-population is relative because part of the labor-power available is surplus only in relation to the requirements of the accumulation of capital. Thus, in bourgeois society, as social wealth grows, one section of the working class is doomed to ever heavier and more excessive labor while the other section is doomed to compulsory unemployment.

The following main forms of relative surplus-population must be distinguished:

The fluctuating surplus-population is made up of workers who lose their jobs for a certain period as a result of a contraction of production, introduction of new machinery or the closing down of enterprises. As production is extended, a section of these unemployed workers find work, just as do some of the workers newly coming forward from the rising generation. The total number of workers employed grows, but in constantly diminishing proportion compared with the scale of production.

The latent surplus-population consists of ruined small producers, predominantly poor peasants and land workers, who are employed in agriculture during only a small part of the year, cannot find application for their labor in industry and drag out a miserable existence in the countryside living from

hand to mouth somehow or other. In contrast to what happens in industry, in agriculture the growth of technique leads to the demand for labor declining absolutely.

The stagnant surplus-population is formed by these numerous groups of people who have lost regular work, are employed extremely irregularly and are paid a great deal less than the usual rate of wages. These consist of the extensive strata of the working people employed in capitalist domestic industry and also those living by casual day-today work.

Finally, the lowest stratum of relative surplus-population is constituted by people who have been pushed out of productive life over a long period, without any hope of recovering their position, and live by casual earnings. A section of these people gets their living by begging.

Workers squeezed out of production constitute the industrial reserve army, the army of unemployed. This army is a necessary appendage of capitalist economy, without which it can neither exist nor develop. In periods of industrial boom, when a rapid extension of production is required, there is a sufficient number of unemployed at the disposal of the employers. As a result of the extension of production unemployment is temporarily reduced. But later a crisis of overproduction occurs, and once again considerable masses of workers are thrown on to the street, to reinforce the reserve army of the unemployed.

The existence of the industrial reserve army enables the capitalists to intensify their exploitation of the workers. Unemployed workers have to accept the most onerous conditions of work. The presence of unemployment creates an unstable situation for the employed workers and sharply reduces the standard of life of the working class as a whole. That is why the capitalists are not interested in abolishing the industrial reserve army, which exercises pressure on the labor market and ensures them a supply of cheap labor power.

As the capitalist mode of production develops, the army of unemployed, which declines in periods of boom and grows in periods of crisis, on the whole increases.

In Britain the percentage of unemployed among members of trade unions was: in 1853-1.7 per cent, in 1880-5.5 per cent, in 1908-7.8 per cent, in 1921-16.6 per cent. In the U.S.A., according to official figures, the percentage of unemployed in the working class as a whole was: in 1890-5.1 per cent, in 1900-10 per cent, in 1915-15.5 per cent, in 1921-23.1 per cent. In Germany the percentage of trade unionists out of work grew from 0.2 per cent in 1887 to 2 per cent in 1900 and 18 per cent in 1926. The volume of the relative surplus-population is enormous in the countries of the colonial and semi-colonial East.

As capitalism develops, partial unemployment, under which a worker is employed in production for only part of the day or only part of the working week, assumes bigger and bigger proportions.

Unemployment is a real scourge to the working class. The worker can only live by selling his labor-power. Workers dismissed from the factories face starvation. Often the unemployed have to go

without shelter because they have not the means to pay for a night's lodging. Thus, the bourgeoisie shows itself unable to guarantee the wage-slaves of capital a slave's standard of living.

Bourgeois economists try to justify the existence of unemployment under capitalism by references to eternal laws of nature. This was the aim served by the pseudo-scientific fabrications of Malthus a reactionary British economist who flourished at the end of the eighteenth century and the beginning 'of the nineteenth century. According to the "law of population" invented by Malthus the population, from the very beginning of human society has increased in geometrical progression (as 1, 2, 4, 8, etc). but the means of subsistence, owing to the limitations of natural resources, have grown only in arithmetical progression (as 1, 2, 3, 4, etc.) This, said Malthus was the fundamental cause of the existence of surplus-population and of starvation and want among the masses of the people. The proletariat, in Malthus's opinion; can free itself from poverty and hunger not by abolishing the capitalist system but by abstaining from marriage and artificially restricting childbearing. Malthus considered wars and epidemics beneficial, since they cut down the working population. The theory of Malthus is profoundly reactionary. It is a means whereby the bourgeoisie justifies the incurable taints of capitalism. Malthus's fabrications have nothing in common with reality. The mighty technique which mankind has at its disposal is capable of increasing the amount of means of life at rates which cannot be overtaken by even the fastest growth of population, but this is prevented by the capitalist system, which is the real Cause of the poverty of the masses.

Marx discovered the capitalist law of population, which is that in bourgeois society the accumulation of capital leads to a section of the workers inevitably becoming relatively surplus and being thrust out of employment and doomed to suffer poverty and want. The capitalist law of population is engendered by the production relations of bourgeois society.

Agrarian Surplus-Population

As already mentioned, one of the forms of the relative surplus-population is the latent, or agrarian surplus-population.

The agrarian surplus-population is the excess population in the agricultural economy of the capitalist countries, which arises as a result of the ruin of masses of the peasantry; these people can find only partial employment in agricultural production and cannot be absorbed into industry.

As capitalism develops, the differentiation among the peasantry is intensified. A numerous army of agricultural workers and poor peasants is formed. Large-scale capitalist economy creates a demand for wage-workers. But in proportion as capitalist production lays hold of one branch of agriculture after another and the use of machinery becomes widespread; the mass of the peasants is more and more ruined and the demand for agricultural wageworkers is reduced. The ruined sections of the rural population are continually being transformed into industrial proletarians or reinforce the army of unemployed in the cities. A considerable part of the rural population, unable to find work in industry, remain in the country, where only occasionally do they find employment in agriculture.

The latent character of the agrarian surplus-population consists in the fact that surplus labor-power in the countryside is always connected in some degree or another with small and very small peasant economy. The agricultural wage-worker usually has a small holding which serves as a means of supplementing his earnings when he is in employment, or as the source of a miserable livelihood when the is out of it. Such holdings are needed by capitalism, so that it may have cheap laborers at its disposal.

The agrarian surplus-population attains huge dimensions under capitalism. In Tsarist Russia at the end of the nineteenth century latent unemployment in the countryside embraced 13,000,000 persons. In Germany in 1907, out of 5,000,000 peasant households, 3,000,000 petty ones formed a reserve army of labor. In the U.S.A. in the 1930's official data, obviously tending towards under-estimation, showed 2,000,000 "superfluous" farmers. Every year in the summer months between 1,000,000 and 2,000,000 American agricultural workers, taking their families and household goods with them wander about the country in search of work.

The size of the agrarian surplus-population is especially large in the colonial countries. Thus, in India, where about three-quarters of the population are engaged in agriculture, the agrarian surplus-population constitutes an army many millions strong. A considerable section of the rural population is made up of people who are in a state of chronic semi-starvation; every year several millions of people die of hunger and epidemics.

The General Law of Capitalist Accumulation. Relative and Absolute Impoverishment of the Proletariat

The development of capitalism leads, with the accumulation of capital, to enormous wealth being concentrated in few hands at one pole of bourgeois society, with a growth in luxury and parasitism, dissipation and idleness among the exploiting classes; while at the other pole the burden of exploitation becomes continually more intense, and unemployment and poverty increases among those whose labor is the creator of all wealth.

"The greater the social wealth, the functioning capital, the extent and energy of its growth, and therefore also the absolute mass of the proletariat and the productiveness of its labor, the greater is the industrial reserve army.... The relative mass of the industrial reserve army increases therefore with the potential energy of wealth. But the greater this reserve army in proportion to the active labor army, the greater is the mass of a consolidated surplus-population whose misery is in inverse ratio to its torment of labor... This is the absolute, general law of capitalist accumulation." (Marx, Capital, Kerr edition, vol. 1, p. 707.)

The general law of capitalist accumulation gives concrete expression to the operation of the basic economic law of capitalism-the-law of surplus-value. The striving to increase surplus-value leads to an accumulation of wealth in the hands of the exploiting classes and to the growth of impoverishment and degradation of the propertyless classes.

As capitalism develops, a process of relative and absolute impoverishment of the proletariat takes place.

Relative impoverishment of the proletariat means that in bourgeois society the working class's share of the total national income steadily decreases, while at the same time the share 01 the exploiting classes steadily grows.

Notwithstanding the absolute growth of social wealth, the relative weight of the incomes received by the working class sharply declines. Workers' wages in American industry, shown as a percentage of capitalists' profits, were in 1889-70 per cent, in 1918-61 per cent, in 1929-47 per cent and in 1939-45 per cent.

In Tsarist Russia the total amount of nominal wages grew by nearly 80 per cent between 1900 and 1913 as a result of the increase in the number of industrial workers (real wages falling the while), but the profits of the industrialists grew more than threefold.

According to bourgeois economists' figures, in the U.S.A. in the 1920's 1 per cent of the property-owners possessed 59 per cent of all the wealth, while the poorest sections which made up 87 per cent of the population owned only 8 per cent of the national wealth.

In 1920-1 the largest property-owners of Britain, who made up less than 2 per cent of the total number of property-owners, concentrated 64 per cent of all the country's national wealth in their hands, while 76 per cent of the population possessed only 7.6 per cent of it.

Absolute impoverishment of the proletariat means the direct lowering of its standard of living.

"The worker is impoverished absolutely, i.e., becomes directly poorer than before, is forced to live worse, to eat more meagerly, to go without food for longer periods, to be coop up in cellars and garrets… "Wealth increases in capitalist society with incredible speed-alongside the impoverishment of the working masses." (Lenin, "Impoverishment in Capitalist Society, Works, Russian edition, vol. XIII, pp. 405-6.)

Seeking to whitewash capitalist reality, bourgeois political economy tries to deny the absolute impoverishment of the proletariat. Facts, however, prove that under capitalism workers' standard of living continually declines. This is shown in many ways.

Absolute impoverishment is expressed in the fall in real wages. As mentioned above, the increase in the prices of articles of mass consumption, the rise in rents and the growth of taxes cause the real wages of the workers to fall.

Absolute impoverishment of the proletariat is expressed in the increase in the amount of unemployment and in its duration.

Absolute impoverishment of the proletariat is expressed in the growth in the intensity of labor and deterioration of working conditions, which lead to the worker ageing rapidly, losing his capacity for work, and becoming disabled. In connection with the growth in the intensity of labor and the

absence of needful measures for ensuring safety at work an increase takes place in the number of accidents and injuries at work.

Absolute impoverishment of the proletariat is shown in the acute deterioration in the nutrition and housing conditions of the working people, which results in the undermining of their health, an increase in the death-rate and a reduction in the expectation of life among the working-class people.

In the coal industry of the U.S.A. between 1878 and 1914 the number of accidents at work entailing fatal consequences increased by 71.5 per cent. In the course of 1952 alone about 15,000 persons were killed and over 2,000,000 injured in the U.S.A. in the course of their employment. In the British coal industry before the war one miner in every six was every year the victim of an accident, but for 1949-53 the figure was one miner in every three.

According to the official data provided by the housing census, about 40 per cent of all dwelling-houses in the U.S.A. fail to come up to the minimum standards of sanitation and safety. The mortality rate among the working-class population is much higher than that amongst the ruling classes. Infant mortality in the slums of Detroit is six times greater than the average for the U.S.A.

The standard of living of the proletariat is particularly low in the colonial countries, where extreme poverty and the extraordinarily high mortality among the workers as a result of their exhausting labor and chronic hunger take on a mass character.

The living standard of the poorest peasantry under capitalism is not higher but often even lower, than that of the wage-workers. In capitalist society there takes place not only the absolute and relative impoverishment of the proletariat but also the ruin and impoverishment of the basic masses of the peasantry. In Tsarist Russia there were several tens of millions of starving rural poor. According to the data of American censuses, during recent decades about two-thirds of the farm population of the U.S.A., as a rule, has lacked the minimum needed for subsistence. For this reason, the vital interests of the peasants themselves impel the latter to join forces with the working class.

The path of development of capitalism is one of impoverishment and semi-starvation for the great majority of the working people. Under the bourgeois order the growth in the productive forces brings the working class not an easing of their position but increased poverty and privations.

At the same time the struggle of the working class against the bourgeoisie, to overthrow the yoke of capital, develops, and its consciousness and degree of organisation grows. The mass of the peasantry is increasingly drawn into this struggle.

The Basic Contradiction of the Capitalist Mode of Production

In proportion as capitalism develops, it links together the labor of multitudes of people ever more closely. The social division of labor increases. Separate, more or less independent branches of industry are transformed into a whole series of mutually connected and inter-dependent branches. The economic connections between separate enterprises, districts and entire countries grow to an enormous extent.

Capitalism creates large-scale production both in industry and in agriculture. The development of the productive forces engenders such instruments and methods of production that they demand the joint labor of many hundreds and thousands of workers. Production becomes continually more concentrated. In this way capitalist socialization of labor and of production takes place.

This growing socialization of labor occurs, however, in the interests of a few private entrepreneurs who strive to increase their own profits. The product of the social labor of millions of people becomes the private property of the capitalists.

Consequently, a profound contradiction is inherent in the capitalist system: production is a social matter, whereas the ownership of the means of production remains private, capitalistic, and so is incompatible with the social character of production. The contradiction between the social character of production and the private, capitalist form of appropriation of the results of production is the basic contradiction of the capitalist mode of production, and becomes continually more acute as capitalism develops. This contradiction is expressed in the intensified anarchy of capitalist production, in the growth of class antagonisms between the proletariat and the working masses as a whole, on the one hand, and the bourgeoisie on the other.

BRIEF CONCLUSIONS

(1) Reproduction is the continual renewal and ceaseless repetition of the production-process. Simple reproduction means renewal of production on an unchanged scale. Extended reproduction means renewal of production on an enlarged scale. Typical of capitalism is extended reproduction, interrupted by periodical economic crises, when production declines. Capitalist extended reproduction means continual renewal and deepening of the relations of exploitation.

(2) Extended reproduction under capitalism presupposes accumulation of capital. Accumulation of capital means the fusion of part of surplus-value with capital, or the transformation of part of surplus-value into capital. Capitalist accumulation leads to an increase in the organic composition of capital, i.e., to the more rapid growth of constant capital as compared with variable capital. During capitalist reproduction the concentration and centralization of capital takes place. Large-scale production has decisive advantages over small, by virtue of which the large and very large enterprises oust and subject to themselves the small and medium capitalist concerns.

(3) With the accumulation of capital and the growth in its organic composition the demand for workers is relatively reduced. An industrial reserve army of unemployed is formed. The excess of labor-power in capitalist agriculture produced by the ruin of the basic masses of the peasantry leads to the creation of an agrarian surplus-population. The general law of capitalist accumulation is the concentration of wealth in the hands of the exploiting minority and the growth of poverty among the working people, i.e., the overwhelming majority of society. Extended reproduction under capitalism leads inevitably to relative and absolute impoverishment of the working class. Relative impoverishment means the decline in the share taken by the working class of the national income in the capitalist countries. Absolute impoverishment is the direct lowering of the standard of living of the working class.

(4) The fundamental contradiction of capitalism is the contradiction between the social character of production and the private, capitalist form of appropriation. As capitalism develops, this contradiction becomes more and more acute, deepening the class antagonisms between bourgeoisie and proletariat.

CHAPTER 10: ROTATION AND TURNOVER OF CAPITAL

Rotation of Capital. Three Forms of Industrial Capital

One of the conditions of existence of the capitalist mode of production is developed commodity circulation, i.e., exchange of commodities through the medium of money. Capitalist production is inseparably connected with circulation.

Every individual capital begins its career as a certain sum of money; it appears as money capital. The capitalist uses money to buy commodities of certain kinds: (1) means of production, (2) labor-power. This act of circulation can be expressed like this:

M-C <L/Pm.

In this diagram **M** stands for money, **C** for the commodity, **L** for labor-power, and **Pm** for means of production. As a result of this change of form which his capital has undergone, its owner has at his disposal everything he needs for production. Whereas previously he owned capital in the form of money, he now owns capital to the same amount but in the form of productive capital.

So, the first phase in the movement of capital is the transformation of money capital into productive capital.

Following this begins the process of production, in which there takes place the productive consumption of the commodities which the capitalist has bought. It is expressed in the fact of the workers expending their labor, the raw material being worked up, fuel being burnt and machinery wearing out.

Capital changes its form once again: as a result of the production-process the capital invested appears embodied in a certain mass of commodities, it assumes the form of commodity capital. However, in the first: place, these are not the same commodities which the capitalist bought when he started up in business, and secondly, the value of this mass of commodities is greater than the original value of his capital, for in it is contained the surplus-value produced by the workers.

This stage in the movement of capital can be shown like this:

C <L/Pm ... P ... C'.

Here the letter **P** stands for production and the dots before and after it show that the process of circulation has been interrupted and a process of production is taking place, while **C'** stands for capital in the form of commodities, the value of which has grown as a result of the workers surplus labor.

Thus, the second phase in the movement of capital consists of the transformation of productive capital into commodity capital.

Capital does not stop short with this movement. The commodities which have been produced have to be realized. In exchange for the commodities which he sells the capitalist receives a certain sum of money.

This act of circulation may be depicted like this:

C' - M'.

Capital changes its shape a third time: it once more assumes the form of money capital. At the end of this process its owner has a larger sum of money than he had at the beginning. The aim of capitalist production, which is to extract surplus-value, has been attained.

Thus, the third stage in the movement of capital consists in the transformation of commodity capital into money capital.

Having received money for the commodities he has sold, the capitalist spends it once again on buying the means of production and labor-power needed for further production, and the entire process starts anew.

These are the three phases through which capital passes successively in the course of its movement. In each of these phases, capital fulfils a corresponding function. The transformation of money capital into the elements of productive capital ensures the union of the means of production which belong to the capitalists with the labor-power of the wage-workers: unless such a union is affected the process of production cannot take place. The function of productive capital is to create, with the labor of the wage-workers, masses of commodities, new value, and consequently, surplus-value. The function of commodity capital is, through the sale of the mass of commodities which has been produced, first, to return to the capitalist in money form the capital which he invested in production and, second, to realize in money form the surplus-value created in the process of production.

Industrial capital passes through these three phases in the course of its movement. By industrial capital we mean, in this instance, all capital which is used for the production of commodities, regardless of whether industry or agriculture is meant.

"Industrial capital is the only form of existence of capital in which not only the appropriation of surplus-value or surplus product but also its creation is a function of capital. Therefore, it gives to production its capitalist character. Its existence includes that of class antagonisms between capitalists and laborers." (Marx, Capital, Kerr edition, vol. II, p. 63.)

Consequently, all industrial capital performs a rotatory movement.

By the rotation if capital is meant the successive transformation of capital from one form into another, its movement, which includes three phases. Of these phases, the first and third take place in the sphere of circulation, while the second belongs to that of production. Without circulation, that is,

without transformation of commodities into money and then of money back into commodities, capitalist reproduction, i.e., the constant renewal of the production-process, would be unthinkable.

The rotation of capital as a whole can be shown in the following form:

M - C <... P/Pm ... P ... C' ... M'.

All three stages of the rotation of capital are very closely interconnected and mutually dependent. The rotation of capital proceeds normally only so long as its various phases flow uninterruptedly one into the other.

If capital stops short in its first phase, this means it drops into a barren existence as money capital. If the hold-up occurs in the second phase, this means that the means of production remain lifeless and labor-power remains unemployed. If capital stops short in its last phase, unsold commodities accumulate in the warehouses and clog the channels of circulation.

It is the second phase, when it is in the form of productive capital, that is of decisive importance in the rotation of industrial capital; in this phase takes place the production of commodities, value and surplus-value. In the other two phases value and surplus-value are not created; in them only a change in the form of capital takes place.

To the three phases of the rotation of capital correspond three forms of industrial capital: (I) money capital, (2) productive capital and (3) commodity capital.

Every capital exists simultaneously in all of these forms: at the same time as one part of it appears as money capital being transformed into productive capital, another part appears as productive capital being transformed into commodity capital, and a third part appears as commodity capital being transformed into money capital. Each part of it in turn assumes and discards, one after another, all three of these forms. This is true not only of each capital taken separately but also of all capitals taken together or, in other words, of the aggregate social capital. Therefore, Marx declares, capital can be understood only as a movement and not as a thing lying at rest.

This includes the possibility of distinct existence of the three forms of capital. Later on, it will be shown how merchant capital and loan capital are separated off from capital employed in production. It is this distinction that provides the basis for the existence of the different groups of the bourgeoisie--manufacturers, merchants bankers-who share out the surplus-value among themselves.

Turnover of Capital. Time of Production and Time of Circulation

Every capital undergoes rotation as an uninterrupted, constantly repeated process. In this way capital is turned over.

By the turnover of capital is meant its rotation, considered not as a momentary act but as a periodically renewed and repeated process. The period of turnover of capital is the sum of the time of production and the time of circulation. In other words, the period of turnover is the interval of time

which elapses between the moment when the capital is invested in a certain form to the moment when it returns to the capitalist in the same form but increased by the amount of the surplus-value.

The time of production is the time during which the capital is in the sphere of production. The principal part of the time of production is the working period during which the object being worked up undergoes directly the operation of labor. The working period depends on the nature of the given branch of production, the level of technique in the particular enterprise, and other conditions. For example, in a spinning mill not more than a few days are needed for a certain quantity cotton to be transformed into yarn, ready to be sold, whereas in a locomotive-building works the completion of each locomotive requires the work of a large number of workers over long period.

The time of production is usually longer than the working period. It includes as well those breaks in the work during which the object of labor is undergoing the operation of certain natural processes such as, e.g., the fermentation of wine, the tanning of skins, the growth of wheat, etc.

The time of circulation is the time during which capital is being transformed from the money form into the productive form and from that into the money form. The length of the time of circulation depends on the conditions under which the purchase of means of production and the sale of completed commodities, are carried out, on the proximity of the market and on the level of development of the means of transport and communication.

Fixed and Circulating Capital

The various parts of productive capital do not circulate in the same way.

The different ways in which separate parts of productive capital circulate derive from the different ways in which each of them transfers its value to the product. This underlies the division of capital into fixed and circulating.

By fixed capital is meant that part of productive capital which, though it fully takes part in production, transfers its value to the product not all at once but in parts, during the course of a series of periods of production. This is that part of capital which is spent on the erection of buildings and works and on the purchase of machinery and equipment.

The various elements of which fixed capital is composed usually serve the purpose of production over many years; they wear out to a certain degree every year and at last are found useless for further employment. This is what is meant by the physical depreciation of machinery and equipment.

Besides physical depreciation, the instruments of production also undergo a moral depreciation. A machine which has been in use for five or ten years may be still sound enough, but if during that period another, improved, more productive or cheaper machine of the same kind has been invented, this leads to the depreciation of the old machine. For this reason, the capitalist is interested in completely using up his equipment in the shortest possible period of time. Hence the capitalists' endeavors to lengthen the working day, to intensify labor, and to introduce uninterrupted shift work in their enterprises.

By circulating capital is meant that part of productive capital the value of which during a single period of production is completely returned to the capitalist in the form of money when the commodities are realized. This is that part of capital which is spent on the purchase of labor-power, and also of raw material, fuel and auxiliary materials, i.e., those means of production which do not form part of fixed capital. The value of the raw material, fuel and auxiliary materials is fully transferred to the commodities during a single period of production, and the outlay on labor-power returns to the capitalist with an increase (an addition of surplus-value).

During the time that it takes for fixed capital to complete a single turnover, circulating capital manages to complete a number of turnovers.

When he sells his commodities, the capitalist receives a certain sum of money, which is made up of: (1) the value of that part of the fixed capital which has been transferred to the commodities in the process of production, (2) the value of the circulating capital, (3) the surplus-value. So as to keep production going, the capitalist uses once more part of the money he has received, corresponding to circulating capital, to hire workers and to buy raw material, fuel and auxiliary materials. The capitalist Uses part of the money corresponding to the part of his fixed capital which has been transferred to the commodities, to replace depreciation in his machinery, machine-tools, buildings, etc., i.e., for amortization.

Amortization means the gradual replacement in money form of the value of fixed capital, through periodical deductions corresponding to the extent of its depreciation. Part of the amortization deductions is spent on capital repairs, i.e., on partial replacement of worn-out equipment, tools, factory buildings, etc. But the bulk of the amortization deductions is kept by the capitalists in money form (usually in the banks) so as to be able, when necessary, to buy new machinery in place of the old or to erect new buildings to replace those which have become unfit for further use.

Marxist political economy distinguishes between the division of capital into fixed and circulating and its division into constant and variable. Constant and variable capital differ from each other in the roles which they play in the process whereby the workers are exploited by the capitalists, whereas fixed and circulating capital differ in the manner in which they circulate.

These two ways of dividing capital may be shown in the following fashion :

Division according to role played in process of exploitation		Division according to manner of circulation
Constant capital	Factory buildings and outbuildings.	Fixed capital.
	Equipment, machinery.	
	Raw material, fuel, auxiliary materials.	Circulating capital.
Variable capital	Workers wages	

Bourgeois political economy recognizes only the division of capital into fixed and circulating, since this way of dividing capital does not in itself show the role of labor power in creating surplus-value, but, on the contrary, conceals the radical difference between the capitalist's expenditure on the hiring of labor-power and that on raw material, fuel, etc.

Annual rate of Surplus-Value. Ways of Accelerating the Turnover of Capital

The speed with which a given amount of variable capital is turned over has a bearing on the amount of surplus-value which a capitalist can extract from his workers during a year.

Let us take two capitals, in each of which the variable part is 25,000 dollars, the rate of surplus-value being in each case 100 per cent. Let us suppose that one of them is turned over once in one year whereas the other is turned over twice. This means that the owner of the second capital, though he possesses the same amount of money, is able to hire and exploit during one year twice as many workers as the owner of the first. At the end of a year, therefore, the results shown by the two capitalists will differ. The first will receive 25,000 dollars of surplus-value, while the second will receive 50,000.

The rapidity of the turnover of capital also has a bearing correspondingly on the size of that part of the circulating capital which is laid out for buying raw material, fuel and auxiliary materials.

The annual rate of surplus-value means the proportion which the amount of surplus-value produced per year bears to the variable capital invested. In our example the annual rate of surplus-value, expressed as a percentage, would be, in the case of the first capitalist 25,000/25,000=100 per cent, and in that of the second capitalist 50,000/25,000=200 per cent. Hence it is clear that it is to the interest of capitalists to accelerate the turnover of capital, since this acceleration enables them to obtain the same amount of surplus-value with a smaller capital or with the same capital to obtain a larger sum of surplus-value.

Marx showed that by itself the acceleration of the circulation of capital does not create a single atom of new value. More rapid turnover of capital and more rapid realization in money form of the surplus-value created in a given year only enables the capitalists to hire with one and the same

quantity of capital a larger number of workers, whose labor creates a larger amount of surplus-value per year.

As we have seen, the time of turnover of capital consists of the time of production and time of circulation. The capitalist strives to shorten the duration of both of these.

The working period necessary for the production of commodities becomes shorter as the productive forces develop and technique grows.

For example, present-day methods of smelting pig-iron and steel enable these processes to be completed many times faster, compared with the methods which were used 100-150 years ago. Noteworthy results have also been achieved by progress in the organisation of production, e.g., the transition to serial or mass production.

The interruptions in the work which form part of the time of production over and above the working period are also shortened in many cases as technique advances. Thus, the process of tanning hides formerly took weeks, but at present, thanks to the use of the latest chemical methods, it takes only a few hours. In a number of branches of production extensive use is made of catalysts, i.e., substances which speed up the action of chemical processes.

In order to accelerate the turnover of capital employers' resort also to lengthening the working day and intensifying labor. If with a 10-hour working day the working period lasts 24 days, then a lengthening of the working day to 12 hours shortens the working period to 20 days and correspondingly accelerates the turnover of capital. The same result is given by an intensification of labor, under which the worker expends in 60 minutes the same amount of energy as previously he expended, say, in 72 minutes.

Furthermore, the capitalists bring about an acceleration in the turnover of capital by shortening the time of circulation of capital. Such a shortening is made possible by the development of transport and of the postal and telegraph services, and by the improved organisation of trade.

But reduction of the time of circulation is counteracted, first, by the extremely irrational distribution of production in the capitalist world, which necessitates the transport of commodities over vast distances, and, secondly, the sharpening of capitalist competition and growth of difficulties in finding markets.

The surplus-value created during a given period passes through circulation along with the circulating capital. The shorter the period of turnover of capital, the more quickly the surplus-value which the workers have created is realized in money form and the more quickly it can be used to extend production.

(1)Each individual industrial capital goes through an uninterrupted movement in the form of a rotation comprising three phases. To these three phases correspond three forms of industrial capital-money, productive and commodity distinguished by their respective functions.

(2) The rotation of capital, taking place not as an isolated act but as a periodically renewed process, is called the turnover of capital. The period of turnover of capital means the sum of the time of production and the time of circulation. The principal part of the time of production is the working period.

(3) Each productive capital is divided into two parts, distinguished by the manner of their turnover: fixed capital and circulating capital. Fixed capital is the part of productive capital the value of which is transferred to commodities not all at once but little by little, during a series of periods of production. Circulating capital is that part of productive capital the value of which is in the course of a single period of production fully returned to the capitalist when the given commodities are sold.

(4) Acceleration of the, turnover of capital enables the capitalists to complete during one year, with the same capital, a greater number of turnovers, and, therefore, to hire more workers, who produce a larger amount of surplus-value. The capitalists endeavor to speed up the turnover of capital both by improving technique and, especially, by stepping up the exploitation of the workers-through lengthening the working day and intensifying labor.

CHAPTER 11 : AVERAGE PROFIT AND PRICE OF PRODUCTION

Capitalist Costs of Production and Profit

The Rate of Profit The surplus-value created by the labor of the wage-workers in the process of production is the source from which are drawn the incomes of all the exploiting classes of capitalist society. Let us first examine the laws by force of which surplus-value assumes the form of the profit of those capitalists who have invested their capital in the production of commodities.

The value of a commodity produced in a capitalist enterprise break down into three parts: (1) the value of the constant capital, (part of the value of the machinery and buildings, the value of the raw material, fuel, etc.); (2) the value of the variable capital; and (3) surplus-value. The magnitude of a commodity's value is determined by the amount of socially-necessary labor required for producing it. But the capitalist does not, expend his own labor in producing the commodity, he lays out his capital for this purpose.

The capitalist costs of production of a commodity consist of the outlay of constant and variable capital (c+v), i.e., of expenditure on means of production and on workers' wages. The cost of the commodity to the capitalist is measured by the outlay of capital, its cost to society is measured by the outlay of labor. Therefore, the capitalist costs of production of a commodity are less than its value, or the real costs of its production (c+v+s). The difference between value, or real costs of production, and capitalist costs of production is equal to the surplus-value (5) which the capitalist appropriates without compensation.

When the capitalist sells a commodity which has been produced in his enterprise, surplus-value makes its appearance as a definite surplus over and above the capitalist costs of production. The capitalist sets this surplus, in determining the profitability of the enterprise, against the capital which he has advanced, i.e., all the capital invested in production. Surplus-value, placed in relation to total capital, take the form of profit.

In so far as surplus-value is compared not with variable capital only but with capital as a whole-the difference between constant capital, spent on purchasing means of production, and variable capital, spent on hiring labor-power, is hidden. As a result, the deceptive appearance is created that profit is engendered by capital itself. In reality, however, the source of profit is surplus-value, created only by the workers, by labor-power, the value of which is embodied in variable capital. Profit is surplus-value compared with the total capital invested in production and appearing outwardly to be engendered by the capital. Owing to this peculiarity of profit Marx calls it the transmuted form of surplus-value.

In similar fashion as the form of wages conceals the exploitation of wage-labor, creating the false impression that all labor is paid for, so also the form of profit in its turn hides from view the relationship of exploitation, creating a misleading appearance of profit being created by capital. Thus, the forms assumed by capitalist production relations obscure and mask their true nature.

The degree of profitability of a capitalist enterprise for its owner is determined by the rate of profit. The rate of profit is the proportion between the surplus-value and the total capital advanced, expressed as a percentage. For example, if the total capital advanced is 200,000 dollars, and the year's profit amounts to 40,000 dollars, then the rate of profit = 40,000/200,000x100 or 20 per cent.

Inasmuch as the total capital advanced is greater than the variable capital, the rate of profit (s/c+v) is less than the rate of surplus-value (s/v). Suppose, in our example, that the capital of 200,000 dollars consists of 160,000 dollars of constant capital and 40,000 dollars of variable capital, then the rate of surplus is 40,000/40,000x100=100 per cent, but the rate of profit is 20 per cent, or one-fifth of the rate of surplus-value.

The rate of profit depends first of all on the rate of surplus-value. The higher the rate of surplus-value the higher, other things being equal, will be the rate of profit. All the factors which increase the rate of surplus-value, i.e., which raise the degree of exploitation of labor by capital (lengthening the working day, raising the intensity and productivity of labor, etc.) also increase the rate of profit.

Further, the rate of profit depends on the organic composition of capital. As we know, the organic composition of capital is the proportion between constant and variable capital. The lower the organic composition of capital, i.e., the larger the relative weight in the capital of its variable part (the value of labor-power), the larger, with the same rate of surplus-value, will the rate of profit be. And, conversely, the higher the organic composition of capital, the lower the rate of profit.

One of the factors which affect the rate of profit is economy in the use of constant capital. Finally, the rapidity of turnover of capital affects the rate of profit. The more rapid the turnover of capital, the

higher the annual rate of profit, which represents the relation between the surplus-value produced, in the year to the total capital advanced. And, conversely, a slowing down in the turnover of capital leads to a lowering of the annual rate of profit.

Formation of the Average Rate of Profit, and Transformation of the Value of Commodities into their Price of Production

Under capitalism the distribution of capital among various branches of production and the development of technique take place in a ferocious competitive struggle.

Competition within a particular branch of production must be distinguished from competition between branches.

Competition within a branch means competition among enterprises in one and the same line of production, all producing commodities of the same kind, each of which tries to secure more advantageous disposal of its commodities and to obtain additional profit. The separate enterprises concerned work in varying conditions and differ one from another in their scale and in their level of technical equipment and organisation of production. Consequently, the individual values of the commodities produced in the different enterprises are not the same. But competition between enterprises in one and the same branch of production leads to the price of commodities being determined not by their individual values but by the social value of these commodities. And the magnitude of this social value of the commodities concerned, as has been mentioned, depends on the average conditions of production in the particular branch.

As a result of the fact that the price of commodities is determined by their social value, those enterprises gain in which the, technique of production and the productivity of labor is higher than the average level in the branch concerned and, consequently, where the individual value of the commodities produced is lower than the social value. These enterprises receive an additional profit, or super-profit, which is a form of the extra surplus-value which we have examined earlier (in Chapter VII).

Thus, as a result of competition within a particular branch of production varying rates of profit are formed in different enterprises of the branch in question. Competition between different enterprises of one and the same branch leads to a squeezing-out of the small and medium enterprises by the large-scale ones. In order to hold their ground in the competitive struggle, those capitalists who own backward enterprises endeavor to introduce in them the technical improvements adopted by their competitors who own technically more developed enterprises. As a result, a heightening of the organic composition of capital takes place in the branch as a whole, the super-profit which the capitalists who own the technically more advanced enterprises have been receiving now disappears, and a general lowering of the rate of profit takes place. This obliges the capitalists again to introduce technical improvements. Thus, in the process of competition within a particular branch, there takes place the development of technique and the growth of the productive forces.

Competition between branches means competition between the capitalists of different branches of production over the most profitable way of investing capital. The capitals invested in different branches of production have varying organic compositions. Since surplus-value is created only by the labor of wage-workers, in enterprises in those branches of production where a low organic composition of capital prevails a capital of the same size produces a relatively large mass of surplus-value. In enterprises with a higher organic composition of capital, a relatively smaller amount of surplus-value is produced. The competitive struggle between capitalists of different branches leads, however, to the amount of profit on capitals of equal size becoming equalized.

Let us suppose that in society there are three branches of production-leatherworking, textiles and engineering-with capitals of the same size but differing in organic composition. The amount of the capital advanced in each of these branches is 100 units (millions of pounds sterling, say). The capital of the leatherworking branch consists of 70 units of constant capital and 30 units of variable, that of the textile branch consists of 80 units of constant and 20 of variable, and that of the engineering branch consists of 90 units of constant and 10 units of variable. Let the rate of surplus-value of all three branches be the same and be 100 per cent. So, then, in the leatherworking branch 30 units of surplus-value will be produced in the textile branch 20 and in the engineering branch 10. The value of the commodities in the first branch will be equal to 130, in the second to 120, in the third to 110, and in all three branches together-360 units.

If the commodities are sold at their values, then in the leatherworking branch the rate of profit will be 30 per cent, in the textile branch 20 per cent and in the engineering branch 10 per cent. Such a distribution of profit will be quite advantageous to the capitalists in the leatherworking branch of production, but disadvantageous to the capitalists in the engineering branch. Under these conditions, the entrepreneurs in the engineering branch will seek more advantageous application for their capitals. This application for their capitals they will find in the leatherworking branch. A flow of capital from the engineering branch to the leatherworking branch will take place. In consequence, the quantities of commodities produced in the leatherworking branch will grow, competition will inevitably become more acute and will oblige the entrepreneurs in this branch to lower the prices of their commodities, which it will lead also to a reduction in the rate of profit. Conversely, in the engineering branch the quantities of commodities produced will fall and the changed relationship between supply and demand will enable the entrepreneurs to raise the process of their commodities, as a result of which the rate of profit will also rise.

The fall in prices in the leatherworking branch and the rise in prices in the engineering branch will continue until the rate of profit in all three branches becomes approximately the same.

This will happen when the commodities produced by all three branches are sold at 120 units (130+120+110)/3. The average profit of each of the branches will then be 20 units. The average profit is an equal profit on capitals of the same, magnitude invested in different branches of production.

And so, competition between branches leads to the differing rates of profit existing in different branches of capitalist production being equalized to a general (or average) rate of profit. This equalization takes place through a flow of capital (and consequently, also of labor) from Some branches to others.

Through the formation of an average rate of profit the capitalists of some branches (in our example, leatherworking) are deprived of part of the surplus-value created by their workers. On the other hand, the capitalists in other branches (in our example, engineering) realize extra surplus-value. This means that the first sell their commodities at prices below their value, while the second sell them at prices above their value.

The price of a commodity in any of the branches is now composed of the cost of production (100 units) and the average profit (20 units).

The price which equals the cost of production of a commodity plus the average profit is the price of production. In the separate enterprises of a particular branch, as a result of the differences in the conditions of production, there exists different individual prices of production which are determined by the individual costs of production plus the average profit.

But the commodities are realized at an averaged-out, uniform price of production. The process of formation of an average rate of profit and price of production may be depicted in the form of the following table:

Branches of production	Constant capital	Variable capital	Surplus-value	Value of commodities	Average rate of profit (%)	Price of production of commodities	Variation of price of production from value
Leatherworking	70	30	30	130	30	120	-10
Textile	80	20	20	120	20	120	Equal
Engineering	90	10	10	110	10	120	+10
Total	240	60	60	360	20	360	

The commodities produced in each of the three branches are sold at 120 units (millions of dollars, say). Yet the value of the commodities in the leatherworking branch is 130 units, in the, textile branch 120 and in the engineering branch 110. In contrast to what happens under simple commodity production, under capitalism commodities are sold not at prices which correspond to their value but at prices which correspond to their prices of production.

The transformation of value into price of production is result of the historical development of capitalist production. Under conditions of simple commodity production, the market price of commodities in general correspond to their values. In the first stages of capitalism's development significant differences were still retained between the rates of profit in different branches of production, since the separate branches were as yet insufficiently interconnected, and craft and other restrictions in existed which hindered the free flow of capital from some branches to others. The process of forming the average rate of profit and transforming value into price of production was brought to completion only with the triumph of capitalist machine industry. With the transformation of value into price of production the basic economic law of capitalism, the law of surplus-value, becomes concrete and finds expression in their form of the average rate of profit.

Bourgeois economists try to refute Marx's labor theory of value by referring to the fact that in particular branches the prices of production do not coincide with the values of the commodities. In reality, however, the law of value fully retains its force in capitalist conditions, for the price of production is merely a modified form of value.

This is shown by the following circumstances:

First, some entrepreneurs sell their commodities above their value, others below, but the capitalists as a whole, taken together, realize the full amount of the value of their commodities. On the scale of society as a whole the sum total of prices of production is equal to the sum total of the values of all commodities.

Second, the sum total of the profit received by the whole class of capitalists is equal to the sum total of the surplus-value produced by all the unpaid labor of the proletariat. The magnitude of the average rate of profit depends on the magnitude of the surplus-value produced in society.

Third, a reduction in the value of commodities leads to a reduction in their prices of production, an increase in the value of commodities leads to the raising of their prices of production.

Thus, the law of the average rate of profit operates in capitalist society; it means that the different rates of profit which depend on the differences in the organic composition of capital in different branches of production are levelled out, as a result of competition, to a common (average) rate of profit. The law of the average rate of profit, like all the laws of the capitalist mode of production, manifests itself spontaneously through innumerable variations and fluctuations. In the struggle for the most profitable application of capital a ferocious competitive struggle is waged between the capitalists. They endeavor to place their capital in those branches of industry which promise them the largest profits. In the hunt for high profits a flow of capital from one branch to another takes place, and as a result of this an average rate of profit is established.

Thus, the distribution of labor and means of production between the different branches of capitalist production takes place on the basis of the law of the average rate of profit. This means that in

a developed capitalist society the law of value operates as the spontaneous regulator of production, working through the price of production.

The price of production is that average magnitude around which fluctuate, in the last analysis, the market prices of commodities, i.e., the prices at which commodities are actually bought and sold on the market.

The equalization of the rate of profit and the transformation of value into price of production still further disguise the relationship of exploitation, still further conceal the true source of the enrichment of the capitalists.

"The actual difference of magnitude between profit and surplus value ... in the various spheres of production now conceals completely the true nature and origin of profit, not only for the capitalist, who has a special interest in deceiving himself on this score, but also for the laborer. By the transformation of values into prices of production, the basis of the determination of value is itself removed from direct observation." (Marx, Capital, Kerr edition, vol. III, p. 198.)

In reality the formation of an average rate of profit means a redistribution of surplus-value among the capitalists in different branches of production. Part of the surplus-value created in branches with a low organic composition of capital is appropriated by the capitalists in the branches with a high composition of capital. It follows that the workers are exploited not only by those capitalists for whom they work but by the entire class of capitalists as a whole. The entire capitalist class has an interest in raising the degree to which the workers are exploited, since this leads to a rise in the average rate of profit. As Marx showed, the average rate of profit is dependent on the degree to which the whole of labor is exploited by the whole of capital.

The law of the average rate of profit expresses, on the one hand, the contradictions and the competitive struggle among the industrial capitalists over the sharing-out of surplus-value, and on the other hand, the profound antagonism between two mutually hostile classes, the bourgeoisie and the proletariat. It testifies to the fact that in capitalist society the bourgeoisie' as a class opposes the proletariat as a whole, that a struggle for particular interests of the workers or of particular groups of workers, a struggle against particular capitalists, cannot lead to a radical change in the position of the working class. The working class can free itself from the yoke of capital only by overthrowing the bourgeoisie as a class, only by abolishing the system of capitalist exploitation itself.

Tendency of the Rate of Profit to Fall

As capitalism develops, the organic composition of capital steadily rises. Each separate entrepreneur, more and more replacing workers by machines, strives to cheapen production, extend the market for his commodities and win super-profit for himself. But when the technical attainments of particular enterprises become widespread, a rise in the organic composition of capital takes place in the majority of enterprises, which leads to a fall in the general rate of profit.

A more rapid growth of fixed capital compared with circulating capital acts in the same direction, leading as it does to a slowing down in the turnover of the whole capital.

Each capitalist, in raising the level of technique, endeavors to obtain the largest possible profit, but the result of the activities of all the capitalists directed to achieving this purpose is something which none of them wanted-a lowering of the general rate of profit.

Let us take our previous example. The sum-total of all the capitals, amounting to 300 units, is made up of 240 units of constant and 60 of variable capital. With the rate of surplus-value at 100 per cent, 60 units of surplus-value are produced, and the rate of profit is 20 per cent. Let us suppose that during twenty years the total amount of capital grows from 300 to 500 units. At the same time as a result of the progress of technique, the organic composition of capital grows. Consequently, the 500 units are divided into 425 units of constant and 75 units of variable capital. In this case, given the previous rate of surplus-value, 75 units of surplus-value will be created. The rate of profit will now be 75/500x100=15 per cent. The amount of profit has grown from 60 to 75 units, but the rate of profit has fallen from 20 per cent to 15 per cent.

So, then, a rise in the organic composition of capital leads to a lowering of the average rate of profit. There are a number of factors, however, which counteract the lowering of the rate of profit.

In the first place, the exploitation of the working class grows. The development of the productive forces of capitalism, which expresses itself in the increasing organic composition of capital, leads at the same time to a growth in the rate of surplus-value. Owing to this, the lowering of the rate of profit takes place more slowly than it would have done had the rate of surplus-value remained the same. Secondly, technical progress, raising the organic composition of capital, gives rise to unemployment, which presses upon the labor market. This enables the employers to reduce wages fixing them well below the value of labor-power.

Thirdly, as the productivity of labor grows, there is a fall in the value of the means of production-machinery, equipment, raw material, etc. This slows down the growth in the organic composition of capital, and, consequently, counteracts the lowering of the rate of profit.

Let us suppose that an employer compels his workers, who formerly were operating five looms, to operate twenty. As a result of the growth in the productivity of labor in the manufacture of looms, however, the value of looms has fallen by half. Consequently, twenty looms are now worth not four times as much as five but only twice as much. Therefore, the share of constant capital per worker grows not fourfold but only twofold.

Fourthly, the lowering of the average rate of profit is counteracted by economy in constant capital effected by the capitalist at the expense of the health and lives of his workers. In order to enlarge their profits employers, compel their workers to do their work in workshops which are too small and without adequate ventilation, and they economize on the devices which are needed for safety. In

consequence of this niggardliness on the part of the capitalists, the workers' health is undermined, an enormous number of accidents happen, and the death rate rises among the working population.

Fifthly, the fall in the rate of profit is held up because of the nonequivalent exchange which exists in the sphere of foreign trade, when the entrepreneurs of advanced capitalist countries, through selling their commodities in colonial countries, obtain super-profit.

All these counteracting factors do not abolish but merely weaken the lowering of the rate of profit and convert it into a tendency. Thus, the raising of the organic composition of capital has as its inevitable consequence the law of the tendency of the general (or average) rate of profit to fall.

The fall in the rate of profit does not mean a reduction in the amount of profit, i.e., in the total volume of surplus-value produced by the working class. On the contrary, the amount of profit grows both in connection with the rise in the rate of surplus-value and as a result of the growth in the number of workers exploited by capital. For example, in the U.S.A. the total of industrial profit, calculated from the official data of the Census of Industry, amounted in 1859 to 316 million dollars, in 1869 to 516 million, in 1879 to 660 million, in 1889 to 1,513 million, and in 1899 to 2,245 million.

The capitalists try by intensifying to the utmost the exploitation of the workers to weaken the tendency of the rate of profit to fall. This leads to the contradictions between proletariat and bourgeoisie becoming more acute.

The law of the tendency of the rate of profit to fall intensifies the struggle within the bourgeoisie itself over the distribution of the total mass of profit.

In their drive for higher profits the capitalists invest their capital in backward countries, where working hands are cheaper and the organic composition of capital is lower than in countries with highly-developed industry: and they begin to exploit the peoples of these countries intensively. This leads to a sharpening of the contradictions between the developed capitalist countries and the backward ones, between metropolitan countries and colonies.

Further, in order to keep prices at a high level, entrepreneurs join together in associations of various kinds. By this means they manage to secure high profits.

Finally, striving to make up for the fall in the rate of profit by increasing its amount, the capitalists extend the scale of production far beyond the limits of demand effective in terms of money. In this connection, the contradictions caused by the tendency of the rate of profit to fall make themselves felt especially sharply during crises.

The law of the tendency of the rate of profit to fall is one of the clearest indications of the historical limitations of the capitalist mode of production. In sharpening the contradictions of capitalism, this law shows vividly that at a certain stage the bourgeois system becomes an obstacle to the further development of the productive forces.

(1) Profit is surplus-value taken in comparison with the-total capital invested in production and appearing from outside as though produced by this capital. The rate of profit means the relation of the amount of surplus-value produced to the total capital, expressed as a percentage.

(2) Competition within a branch of production leads to the prices of identical commodities being determined not by the individual but by the social value of these commodities. Competition between branches leads to a flow of capital from one branch to another, to the formation of an average rate of profit throughout the field of capitalist production. On the basis of the law of the average rate of profit there takes place a distribution of labor and means of production among the various branches of capitalist economy.

(3) As a result of the equalization of the rate of profit commodities are sold not at their values but as their prices of production. The price of production is the price which equals the cost of producing the commodity plus the average profit. The price of production is a modified form of the value. The sum-total of the prices of production is equal to the sum-total of the values of all commodities; with a change in the value of commodities their price of production also changes.

(4) As capitalism develops, in proportion to the growth in the organic composition of capital the average rate of profit shows a tendency to fall.

At the same time the amount of profit steadily grows. The law of the tendency of the average rate of profit to fall leads to the contradictions of capitalism becoming acute.

Frederick Engels: Supplement to Capital, Volume Three.

Introduction

The third book of *Capital* is receiving many and various interpretations ever since it has been subject to public judgement. It was not to be otherwise expected. In publishing it, what I was chiefly concerned with was to produce as authentic a text as possible, to demonstrate the new results obtained by Marx in Marx's own words as far as possible, to intervene myself only where absolutely unavoidable, and even then, to leave the reader in no doubt as to who was talking to him. This has been deprecated. It has been said that I should have converted the material available to me into a systematically written book, *en faire un livre,* as the French say; in other words, sacrifice the authenticity of the text to the reader's convenience. But this was not how I conceived my task. I lacked all justification for such a revision, a man like Marx has the right to be heard himself, to pass on his scientific discoveries to posterity in the full genuineness of his own presentation. Moreover, I had no desire thus to infringe — as it must seem to me — upon the legacy of so pre-eminent a man; it would have meant to me a breach of faith. And third, it would have been quite useless. For the people who cannot or do not want to read, who, even in Volume I, took more trouble to understand it wrongly than was necessary to understand it correctly — for such people it is altogether useless to put oneself out in any way. But for those who are interested in a real understanding, the original text itself was precisely the most important thing; for them my recasting would have had at most the value of a commentary,

and, what is more, a commentary on something unpublished and inaccessible. The original text would have had to be referred to at the first controversy, and at the second and third its publication *in extenso* would have become quite unavoidable.

Such controversies are a matter of course in a work that contains so much that is new, and in a hastily sketched and partly incomplete first draft to boot. And here my intervention, of course, can be of use: to eliminate difficulties in understanding, to bring more to the fore important aspects whose significance is not strikingly enough evident in the text, and to make some important additions to the text written in 1865 to fit the state of affairs in 1895. Indeed, there are already two points which seem to me to require a brief discussion.

Law of Value and Rate of Profit

It was to be expected that the solution of the apparent contradiction between these two factors would lead to debates just as much after, as before, the publication of Marx's text. Some were prepared for a complete miracle, and find themselves disappointed because they see a simple, rational, prosaically-sober solution of the contradiction, instead of the hocus-pocus they had expected. Most joyfully disappointed, of course, is the well-known, illustrious Loria. He has at last found the Archimedean fulcrum from which even a gnome of his caliber can lift the solidly built, gigantic Marxian structure into the air and explode it. What! he declaims indignantly. Is that supposed to be a solution? That is pure mystification! When economists speak of value, they mean value that is actually established in exchange.

"No economist with any trace of sense has ever concerned himself or will ever want to concern himself with a value which commodities do not sell for and never can sell for *(ne possono vendersi mai)*.... In asserting that the value for which commodities *never* sell is proportional to the labor they contain, what does Marx do except repeat in an inverted form the thesis of the orthodox economists, that the value for which commodities sell is *not* proportional to the labor expended on them? ... Matters are not helped by Marx's saying that despite the divergency of individual prices from individual values, the total price of all commodities always coincides with their total value, or the amount of labor contained in the totality of the commodities. For inasmuch as value is nothing more than the exchange ratio between one commodity and another, the very concept of a total value is an absurdity, nonsense ... a contradiction *in abjecto*...."

At the very beginning of the book, he argues, Marx says that exchange can equate two commodities only by virtue of a similar and equally large element contained in them — namely, the equal amount of labor. And now he most solemnly repudiates himself by asserting that commodities exchange with one another in a totally different ratio than that of the amount of labor contained in them.

"Was there ever such an utter *reductio ad absurdum*, such complete theoretical bankruptcy? Was ever scientific suicide committed with greater pomp and more solemnity!" (*Nouva Antologia*, Feb.1, 1895, pp.478-79.)

We see: our Loria is more than happy. Wasn't he right in treating Marx as one of his own, as an ordinary charlatan? There you see it — Marx sneers at his public just like Loria; he lives on mystification just like the most insignificant Italian professor of economics. But, whereas Dulcamara can afford that because he knows his trade, the clumsy Northerner, Marx, commits nothing but ineptitudes, writes nonsense and absurdities, so that there is nothing left finally for him but solemn suicide.

Let us save for later the statement that commodities have never been sold, nor can ever be sold, at the values determined by labor. Let us deal here merely with Mr. Loria's assurance that

> "Value is nothing more than the exchange ratio between one commodity and another," and that therefore "the very concept of a total value is an absurdity, nonsense..."

The ratio in which two commodities are exchanged for each other, their value, is therefore something purely accidental, stuck on to the commodities from the outside, which can be one thing today and something else tomorrow. Whether a metric hundredweight of wheat is exchanged for a gramme or a kilogram of gold does not in the least depend upon conditions inherent in that wheat or gold. For otherwise these conditions would also have to assert themselves in the exchange, dominate the latter on the whole, and also have an independent existence apart from exchange, so that one could speak of a total value of commodities. That is nonsense, says the illustrious Loria. No matter in what ratio two commodities may be exchanged for each other, that is their value — and that's all there is to it. Hence, value is identical with price, and every commodity has as many values as the prices it can get. And price is determined by supply and demand; and any one asking any more questions is a fool to expect an answer.

But there is a little hitch to the matter. In the normal state, supply and demand balance. Therefore, let us divide all the commodities in the world into two halves, the supply group and the equally large demand group. Let us assume that each represents a price of 1,000 billion marks, francs, pounds, or what you will. According to elementary arithmetic, that makes a price of 2,000 billion. Nonsense, absurd, says Mr. Loria. The two groups together may represent a price of 2,000 billion. But it is otherwise with value. If we say price: 1,000 + 1,000 = 2,000. But if we say value: 1,000 + 1,000 = 0. At least in this case, where the totality of commodities is involved. For here the commodities of each of the two groups are worth 1,000 billion only because each of the two can and will give this sum for the commodities of the other. But if we unite the totality of the commodities of the two in the hands of a third person, the first has no value in his hand any longer, nor the second, and the third certainly not — in the end, no one has anything. And again, we marvel at the superiority with which our southern Cagliostro has manhandled the concept of value in such a fashion that not the slightest trace of it has been left. This is the acme of vulgar economics! [274]

[274] Somewhat later, the same gentleman "well-known through his fame" (to use Heine's phrase) also felt himself compelled to reply to my preface to Volume III after it was published in Italian in the first number of Rassegna in 1895. The reply is printed in the Riforma Sociale of February 25, 1895. After having lavished upon me the inevitable (and therefore doubly

In Braun's *Archiv für soziale Gesetzgebung*, Vol. VII, No.4, Werner Sombart gives an outline of the Marxian system which, taken all in all, is excellent. It is the first time that a German university professor succeeds on the whole in seeing in Marx's writings what Marx really says, stating that the criticism of the Marxian system cannot consist of a refutation —

"Let the political careerist deal with that"

— but merely in a further development. Sombart, too, deals with our subject, as is to be expected. He investigates the importance of value in the Marxian system, and arrives at the following results. Value is not manifest in the exchange relation of capitalistically produced commodities; it does not live in the consciousness of the agents of capitalist production; it is not an empirical, but a mental, a logical fact; the concept of value in its material definiteness in Marx is nothing but the economic expression for the fact of the social productive power of labor as the basis of economic existence; in the final analysis, the law of value dominates economic processes in a capitalist economic system, and for this economic system quite generally has the following content: the value of commodities is the specific and historical form in which the productive power of labor, in the last analysis dominating all economic processes, asserts itself as a determining factor. So, says Sombart, it cannot be said that this conception of the significance of the law of value for the capitalist form of production is wrong. But it does seem to me to be too broad, and susceptible of a narrower, more precise formulation: in my opinion it by no means

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repulsive) adulation, he states that he never thought of filching for himself Marx's credit for the materialist conception of history. He acknowledged it as early as 1885 – to wit, quite incidentally in a magazine article. But in return he passes over it in silence all the more stubbornly precisely where it is due, that is, in his book on the subject, where Marx is mentioned for the first time on page 129, and then merely in connection with small landed property in France. And now he bravely declares that Marx is not at all the originator of this theory; if Aristotle had not already suggested it, Harrington undoubtedly proclaimed it as early as 1656, and it had been developed by a Pleiad of historians, politicians, jurists and economists long before Marx. All of which is to be read in the French edition of Loria's book. In short, the perfect plagiarist. After I have made it impossible for him to brag any more with plagiarisms from Marx, he boldly maintains that Marx adorns himself with borrowed plumes just as he himself does. From my other attacks, Loria takes up the one that, according to him, Marx never planned to write a second or indeed a third volume of Capital. "And now Engels replies triumphantly by throwing the second and third volumes at me ... excellent! And I am so pleased with these volumes, to which I owe so much intellectual enjoyment, that never was a victory so dear to me as today this defeat is – if it really is a defeat. But is it actually? Is it really true that Marx wrote, with the intention of publication, this mixture of disconnected notes that Engels, with pious friendship, has compiled? Is it really permissible to assume that Marx ... confided the coronation of his work and his system to these pages? Is it indeed certain that Marx would have published that chapter on the average rate of profit, in which the solution, promised for so many years, is reduced to the most dismal mystification, to the most vulgar playing with phrases? It is at least permissible to doubt it.... That proves, it seems to me, that Marx, after publishing his magnificent (splendido) book, did not intend to provide it with a successor, or else wanted to leave the completion of the gigantic work to his heirs, outside his own responsibility."

So, it is written on p. 267. Heine could not speak any more contemptuously of his philistine German public than in the words: "The author finally gets used to his public as if it were a reasonable being." What must the illustrious Loria think his public is?

In conclusion, another load of praise comes pouring down on my unlucky self. In this our Sganarelle puts himself on a par with Balaam, who came to. curse but whose lips bubbled forth "words of blessing and love" against his will. For the good Balaam was distinguished by the fact that he rode upon an ass that was more intelligent than its master. This time Balaam evidently left his ass at home.

exhausts the entire significance of the law of value for the economic stages of society's development dominated by this law.

There is a likewise excellent article by Conrad Schmidt on the third volume of *Capital* in Braun's *Sozialpolitisches Zentralblatt*, February 25, 1895, No.22. Especially to be emphasized here is the proof of how the Marxian derivation of average profit from surplus-value for the first time gives an answer to the question not even posed by economics up to now: how the magnitude of this average rate of profit is determined, and how it comes about that it is, say, 10 or 15 per cent and not 50 or 100 per cent. Since we know that the surplus-value first appropriated by the industrial capitalist is the sole and exclusive source from which profit and rent flow, this question solves itself. This passage of Schmidt's article might be directly written for economists a la Loria, if it were not labor in vain to open the eyes of those who do not want to see.

Schmidt, too, has his formal misgivings regarding the law of value. He calls it a scientific *hypothesis*, set up to explain the actual exchange process, which proves to be the necessary theoretical starting point, illuminating and indispensable, even in respect of the phenomena of competitive prices which seem in absolute contradiction to it. According to him, without the law of value all theoretical insight into the economic machinery of capitalist reality ceases. And in a private letter that he permits me to quote, Schmidt declares the law of value within the capitalist form of production to be a pure, although theoretically necessary, fiction. This view, however, is quite incorrect in my opinion. The law of value has a far greater and more definite significance for capitalist production than that of a mere hypothesis, not to mention a fiction, even though a necessary one.

Sombart, as well as Schmidt, — I mention the illustrious Loria merely as an amusing vulgar-economist foil — does not make sufficient allowance for the fact that we are dealing here not only with a purely logical process, but with a historical process, and its explanatory reflection in thought, the logical pursuance of its inner connections.

The decisive passage is to be found in Marx, Vol. III,

"The whole difficulty arises from the fact that commodities are not exchanged simply as *commodities*, but as *products of capitals*, which claim participation in the total amount of surplus-value, proportional to their magnitude, or equal if they are of equal magnitude."

To illustrate this difference, it is supposed that the workers are in possession of their means of production, that they work on the average for equally long periods of time and with equal intensity, and exchange their commodities with one another directly. Then, in one day, two workers would have added by their labor an equal amount of new value to their products, but the product of each would have different value, depending on the labor already embodied in the means of production. This latter part of the value would represent the constant capital of capitalist economy, while that part of the newly-added value employed for the worker's means of subsistence would represent the variable capital, and the portion of the new value still remaining would represent the surplus-value, which in this case would belong to the worker. Thus, after deducting the amount to replace the "constant" part of

value only advanced by them, both workers would get equal values; but the ratio of the part representing surplus-value to the value of the means of production — which correspond to the capitalist rate of profit — would be different in each case. But since each of them gets the value of the means of production replaced through the exchange, this would be a wholly immaterial circumstance.

"The exchange of commodities at their values, or approximately at their values, thus requires a *much lower stage* than their exchange at their prices of production, which requires a definite level of capitalist development.... Apart from the domination of prices and price movement by the law of value, it is quite appropriate to regard the values of commodities as not only *theoretically* but also *historically* antecedent (prius) to the prices of production. This applies to conditions *in which the laborer owns his own means of production*, and this is the condition of the land-owning working farmer and the craftsman, in the ancient as well as in the modern world. This agrees also with the view we expressed previously, that the evolution of products into commodities arises through exchange between different communities, not between the members of the same community. It holds not only for this primitive condition, but also for subsequent conditions, based on slavery and serfdom, and for the guild organization of handicrafts, so long as the means of production involved in each branch of production can be transferred from one sphere to another only with difficulty and therefore the various spheres of production are related to one another, within certain limits, as foreign countries or communist communities."

Had Marx an opportunity to go over the third volume once more, he would doubtless have extended this passage considerably. As it stands, it gives only a sketchy outline of what is to be said on the point in question. Let us, therefore, examine it somewhat closer.

We all know that at the beginning of society, products are consumed by the producers themselves, and that these producers are spontaneously organized in more or less communistic communities; that the exchange of the surplus of these products with strangers, which ushers in the conversion of products into commodities, is of a later date; that it takes places at first only between individual communities of different tribes, but later also prevails within the community, and contributes considerably to the latter's dissolution into bigger or smaller family groups. But even after this dissolution, the exchanging family heads remain working peasants, who produce almost all they require with the aid of their families on their own farmsteads, and get only a slight portion of the required necessities from the outside in exchange for surplus products of their own. The family is engaged not only in agriculture and livestock-raising; it also works their products up into finished articles of consumption; now and then it even does its own milling with the hand-mill; it bakes bread, spins, dyes, weaves flax and wool, tans leather, builds and repairs wooden buildings, makes tools and utensils, and not infrequently does joinery and blacksmithing; so that the family, or family group, is in the main self-sufficient.

The little that such a family had to obtain by barter or buy from outside, even up to the beginning of the 19th century in Germany, consisted principally of the objects of handicraft production — that is, such things the nature of whose manufacture was by no means unknown to the peasant, and which he

did not produce himself only because he lacked the raw material or because the purchased article was much better or very much cheaper. Hence, the peasant of the Middle Ages knew fairly accurately the labor-time required for the manufacture of the articles obtained by him in barter. The smith and the cartwright of the village worked under his eyes; likewise, the tailor and shoemaker — who in my youth still paid their visits to our Rhine peasants, one after another, turning home-made materials into shoes and clothing. The peasants, as well as the people from whom they bought, were themselves workers; the exchanged articles were each one's own products. What had they expended in making these products? Labor and labor alone: to replace tools, to produce raw material, and to process it, they spent nothing but their own labor-power; how then could they exchange these products of theirs for those of other laboring producers otherwise than in the ratio of labor expended on them? Not only was the labor-time spent on these products the only suitable measure for the quantitative determination of the values to be exchanged: no other way was at all possible. Or is it believed that the peasant and the artisan were so stupid as to give up the product of 10 hours' labor of one person for that of a single hours' labor of another? No other exchange is possible in the whole period of peasant natural economy than that in which the exchanged quantities of commodities tend to be measured more and more according to the amounts of labor embodied in them. From the moment money penetrates into this mode of economy, the tendency towards adaptation to the law of value (in the Marxian formulation, *nota bene*!) grows more pronounced on the one hand, while on the other it is already interrupted by the interference of usurers' capital and fleecing by taxation; the periods for which prices, on average, approach to within a negligible margin of values, begin to grow longer.

The same holds good for exchange between peasant products and those of the urban artisans. At the beginning, this barter takes places directly, without the medium of the merchant, on the cities' market days, when the peasant sells and makes his purchases. Here, too, not only does the peasant know the artisan's working conditions, but the latter knows those of the peasant as well. For the artisan is himself still a bit of a peasant — he not only has a vegetable and fruit garden, but very often also has a small piece of land, one or two cows, pigs, poultry, etc. People in the Middle Ages were thus able to check up with considerable accuracy on each other's production costs for raw material, auxiliary material, and labor-time — at least in respect of articles of daily general use.

But how, in this barter on the basis of the quantity of labor, was the latter to be calculated, even if only indirectly and relatively, for products requiring a longer labor, interrupted at regular intervals, and uncertain in yield — grain or cattle, for example? And among people, to boot, who could not calculate? Obviously, only by means of a lengthy process of zigzag approximation, often feeling the way here and there in the dark, and, as is usual, learning only through mistakes. But each one's necessity for covering his own outlay on the whole always helped to return to the right direction; and the small number of kinds of articles in circulation, as well as the often century-long stable nature of their production, facilitated the attaining of this goal. And that it by no means took so long for the relative amount of value of these products to be fixed fairly closely is already proved by the fact that cattle, the commodity for which this appears to be most difficult because of the longtime of production of the individual head, became the first rather generally accepted money commodity. To accomplish

this, the value of cattle, its exchange ratio to a large number of other commodities, must already have attained a relatively unusual stabilization, acknowledged without contradiction in the territories of many tribes. And the people of that time were certainly clever enough — both the cattle breeders and their customers — not to give away the labor-time expended by them without an equivalent in barter. On the contrary, the closer people are to the primitive state of commodity production — the Russians and Orientals, for example — the more time do they still waste today, in order to squeeze out, through long tenacious bargaining, the full compensation for their labor-time expended on a product.

Starting with this determination of value by labor-time, the whole of commodity production developed, and with it, the multifarious relations in which the various aspects of the law of value assert themselves, as described in the first part of Vol. I of *Capital*; that is, in particular, the conditions under which labor alone is value-creating. These are conditions which assert themselves without entering the consciousness of the participants and can themselves be abstracted from daily practice only through laborious, theoretical investigation; which act, therefore, like natural laws, as Marx proved to follow necessarily from the nature of commodity production. The most important and most incisive advance was the transition to metallic money, the consequence of which, however, was that the determination of value by labor-time was no longer visible upon the surface of commodity exchange. From the practical point of view, money became the decisive measure of value, all the more as the commodities entering trade became more varied, the more they came from distant countries, and the less, therefore, the labor-time necessary for their production could be checked. Money itself usually came first from foreign parts; even when precious metals were obtained within the country, the peasant and artisan were partly unable to estimate approximately the labor employed therein, and partly their own consciousness of the value-measuring property of labor had been fairly well dimmed by the habit of reckoning with money; in the popular mind, money began to represent absolute value.

In a word: the Marxian law of value holds generally, as far as economic laws are valid at all, for the whole period of simple commodity production — that is, up to the time when the latter suffers a modification through the appearance of the capitalist form of production. Up to that time, prices gravitate towards the values fixed according to the Marxian law and oscillate around those values, so that the more fully simple commodity production develops, the more the average prices over long periods uninterrupted by external violent disturbances coincide with values within a negligible margin. Thus, the Marxian law of value has general economic validity for a period lasting from the beginning of exchange, which transforms products into commodities, down to the 15th century of the present era. But the exchange of commodities dates from a time before all written history — which in Egypt goes back to at least 2500 B.C., and perhaps 5000 B.C., and in Babylon to 4000 B.C., perhaps to 6000 B.C.; thus, the law of value has prevailed during a period of from five to seven thousand years. And now, let us admire the thoroughness of Mr. Loria, who calls the value generally and directly valid during this period a value at which commodities are never sold nor can ever be sold, and with which no economist having a spark of common sense would ever occupy himself!

We have not spoken of the merchant up to now. We could save the consideration of this intervention for now, when we pass to the transformation of simple into capitalist commodity production. The merchant was the revolutionary element in this society where everything else was stable — stable, as it were, through inheritance; where the peasant obtained not only his hide of land, but his status as a freehold proprietor, as a free or enthralled quit-rent peasant or serf, and the urban artisan his trade and guild privileges by inheritance and almost inalienably, and each of them, in addition, his customer, his market, as well as his skill, trained from childhood for the inherited craft. Into this world then entered the merchant, with whom its revolution was to start. But not as a conscious revolutionary; on the contrary, as flesh of its flesh, bone of its bone. The merchant of the Middle Ages was by no means an individualist; he was essentially an associate like all his contemporaries. The mark association, grown out of primitive communism, prevailed in the countryside. Each peasant originally had an equal hide, with equal pieces of land of each quality, and a corresponding, equal share in the rights of the mark. After the mark had become a closed association, and no new hides were allocated any longer, subdivision of the hides occurred through inheritance, etc., with corresponding subdivisions of the common rights in the mark; but the full hide remained the unit, so that there were half, quarter and eighth-hides with half, quarter and eighth-rights in the mark. All later productive associations, particularly the guilds in the cities, whose statutes were nothing but the application of the mark constitution to a craft privilege instead of to a restricted area of land, followed the pattern of the mark association. The central point of the whole organization was the equal participation of every member in the privileges and produce assured to the guild, as is strikingly expressed in the 1527 license of the Elberfeld and Barmen yarn trade. (Thun: *Industrie am Niederrhein*, Vol. II, 164 ff.) The same holds true of the mine guilds, where each share participated equally and was also divisible, together with its rights and obligations, like the hide of the mark member. And the same holds good in no less degree of the merchant companies, which initiated overseas trade. The Venetians and the Genoese in the harbor of Alexandria or Constantinople, each "nation" in its own *fondaco* — dwelling, inn, warehouse, exhibition and salesrooms, together with central offices — formed complete trade associations; they were closed to competitors and customers; they sold at prices fixed among themselves; their commodities had a definite quality guaranteed by public inspection and often by stamp; they deliberated in common on the prices to be paid by the natives for their products, etc. Nor did Hanseatic merchants act otherwise on the German Bridge (Tydske Bryggen) in Bergen, Norway; the same holds true of their Dutch and English competitors. Woe to the man who sold under the price or bought above the price! The boycott that struck him meant at that time inevitable ruin, not counting the direct penalties imposed by the association upon the guilty. And even close associations were founded for definite purposes, such as the Maona of Genoa in the 14th and 15th centuries, for years the ruler of the alum mines in Phocaea in Asia Minor, as well as of the Island of Chios; furthermore, the great Ravensburg Trading Company, which dealt with Italy and Spain since the end of the 14th century, founding branches in those countries; the German company of the Augsburgers: Fugger, Welser, Vöhlin, Höchstetter, etc; that of the Nürnbergers: Hirschvogel and others, which participated with a capital of 66,000 ducats and three ships in the 1505-06 Portuguese expedition to India, making a

net profit of 150 per cent, according to others 175 per cent (Heyd; *Levantehandel*, Vol. II, p.524); and a large number of other companies, "Monopolia," over which Luther waxes so indignant.

Here, for the first time, we meet with a profit and a rate of profit. The merchant's efforts are deliberately and consciously aimed at making this rate of profit equal for all participants. The Venetians in the Levant, and the Hanseatics in the North, each paid the same prices for his commodities as his neighbor; his transport charges were the same, he got the same prices as every other merchant of his "nation". Thus, the rate of profit was equal for all. In the big trading companies, the allocation of profit *pro rata* of the paid-in capital share is as much a matter of course as the participation in mark rights *pro rata* of the entitled hide share, or as the mining profit *pro rata* of the mining share. The equal rate of profit, which in its fully developed form is one of the final results of capitalist production, thus manifests itself here in its simplest form as one of the points from which capital started historically, as a direct offshoot in fact of the mark association, which in turn is a direct offshoot of primitive communism.

This original rate of profit was necessarily very high. The business was very risky, not only because of wide-spread piracy; the competing nations also permitted themselves all sorts of acts of violence when the opportunity arose; finally, sales and marketing conditions were based upon licenses granted by foreign prices, which were broken or revoked often enough. Hence, the profit had to include a high insurance premium. The turnover was slow, the handling of transactions protracted, and in the best periods — which, admittedly, were seldom of long duration — the business was a monopoly trade with monopoly profit. The very high interest rates prevailing at the time, which always had to be lower on the whole than the percentage of usual commercial profit, also prove that the rate of profit was on the average very high.

But this high rate of profit, equal for all participants and obtained through joint labor of the community, held only locally within the associations — that is, in this case the "nation," Venetians, Genoese, Hanseatics, and Dutchmen each had a special rate of profit, and at the beginning more or less each individual market areas, as well. Equalization of these different company profit rates took place in the opposite way, through competition. First, the profit rates of the different markets for one and the same nation. If Alexandria offered more profit for Venetian goods than Cyprus, Constantinople, or Trebizond, the Venetians would start more capital moving towards Alexandria, withdrawing it from trade with other markets. Then, the gradual equalization of profit rates among the different nations, exporting the same or similar goods to the same markets, had to follow, and some of these nations were very often squeezed to the wall and disappeared from the scene. But this process was being continually interrupted by political events, just as all Levantine trade collapsed owing to the Mongolian and Turkish invasions; the great geographic-commercial discoveries after 1492 only accelerated this decline and then made it final.

The sudden expansion of the market area that followed the revolution in communications connected with it, introduced no essential change at first in the nature of trade operations. At the beginning, co-operative companies also dominated trade with India and America. But in the first place,

bigger nations stood behind these companies. In trade with America, the whole of great united Spain took the place of the Catalonians trading with the Levant; alongside it, two countries like England and France; and even Holland and Portugal, the smallest, were still at least as large and strong as Venice, the greatest and strongest trading nation of the preceding period. This gave the traveling merchant, the merchant adventurer of the 16th and 17th centuries, a backing that made the company, which protected its companions with arms, also, more and more superfluous, and its expenses an outright burden. Moreover, the wealth in a single hand grew considerably faster, so that single merchants soon could invest as large sums in an enterprise as formerly an entire company. The trading companies, wherever still existent, were usually converted into armed corporations, which conquered and monopolistically exploited whole newly discovered countries under the protection and the sovereignty of the mother country. But the more colonies were founded in the new areas, largely by the state, the more did company trade recede before that of the individual merchant, and the equalization of the profit rate became therewith more and more a matter of competition exclusively.

Up to now, we have become acquainted with a rate of profit only for merchant capital. For only merchant and usurers' capital had existed up to that time; industrial capital was yet to be developed. Production was still predominantly in the hands of workers owning their own means of production, whose work therefore yielded no surplus-value to any capital. If they had to surrender a part of the product to third parties without compensation, it was in the form of tribute to feudal lords. Merchant capital, therefore, could only make its profit, at least at the beginning, out of the foreign buyers of domestic products, or the domestic buyers of foreign products; only toward the end of this period — for Italy, that is, with the decline of Levantine trade — were foreign competition and the difficulty of marketing able to compel the handicraft producers of export commodities to sell the commodity under its value to the exporting merchant. And thus, we find here that commodities are sold at their value, on the average, in the domestic retail trade of individual producers with one another, but for the reasons given, not in international trade as a rule. Quite the opposite of the present-day world, where the production prices hold good in international and wholesale trade, while the formations of prices in urban retail trade is governed by quite other rates of profit. So that the meat of an ox, for example, experiences today a greater rise in price on its way from the London wholesaler to the individual London consumer than from the wholesaler in Chicago, including transport, to the London wholesaler.

The instrument that gradually brought about this revolution in price formation was industrial capital. Rudiments of the latter had been formed as early as the Middle Ages, in three fields — shipping, mining, and textiles. Shipping on the scale practiced by the Italian and Hanseatic maritime republics was impossible without sailors, i.e., wage-laborers (whose wage relationship may have been concealed under association forms with profit-sharing), or without oarsmen — wage-laborers or slaves — for the galleys of that day. The guilds in the ore mines, originally associated workers, had already been converted in almost every case into stock companies for exploiting the deposits by means of wage-laborers. And in the textile industry, the merchant had begun to place the little master-weaver directly in his service, by supplying him with yarn and having it made into cloth for his account in return for a fixed wage — in short, by himself changing from a mere buyer into a so-called *contractor*.

Here we have the first beginnings of the formation of capitalist surplus-value. We can ignore the mining guilds as closed monopoly corporations. With regard to the ship-owners, it is obvious that their profit had to be at least as high as the customary one in the country, plus an extra increment for insurance, depreciation of ships, etc. But how were matters with the textile contractors, who first brought commodities, directly manufactured for capitalist account, into competition with the commodities of the same sort made for handicraft account?

Merchant capital's rate of profit was at hand to start with. Likewise, it had already been equalized to an approximate average rate, at least for the locality in question. Now, what could induce the merchant to take on the extra business of a contractor? Only one thing: the prospect of greater profit at the same selling price as the others. And he had this prospect. By taking the little master into his service, he broke through the traditional bonds of production within which the producer sold his finished product and nothing else. The merchant capitalist bought the labor-power, which still owned its production instruments but no longer the raw material. By thus guaranteeing the weaver regular employment, he could depress the weaver's wage to such a degree that a part of the labor-time furnished remained unpaid for. The contractor thus became an appropriator of surplus-value over and above his commercial profit. Admittedly, he had to employ additional capital to buy yarn, etc., and leave it in the weaver's hands until the article for which he formerly had to pay full price only upon purchasing it, was finished. But, in the first place, he had already used extra capital in most cases for advances to the weaver, who as a rule submitted to the new production conditions only under the pressure of debt. And, secondly, apart from that, the calculation took the following form:

Assume that our merchant operates his export business with capital of 30,000 ducats, sequins, pounds sterling or whatever is the case. Of that, say 10,000 are engaged in the purchase of domestic goods, whereas 20,000 are used in the overseas market. Say the capital is turned over once in two years. Annual turnover = 15,000. Now, our merchant wants to become a contractor, to have cloth woven for his own account. How much additional capital must he invest? Let us assume that the production time of the piece of cloth, such as he sells, averages two months — which is certainly very high. Let us further assume that he has to pay for everything in cash. Hence, he must advance enough capital to supply his weavers with yarn for two months. Since his turnover is 15,000 a year, he buys cloth for 2,500 in two months. Let us say that 2,000 of that represents the value of yarn, and 500 weavers' wages; then our merchant requires an additional capital of 2,000. We assume that the surplus-value he appropriates from the weaver by the new method totals only 5 per cent of the value of the cloth, which constitutes the certainly very modest surplus-value rate of 25 per cent. (2,000c + 500v + 125s; s' = 125/500 = 25%, p' = 125/2,500 = 5%). Our man then makes an extra profit of 750 on his annual turnover of 15,000, and has thus got his additional capital back in 2⅔ years.

But in order to accelerate his sales and hence his turnover, thus making the same profit with the same capital in a shorter period of time, and hence a greater profit in the same time, he will donate a small portion of his surplus-value to the buyer — he will sell cheaper than his competitors. These will also gradually be converted into contractors, and then the extra profit for all of them will be reduced to

the ordinary profit, or even to a lower profit on the capital that has been increased for all of them. The equality of the profit rate is re-established, although possibly on another level, by a part of the surplus-value made at home being turned over to the foreign buyers.

The next step in the subjugation of industry by capital takes place through the introduction of manufacture. This, too, enable the manufacturer, who is most often his own export trader in the 17th and 18th centuries — generally in Germany down to 1850, and still today here and there — to produce cheaper than his old-fashioned competitor, the handicraftsman. The same process is repeated; the surplus-value appropriated by the manufacturing capitalist enables him (or the export merchant who shares with him) to sell cheaper than his competitors, until the general introduction of the new mode of production, when equalization against takes place. The already existing mercantile rate of profit, even if it is levelled out only locally, remains the Procrustean bed in which the excessive industrial surplus-value is lopped off without mercy.

If manufacturing sprung ahead by cheapening its products, this is even more true of modern industry, which forces the production costs of commodities lower and lower through its repeated revolutions in production, relentlessly eliminating all former modes of production. It is large-scale industry, too, that thus finally conquers the domestic market for capital, puts an end to the small-scale production and natural economy of the self-sufficient peasant family, and places the entire nation in service of capital. Likewise, it equalizes the profit rate of the different commercial and industrial branches of business into *one* general rate of profit, and finally ensures industry the position of power due to it in this equalization by eliminating most of the obstacles formerly hindering the transfer of capital from one branch to another. Thereby the conversion of values into production prices is accomplished for all exchange as a whole. This conversion therefore proceeds according to objective laws, without the consciousness or the intent of the participants. Theoretically, there is no difficulty at all in the fact that competition reduces to the general level profits which exceed the general rate, thus again depriving the first industrial appropriator of the surplus-value exceeding the average. All the more so in practice, however, for the spheres of production with excessive surplus-value, with high variable and low constant capital — i.e., with low capital composition — are by their very nature the ones that are last and least completely subjected to capitalist production, especially agriculture. On the other hand, the rise of production prices above commodity values, which is required to raise the below-average surplus-value, contained in the products of the spheres of high capital composition, to the level of the average rate of profit, appears to be extremely difficult theoretically, but is soonest and most easily effected in practice, as we have seen. For when commodities of this class are first produced capitalistically and enter capitalist commerce, they compete with commodities of the same nature produced by per-capitalist methods and hence dearer. Thus, even if the capitalist producer renounces a part of the surplus-value, he can still obtain the rate of profit prevailing in his locality, which originally had no direct connection with surplus-value because it had arisen from merchant capital long before there was any capitalist production at all, and therefore before an industrial rate of profit was possible.

1. The position of the stock exchange in capitalist production in general is clear from Vol. III, Part 5, especially Chapter [27]. But since 1865, when the book was written, a change has taken place which today assigns a considerably increased and constantly growing role to the stock exchange, and which, as it develops, tends to concentrate all production, industrial as well as agricultural, and all commerce, the means of communication as well as the functions of exchange, in the hands of stock exchange operators, so that the stock exchange becomes the most prominent representative of capitalist production itself.

2. In 1865 the stock exchange was still a *secondary* element in the capitalist system. Government bonds represented the bulk of exchange securities, and even their sum-total was still relatively small. Besides, there were joint-stock banks, predominant on the continent and in America, and just beginning to absorb the aristocratic private banks in England, but still relatively insignificant *en masse*. Railway shares were still comparatively weak compared to the present time. There were still only few directly productive establishments in stock company form — and, like the banks, most of all in the *poorer* countries: Germany, Austria, America, etc. The "minister's eye" was still an unconquered superstition.

At that time, the stock exchange was still a place where the capitalists took away each other's accumulated capital, and which directly concerned the workers only as new proof of the demoralizing general effect of capitalist economy and as confirmation of the Calvinist doctrine that predestination (alias chance) decides, even in this life, blessedness and damnation, wealth, i.e., enjoyment and power, and poverty, i.e., privation and servitude.

3. Now it is otherwise. Since the crisis of 1866 accumulation has proceeded with ever-increasing rapidity, so that in no industrial country, least of all in England, could the expansion of production keep up with that of accumulation, or the accumulation of the individual capitalist be completely utilized in the enlargement of his own business; English cotton industry as early as 1845; the railway swindles. But with this accumulation the number of *rentiers,* people who were fed up with the regular tension in business and therefore wanted merely to amuse themselves or to follow a mild pursuit as directors or governors of companies, also rose. And third, in order to facilitate the investment of this mass floating around as money-capital, new legal forms of limited liability companies were established wherever that had not yet been done, and the liability of the shareholder, formerly unlimited, was also reduced ± [more or less] (joint-stock companies in Germany, 1890. Subscription 40 per cent!).

4. Thereafter, gradual conversion of industry into stock companies. One branch after another suffers this fate. First iron, where giant plants are now necessary (before that, mines, where not already organized on shares). Then the chemical industry, likewise machinery plants. On the continent, the textile industry; in England, only in a few areas in Lancashire (Oldham Spinning Mill, Burnley Weaving Mill, etc., tailor co-operatives, but this is only a preliminary stage which will again fall into the masters' hands at the next crisis), breweries (the American ones sold a few years ago to English capital, then Guinness, Bass, Allsopp). Then the trusts, which create gigantic enterprises under

common management (such as United Alkali). The ordinary individual firm is more and more only a preliminary stage to bring the business to the point where it is big enough to be "founded."

Likewise in trade: Leafs, Parsons, Morleys, Morrison, Dillon — all founded. The same in retail stores by now, and not merely under the cloak of co-operation *à la* "stores."

Likewise, banks and other credit establishments even in England. A tremendous number of new banks, all shares delimited. Even old banks etc., are converted, with seven private shareholders, into limited companies.

5. The same in the field of agriculture. The enormously expanded banks, especially in Germany under all sorts of bureaucratic names, more and more the holders of mortgages; with their shares the actual higher ownership of landed property is transferred to the stock exchange, and this is even more true when the farms fall into the creditors' hands. Here the agricultural revolution of prairie cultivation is very impressive; if it continues, the time can be foreseen when England's and France's land will also be in the hands of the stock exchange.

6. Now all foreign investments in the form of shares. To mention England alone: American railways, North and South (consult the stock exchange list), Goldberger, etc.

7. Then colonization. Today this is purely a subsidiary of the stock exchange, in whose interests the European powers divided Africa a few years ago, and the French conquered Tunis and Tonkin. Africa leased directly to companies (Niger, South Africa, German South-West and German East Africa), and Mashonaland and Natal seized by Rhodes for the stock exchange.

V. I. Lenin: The Development of Capitalism in Russia.

Chapter 1: The Theoretical Mistakes of the Narodnik Economists

IV. The Narodnik Theory of the Impossibility of Realizing Surplus-Value

The next question in the theory of the home market is the following. We know that the value of a product in capitalist production resolves into three parts: 1) the first part replaces the constant capital, i.e., the value that existed previously in the shape of raw and auxiliary materials, machines and instruments of production, etc., and that is merely reproduced in a certain part of the finished product; 2) the second part replaces the variable capital, i.e., covers the maintenance of the worker; and, lastly, 3) the third part constitutes the surplus-value, which belongs to the capitalist. It is usually granted (we state the question in the spirit of Messrs. N.–on and V. V.) that the realization (i. e., the finding of a corresponding equivalent, sale in the market) of the first two parts presents no difficulty, because the first part goes into production, and the second into consumption by the working class. But how is the third part—surplus-value—realized? It cannot, surely, be consumed in its entirety by the capitalists! So our economists come to the conclusion that "the way out of the difficulty" of realizing surplus-value is "the acquisition of a foreign market" (N.–on, *Sketches*, Part II, § XV in general, and p. 205 in particular; V. V., "The Excess in the Market Supply of Commodities" in *Otechestvenniye Zapiski [Fatherland Notes]*, 1883, and *Essays on Theoretical Economics*, St. Petersburg, 1895, p. 179 and foll.). The writers mentioned explain the need for a capitalist nation to have a foreign market by the suggestion that the capitalists

cannot realize their products in any other way. The home market in Russia, they say, is shrinking because of the ruin of the peasantry and because of the impossibility of realizing surplus-value without a foreign market, while the foreign market's closed to a young country that enters the path of capitalist development too late—and so, it is declared as proven that Russian capitalism has no basis, is still-born, a claim founded on mere a priori (and, moreover, theoretically incorrect) assumptions!

When expressing his views on realization, Mr. N.–on evidently had in mind Marx's theory on this subject (although he said not a single word about Marx in this part of his *Sketches*), but he absolutely failed to understand it and distorted it beyond recognition, as we shall see in a moment. This explains the curious fact that his views coincided in all essentials with those of Mr. V. V., who cannot possibly be accused of "not understanding" theory, for it would be the height of injustice to suspect him of even the slightest acquaintance with it. Both authors expound their theories as though they are the first to have dealt with the subject, and have reached certain solutions "all by themselves"; both of them most sublimely ignore the arguments of the old economists on the subject, and both repeat old errors that have been most thoroughly refuted in Volume II of *Capital*.[275] Both authors reduce the whole problem of the realization of the product to the realization of surplus-value, evidently imagining that the realization of constant capital presents no difficulties. This naive opinion contains a most profound error, one that is the source of all further errors in the Narodnik theory of realization. As a matter of fact, the difficulty of explaining realization is precisely one of explaining the realization of constant capital. In order to be realized, constant capital must be put back again into production, and that is directly practicable only in the case of that capital whose product consists of means of production. If, however, the product which makes good the constant part of capital consists of articles of consumption, it cannot be directly put back into production; what is required is *exchange* between the department of social production that makes means of production and that which makes articles of consumption. It is this point that constitutes the whole difficulty of the problem, a difficulty *unnoticed* by our economists. Mr. V. V. presents the matter, generally speaking, as if the aim of capitalist production is not accumulation but consumption, advancing the profound argument that "into the hands of a minority flows a mass of material objects in excess of the consuming power of the organism" (sic !) "At the given stage of their development" (loc. cit., 149) and that "it is not the moderation and abstemiousness of the manufacturers which are the cause of the superfluity of products, but the limitations and insufficient elasticity of the human organism (!!), which fails to increase its consuming power at the rate at which surplus-value grows" (ibid., 161). Mr. N.–on tries to present the matter as though he does not regard consumption as the aim of capitalist production, as though he takes account of the role and significance of means of production in regard to the problem of realization; as a matter of fact, however, he has no clear idea whatsoever about the process of the circulation and reproduction of the aggregate social capital, and has become entangled in a host of contradictions. We shall not stop

[275] Particularly astonishing in this connection is Mr. V V.'s audacity, which transcends all bounds of literary decency. After enunciating his theory, and betraying his utter unfamiliarity with Volume II of Capital, which deals specifically with realization, he goes on to make the quite unfounded statement that "in building up my propositions I used" Marx's theory!! (Essays on Theoretical Economics, Essay III. "The Capitalist Law (sic !?!) of Production, Distribution and Consumption," p. 162.) —Lenin

to examine all these contradictions in detail (pp. 203-205 of Mr. N.–on's *Sketches*); that would be too thankless a task (and one already performed in part by Mr. Bulgakov [276] in his book *Markets Under Capitalist Production*, Moscow, 1897, pp. 237-245), and furthermore, to prove the justice of the appraisal given here of Mr. N.–on's arguments, it will suffice to examine his final conclusion, namely, that the foreign market is the way out of the difficulty of realizing surplus-value. This conclusion of Mr. N.–on's (essentially a mere repetition of the one drawn by Mr. V. V.) shows in most striking fashion that he did not in any way understand either the realization of the product in capitalist society (i.e., the theory of the home market) or the role of the foreign market. Indeed, is there even a grain of common sense in this dragging of the foreign market into the problem of "realization"? The problem of realization is how to find for each part of the capitalist product, in terms of value (constant capital, variable capital and surplus-value) and in its material form (means of production, and articles of consumption, specifically necessities and luxuries), that other part of the product which replaces it on the market. Clearly, foreign trade must here be excluded, for dragging it in does not advance the solution of the problem one iota, but merely retracts it by extending the problem from one country to several. The very same Mr. N.–on who discovered in foreign trade "the way out of the difficulty" of realizing surplus-value, argues about wages, for example, as follows: with the part of the annual product which the direct producers, the workers, receive in the shape of wages "only that part of the means of subsistence can be drawn from circulation which is equal in value to the sum total of wages" (203). How, the question arises, does our economist know that the capitalists of a given country will produce means of subsistence in just the quantity and of just the quality requisite for their realization by wages? How does he know that in this connection the foreign market can be dispensed with? Obviously, he cannot know this, and has simply brushed aside the problem of the foreign market, for in discussing the realization of variable capital the important thing is the replacement of one part of the product by another, and not at all whether this replacement takes place in one country or in two. With respect to surplus-value, however, he departs from this necessary premise, and instead of solving the problem, simply evades it by talking of the foreign market. The sale of the product in the foreign market itself needs explanation, i.e., the finding of an equivalent for that part of the product which is being sold, the finding of another part of the capitalist product that can replace the first. That is why Marx says that in examining the problem of realization, the foreign market, foreign trade "must be entirely discarded," for "the involvement of foreign commerce in analyzing the annually reproduced value of products can...only confuse without contributing any new element of the problem, or of its solution" (Das Kapital, 11, 469). [277] Messrs. V. V. and N.–on imagined that they were giving a profound appraisal of the contradictions of capitalism by pointing to the difficulties of realizing surplus-value. Actually, however, they were giving an extremely superficial appraisal of the contradictions of capitalism, for if one speaks of the "difficulties" of realization, of the crises, etc., arising therefrom, one must admit that these "difficulties" are not only possible but are necessary as regards all parts of the capitalist product,

[276] It will not be superfluous to remind the contemporary reader that Mr. Bulgakov, and also Messrs. Struve and Tugan-Baranovsky whom we shall quote rather often later on, tried to be Marxists in 1899. Now they have all safely turned from "critics of Marx" into plain bourgeois economists. (Note to 2nd edition.) —Lenin

[277] Karl Marx, Capital, Vol. II, Moscow, 1957, p. 470.

and not as regards surplus-value alone. Difficulties of this kind, due to disproportion in the distribution of the various branches of production, constantly arise, not only in realizing surplus-value, but also in realizing variable and constant capital; in realizing not only the product consisting of articles of consumption, but also that consisting of means of production. Without "difficulties" of this kind and crises, there cannot, in general, be any capitalist production, production by isolated producers for a world market unknown to them.

VI. Marx's Theory of Realization

It follows automatically from what has been said that the fundamental premises on which Marx's theory is based are the following two propositions. The first is that the total product of a capitalist country, like the individual product, consists of the following three parts: 1) constant capital, 2) variable capital, and 3) surplus-value. To those who are familiar with the analysis of the process of production of capital given in Vol. I of Marx's *Capital* this proposition is self-evident. The second proposition is that two major departments of capitalist production must be distinguished, namely (Department I), the production of means of production—of articles which serve for productive consumption, i.e., are to be put back into production, articles which are consumed, not by people, but by capital; and (Department II) the production of articles of consumption, i.e., of articles used for personal consumption. "There is more theoretical meaning in this division alone than in all the preceding controversies over the theory of markets" (Bulgakov, loc. cit., p. 27). The question arises as to why such a division of products according to their natural form is now necessary to analyze the reproduction of social capital, when the analysis of the production and reproduction of individual capital dispensed with such a division and left the question of the natural form of the product entirely on one side. On what grounds can we introduce the question of the natural form of the product into a theoretical investigation of capitalist economy, which is based entirely on the exchange-value of the product? The fact is that when the production of individual capital was analyzed, the question of where and how the product would be sold, and of where and how articles of consumption would be bought by the workers and means of production by the capitalists, was set aside as making no contribution to this analysis and as having no relation to it. All that had to be examined then was the problem of the value of the separate elements of production and of the results of production. Now, however, the question is: where will the workers and the capitalists obtain their articles of consumption, where will the capitalists obtain their means of production, how will the finished product meet all these demands and enable production to expand? Here, consequently, we have not only "a replacement of value, but also a replacement in material" (Stoffersatz.—*Das Kapital*, II, 389), [278] and hence it is absolutely essential to distinguish between products that play entirely different parts in the process of social economy.

Once these basic propositions are taken into account, the problem of the realization of the social product in capitalist society no longer presents any difficulty. Let us first assume simple reproduction, i.e., the repetition of the process of production on its previous scale, the absence of accumulation. Obviously, the variable capital and the surplus-value in Department II (which exist in the form of

278

articles of consumption) are realized by the personal consumption of the workers and capitalists of this department (for simple reproduction presumes that the whole of the surplus-value is consumed, and that no portion of it is converted into capital). Further, the variable capital and the surplus-value which exist in the form of means of production (Department I) must, in order to be realized, be exchanged for articles of consumption for the capitalists and workers engaged in the making of means of production. On the other hand, neither can the constant capital existing in the form of articles of consumption (Department II) be realized except by an exchange for means of production, in order to be put back again into production the following year. Thus, we get variable capital and surplus-value in means of production exchanged for constant capital in articles of consumption: the workers and the capitalists (in the means of production department) in this way obtain means of subsistence, while the capitalists (in the articles of consumption department) dispose of their product and obtain constant capital for further production. Under simple reproduction, the parts exchanged must be equal: the sum of variable capital and surplus-value in means of production must be equal to the constant capital in articles of consumption. On the other hand, if we assume reproduction on a progressively increasing scale, i.e., accumulation, the first magnitude must be greater than the second, because there must be available a surplus of means of production with which to begin *further* production. Let us revert, however, to simple reproduction. There has been left unrealized one more part of the social product, namely, constant capital in means of production. This is realized partly by exchange among the capitalists of this same department (coal, for example, is exchanged for iron, because each of these products serves as a necessary material or instrument in the production of the other), and partly by being put directly into production (for example, coal extracted in order to be used in the same enterprise again for the extraction of coal; grain in agriculture, etc.). As for accumulation, its starting-point, as we have seen, is a surplus of means of production (taken from the surplus-value of the capitalists in this department), a surplus that also calls for the conversion into capital of part of the surplus-value in articles of consumption. A detailed examination of how this additional production will be combined with simple reproduction we consider to be superfluous. It is no part of our task to undertake a special examination of the theory of realization, and the foregoing is enough to elucidate the error of the Narodnik economists and to enable us to draw certain theoretical conclusions regarding the home market. [279]

On the problem of interest to us, that of the home market, the main conclusion from Marx's theory of realization is the following: capitalist production, and, consequently, the home market, grow not so much on account of articles of consumption as on account of means of production. In other words, the increase in means of production outstrips the increase in articles of consumption. Indeed,

[279] See Das Kapital, II. Band, III. Abschn., where a detailed investigation is made of accumulation, the division of articles of consumption into necessities and luxuries, the circulation of money, the wear and tear of fixed capital, etc. Readers who are unable to familiarize themselves with Volume II of Capital are recommended to read the exposition of Marx's theory of realization contained in Mr. S Bulgakov's book quoted above. Mr. Bulgakov's exposition is more satisfactory than that of Mr. M. Tugan-Baranovsky (Industrial Crises, pp. 407-438), who in building up his schemes has made some very ill-judged departures from Marx and has inadequately explained Marx's theory; it is also more satisfactory than the exposition given by Mr. A. Skvortsov (Fundamentals of Political Economy, St. Petersburg, 1898, pp 281-295), who holds wrong views on the very important questions of profit and rent.—Lenin

we have seen that constant capital in articles of consumption (Department II) is exchanged for variable capital + surplus-value in means of production (Department I). According, however, to the general law of capitalist production, constant capital grows faster than variable capital. Hence, constant capital in articles of consumption has to increase faster than variable capital and surplus-value in articles of consumption, while constant capital in means of production has to increase fastest of all, outstripping both the increase of variable capital (+ surplus-value) in means of production and the increase of constant capital in articles of consumption. The department of social production which produces means of production has, consequently, to grow faster than that producing articles of consumption. For capitalism, therefore, the growth of the home market is to a certain extent "independent" of the growth of personal consumption, and takes place mostly on account of productive consumption. But it would be a mistake to understand this "independence" as meaning that productive consumption is entirely divorced from personal consumption: the former can and must increase faster than the latter (and there its "independence" ends), but it goes without saying that, in the last analysis, productive consumption is always bound up with personal consumption. Marx says in this connection: "...We have seen (Book II, Part III) that continuous circulation takes place between constant capital and constant capital..." (Marx has in mind constant capital in means of production, which is realized by exchange among capitalists in the same department). "It is at first independent of individual consumption because it never enters the latter. But this consumption definitely limits it nevertheless, since constant capital is never produced for its own sake but solely because more of it is needed in spheres of production whose products go into individual consumption" (*Das Kapital*, III, 1, 289. Russ. trans., p. 242). [280]

This larger consumption of constant capital is nothing but a higher level of the development of the productive forces, one expressed in terms of exchange-value, because the rapidly developing "means of production" consist, in the main, of materials, machines, instruments, buildings and all sorts of other accessories for large-scale, especially machine, production. It is quite natural, therefore, that capitalist production, which develops the productive forces of society and creates large-scale production and machine industry, is also distinguished by a particular expansion of that department of social wealth which consists of means of production...."In this case" (namely, the production of means of production), "what distinguishes capitalist society from the savage is not, as Senior thinks, the privilege and peculiarity of the savage to expend his labor at times in a way that does not procure him any products resolvable (exchangeable) into revenue, i.e., into articles of consumption. No, the distinction consists in the following:

"a) Capitalist society employs more of its available annual labor in the production of means of production (ergo, of constant capital) which are not resolvable into revenue in the form of wages or surplus-value, but can function only as capital.

"b) When a savage makes bows, arrows, stone hammers, axes, baskets, etc., he knows very well that he did not spend the time so employed in the production of articles of consumption, but that he has thus stocked up the means of production he needs, and nothing else" (*Das Kapital,* II, 436. Russ. trans., 333).

[280] Karl Marx, Capital, Vol. III, Moscow, 1959, pp. 299-300.

[281] This "very good knowledge" of one's relation to production has disappeared in capitalist society owing to the latter's inherent fetishism, which presents the social relations of men as relations of products—owing to the conversion of every product into a commodity produced for an unknown consumer and to be realized in an unknown market. And as it is a matter of the utmost indifference to the individual entrepreneur what *kind* of article he produces—every product yields a "revenue,"—this same superficial, individual point of view was adopted by the economist-theoreticians in relation to the whole of society and prevented the process of the reproduction of the total social product in capitalist economy from being understood.

The development of production (and, consequently, of the home market) chiefly on account of means of production seems paradoxical and undoubtedly constitutes a contradiction. It is real "production as an end in itself"—the expansion of production without a corresponding expansion of consumption. But it is a contradiction not of doctrine, but of actual life; it is the sort of contradiction that corresponds to the very nature of capitalism and to the other contradictions of this system of social economy. It is this expansion of production without a corresponding expansion of consumption that corresponds to the historical mission of capitalism and to its specific social structure: the former consists in the development of the productive forces of society; the latter rules out the utilization of these technical achievements by the mass of the population. There is an undoubted contradiction between the drive towards the unlimited extension of production inherent in capitalism, and the limited consumption of the masses of the people (limited because of their proletarian status). It is this contradiction that Marx records in the propositions so readily quoted by the Narodniks and which are supposed to corroborate their views on the shrinkage of the home market, the non-progressive character of capitalism, etc., etc. Here are some of these propositions: "Contradiction in the capitalist mode of production: the laborers as buyers of commodities are important for the market. But as sellers of their own commodity—labor-power—capitalist society tends to keep them down to the minimum price" (*Das Kapital,* II, 303). [282]

"...The conditions of realization are limited by the proportional relation of the various branches of production and the consumer power of society....But the more productiveness develops, the more it finds itself at variance with the narrow basis on which the conditions of consumption rest" (ibid., III, 1, 225-226). [283] "The limits within which the preservation and self-expansion of the value of capital resting on the expropriation and pauperization of the great mass of producers can alone move—these limits come continually into conflict with the methods of production employed by capital for its purposes, which drive towards unlimited extension of production, towards production as an end in itself, towards unconditional development of the social productivity of labor....The capitalist mode of production is, for this reason, a historical means of developing the material forces of production and creating an appropriate world market, and is, at the same time, a continual conflict between this its historical task and its own corresponding relations of social production." (III, 1, 232. Russ. trans.,

[281] Karl Marx, Capital, Vol. II, Moscow, 1957, pp. 438-39.
[282] Karl Marx, Capital, Vol. II, Moscow, 1957, p. 316.
[283] Karl Marx, Capital, Vol. III, Moscow, 1959, pp. 239-40.

p. 194).[284] "The ultimate reason for all real crises always remains the poverty and restricted consumption of the masses as opposed to the drive of capitalist production to develop the productive forces as though only the absolute consuming power of society constituted their outer limit"[285] (III, 2, 21. Russ. trans., p. 395).[286] These propositions all speak of the contradiction we have mentioned, namely, the contradiction between the unrestricted drive to expand production and limited consumption—and of nothing else. Nothing could be more senseless than to conclude from these passages in *Capital* that Marx did not admit the possibility of surplus-value being realized in capitalist society, that he attributed crises to under-consumption, and so forth. Marx's analysis of realization showed that the circulation between constant capital and constant capital is definitely limited by personal consumption; but this same analysis showed the true character of this "limitedness,"[287] it showed that, compared with means of production, articles of consumption play a minor role in the formation of the home market. And, furthermore, there is nothing more absurd than to conclude from the contradictions of capitalism that the latter is impossible, non-progressive, and so on—to do that is to take refuge from unpleasant, but undoubted realities in the transcendental heights of romantic dreams. The contradiction between the drive towards the unlimited expansion of production and limited consumption is not the only contradiction of capitalism, which cannot exist and develop at all without contradictions. The contradictions of capitalism testify to its historically transient character, and make clear the conditions and causes of its collapse and transformation into a higher form; but they by no means rule out either the possibility of capitalism, or its progressive character[288] as compared with preceding systems of social economy.[289]

VIII. Why Does the Capitalist Nation Need a Foreign Market?

Regarding the above-stated theory of the realization of the product in capitalist society, the question may arise: Does not this theory contradict the proposition that the capitalist nation cannot dispense with foreign markets?

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[284] Karl Marx, Capital, Vol. III, Moscow, 1959, p. 245.

[285] It is this passage that the famous Ed. Bernstein (famous after the fashion of Herostratos) quoted in his Premises of Socialism (Die Voraussetzungen, etc., Stuttgart, 1899, S. 67). Our opportunist, of course, turning away from Marxism towards the old bourgeois economics, hastened to announce that this is a contradiction in Marx's theory of crises, that Marx's view "does not differ very much from Rodbertus's theory of crises." Actually, however, the only "contradiction" here is between Bernstein's pretentious claims, on the one hand, and his senseless eclecticism and refusal to delve into the meaning of Marx's theory, on the other. How far Bernstein failed to understand the theory of realization is evident from his truly strange argument that the enormous increase in the aggregate surplus product must necessarily imply an increase in the number of affluent people (or an improvement in the living standard of the workers), for the capitalists themselves, if you please, and their "servants" (sic! Seite 51-52) cannot "consume" the entire surplus product!! (Note to 2nd edition.)—Lenin

[286] Karl Marx, Capital, Vol. III, Moscow, 1959, pp. 472-73.

[287] Karl Marx, Capital, Vol. III, Moscow, 1959, p. 299.

[288] Mr. Tugan-Baranovsky is mistaken in thinking that in advancing this proposition Marx contradicts his own analysis of realizations (see article "Capitalism and the Market" in Mir Bozhy [God's Earth] 1898, No. 6, p. 123). Marx does not contradict himself at all, for the connection between productive consumption and personal consumption is also indicated in the analysis of realization.—Lenin

[289] Cf. "A Characterisation of Economic Romanticism. Sismondi and Our Native Sismondists."—Lenin

It must be remembered that the analysis given of the realization of the product in capitalist society proceeded from the assumption that there is no foreign trade: this assumption has already been mentioned above and it has been shown to be *essential* in such an analysis. Obviously, imports and exports would only have confused the issue, without in the least helping to clear up the problem. The mistake made by Messrs. V. V. and N.–on is that they bring in the foreign market to *explain* the realization of surplus-value: while explaining absolutely nothing, this reference to the foreign market merely conceals their theoretical mistakes; that is one point. Another point is that it enables them, with the aid of these mistaken "theories," to avoid the need to *explain* the fact of the development of a home market for Russian capitalism. [290] The "foreign market" merely serves them as a pretext for obscuring the development of capitalism (and, consequently, of the market) inside the country—a pretext all the more convenient in that it also relieves them of the need to examine the facts which show that Russian capitalism is winning foreign markets. [291]

The need for a capitalist country to have a foreign market is not determined at all by the laws of the realization of the social product (and of surplus-value in particular), but, firstly, by the fact that capitalism makes its appearance only as a result of widely developed commodity *circulation*, which transcends the limits of the state. It is therefore impossible to conceive a capitalist nation without foreign trade, nor is there any such nation.

As the reader sees, this reason is of a historical order. And the Narodniks could not escape it with a couple of threadbare phrases about "the impossibility of the capitalists consuming surplus-value." Had they really wanted to raise the question of the foreign market, they would have had to examine the history of the development of foreign trade, the history of the development of commodity circulation. And having examined this history, they could not have, of course, depicted capitalism as a casual deviation from the path.

Secondly, the conformity between the separate parts of social production (in terms of value and in their natural form) which was necessarily assumed by the theory of the reproduction of social capital, and which is actually established only as the average magnitude of a number of continual fluctuations—this conformity is constantly disturbed in capitalist society owing to the separate existence of different producers working for an unknown market. The various branches of industry, which serve as "markets" for one another, do not develop evenly, but outstrip one another, and the more developed industry seeks a foreign market. This does not mean at all "the impossibility of the capitalist nation realizing surplus-value,"—the profound conclusion so readily drawn by the Narodnik. It merely indicates the lack of proportion in the development of the different industries. If the national capital were distributed *differently*, the same quantity of products could be realized within the country. But for capital to abandon one sphere of industry and pass into another there must be a crisis in that

[290] Mr. Bulgakov very correctly observes in the above-quoted book: "Till now the cotton industry, which supplies the peasant market, has been growing steadily, so that the absolute diminution of popular consumption. .." (which Mr. N.–on talks about) "...is conceivable only theoretically" (pp, 214-215). —Lenin

[291] Volgin, The Substantiation of Narodism in the Works of Mr. Vorontsov, St. Petersburg, 1896, pp. 71-76.[3] —Lenin

sphere; and what can restrain the capitalists threatened by such a crisis from seeking a foreign market, from seeking subsidies and bonuses to facilitate exports, etc.?

Thirdly, the law of pre-capitalist modes of production is the repetition of the process of production on the previous scale, on the previous technical basis: such are the corvée economy of the landlords, the natural economy of the peasants, the artisan production of the industrialists. The law of capitalist production, on the contrary, is constant transformation of the modes of production, and the unrestricted growth of the scale of production. Under the old modes of production, economic units could exist for centuries without undergoing any change either in character or in size, and without extending beyond the landlord's manor, the peasant village or the small neighboring market for the rural artisans and small industrialists (the so-called handicraftsmen). The capitalist enterprise, on the contrary, inevitably out grows the bounds of the village community, the local market, the region, and then the state. Since the isolation and seclusion of the states have already been broken down by commodity circulation, the natural trend of every capitalist industry brings it to the necessity of "seeking a foreign market."

Thus, the necessity of seeking a foreign market by no means proves that capitalism is unsound, as the Narodnik economists like to picture matters. Quite the contrary. This necessity demonstrates the progressive historical work of capitalism, which destroys the age-old isolation and seclusion of systems of economy (and, consequently, the narrowness of intellectual and political life), and which links all countries of the world into a single economic whole.

From this we see that the two latter causes of the need for a foreign market are again causes of a historical character. In order to understand them one must examine each separate industry, its development within the country, its transformation into a capitalist industry—in short, one must take the *facts* about the development of capitalism in the country; and it is not surprising that the Narodniks take the opportunity to evade these facts under cover of worthless (and meaningless) phrases about the "impossibility" of both the home and the foreign markets.

IX. Conclusions from Chapter I

Let us now sum up the theoretical propositions examined above, which have a direct bearing on the problem of the home market.

1) The basic process of the formation of a home market (i.e., of the development of commodity production and of capitalism) is the social division of labor. This consists of various forms of processing raw materials (and various operations in this processing) separating from agriculture one after another and becoming independent branches of industry, which exchange their products (now *commodities*) for the products of agriculture. Thus, agriculture itself becomes industry (i.e., produces commodities), and the same process of specialization takes place in it.

2) A direct conclusion from the preceding proposition is the law governing all developing commodity economy, and the more so capitalist economy—the industrial (i.e., non-agricultural) population grows

faster than the agricultural and diverts an ever-growing part of the population from agriculture to manufacturing industry.

3) The separation of the direct producer from the means of production, i.e., his expropriation, signifying the transition from simple commodity production to capitalist production (and constituting the necessary condition for this transition), *creates* the home market. The process of this *creation* of the home market proceeds in two directions: on the one hand, the *means of production* from which the small producer is "freed" are converted into capital in the hands of their new owner, serve to produce commodities and, consequently, are themselves converted into commodities. Thus, even the simple reproduction of these means of production now requires that they be purchased (previously, these means of production were reproduced in greater part in the natural form and partly were made at home), i.e., provides a market for means of production, and then the product now produced with the aid of these means of production is also converted into a commodity. On the other hand, the *means of subsistence* of the small producer become the material elements of the variable capital, i.e., of the sum of money expended by the employer (whether a landowner, contractor, lumber-dealer, factory owner, etc., makes no difference) on hiring workers. Thus, these means of subsistence are now also converted into commodities, i.e., create a home market for articles of consumption.

4) The realization of the product in capitalist society (and, consequently, the realization of surplus-value) cannot be explained without clearing up the point—1) that the social product, like the individual product, resolves itself in terms of value into three parts and not two (constant capital + variable capital + surplus-value, and not only into variable capital + surplus-value, as taught by Adam Smith and the entire school of political economy that came after him and before Marx), and 2) that in its natural form it must be divided into two big departments: means of production (consumed productively) and articles of consumption (consumed personally). By establishing these main theoretical propositions, Marx fully explained the process of realization of the product in general and of surplus-value in particular in capitalist production, and revealed that it is utterly wrong to drag the foreign market into the problem of realization.

5) Marx's theory of realization also threw light on the problem of national consumption and income.

From what has been said above, it follows automatically that the problem of the home market as a separate, self-sufficient problem not depending on that of the degree of capitalist development does not exist at all. That is why Marx's theory does not anywhere or ever raise this problem separately. The home market appears when commodity economy appears; it is created by the development of this commodity economy, and the degree to which the social division of labor is ramified determines the level of its development; it spreads with the extension of commodity production from products to labor-power, and only in proportion as the latter is transformed into a commodity does capitalism embrace the entire production of the country, developing mainly on account of means of production, which occupy an increasingly important place in capitalist society. The "home market" for capitalism is created by developing capitalism itself, which deepens the social division of labor and resolves the direct producers into capitalists and workers. The degree of the development of the home market is the

degree of development of capitalism in the country. To raise the question of the limits of the home market separately from that of the degree of the development of capitalism (as the Narodnik economists do) is wrong.

That is why the question of how a home market is being formed for Russian capitalism reduces itself to the following: How and in what direction are the diverse aspects of the Russian national economy developing? What constitutes the connection between and interdependence of these diverse aspects?

The next chapters will be devoted to an examination of data containing the answers to these questions.

Chapter 8: The Formation of the Home Market

V. The Significance of the Border Regions. Home or Foreign Market?

In Chapter I we pointed to the erroneous character of the theory that links the problem of a foreign market for capitalism with that of the realization of the product (pp. 64-65 and foll.). Capitalism's need of a foreign market is by no means to be explained by the impossibility of realizing the product on the home market, but by the circumstance that capitalism is in no position to go on repeating the same processes of production on the former scale, under unchanging conditions (as was the case under pre-capitalist regimes), and that it inevitably leads to an unlimited growth of production which overflows the old, narrow limits of earlier economic units. With the unevenness of development inherent in capitalism, one branch of production outstrips the others and strives to transcend the bounds of the old field of economic relations. Let us take, for example, the textile industry at the beginning of the post-Reform period. Being fairly well developed capitalistically (manufacture beginning to pass into factory industry), it had gained complete command of the market of Central Russia. But the big factories, growing so rapidly, could no longer be satisfied with the former dimensions of the market; they began to seek a market further afield, among the new population colonizing Novorossiya, the south-east Trans Volga region, North Caucasus, then Siberia, etc. The efforts of the big factories to reach out beyond the old markets are undoubted. Does it mean that the areas which served as these old markets could not, in general, consume a larger quantity of the products of the textile industry? Does it mean, for example, that the industrial and central agricultural gubernias cannot, in general, absorb a larger quantity of wares? No, it does not. We know that the differentiation of the peasantry, the growth of commercial agriculture and the increase in the industrial population have also expanded, and continue to expand, the home market of this old area. But this expansion of the home market is retarded by many factors (chief among them the retention of obsolete institutions which hinder the development of agricultural capitalism); and the factory owners will not, of course, wait until the capitalist development of other branches of the national economy catches up with that of the textile industry. The mill owners need a market at once, and if the backwardness of other branches of the national economy restricts the market in the old area, they will seek for a market in another area, or in other countries, or in the colonies of the old country.

What is a colony in the politico-economic sense? It was stated above that, according to Marx, the main features of this concept are the following: 1) the existence of unoccupied, free lands, easily accessible to settlers; 2) the existence of an established world division of labor, of a world market, thanks to which the colonies can specialize in the mass production of agricultural produce, receiving in exchange finished industrial goods "which they would have to produce themselves under other circumstances" (see above, p. 258, footnote, Chapter IV, § II). Reference has been made elsewhere to the fact that the southern and the eastern border regions of European Russia, which have been settled in the post-Reform period, bear the distinctive features mentioned and constitute, in the economic sense, colonies of Central European Russia. [292] The term colony is still more applicable to the other outer regions, for example, the Caucasus. Its economic "conquest" by Russia took place much later than the political conquest; and to this day this economic conquest has not been completed to the full. In the post-Reform period there has been, on the one hand, an intensive colonization of the Caucasus, [293] an extensive ploughing up of the land (particularly in the North Caucasus) by colonists producing wheat, tobacco, etc., for sale, and attracting masses of rural wage-workers from Russia. On the other hand, native age-old "handicraft" industries, which are declining due to the competition of wares from Moscow, are being eliminated. There has been a decline in the ancient gunsmith's craft due to the competition of imported Tula and Belgian wares, a decline in handicraft iron-work due to the competition of the imported Russian products, as well as in the handicraft processing of copper, gold and silver, clay, fats and soda, leather, etc. [294] These products are turned out more cheaply in Russian factories, which supply the Caucasus with their wares. There has been a decline in the making of drinking-horns because of the decay of the feudal system in Georgia and of the steady disappearance of her memorable feasts; there has been a decline in the headgear industry due to the replacement of Asiatic dress by European; there has been a decline in the production of wine-skins and pitchers for local wine, which for the first time is now being sold (giving rise to the barrel-making trade) and has in turn captured the Russian market. Russian capitalism has thus been drawing the Caucasus into the sphere of world commodity circulation, obliterating its local peculiarities— the remnants of ancient patriarchal isolation—and providing itself with a market for its factories. A country thinly populated at the beginning of the post-Reform period, or populated by mountaineers living outside world economy and even outside history, has been turning into a land of oil industrialists, wine merchants, big wheat and tobacco growers, and Mr. Coupon [295] has been ruthlessly divesting the proud mountaineer of his

[292] ". . . It was thanks exclusively to them, thanks to these forms of people's production, and on the basis of them that the whole of South Russia was colonized and settled." (Mr. N.–on, Sketches, 284). How wonderfully broad and comprehensive is the term: "forms of people's production"! It covers whatever you like: patriarchal peasant farming, labor-service, primitive handicrafts, small commodity-production, and those typically capitalist relations within the peasant community that we saw above in the data on the Taurida and Samara gubernias (Chapter II, etc., etc.—Lenin

[293] Cf. articles by Mr. P. Semyonov in Vestnik Finansov, 1897, No. 21, and by V. Mikhailovsky in Novoye Slovo, June 1897.—Lenin

[294] See article by K. Khatisov in Vol. II of Reports and Investigations of Handicraft Industry, and by P. Ostryakov in Vol. V. of Transactions of the Handicraft Commission.—Lenin

[295] Mr. Coupon—a term adopted in the 1880s and 1890s to indicate capital and capitalists. The expression "Mr. Coupon" was put in circulation by the writer Gleb Uspensky in his articles "Grave Sins." [p. 594]

picturesque national costume and dressing him in the livery of a European flunkey (Gleb Uspensky). [296] The process of rapid colonization in the Caucasus and of the rapid growth of its agricultural population has been accompanied by a process (obscured by this growth) of the diversion of the population from agriculture to industry. The urban population of the Caucasus increased from 350,000 in 1863 to about 900,000 in 1897 (the total population increased between 1851 and 1897 by 95%). There is no need to add that the same thing has taken place and continues in both Central Asia and Siberia, etc.

Thus, the question naturally arises, where is the border line between the home and the foreign market? To take the political boundaries of the state would be too mechanical a solution—and would it be a solution? If Central Asia is the home market and Persia the foreign market, to which category do Khiva and Bokhara belong? If Siberia is the home market and China the foreign market, to which category does Manchuria belong? Such questions are not of great importance. What is important is that capitalism cannot exist and develop without constantly expanding the sphere of its domination, without colonizing new countries and drawing old non-capitalist countries into the whirlpool of world economy. And this feature of capitalism has been and continues to be manifested with tremendous force in post-Reform Russia.

Hence, the process of the formation of a market for capitalism has two aspects, namely, the development of capitalism in depth, i.e., the further growth of capitalist agriculture and industry in the given, definite and enclosed territory—and the development of capitalism in breadth, i.e., the extension of the sphere of the capitalist domination to new territory. In accordance with the plan of the present work, we have confined ourselves almost exclusively to the first aspect of the process, and for this reason we consider it particular]y necessary to stress the point here that its other aspect is of exceptionally great importance. Anything like a complete study of the process of colonization of the border regions and of the expansion of Russian territory, from the point of view of capitalist development, would require a special work. Suffice it to mention here that Russia is in a particularly favored position as compared with other capitalist countries, due to the abundance of free land accessible for colonization in her border regions. [297] To say nothing of Asiatic Russia we have also in European Russia border regions which, because of their exceeding remoteness and bad means of communication, are still very poorly connected economically with central Russia. Let us take, for

[296] See Gleb Uspensky's article "In the Caucasus." Works, Vol. II, 1918. [p. 594]

[297] The circumstance indicated in the text has another aspect. The development of capitalism in depth in the old, long-inhabited territories is retarded because of the colonization of the outer regions. The solution of the contradictions inherent in, and produced by, capitalism is temporarily postponed because of the fact that capitalism can easily develop in breadth. Thus, the simultaneous existence of the most advanced forms of industry and of semi-medieval forms of agriculture is undoubtedly a contradiction. If Russian capitalism had possessed no range for expansion beyond the bounds of the territory already occupied at the beginning of the post-Reform period, this contradiction between capitalist large-scale industry and the archaic institutions in rural life (the tying of the peasants to the land, etc.) would have had to lead quickly to the complete abolition of these institutions, to the complete clearing of the path for agricultural capitalism in Russia. But the possibility (for the mill owner) of seeking and finding a market in the outer regions in process of colonization and the possibility (for the peasant) of moving to new territory, mitigates the acuteness of this contradiction and delays its solution. It goes without saying that such a deceleration of the growth of capitalism is equivalent to preparing its even greater extension in the near future.—Lenin

instance, the "Far North" —Archangel Gubernia; the boundless stretches of territory and their natural resources are still exploited very slightly. One of the principal local products, timber, was until recently exported mainly to England. In this respect, therefore, that part of European Russia was a foreign market for Britain without being a home market for Russia. The Russian entrepreneurs naturally envied the British, and now, with the extension of the railway line to Archangel, they are jubilant at the prospect of "elevated moods and business activity in various branches of industry in the region." [298]

Karl Marx: Value, Price and Profit

Chapter 10: Profit is Made by Selling a Commodity at its Value

Suppose an average hour of labor to be realized in a value equal to sixpence, or twelve average hours of labor to be realized in six shillings. Suppose, further, the value of labor to be three shillings or the produce of six hours' labor. If, then, in the raw material, machinery, and so forth, used up in a commodity, twenty-four hours of average labor were realized, its value would amount to twelve shillings. If, moreover, the workman employed by the capitalist added twelve hours of labor to those means of production, these twelve hours would be realized in an additional value of six shillings. The *total value of the product* would, therefore, amount to thirty-six hours of realized labor, and be equal to eighteen shillings. But as the value of labor, or the wages paid to the workman, would be three shillings only, no equivalent would have been paid by the capitalist for the six hours of surplus labor worked by the workman, and realized in the value of the commodity. By selling this commodity at its value for eighteen shillings, the capitalist would, therefore, realize a value of three shillings, for which had paid no equivalent. These three shillings would constitute the surplus value or profit pocketed by him. The capitalist would consequently realize the profit of three shillings, not by selling his commodity at a price *over and above* its value, but by selling it *at its real value*.

The value of a commodity is determined by the *total quantity of labor* contained in it. But part of that quantity of labor is realized in a value for which and equivalent has been paid in the form of wages; part of it is realized in a value for which NO equivalent has been paid. Part of the labor contained in the commodity is *paid* labor; part is *unpaid* labor. By selling, therefore, the commodity *at its value*, that is, as the crystallization of the *total quantity of labor* bestowed upon it, the capitalist must necessarily sell it at a profit. He sells not only what has cost him an equivalent, but he sells also what has cost him nothing, although it has cost his workman labor. The cost of the commodity to the capitalist and its real cost are different things.

I repeat, therefore, that normal and average profits are made by selling commodities not *above*, but *at their real values*.

Chapter 11: The Different Parts into which Surplus Value is Decomposed

The *surplus value*, or that part of the total value of the commodity in which the *surplus labor* or *unpaid labor* of the working man is realized, I call *profit*. The whole of that profit is not pocketed by the employing capitalist. The monopoly of land enables the landlord to take one part of that *surplus value*,

[298] Productive Forces, XX, 12.—Lenin

under the name of *rent*, whether the land is used for agricultural buildings or railways, or for any other productive purpose. On the other hand, the very fact that the possession of the *instruments of labor* enables the employing capitalist to produce a *surplus value*, or, what comes to the same, to *appropriate to himself a certain amount of unpaid labor*, enables the owner of the means of labor, which he lends wholly or partly to the employing capitalist — enables, in one word, the money-lending capitalist to claim for himself under the name of *interest* another part of that surplus value, so that there remains to the employing capitalist *as such* only what is called *industrial* or *commercial profit*.

By what laws this division of the total amount of surplus value amongst the three categories of people is regulated is a question quite foreign to our subject. This much, however, results from what has been stated.

Rent, interest, and industrial profit are only different names for different parts of the *surplus value* of the commodity, or the *unpaid labor enclosed in it*, and they are *equally derived from this source and from this source alone*. They are not derived from *land* as such or from *capital* as such, but land and capital enable their owners to get their respective shares out of the surplus value extracted by the employing capitalist from the laborer. For the laborer himself it is a matter of subordinate importance whether that surplus value, the result of his surplus labor, or unpaid labor, is altogether pocketed by the employing capitalist, or whether the latter is obliged to pay portions of it, under the name of rent and interest, away to third parties. Suppose the employing capitalist to use only his own capital and to be his own landlord, then the whole surplus value would go into his pocket.

It is the employing capitalist who immediately extracts from the laborer this surplus value, whatever part of it he may ultimately be able to keep for himself. Upon this relation, therefore between the employing capitalist and the wages laborer the whole wages system and the whole present system of production hinge. Some of the citizens who took part in our debate were, there, wrong in trying to mince matters, and to treat this fundamental relation between the employing capitalist and the working man as a secondary question, although they were right in stating that, under given circumstances, a rise of prices might affect in very unequal degrees the employing capitalist, the landlord, the moneyed capitalist, and, if you please, the tax-gatherer.

Another consequence follows from what has been stated.

That part of the value of the commodity which represents only the value of the raw materials, the machinery, in one word, the value of the means of production used up, forms *no revenue* at all, but replaces *only capital*. But, apart from this, it is false that the other part of the value of the commodity *which forms revenue*, or may be spent in the form of wages, profits, rent, interest, is *constituted* by the value of wages, the value of rent, the value of profits, and so forth. We shall, in the first instance, discard wages, and only treat industrial profits, interest, and rent. We have just seen that the *surplus value* contained in the *commodity*, or that part of its value in which *unpaid labor* is realized, resolves itself into different fractions, bearing three different names.

But it would be quite the reverse of the truth to say that its value is *composed* of, or *formed* by, the *addition* of the *independent values of these three constituents*.

If one hour of labor realizes itself in a value of sixpence, if the working day of the laborer comprises twelve hours, if half of this time is unpaid labor, that surplus labor will add to the commodity a *surplus value* of three shillings, that is of value for which no equivalent has been paid. This surplus value of three shillings constitutes the *whole fund* which the employing capitalist may divide, in whatever proportions, with the landlord and the money-lender. The value of these three shillings constitutes the limit of the value they have to divide amongst them. But it is not the employing capitalist who adds to the value of the commodity an arbitrary value for his profit, to which another value is added for the landlord, and so forth, so that the addition of these arbitrarily fixed values would constitute the total value. You see, therefore, the fallacy of the popular notion, which confounds the *decomposition of a given value* into three parts, with the *formation* of that value by the addition of three *independent* values, thus converting the aggregate value, from which rent, profit, and interest are derived, into an arbitrary magnitude.

If the total profit realized by a capitalist is equal to 100 Pounds, we call this sum, considered as *absolute* magnitude, the *amount of profit*. But if we calculate the ratio which those 100 Pounds bear to the capital advanced, we call this *relative* magnitude, the *rate of profit*. It is evident that this rate of profit may be expressed in a double way.

Suppose 100 Pounds to be the capital *advanced in wages*. If the surplus value created is also 100 Pounds — and this would show us that half the working day of the laborer consists of *unpaid* labor — and if we measured this profit by the value of the capital advanced in wages, we should say that the *rate of profit* amounted to one hundred percent, because the value advanced would be one hundred and the value realized would be two hundred.

If, on the other hand, we should not only consider the *capital advanced in wages*, but the *total capital* advanced, say, for example, 500 Pounds, of which 400 Pounds represented the value of raw materials, machinery, and so forth, we should say that the *rate of profit* amounted only to twenty percent, because the profit of one hundred would be but the fifth part of the *total* capital advanced.

The first mode of expressing the rate of profit is the only one which shows you the real ratio between paid and unpaid labor, the real degree of the *exploitation* (you must allow me this French word) *of labor*. The other mode of expression is that in common use, and is, indeed, appropriate for certain purposes. At all events, it is very useful for concealing the degree in which the capitalist extracts gratuitous labor from the workman.

In the remarks I have still to make I shall use the word *profit* for the whole amount of the surplus value extracted by the capitalist without any regard to the division of that surplus value between different parties, and in using the words *rate of profit*, I shall always measure profits by the value of the capital advanced in wages.

Chapter 1: The Circuit of Money Capital

The circular movement [299] of capital takes place in three stages, which, according to the presentation in Volume I, form the following series:

First stage: The capitalist appears as a buyer on the commodity- and the labor-market; his money is transformed into commodities, or it goes through the circulation act M — C.

Second Stage: Productive consumption of the purchased commodities by the capitalist. He acts as a capitalist producer of commodities; his capital passes through the process of production. The result is a commodity of more value than that of the elements entering into its production.

Third Stage: The capitalist returns to the market as a seller; his commodities are turned into money; or they pass through the circulation act C — M.

Hence the formula for the circuit of money-capital is: M — C ... P ... C' — M', the dots indicating that the process of circulation is interrupted, and C' and M' designating C and M increased by surplus-value.

The first and third stages were discussed in Book I only in so far as this was necessary for the understanding of the second stage, the process of production of capital. For this reason, the various forms which capital takes on in its different stages, and which now assumes and now strips off in the repetition of its circuit, were not considered. These forms are now the direct object of our study.

In order to conceive these forms in their pure state, one must first of all discard all factors which have nothing to do with the changing or building of forms as such. It is therefore taken for granted here not only that the commodities are sold at their values but also that this takes place under the same conditions throughout. Likewise disregarded therefore are any changes of value which might occur during the movement in circuits.

Section I: First Stage. M — C [300]

M — C represents the conversion of a sum of money into a sum of commodities; the purchaser transforms his money into commodities; the sellers transform their commodities into money. What renders this act of the general circulation of commodities simultaneously a functionally definite section in independent circuit of some individual capital is primarily not the form of the act but its material content, the specific use-character of the commodities which change places with the money. These commodities are on the one hand means of production, on the other labor-power, material and personal factors in the production of commodities whose specific nature must of course correspond to the special kind of articles to be manufactured. If we call labor-power L, and the means of production MP, then the sum of commodities to be bought, C, is equal to L + MP, or more briefly $C<^{L}_{MP}$. M — C, considered as to its substance is therefore represented by M — $C<^{L}_{MP}$, that is to say M — C is composed

[299] From Manuscript II. — F.E.
[300] Beginning of Manuscript VII, started July 1878.

of M — L and M — MP. The sum of money M is separated into two parts, one of which buys labor-power, the other means of production. These two series of purchases belong to entirely different markets, the one to the commodity-market proper, the other to the labor-market.

Aside from this qualitative division of the sum of commodities into which M is transformed, the formula M — C<$^{L}_{MP}$ also represents a most characteristic quantitative relation.

We know that the value, or price, of labor-power is paid to its owner, who offers it for sale as a commodity, in the form of wages, that is to say as the price of a sum of labor containing surplus-labor. For instance, if the daily value of labor-power is equal to the product of five hours labor valued at three shillings, this sum figures in the contract between the buyer and seller as the price, or wages, for, say, ten hours of labor. If such a contract is made for instance with 50 laborers, they are supposed to work altogether 500 hours per day for the purchaser, and one half of this time, or 250 hours equal to 25 days of labor of 10 hours each, represents nothing but surplus labor. The quantity and the volume of the means of production to be purchased must be sufficient for the utilization of this mass of labor.

M — C<$^{L}_{MP}$, then, does not merely express the qualitative relation indicating that a certain sum of money, say £422, is exchanged for a corresponding sum of means of production and labor-power, but also a quantitative relation between L, the part of the money spent for labor-power, and MP, the part spent for means of production. This relation is determined at the outset by the quantity of excess labor, of surplus-labor to be expended by a certain number of laborers.

If for instance in a spinning-mill the weekly wage of its 50 laborers amounts to £50, £372 must be spent for means of production, if this is the value of the means of production which a weekly labor of 3,000 hours, 1,500 of which are surplus-labor, transforms into yarn.

It is immaterial here how much additional value in the form of means of production is required in the various lines of industry by the utilization of additional labor. The point merely is that the part of the money spent for means of production — the means of production bought in M — MP — must absolutely suffice, i.e., must at the outset be calculated accordingly, must be procured in corresponding proportion. To put it another way, the quantity of means of production must suffice to absorb the amount of labor, to be transformed by it into products. If the means of production at hand were insufficient, the excess labor at the disposal of the purchaser could not be utilized; his right to dispose of it is futile. If there were more means of production than available labor, they would not be saturated with labor, would not be transformed into products.

As soon as M — C<$^{L}_{MP}$ is completed, the purchaser has at his disposal more than simply the means of production and labor-power required for the production of some useful article. He disposes of a greater capacity to render labor-power fluent, or a greater quantity of labor than is necessary for the replacement of the value of this labor-power, and he has at the same time the means of production requisite for the realization or materialization of this quantity of labor. In other words, he has at his disposal the factors making for the production of articles of a greater value than that of the elements of production — the factors of production of a mass of commodities containing surplus-value. The value

advanced by him in money-form has now assumed a bodily form in which it can be incarnated as a value generating surplus-value (in the shape of commodities). In brief, value exists here in the condition or form of *productive capital*, which has the factor of creating value and surplus-value. Let us call capital in this form P.

Now the value of P is equal to that of L + MP, it is equal to M exchanged for L and MP. M is the same capital-value as P, only it has a different mode of existence, it is capital-value in the state or form of money — *money-capital*.

M — $C<^{L}_{MP}$, or its general form M — C, a sum of purchases of commodities, an act of the general circulation of commodities, is therefore at the same time — as a stage in the independent circuit of capital — a transformation of capital-value from its money-form into its productive form. More briefly, it is the transformation of *money-capital* into *productive capital*. In the diagram of the circuit which we are here discussing, money appears as the first depository of capital-value, and money-capital therefore represents the form in which capital is advanced.

Capital in the form of money-capital is in a state in which it can perform the functions of money, in the present case the functions of a universal means of purchase and universal means of payment. (The last-named inasmuch as labor-power though first bought is not paid for until it has been put into operation. To the extent that the means of production are not found ready on the market but have to be ordered first, money in M — MP likewise serves as a means of payment.) This capacity is not due to the fact that money-capital is capital but that it is money.

On the other hand, capital-value in the form of money cannot perform any other functions but those of money. What turns the money-functions into functions of capital is the definite role they play in the movement of capital, and therefore also the interrelation of the stage in which these functions are performed with the other stages of the circuit of capital. Take, for instance, the case with which we are here dealing. Money is here converted into commodities the combination of which represents the bodily form of productive capital, and this form already contains latently, potentially, the result of the process of capitalist production.

A part of the money performing the function of money-capital in M — $C<^{L}_{MP}$ assumes, by consummating the act of circulation, a function in which it loses its capital character but preserves its money-character. The circulation of money-capital M is divided into M — MP and M — L, into the purchase of means of production and the purchase of labor-power. Let us consider the last-named process by itself. M — L is the purchase of labor-power by the capitalist. It is also the sale of labor-power — we may here say of labor, since the form of wages is assumed — by the laborer who owns it. What is M — C (= M — L) for the buyer is here, as in every other purchase, L — M (= C — M) for the seller (the laborer). It is the sale of his labor-power. This is the first stage of circulation, or the first metamorphosis, of the commodity (Buch I, Kap. III, 2a).[English edition: Ch. III, 2a — *Ed.*] It is for the seller of labor a transformation of his commodity into the money-form. The laborer spends the money so obtained gradually for a number of commodities required for the satisfaction of his needs, for

articles of consumption. The complete circulation of his commodity therefore appears as L — M — C, that is to say first as L — M (= C — M) and secondly as M — C; hence in the general form of the simple circulation of commodities, C — M — C. Money is in this case merely a passing means of circulation, a mere medium in the exchange of one commodity for another.

M — L is the characteristic moment in the transformation of money-capital into productive capital, because it is the essential condition for the real transformation of value advanced in the form of money into capital, into a value producing surplus-value. M — MP is necessary only for the purpose of realizing the quantity of labor bought in the process M — L, which was discussed from this point of view in Book I, Part II, under the head of "The Transformation of Money into Capital." We shall have to consider the matter at this point also from another angle, relating especially to money-capital the form in which capital manifests itself.

Generally, M — L is regarded as characteristic of the capitalist mode of production. However not at all for the reason given above, that the purchase of labor-power represents a contract of purchase which stipulates for the delivery of a quantity of labor in excess of that needed to replace the price of the labor-power, the wages; hence delivery of surplus-labor, the fundamental condition for the capitalization of the value advanced, or for the production of surplus-value, which is the same thing. On the contrary, it is so regarded because of its form, since *money* in the form of wages buys labor, and this is the characteristic mark of the money system.

Nor is it the irrationality of the form which is taken as characteristic. On the contrary, one overlooks the irrational. The irrationality consists in the fact that labor itself as a value-creating element cannot have any value, nor can therefore any definite amount of labor have any value expressed in its price, in its equivalence to a definite quantity of money. But we know that wages are but a disguised form, a form in which for instance the price of one day's labor-power presents itself as the price of the labor rendered fluent by this labor-power in one day. The value produced by this labor-power in, say, six hours of labor is thus expressed as the value of twelve hours' functioning or operation of the labor-power.

M — L is regarded as the characteristic feature, the hallmark of the so-called money system, because labor there appears as the commodity of its owner, and money therefore as the buyer — hence on account of the money-relation (i.e., the sale and purchase of human activity). Money however appears very early as a buyer of so-called services, without the transformation of M into money-capital, and without any change in the general character of the economic system.

It makes no difference to money into what sort of commodities it is transformed. It is the universal equivalent of all commodities which show, if only by their prices, that ideally, they represent a certain sum of money, anticipate their transformation into money, and do not acquire the form in which they may be converted into use-values for their owners until they change places with money. Once labor-power has come into the market as the commodity of its owner and its sale takes the form of payment for labor, assumes the shape of wages, its purchase and sale are no more startling than the

purchase and sale of any other commodity. The characteristic thing is not that the commodity labor-power is purchasable but that labor-power appears as a commodity.

By means of M — C<$^{L}_{MP}$, the transformation of money-capital into productive capital, the capitalist effects the combination of the objective and personal factors of production so far as they consist of commodities. If money is transformed into productive capital for the first time or if it performs for the first time the function of money-capital for its owner, he must begin by buying means of production, such as buildings, machinery, etc., before he buys any labor-power. For as soon as he compels labor-power to act in obedience to his sway, he must have means of production to which he can apply it as labor-power.

This is the capitalist's presentation of the case.

The laborer's case is as follows: The productive application of his labor-power is not possible until it is sold and brought into connection with means of production. Before its sale, labor-power exists therefore separately from the means of production, from the material conditions of its application. In this state of separation, it cannot be used either directly for the production of use-values for its owner or for the production of commodities, by the sale of which he could live. But from the moment that as a result of its sale it is brought into connection with means of production, it forms part of the productive capital of its purchaser, the same as the means of production.

True, in the act M — L the owner of money and the owner of labor-power enter only into the relation of buyer and seller, confront one another only as money-owner and commodity-owner. In this respect they enter merely into a money-relation. Yet at the same time the buyer appears also from the outset in the capacity of an owner of means of production, which are the material conditions for the productive expenditure of labor-power by its owner. In other words, these means of production are in opposition to the owner of the labor-power, being property of another. On the other hand, the seller of labor faces its buyer as labor-power of another which must be made to do his bidding, must be integrated into his capital, in order that it may really become productive capital. The class relation between capitalist and wage-laborer therefore exists, is presupposed from the moment the two face each other in the act M — L (L — M on the part of the laborer). It is a purchase and sale, a money-relation, but a purchase and sale in which the buyer is assumed to be a capitalist and the seller a wage-laborer. And this relation arises out of the fact that the conditions required for the realization of labor-power, viz., means of subsistence and means of production, are separated from the owner of labor-power, being the property of another.

We are not concerned here with the origin of this separation. It exists as soon as M — L goes on. The thing which interests us here is this: If M — L appears here as a function of money-capital or money as the form of existence of capital, the sole reason that money here assumes the role of a means of paying for a useful human activity or service; hence by no means in consequence of the function of money as a means of payment. Money can be expended in this form only because labor-power finds itself in a state of separation from its means of production (including the means of subsistence as means

of production of the labor-power itself), and because this separation can be overcome only by the sale of the labor-power to the owner of the means of production; because therefore the functioning of labor-power, which is not at all limited to the quantity of labor required for the reproduction of its own price, is likewise the concern of its buyer. The capital-relation during the process of production arises only because it is inherent in the act of circulation, in the different fundamental economic conditions in which buyer and seller confront each other, in their class relation. It is not money which by its nature creates this relation; it is rather the existence of this relation which permits of the transformation of a mere money-function into a capital-function.

In the conception of money-capital (for the time being we deal with the latter only within the confines of the special function in which it faces us here) two errors run parallel to each other or cross each other. In the first place the functions performed by capital-value in its capacity as money-capital, which it can perform precisely owing to its money-form, are erroneously derived from its character as capital, whereas they are due only to the money-form of capital-value, to its form of appearance as money. In the second place, on the contrary, the specific content of the money-function, which renders it simultaneously a capital-function, is traced to the nature of money (money being here confused with capital), while the money function premises social conditions, such as are here indicated by the act M — L, which do not at all exist in the mere circulation of commodities and the corresponding circulation of money.

The purchase and sale of slaves is formally also a purchase and sale of commodities. But money cannot perform this function without the existence of slavery. If slavery exists, then money can be invested in the purchase of slaves. On the other hand, the mere possession of money cannot make slavery possible.

In order that the sale of one's own labor-power (in the form of the sale of one's own labor or in the form of wages) may constitute not an isolated phenomenon but a socially decisive premise for the production of commodities, in order that money-capital may therefore perform, on a social scale, the above-discussed function M — $C<^{L}_{MP}$, historical processes are assumed by which the original connection of the means of production with labor-power was dissolved — processes in consequence of which the mass of the people, the laborers, have, as non-owners, come face to face with non-laborers as the owners of these means of production. It makes no difference in this case whether the connection before its dissolution was such in form that the laborer, being himself a means of production, belonged to the other means of production or whether he was their owner.

What lies back of M — $C<^{L}_{MP}$ is distribution; not distribution in the ordinary meaning of a distribution of articles of consumption, but the distribution of the elements of production itself, the material factors of which are concentrated on one side, and labor-power, isolated, on the other.

The means of production, the material part of productive capital, must therefore face the laborer as such, as capital, before the act M — L can become a universal, social one.

We have seen on previous occasions [English edition: Karl Marx, *Capital*, Vol. I, Part VII, Moscow, 1954. — *Ed.*] that in its further development capitalist production, once it is established, not only reproduces this separation but extends its scope further and further until it becomes the prevailing condition. However, there is still another side to this question. In order that capital may be able to arise and take control of production, a definite stage in the development of trade is assumed. This applies therefore also to the circulation of commodities, and hence to the production of commodities; for no articles can enter circulation as commodities unless they are produced for sale, hence as commodities. But the production of commodities does not become the normal, dominant type of production until capitalist production serves as its basis.

The Russian landowners, who as a result of the so-called emancipation of the peasants are now compelled to carry on agriculture with the help of wage-laborers instead of the forced labor of serfs, complain about two things: First, about the lack of money-capital. They say for instance that comparatively large sums must be paid to wage-laborers before the crops are sold, and just then there is a dearth of ready cash, the prime condition. Capital in the form of money must always be available, particularly for the payment of wages, before production can be carried on capitalistically. But the landowners may take hope. Everything comes to those who wait, and in due time the industrial capitalist will have at his disposal not alone his own money but also that of others.

The second complaint is more characteristic. It is to the effect that even if one has money, not enough laborers are to be had at any time. The reason is that the Russian farm-laborer, owing to the common ownership of land in the village community, has not yet been fully separated from his means of production and hence is not yet a "free wage-laborer" in the full sense of the word. But the existence of the latter on a social scale is a *sine qua non* for M — C, the conversion of money into commodities, to be able to represent the transformation of money-capital into productive capital.

It is therefore quite clear that the formula for the circuit of money-capital, M — C ... C' — M', is the matter-of-course form of the circuit of capital only on the basis of already developed capitalist production, because it presupposes the existence of a class of wage-laborers on a social scale. We have seen that capitalist production does not only create commodities and surplus-value, but also reproduces to an ever-increasing extent the class of wage-laborers, into whom it transforms the vast majority of direct producers. Since the first condition for its realization is the permanent existence of a class of wage-laborers, M — C ... P ... C' — M' presupposes a capital in the form of productive capital, and hence the form of the circuit of productive capital.

Section II: Second Stage. Function of Productive Capital

The circuit of capital, which we have here considered, begins with the act of circulation M — C, the transmutation of money into commodities — purchase. Circulation must therefore be complemented by the antithetical metamorphosis C — M, the transformation of commodities into money — sale. But the direct result of M — $C<^{L_{MP}}$ is the interruption of the circulation of the capital-value advanced in the form of money. By the transformation of money-capital into productive capital the capital-value has acquired a bodily form in which it cannot continue to circulate but must enter into

consumption, viz., into productive consumption. The use of labor-power, labor, can be materialized only in the labor-process. The capitalist cannot resell the laborer as a commodity because he is not his chattel slave and the capitalist has not bought anything except the right to use his labor-power for a certain time. On the other hand, the capitalist cannot use this labor-power in any other way than by utilizing means of production to create commodities with its help. The result of the first stage is therefore entrance into the second, the productive stage of capital.

This movement is represented by M — C<$^{L}_{MP}$ ... P, in which the dots indicate that the circulation of capital is interrupted, while its circular movement continues, since it passes from the sphere of circulation of commodities into that of production. The first stage, the transformation of money-capital into productive capital, is therefore merely the harbinger and introductory phase of the second stage, the functioning of productive capital.

M — C<$^{L}_{MP}$ presupposes that the individual performing this act not only has at his disposal values in any use-form, but also that he has them in the form of money, that he is the owner of money. But as the act consists precisely in giving away money, the individual can remain the owner of money only in so far as the act of giving away implies a return of money. But money can return to him only through the sale of commodities. Hence the above act assumes him to be a producer of commodities.

M — L. The wage-laborer lives only by the sale of his labor-power. Its preservation — his preservation — requires daily consumption. Hence payment for it must be continuously repeated at rather short intervals in order that he may be able to repeat acts L — M — C or C — M — C, repeat the purchases needed for his self-preservation. For this reason, the capitalist must always meet the wage-laborer in the capacity of a money-capitalist, and his capital as money-capital. On the other hand, if the wage-laborers, the mass of direct producers, are to perform the act L — M — C, they must constantly be faced with the necessary means of subsistence in purchasable form, i.e., in the form of commodities. This state of affairs necessitates a high degree of development of the circulation of products in the form of commodities, hence also of the volume of commodities produced. When production by means of wage-labor becomes universal, commodity production is bound to be the general form of production. This mode of production, once it is assumed to be general, carries in its wake an ever-increasing division of social labor, that is to say an ever-growing differentiation of the articles which are produced in the form of commodities by a definite capitalist, ever greater division of complementary processes of production into independent processes. M — MP therefore develops to the same extent as M — L does, that is to say the production of means of production is divorced to that extent from the production of commodities whose means of production they are. And the latter then stand opposed to every producer of commodities which he does not produce but buys for his particular process of production. They come from branches of production which, operated independently, are entirely divorced from his own, enter into his own branch as commodities, and must therefore be bought. The material conditions of commodity production face him more and more as products of other commodity producers, as commodities. And to the same extent the capitalist must assume the role of money-capitalist, in other words there is an increase in the scale on which his capital must assume the functions of money-capital.

On the other hand, the same conditions which give rise to the basic condition of capitalist production, the existence of a class of wage-workers, facilitate the transition of all commodity production to capitalist commodity production. As capitalist production develops, it has a disintegrating, resolvent effect on all older forms of production, which, designed mostly to meet the direct needs of the producer, transform only the excess produced into commodities. Capitalist production makes the sale of products the main interest, at first apparently without affecting the mode of production itself. Such was for instance the first effect of capitalist world commerce on such nations as the Chinese, Indians, Arabs, etc. But secondly, wherever it takes root capitalist production destroys all forms of commodity production which are based either on the self-employment of the producers, or merely on the sale of the excess product as commodities. Capitalist production first makes the production of commodities general and then, by degrees, transforms all commodity production into capitalist commodity production. [301]

Whatever the social form of production, laborers and means of production always remain factors of it. But in a state of separation from each other either of these factors can be such only potentially. For production to go on at all they must unite. The specific manner in which this union is accomplished distinguishes the different economic epochs of the structure of society from one another. In the present case, the separation of the free worker from his means of production is the starting-point given, and we have seen how and under what conditions these two elements are united in the hands of the capitalist, namely, as the productive mode of existence of his capital. The actual process which the personal and material creators of commodities enter upon when thus brought together, the process of production, becomes therefore itself a function of capital, the capitalist process of production, the nature of which has been fully analyzed in the first book of this work. Every enterprise engaged in commodity production becomes at the same time an enterprise exploiting labor-power. But only the capitalist production of commodities has become an epoch-making mode of exploitation, which, in the course of its historical development, revolutionizes, through the organisation of the labor-process and the enormous improvement of technique, the entire structure of society in a manner eclipsing all former epochs.

The means of production and labor-power, in so far as they are forms of existence of advanced capital-value, are distinguished by the different roles assumed by them during the process of production in the creation of value, hence also of surplus-value, into constant and variable capital. Being different components of productive capital, they are furthermore distinguished by the fact that the means of production in the possession of the capitalist remain his capital even outside of the process of production, while labor-power becomes the form of existence of an individual capital only within this process. Whereas labor-power is a commodity only in the hands of its seller, the wage-laborer, it becomes capital only in the hands of its buyer, the capitalist who acquires the temporary use of it. The means of production do not become the material forms of productive capital, or productive capital, until labor-power, the personal form of existence of productive capital, is capable of being

[301] End of Manuscript VII. Beginning of Manuscript VI. — F.E.

embodied in them. Human labor-power is by nature no more capital than by means of production. They acquire this specific social character only under definite, historically developed conditions, just as only under such conditions the character of money is stamped upon precious metals, or that of money-capital upon money.

Productive capital, in performing its functions, consumes its own component parts for the purpose of transforming them into a mass of products of a higher value. Since labor-power acts merely as one of its organs, the excess of the product's value engendered by its surplus-labor over and above the value of productive capital's constituent elements is also the fruit of capital. The surplus-labor of labor-power is the gratuitous labor performed for capital and thus forms surplus-value for the capitalist, a value which costs him no equivalent return. The product is therefore not only a commodity, but a commodity pregnant with surplus-value. Its value is equal to P + s, that is to say equal to the value of the productive capital P consumed in the production of the commodity plus the surplus values created by it. Let us assume that this commodity consists of 10,000 lbs. of yarn, and that means of production worth £372 and labor power worth £50 were consumed in the fabrication of this quantity of yarn. During the process of spinning, the spinners transmitted to the yarn the value of the means of production consumed by their labor, amounting to £372, and at the same time they created, in proportion with the labor-power expended by them, new value to the amount of, say, £128. The 10,000 lbs. of yarn therefore represent a value of £500.

Section III: Third Stage. C' — M'

Commodities become *commodity-capital* as a functional form of existence — stemming directly from the process of production itself — of capital-value which has already produced surplus-value. If the production of commodities were carried on capitalistically throughout society, all commodities would be elements of commodity-capital from the outset, whether they were crude iron, Brussels lace, sulphuric acid or cigars. The problem of what kinds of commodities, is one of the self-created lovely ills of scholastic political economy.

Capital in the form of commodities has to perform the function of commodities. The articles of which capital is composed are produced especially for the market and must be sold, transformed into money, hence go through the process C — M.

Suppose the commodity of the capitalist to consist of 10,000 lbs. of cotton yarn. If £372 represent the value of the means of production consumed in the spinning process, and new value to the amount of £128 has been created, the yarn has a value of £500, which is expressed in its price of the same amount. Suppose further that this price is realized by the sale C — M. What is it that makes of this simple act of all commodity circulation at the same time a capital-function? No change that takes place inside of it, neither in the use-character of the commodity — for it passes into the hands of the buyer as an object of use — nor in its value, for this value has not experienced any change of magnitude, but only of form. It first existed in the form of yarn, while now it exists in the form of money. Thus, a substantial distinction is evident between the first stage M — C and the last stage C — M. There the advanced money functions as money-capital, because it is transformed by means of the circulation into

commodities of a specific use-value. Here the commodities can serve as capital only to the extent that they bring this character with them in ready shape from the process of production before their circulation begins. During the spinning process, the spinners create yarn value to the amount of £128. Of this sum, say £50 represent to the capitalist merely an equivalent for his outlay for labor-power, while £78 — when the degree of exploitation of labor-power is 156 per cent — form surplus-value. The value of the 10,000 lbs. of yarn therefore embodies first the value of the consumed productive capital P, the constant part of which amounts to £372 and the variable to £50, their sum being £422, equal to 8,440 lbs. of yarn. Now the value of the productive capital P is equal to C, the value of its constituent elements, which in the stage M — C confronted the capitalist as commodities in the hands of their sellers.

In the second place, however, the value of the yarn contains a surplus-value of £78, equal to 1,560 lbs. of yarn. C as an expression of the value of the 10,000 lbs. of yarn is therefore equal to C plus DC, or C plus an increment of C (equal to £78), which we shall call c, since it exists in the same commodity-form as now the original value C. The value of the 10,000 lbs. of yarn, equal to £500, is therefore represented by C + c = C'. What turns C, the expression of the value of 10,000 lbs. of yarn, into C' is not the absolute magnitude of its value (£500), for that is determined, as in the case of any other C standing for the expression of the value of some other sum of commodities, by the quantity of labor embodied in it. It is its relative value-magnitude, its value-magnitude as compared with that of capital P consumed in its production. This value is contained in it plus the surplus-value supplied by the productive capital. Its value is greater, exceeds that of the capital-value by this surplus-value c. The 10,000 lbs. of yarn are the bearers of the capital-value expanded, enriched by this surplus-value, and they are so by virtue of being the product of the capitalist process of production. C' expresses a value-relation, the relation of the value of the commodities produced to that of the capital spent on their production, in other words, expresses the fact that its value is composed of capital-value and surplus-value. The 10,000 lbs. of yarn represent commodity capital, C', only because they are a converted form of the productive capital P, hence in a connection which exists originally only in the circuit of this individual capital, or only for the capitalist who produced the yarn with the help of his capital. It is, so to say, only an internal, not an external relation that turns the 10,000 lbs. of yarn in their capacity of vehicles of value into a commodity-capital. They exhibit their capitalist birthmark not in the absolute magnitude of their value but in its relative magnitude, in the magnitude of their value as compared with that possessed by the productive capital embodied in them before it was transformed into commodities. If, then, these 10,000 lbs. of yarn are sold at their value of £500, this act of circulation, considered by itself, is identical with C — M, a mere transformation of an unchanging value from the form of a commodity into that of money. But as a special stage in the circuit of an individual capital, the same act is a realization of the capital-value embodied in the commodity to the amount of £422 plus the surplus-value, likewise embodied in it, of £78. That is to say it represents C' — M', the transformation of the commodity-capital from its commodity-form into the money form. [302]

[302] End of Manuscript VI. Beginning of Manuscript V. — F.E.

The function of C' is now that of all commodities, viz.: to transform itself into money, to be sold, to go through the circulation stage C — M. So long as the capital, now expanded, remains in the form of commodity-capital, lies immovable in the market, the process of production is at rest. The commodity-capital acts neither as a creator of products nor as a creator of value. A given capital-value will serve, in widely different degrees, as a creator of products and value, and the scale of reproduction will be extended or reduced commensurate with the particular speed with which that capital throws off its commodity-form and assumes that of money, or with the rapidity of the sale. It was shown in Book I that the degree of efficiency of any given capital is conditional on the potentialities of the productive process, which to a certain extent are independent of the magnitude of its own value. [English edition: Karl Marx, *Capital*, Vol. I, pp. 602-08. — *Ed.*] Here it appears that the process of circulation sets in motion new forces independent of the capital's magnitude of value and determining its degree of efficiency, its expansion and contraction.

The mass of commodities C', being the depository of the expanded capital, must furthermore pass in its entirety through the metamorphosis C' — M'. The quantity sold is here a main determinant. The individual commodity figures only as an integral part of the total mass. The £500 worth of value exists in the 10,000 lbs. of yarn. If the capitalist succeeds in selling only 7,440 lbs. at their value of £372, he has replaced only the value of his constant capital, the value of the expanded means of production. If he sells 8,440 lbs., he recovers only the value of the total capital advanced. He must sell more in order to realize some surplus-value, and he must sell the entire 10,000 lbs. in order to realize the surplus-value of £78 (1,560 lbs. of yarn). In £500 in money, he receives merely an equivalent for the commodity sold. His transaction within the circulation is simply C — M. If he had paid his laborers £64 in wages instead of £50 his surplus-value would only be £64 instead of £78, and the degree of exploitation would have been only 100 per cent instead of 156. But the value of the yarn would not change; only the relation between its component parts would be different. The circulation act C — M would still represent the sale of 10,000 lbs. of yarn for £500, their value.

C' is equal to C + c (or £422 at £78). C equals the value of P, the productive capital, and this equals the value of M, the money advanced in M — C, the purchase of the elements of production, amounting to £422 in our example. If the mass of commodities is sold at its value, then C equals £422 and c equals £78, the value of the surplus-product of 1,560 lbs. of yarn. If we call c, expressed in money, m, then C' — M' = (C + c) - (M + m), and the circuit M — C ... P ... C' — M', in its expanded form, is therefore represented by M — C<$^{L}_{MP}$ ... P ... (C + c) - (M + m).

In the first stage the capitalist takes articles of consumption out of the commodity-market proper and the labor-market. In the third stage he throws commodities back, but only into one market, the commodity-market proper. However, the fact that he extracts from the market, by means of his commodities, a greater value than he threw upon it originally is due only to the circumstance that he throws more commodity-value back upon it than he first drew out of it. He threw value M upon it and drew out of it the equivalent C; he throws C + c back upon it, and draws out of it the equivalent M + m.

M was in our example equal to the value of 8,440 lbs. of yarn. But he throws 10,000 lbs. of yarn on the market, consequently he returns a greater value than he took from it. On the other hand, he threw this increased value on the market only because through the exploitation of labor-power in the process of production he had created surplus-value (as an aliquot part of the product expressed in surplus-product). It is only by virtue of being the product of this process that the mass of commodities becomes commodity-capital, the bearer of the expanded capital-value. By performing C' — M' the advanced capital-value as well as the surplus-value are realized. The realization of both takes place simultaneously in a series of sales or in a lump sale of the entire mass of commodities which is expressed by C' — M'. But the same circulation act C' — M' is different for capital-value and surplus-value, as it expresses for each of them a different stage of their circulation, a different section of the series of metamorphoses through which they must pass in the sphere of circulation. The surplus-value c came into the world only during the process of production. It appeared for the first time in the commodity-market, in the form of commodities. This is its first form of circulation, hence the act c — m is its first circulation act, or its first metamorphosis, which remains to be supplemented by the antithetical act of circulation, or the reverse metamorphosis, m — c. [303]

It is different with the circulation which the capital-value C performs in the same circulation act C' — M', and which constitutes for the circulation act C — M, in which C is equal to P, equal to the M originally advanced. Capital-value has opened its first circulation act in the form of M, money-capital, and returns through the act C — M to the same form. It has therefore passed through the two antithetical stages of circulation, first M — C, second C — M, and finds itself once more in the form in which it can begin its circular movement anew. What for surplus-value constitutes the first transformation of the commodity-form into that of money, constitutes for capital-value in return, or retransformation, into its original money-form.

By means of M — C<$^{L}_{MP}$ money capital is transformed into an equivalent mass of commodities, L and MP. These commodities no longer perform the function of commodities, of articles for sale. Their value is now in the hands of the capitalist who bought them; they represent the value of his productive capital P. And in the function of P, productive consumption, they are transformed into a kind of commodity differing materially from the means of production, into yarn, in which their value is not only preserved but increased, from £422 to £500. By means of this real metamorphosis, the commodities taken from the market in the first stage, M — C, are replaced by commodities of different substance and value, which now must perform the function of commodities, must be transformed into money and sold. The process of production therefore appears to be only an interruption of the process of circulation of capital-value, of which up to that point only the first phase, M — C, has been passed through. It passes through the second and concluding phase, C — M, after C has been altered in substance and value. But so far as capital-value, considered by itself, is concerned, it has merely suffered an alteration of its use-form in the process of production. It existed in the form of £422 worth

[303] This is true no matter how we separate capital-value and surplus-value. 10,000 lbs. of yarn contain 1,560 lbs., or £78 worth of surplus-value; likewise, one lb., or one shilling's worth of yarn, contains 2.496 ounces, or 1.872 pence worth, of surplus-value.

of L and MP, while now it exists in the form of £422 worth of, or 8,440 lbs. of yarn. If we therefore consider merely the two circulation phases of capital-value, apart from its surplus-value, we find that it passes through 1) M — C and 2) C — M, in which the second C has a different use-form but the same value as the first C. Hence it passes through M — C — M, a form of circulation which, because the commodity here changes place twice and in the opposite direction — transformation from money into commodities and from commodities into money — necessitates the return of the value advanced in the form of money to its money-form — its reconversion into money.

The same circulation act C' — M' that constitutes the second and concluding metamorphosis, a return to the money-form, for the capital-value advanced in money, represents for the surplus-value — borne along by the commodity-capital and simultaneously realized by its change into the money-form — its first metamorphosis, its transformation from the commodity- to the money-form, C — M, its first circulation phase.

We have, then, two kinds of observations to make here. First, the ultimate reconversion of capital-value into its original money-form is a function of commodity-capital. Secondly, this function includes the first transformation of surplus-value from its original commodity-form to its money-form. The money-form, then, plays a double role here. On the one hand it is the form to which a value originally advanced in money returns, hence a return to the form of value which opened the process. On the other hand, it is the first converted form of a value which originally enters the circulation in commodity-form. If the commodities composing the commodity-capital are sold at their values, as we assume, then C plus c is transformed into M plus m, its equivalent. The realized commodity-capital now exists in the hands of the capitalist in this form: M plus m (£422 plus £78 = £500). Capital-value and surplus-value are now present in the form of money, the form of the universal equivalent.

At the conclusion of the process capital-value has therefore resumed the form in which it entered it, and as money-capital can now open and go through a new process. Just because the initial and final forms of this process are those of money-capital, M, we call this form of the circulation process the circuit of money-capital. It is not the form but merely the magnitude of the advanced value that is changed at the close.

M plus m is nothing but a sum of money of a definite magnitude, in this case £500. But as a result of the circulation of capital, as realized commodity-capital, this sum of money contains the capital-value and the surplus-value. And these values are now no longer inseparably united as they were in the yarn; they now lie side by side. Their sale has given both of them an independent money-form; 211/250 of this money represent the capital-value of £422 and 39/250 constitute the surplus-value of £78. This separation, effected by the realization of the commodity-capital, has not only the formal content to which we shall refer presently. It becomes important in the process of the reproduction of capital, depending on whether m is entirely or partially or not at all lumped together with M, i.e., depending on whether or not it continues to function as a component part of the advanced capital-value. Both m and M may pass through quite different processes of circulation.

In M' capital has returned to its original form M, to its money-form, a form however in which it is materialized as capital.

There is in the first place a difference of quantity. It was M, £422. It is now M', £500, and this difference is expressed by M ... M', the quantitatively different extremes of the circuit, whose movement is indicated only by the three dots. M' > M, and M' - M = s, the surplus-value. But as a result of this circular movement M ... M' it is only M' which exists now; it is the product in which its process of formation has become extinct. M' now exists by itself, independently of the movement which brought it into existence. That movement is gone; M' is there in its place.

But M', being M plus m, £500, composed of £422 advanced capital plus an increment of the same amounting to £78, represents at the same time a qualitative relation, although this qualitative relation itself exists only as a relation between the parts of one and the same sum, hence as a quantitative relation. M, the advanced capital, which is now once more present in its original form (£422), exists as realized capital. It has not only preserved itself but also realized itself as capital by being distinguished as such from m (£78), to which it stands in the same relation as to an increase *of its own*, to a fruit *of its own*, to an increment to which it has given birth itself. It has been realized as capital because it has been realized as a value which has created value. M' exists as a capital-relation. M no longer appears as mere money, but expressly plays the part of money-capital, expressed as a self-expanded value, hence possessing the property of self-expansion, of hatching a higher value than it itself has. M became capital by virtue of its relation to the other part of M', which it has brought about, which has been affected by it as the cause, which is the consequence of it as the ground. Thus, M' appears as the sum of values differentiated within itself, functionally (conceptually) distinguished within itself, expressing the capital-relation.

But this is expressed only as a result, without the intervention of the process of which it is the result.

Parts of value as such are not qualitatively different from one another, except in so far as they appear as values of different articles, of concrete things, hence in various use-forms and therefore as values of different commodities — a difference which does not originate with them themselves as mere parts of value. In money all differences between commodities are extinguished, because it is the equivalent form common to all of them. A sum of money in the amount of £500 consists solely of uniform elements of £1 each. Since the intermediate links of its origin are obliterated in the simple existence of this sum of money and every trace has been lost of the specific difference between the different component parts of capital in the process of production, there exists now only the distinction between the conceptual form of a **principal** equal to £422, the capital advanced, and an excess value of £78. Let M' be equal to, say, £110, of which £100 may be equal to M, the principal, and 10 equal to s, the surplus-value. There is an absolute homogeneity, an absence of conceptual distinctions, between the two constituent parts of the sum of £110. Any £10 of this sum always constitute 1/11 of the total sum of £1/10, whether they are 1/10 of the advanced principal of £100 or the excess of £10 above it. Principal and excess sum, capital and surplus-sum, may therefore be expressed as fractional parts of the total

sum. In our illustration, 10/11 form the principal, or the capital, and 1/11 the surplus sum. In its money-expression realized capital appears therefore at the end of its process as an irrational expression of the capital-relation.

True, this applies also to C' (C plus c). But there is this difference: that C', of which C and c are only proportional value-parts of the same homogeneous mass of commodities, indicates its origin P, whose immediate product it is, while in M', a form derived directly from circulation, the direct relation to P is obliterated.

The irrational distinction between the principal and the incremental sum, which is contained in M', so far as that expresses the result of the movement M ... M', disappears as soon as it once more functions actively as money-capital and is therefore not fixed as a money-expression of expanded industrial capital. The circuit of capital can never begin with M' (although M' now performs the function of M). It can begin only with M, that is to say it can never begin as an expression of the capital-relation, but only as a form of advance of capital-value. As soon as the £500 are once more advanced as capital, in order again to produce s, they constitute a point of departure, not one of return. Instead of a capital of £422, a capital of £500 is now advanced. It is more money than before, more capital-value, but the relation between its two constituent parts has disappeared. In fact, a sum of £500 instead of the £422 might originally have served as capital.

It is not an active function of money-capital to appear as M'; to appear as M' is rather a function of C'. Even in the simple circulation of commodities, first in $C_1 - M$, secondly in $M - C_2$, money M does not figure actively until the second act, $M - C_2$. Its appearance in the form of M is only the result of the first act, by virtue of which it only then appears as a converted form of C_1. True, the capital-relation contained in M', the relation of one of its parts as the capital-value to the other as its value increment, acquires functional importance in so far as, with the constantly repeated circuit M ... M', M' splits into two circulations, one of them a circulation of capital, the other of surplus-value. Consequently, these two parts perform not only quantitatively but also qualitatively different functions, M others than m. But considered by itself, the form M ... M' does not include what the capitalist consumes, but explicitly only the self-expansion and accumulation, so far as the latter expresses itself above all as a periodical augmentation of ever renewed advances of money-capital.

Although M', equal to M plus m, is the irrational form of capital, it is at the same time only money-capital in its realized form, in the form of money which has generated money. But this is different from the function of money-capital in the first stage, $M - C<^{L}_{MP}$. In the first stage, M circulates as money. It assumes the functions of money-capital because only in its money state can it perform a money-function, can it transform itself into the elements of P, into L and MP, which stand opposed to it as commodities. In this circulation act it functions only as money. But as this act is the first stage of capital-value in process, it is simultaneously a function of money-capital, by virtue of the specific use-form of the commodities L and MP which are bought. M' on the other hand, composed of M, the capital-value, and m, the surplus-value begotten of M, stands for self-expanded capital-value — the purpose and the outcome, the function of the total circuit of capital. The fact that it expresses this

outcome in the form of money, as realized money-capital, does not derive from its being the money-form of capital, *money-capital*, but on the contrary from its being *money-capital*, capital in the form of money, from capital having opened the process in this form, from its having been advanced in the money-form. Its reconversion into the money-form is, as we have seen, a function of commodity-capital C', not of money-capital. As for the difference between M and M', it (m) is simply the money-form of c, the increment of C. M' is composed of M plus m only because C' was composed of C plus c. In C' therefore this difference and the relation of the capital-value to the surplus-value generated by it is present and expressed before both of them are transformed into M', into a sum of money in which both parts of the value come face to face with each other independently and may, therefore, be employed in separate and distinct functions.

M' is only the result of the realization of C'. Both M' and C' are merely different forms of self-expanded capital-value, one of them the commodity-form, the other the money-form. Both of them have this in common: that they are self-expanded capital-value. Both of them are materialized capital, because capital-value as such exists here together with the surplus-value, the fruit obtained through it and differing from it, although this relation is expressed only in the irrational form of the relation between two parts of a sum of money or of a commodity-value. But as expressions of capital in relation and contradistinction to the surplus-value produced by it, hence as expressions of self-expanded value, M' and C' are the same and express the same thing, only in different forms. They do not differ as money-capital and commodity-capital but as money and commodities. In so far as they represent self-expanded value, capital acting as capital, they only express the result of the functioning of productive capital, the only function in which capital-value generates value. What they have in common is that both of them, money-capital as well as commodity-capital, are modes of existence of capital. The one is capital in money-form, the other in commodity-form. The specific functions that distinguish them cannot therefore be anything else but differences between the functions of money and of commodities. Commodity-capital, the direct product of the capitalist process of production, is reminiscent of its origin and is therefore more rational and less incomprehensible in form than money-capital, in which every trace of this process has vanished, as in general all special use-forms of commodities disappear in money. It is therefore only when M' itself functions as commodity-capital, when it is the direct product of a productive process instead of being the converted form of this product, that it loses its bizarre form, that is to say, in the production of the money material itself. In the production of gold for instance the formula would be M — C<$^{L}_{MP}$ ... P ... M' (M plus m), where M' would figure as a commodity product, because P furnishes more gold than was advanced for the elements of production of the gold in the first M, the money-capital. In this case the irrational nature of the expression M ... M' (M plus m) disappears. Here a part of a sum of money appears as the mother of another part of the same sum of money.

Section IV: The Circuit as a Whole

We have seen that the process of circulation is interrupted at the end of its first phase, M — C<$^{L}_{MP}$, by P, in which the commodities L and MP bought in the market are consumed as the material and value components of productive capital. The product of this consumption is a new commodity, C',

altered in respect of substance and value. The interrupted process of circulation, M — C, must be completed by C — M. But the bearer of this second and concluding phase of circulation is C', a commodity different in substance and value from the original C. The circulation series therefore appears as 1) M — C_1; 2) C'_2 — M', where in the second phase of the first commodity, C_1, another commodity of greater value and different use-form, C'_2, is substituted during the interruption caused by the functioning of P, the production of C' from the elements of C, the forms of existence of productive capital P. However, the first form of appearance in which capital faced us (Buch. I, Kap. IV, 1), [English edition: Ch. IV. — *Ed.*] viz., M — C — M' (extended: 1) M — C_1; 2) C_1 — M') shows the same commodity twice. Both times it is the same commodity into which money is transformed in the first phase and reconverted into more money in the second phase. In spite of this essential difference, both circulations share this much: that in their first phase money is transformed into commodities, and in the second commodities into money, that the money spent in the first phase returns in the second. On the one hand both have in common this reflux of the money to its starting-point, on the other hand also the excess of the returning money over the money advanced. To that extent the formula M — C ... C' — M' is contained in the general formula M — C — M'.

It follows furthermore that each time equally great quantities of simultaneously existing values face and replace each other in the two metamorphoses M — C and C' — M' belonging in circulation. The change in value pertains exclusively to the metamorphosis P, the process of production, which thus appears as a real metamorphosis of capital, as compared with the merely metamorphosis of circulation.

Let us now consider the total movement, M — C ... P ... C' — M', or, M — C<$^{L_{MP}}$ ... P ... C' (C + c) — M' (M + m), its more expanded form. Capital here appears as a value which goes through a series of interconnected, interdependent transformations, a series of metamorphoses which form just as many phases, or stages, of the process as a whole. Two of these phases belong in the sphere of circulation, one of them in that of production. In each one of these phases capital-value has a different form for which there is a correspondingly different, special function. Within this movement the advanced value does not only preserve itself but grows, increases in magnitude. Finally, in the concluding stage, it returns to the same form which it had at the beginning of the process as a whole. This process as a whole constitutes therefore the process of moving in circuits.

The two forms assumed by capital-value at the various stages of its circulation are those of *money-capital* and *commodity-capital*. The form pertaining to the stage of production is that of *productive capital*. The capital which assumes these forms in the course of its total circuit and then discards them and in each of them performs the function corresponding to the particular form, is *industrial capital*, industrial here in the sense it comprises every branch of industry run on a capitalist basis.

Money-capital, commodity-capital and productive capital, do not therefore designate independent kinds of capital whose functions form the content of likewise independent branches of industry separated from one another. They denote here only special functional forms of industrial capital, which assumes all three of them one after the other.

Capital describes its circuit normally only so long as its various phases pass uninterruptedly into one another. If capital stops short in the first phase M — C, money-capital assumes the rigid form of a hoard; if it stops in the phase of production, the means of production lie without functioning on the one side, while labor-power remains unemployed on the other; and if capital stops short in the last phase C' — M', piles of unsold commodities accumulate and clog the flow of circulation.

However, it is in the nature of things that the circuit itself necessitates the fixation of capital for certain lengths of time in its various phases. In each of its phases industrial capital is tied up with a definite form: money-capital, productive capital, commodity-capital. It does not acquire the form in which it may enter a new transformation phase until it has performed the function corresponding to each particular form. To make this plain, we have assumed in our illustration that the capital-value of the quantity of commodities created at the stage of production is equal to the total sum of the value originally advanced in the form of money; or, in other words, that the entire capital-value advanced in the form of money passes on in bulk from one stage to the next. But we have seen (Buch I, Kap. VI) [English edition: Ch. VIII. — *Ed.*] that a part of constant capital, the labor instruments proper (e.g., machinery), continually serve anew, with more or less numerous repetitions of the same process of production, hence transfer their values piecemeal to the products. It will be seen later to what extent this circumstance modifies the circular movement of capital. For the present the following suffices: In our illustration the value of productive capital amounting to £422 contained only the average wear and tear of factory buildings, machinery, etc., that is to say only that part of value which they transferred to the yarn in the transformation of 10,600 lbs. of cotton into 10,000 lbs. of yarn, which represented the product of one week's spinning of 60 hours. In the means of production, into which the advanced constant capital of £372 was transformed, the instruments of labor, buildings, machinery, etc., figured as if they had only been rented in the market at a weekly rate. But this does not change the gist of the matter in any way. We have but to multiply the quantity of yarn produced in one week, i.e., 10,000 lbs. of yarn, by the number of weeks contained in a certain number of years, in order to transfer to the yarn, the entire value of the instruments of labor bought and consumed during this period. It is then plain that the advanced money-capital must first be transformed into these instruments, hence must have gone through the first phase M — C before it can function as productive capital P. And it is likewise plain in our illustration that the capital value of £422, embodied in the yarn during the process of production, cannot be part of the value of the 10,000 lbs. of yarn and enter the circulation phase C' — M' until it is ready. It cannot be sold until it has been spun.

In the general formula the product P is regarded as a material thing different from the elements of the productive capital, as an object existing apart from the process of production and having a use-form different from that of the elements of production. This is always the case when the result of the productive process assumes the form of a thing, even when a part of the product re-enters the resumed production as one of its elements. Grain for instance serves as seed for its own production, but the product consists only of grain and hence has a shape different from those of related elements such as labor-power, implements, fertilizer. But there are certain independent branches of industry in which the product of the productive process is not a new material product, is not a commodity. Among these

only the communications industry, whether engaged in transportation proper, of goods and passengers, or in the mere transmission of communications, letters, telegrams, etc., is economically important.

A. Chuprov [304] says on this score:

"The manufacturer may first produce articles and then look for consumers"

[his product, thrust out of the process of production when finished, passes into circulation as a commodity separated from it].

"Production and consumption thus appear as two acts separated in space and time. In the transportation industry, which does not create any new products but merely transfer men and things, these two acts coincide; its services" [change of place] "are consumed the moment they are produced. For this reason, the area within which railways can sell their services extends at best 50 versts (53 kilometers) on either side of their tracks."

The result, whether men or goods are transported, is a change in their whereabouts. Yarn, for instance, may now be in India instead of in England, where it was produced.

However, what the transportation industry sells is change of location. The useful effect is inseparably connected with the process of transportation, i.e., the productive process of the transport industry. Men and goods travel together with the means of transportation, and their traveling, this locomotion, constitutes the process of production effected by these means. The useful effect can be consumed only during this process of production. It does not exist as a utility different from this process, a use-thing which does not function as an article of commerce, does not circulate as a commodity, until after it has been produced. But the exchange-value of this useful effect is determined, like that of any other commodity, by the value of the elements of production (labor-power and means of production) consumed in it plus the surplus-value created by the surplus-labor of the laborers employed in transportation. This useful effect also entertains the very same relations to consumption that other commodities do. If it is consumed individually its value disappears during its consumption; if it is consumed productively so as to constitute by itself a stage in the production of the commodities being transported, its value is transferred as an additional value to the commodity itself. The formula for the transport industry would therefore be $M - C<^{L_{MP}} \ldots P - M'$, since it is the process of production itself that is paid for and consumed, not a product separate and distinct from it. Hence this formula has almost the same form as that of the production of precious metals, the only difference being that in this case M' represents the converted form of the useful effect created during the process of production, and not the bodily form of the gold or silver produced in this process and extruded from it.

Industrial capital is the only mode of existence of capital in which not only the appropriation of surplus-value, or surplus-product, but simultaneously its creation is a function of capital. Therefore,

[304] A. Chuprov, Railroading, Moscow, 1875, pp. 69 and 70.

with it the capitalist character of production is a necessity. Its existence implies the class antagonism between capitalists and wage-laborers. To the extent that it seizes control of social production, the technique and social organisation of the labor-process are revolutionized and with them the economico-historical type of society. The other kinds of capital, which appeared before industrial capital amid conditions of social production that have receded into the past or are now succumbing, are not only subordinated to it and the mechanism of their functions altered in conformity with it, but move solely with it as their basis, hence live and die, stand and fall with this basis. Money-capital and commodity-capital, so far as they function as vehicles of particular branches of business, side by side with industrial capital, are nothing but modes of existence of the different functional forms now assumed, now discarded by industrial capital in the sphere of circulation — modes which, due to social division of labor, have attained independent existence and been developed one-sidedly.

The circuit M ... M' on the one hand intermingles with the general circulation of commodities, proceeds from it and flows back into it, is a part of it. On the other hand, it forms an independent movement of the capital-value for the individual capitalist, a movement of its own which takes place partly within the general circulation of commodities, partly outside of it, but which always preserves its independent character. First, because its two phases that take place in the sphere of circulation, M — C and C' — M', being phases of the movement of capital, have functionally definite characters. In M — C, C is materially determined as labor-power and means of production; in C' — M' the capital-value is realized plus the surplus-value. Secondly, because P, the process of production, embraces productive consumption. Thirdly, because the return of the money to its starting-point makes of the movement M ... M' a circuit complete in itself.

Every individual capital is therefore, on the one hand, in its two circulation-halves M — C and C' — M', an agent of the general circulation of commodities, in which it either functions or lies concatenated as money or as a commodity, thus forming a link in the general chain of metamorphoses taking place in the world of commodities. On the other hand, it describes within the general circulation its own independent circuit in which the sphere of production forms a transitional stage and in which this capital returns to its starting-point in the same form in which it left that point. Within its own circuit, which includes its real metamorphosis in the process of production, it changes at the same time the magnitude of its value. It returns not simply as money-value, but as augmented, increased money-value.

Let us finally consider M — C ... P ... C' — M' as a special form of the circular course of capital, alongside the other forms which we shall analyze later. We shall find that it is distinguished by the following features:

1. It appears as the circuit of *money-capital*, because industrial capital in its *money-form*, as money-capital, forms the starting-point and the point of return of its total process. The formula itself expresses the fact that the money is not expended here as money but is merely advanced, hence is merely the money-form of capital, money-capital. It expresses furthermore that exchange-value, not use-value, is the determining aim of this movement. Just because the money-form of value is the independent,

tangible form in which value appears, the form of circulation M ... M', the initial and terminal points of which are real money, expresses most graphically the compelling motive of capitalist production — money-making. The process of production appears merely as an unavoidable intermediate link, as a necessary evil for the sake of money-making. All nations with a capitalist mode of production are therefore seized periodically by a feverish attempt to make money without the intervention of the process of production.

2. The stage of production, the function of P, represents in this circuit an interruption between the two phases of circulation M — C ... C' — M', which in its turn represents only the intermediate link in the simple circulation M — C — M'. The process of production appears in the form of a circuit-describing process, formally and explicitly as that which it is in the capitalist mode of production, as a mere means of expanding the advanced value, hence enrichment as such as the purpose of production.

3. Since the series of phases is opened by M — C, the second link of the circulation is C' — M'. In other words, the starting-point is M, the money-capital that is to be self-expanded; the terminal point is M', the self-expanded money-capital M plus m, in which M figures as realized capital along with its offspring m. This distinguishes the circuit of M from that of the two other circuits P and C', and does so in two ways. On the one hand by the money-form of the two extremes. And money is the independent, tangible form of existence of value, the value of the product in its independent value-form, in which every trace of the use-value of the commodities has been extinguished. On the other hand, the form P ... P does not necessarily become P ... P' (P plus p), and in the form C ... C' no difference whatever in value is visible between the two extremes. It is therefore characteristic of the formula M — M' that for one thing capital-value is its starting-point and expanded capital-value its point of return, so that the advance of capital-value appears as the means and expanded capital-value as the end of the entire operation; and that for another thing this relation is expressed in money-form, in the independent value-form, hence money-capital as money begetting money. The generation of surplus-value by value is not only expressed as the Alpha and Omega of the process, but explicitly in the form of glittering money.

4. Since M', the money-capital realized as a result of C' — M', the complementary and concluding phase of M — C, has absolutely the same form as that in which it began its first circuit, it can, as soon as it emerges from the latter, begin the same circuit over again as an increased (accumulated) money-capital; M' = M + m. And at least it is not expressed in the form M ... M' that, in the repetition of the circuit, the circulation of m separates from that of M. Considered in its one-time form, formally, the circuit of money-capital expresses therefore simply the process of self-expansion and of accumulation. Consumption is expressed in it only as productive consumption, by M — C<$^{L}_{MP}$, and it is only this consumption that is included in this circuit of individual capital. M — L is L — M or C — M on the part of the laborer. It is therefore the first phase of circulation which brings about his individual consumption, thus: L — M — C (means of subsistence). The second phase M — C, no longer falls within the circuit of individual capital, but is initiated and premised by it, since the laborer must above all live, hence maintain himself by individual consumption, in order to always be in the market as

material that the capitalist can exploit. But this consumption itself is here only assumed as a condition for the productive consumption of labor-power by capital, hence only to the extent that the worker maintains and reproduces himself as labor-power by means of his individual consumption. However, the MP, the commodities proper which enter into the circuit of capital, are nutriment for the productive consumption only. The act L — M promotes the individual consumption of the laborer, the transformation of the means of subsistence into his flesh and blood. True, the capitalist must also be there, must also live and consume to be able to perform the function of a capitalist. To this end, he has, indeed, to consume only as much as the laborer, and that is all this form of the circulation process presupposes. But even this is not formally expressed, since the formula concludes with M', i.e., a result which can at once resume its function as money-capital, now augmented.

C' — M' directly contains the sale of C'; but C' — M', a sale on the one part, is M — C, a purchase, on the other part, and in the last analysis a commodity is bought only for its use-value, in order to enter (leaving intermediate sales out of consideration) the process of consumption, whether this is individual or productive, according to the nature of the article bought. But this consumption does not enter the circuit of individual capital, the product of which is C'. This product is eliminated from the circuit precisely because it is a commodity for sale. C' is expressly designed for consumption by others than the producer. Thus, we find that certain exponents of the mercantile system (which is based on the formula M — C ... P ... C' — M') deliver lengthy sermons to the effect that the individual capitalist should consume only as much as the laborer, that the nation of capitalists should leave the consumption of their own commodities, and the consumption process in general, to the other, less intelligent nations but that they themselves should make productive consumption their life's task. These sermons frequently remind one in form and content of analogous ascetic expostulations of the fathers of the church.

Capital's movement in circuits is therefore the unity of circulation and production; it includes both. Since the two phases M — C and C' — M' are acts of circulation, the circulation of capital is a part of the general circulation of commodities. But as functionally they are definite sections, stages in capital's circuit, which pertains not only to the sphere of circulation but also to that of production, capital goes through its own circuit in the general circulation of commodities. The general circulation of commodities serves capital in the first stage as a means of assuming that shape in which it can perform the function of productive capital; in the second stage it serves to strip off the commodity-function in which capital cannot renew its circuit; at the same time, it opens up to capital the possibility of separating its own circuit from the circulation of the surplus-value that accrued to it.

The circuit made by money-capital is therefore the most one-sided, and thus the most striking and typical form in which the circuit of industrial capital appears, the capital whose aim and compelling motive — the self-expansion of value, the making of money, and accumulation — is thus conspicuously revealed (buying to sell dearer). Owing to the fact that the first phase is M — C it is also revealed that the constituents of productive capital originate in the commodity-market, and in general

that the capitalist process of production depends on circulation, on commerce. The circuit of money-capital is not merely the production of commodities; it is itself possible only through circulation and presupposes it. This is plain, if only from the fact that the form M belonging in circulation appears as the first and pure form of advanced capital-value, which is not the case in the other two circuit forms.

The money-capital circuit always remains the general expression of industrial capital, because it always includes the self-expansion of the advanced value. In P ... P, the money-expression of capital appears only as the price of the elements of production, hence only as a value expressed in money of account and is fixed in this form in book-keeping.

M ... M' becomes a special form of the industrial capital circuit when newly active capital is first advanced in the form of money and then withdrawn in the same form, either in passing from one branch of industry to another or in retiring industrial capital from a business. This includes the functioning as capital of the surplus-value first advanced in the form of money, and becomes most evident when surplus-value functions in some other business than the one in which it originated. M ... M' may be the first circuit of a certain capital; it may be the last; it may be regarded as the form of the total social capital; it is the form of capital that is newly invested, either as capital recently accumulated in the form of money, or as some old capital which is entirely transformed into money for the purpose of transfer from one branch of industry to another.

Being a form always contained in all circuits, money-capital performs this circuit precisely for that part of capital which produces surplus-value, viz., variable capital. The normal form of advancing wages is payment in money; this process must be renewed in comparatively short intervals, because the laborer lives from hand to mouth. The capitalist must therefore always confront the laborer as money-capitalist, and his capital as money-capital. There can be no direct or indirect balancing of accounts in this case such as we find in the purchase of means of production and in the sale of produced commodities (so that the greater part of the money-capital actually figures only in the form of commodities, money only in the form of money of account and finally in cash only in the balancing of accounts). On the other hand, a part of the surplus-value arising out of variable capital is spent by the capitalist for his individual consumption, which pertains to the retail trade and, however circuitous the route may be, this part is always spent in cash, in the money-form of surplus-value. Variable capital always appears anew as money-capital invested in wages (M — L) and m as surplus-value to defray the cost of individual consumption of the capitalist. Hence M, advanced variable capital-value, and m, its increment, are necessarily held in the form of money to be spent in this form.

The formula M — C ... P ... C' — M', with its result M' = M + m, is deceptive in form, is illusory in character, owing to the existence of the advanced and self-expanded value in its equivalent form, money. The emphasis is not on the self-expansion of value but on the *money-form* of this process, on the fact that more value in money-form is finally drawn out of the circulation than was originally advanced to it; hence on the multiplication of the mass of gold and silver belonging to the capitalist. The so-called monetary system is merely an expression of the irrational form M — C — M', a movement which takes place exclusively in circulation and therefore can explain the two acts M — C and C — M' in no other

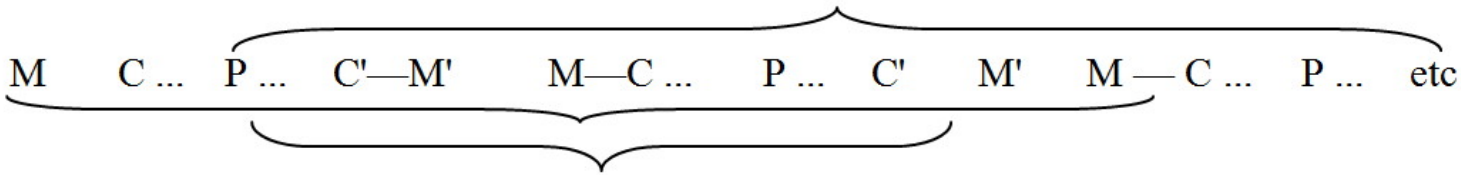
way than as a sale of C above its value in the second act and therefore as C drawing more money out of the circulation than was put into it by its purchase. On the other hand, M — C ... P ... C' — M', fixed as the exclusive form, constitutes the basis of the more highly developed mercantile system, in which not only the circulation of commodities but also their production appears as a necessary element.

The illusory character of M — C ... P ... C' — M' and the correspondingly illusory interpretation exists whenever this form is fixed as occurring once, not as fluent and ever renewed; hence whenever this form is considered not as one of the forms of the circuit but as its exclusive form. But it itself points toward other forms.

In the first place this entire circuit is premised on the capitalist character of the process of production, and therefore considers this process together with the specific social conditions brought about by it as the basis. M — C = M — C<L_{MP}; but M — L assumes the existence of the wage-laborer, and hence the means of production as part of productive capital. It assumes therefore that the process of labor and self-expansion, the process of production, is a function of capital.

In the second place, if M ... M' is repeated, the return to the money-form appears just as evanescent as the money-form in the first stage. M — C disappears to make room for P. The constantly recurrent advance in the form of money and its constant return in the form of money appear merely as fleeting moments in the circuit.

In the third place



Beginning with the second repetition of the circuit, the circuit P ... C' — M'. M — C ... P appears before the second circuit of M is completed, and all subsequent circuits may thus be considered under the form of P ... C' — M — C ... P, so that M — C, being the first phase of the first circuit, is merely the passing preparation for the constantly repeated circuit of the productive capital. And this indeed is so in the case of industrial capital invested for the first time in the form of money-capital.

On the other hand, before the second circuit of P is completed, the first circuit, that of commodity-capital, C' — M'.M — C ... P ... C' (abridged C' ... C') has already been made. Thus, the first form already contains the other two, and the money-form thus disappears, so far as it is not merely an expression of value but an expression of value in the equivalent form, in money.

Finally, if we consider some newly invested individual capital describing for the first time the circuit M — C ... P ... C' — M', then M — C is the preparatory phase, the forerunner of the first process of production gone through by this individual capital. This phase M — C is consequently not presupposed but rather called for or necessitated by the process of production. But this applies only to

this individual capital. The general form of the circuit of industrial capital is the *circuit of money-capital*, whenever the capitalist mode of production is taken for granted, hence in social conditions determined by capitalist production. Therefore, the capitalist process of production is assumed as a pre-condition, if not in the first circuit of the money-capital of a newly invested industrial capital, then outside of it. The continuous existence of this process of production presupposes the constantly renewed circuit P ... P. Even in the first stage, M — C$<^{L.}_{MP}$, this premise plays a part, for this assumes on the one hand the existence of the class of wage-laborers; and then, on the other, that which is M — C, the first stage, for the buyer of means of production, is C' — M' for their seller; hence C' presupposes commodity-capital, and thus the commodities themselves as a result of capitalist production, and thereby the function of productive capital.

Karl Marx: Capital Vol. 3

Chapter 1: Cost-Price and profit

In Book I we analyzed the phenomena which constitute the *process of capitalist production* as such, as the immediate productive process, with no regard for any of the secondary effects of outside influences. But this immediate process of production does not exhaust the life span of capital. It is supplemented in the actual world by the *process of circulation*, which was the object of study in Book II. In the latter, namely in Part III, which treated the process of circulation as a medium for the process of social reproduction, it developed that the capitalist process of production taken as a whole represents a synthesis of the processes of production and circulation. Considering what this third book treats, it cannot confine itself to general reflection relative to this synthesis. On the contrary, it must locate and describe the concrete forms which grow out of the *movements of capital as a whole*. In their actual movement capitals confront each other in such concrete shape, for which the form of capital in the immediate process of production, just as its form in the process of circulation, appear only as special instances. The various forms of capital, as evolved in this book, thus approach step by step the form which they assume on the surface of society, in the action of different capitals upon one another, in competition, and in the ordinary consciousness of the agents of production themselves.

The value of every commodity produced in the capitalist way is represented in the formula: C = c + v + s. If we subtract surplus-values from this value of the product there remains a bare equivalent or a substitute value in goods, for the capital-value c + v expended in the elements of production.

For example, if the production of a certain article requires a capital outlay of £500, of which £20 are for the wear and tear of instruments of production, £380 for the materials of production, and £100 for labor-power, and if the rate of surplus-value is 100%, then the value of the product = 400_c + 100_v + 100_s = £600.

After deducting the surplus-value of £100, there remains a commodity-value of £500 which only replaces the expended capital of £500. This portion of the value of the commodity, which replaces the

price of the consumed means of production and labor-power, only replaces what the commodity costs the capitalist himself. For him it, therefore, represents the cost-price of the commodity.

What the commodity costs the capitalist and its actual production cost are two quite different magnitudes. That portion of the commodity-value making up the surplus-value does not cost the capitalist anything simply because it costs the laborer unpaid labor. Yet, on the basis of capitalist production, after the laborer enters the production process, he himself constitutes an ingredient of operating productive capital, which belongs to the capitalist. Therefore, the capitalist is the actual producer of the commodity. For this reason, the cost-price of the commodity necessarily appears to the capitalist as the actual cost of the commodity. If we take k to be the cost-price, the formula C = c + v + s turns into the formula C = k + s, that is, the commodity-value = cost-price + surplus-value.

The grouping of the various value portions of a commodity which only replace the value of the capital expended in its production under the head of cost-price expresses, on the one hand, the specific character of capitalist production. The capitalist cost of the commodity is measured by the expenditure of *capital*, while the actual cost of the commodity is measured by the expenditure of *labor*. Thus, the capitalist cost-price of the commodity differs in quantity from its value, or its actual cost-price. It is smaller than the value of the commodity, because, with C = k + s, it is evident that k = C - s. On the other hand, the cost-price of a commodity is by no means simply a category which exists only in capitalist book-keeping. The individualization of this portion of value is continually manifest in practice in the actual production of the commodity, because it has ever to be reconverted from its commodity-form by way of the process of circulation into the form of productive capital, so that the cost-price of the commodity always must repurchase the elements of production consumed in its manufacture.

The category of cost-price, on the other hand, has nothing to do with the formation of commodity-value, or with the process of self-expansion of capital. When I know that of the value of a commodity worth £600, five-sixths, or £500, represent no more than an equivalent of the capital of £500 consumed in its production and that it can therefore suffice only to repurchase the material elements of this capital, I know nothing as yet either of the way in which these five-sixths of the value of the commodity, which represent its cost-price, are produced, or about the way in which the last sixth, which constitutes its surplus-value, was produced. The investigation will show, however, that in capitalist economics the cost-price assumes the false appearance of a category of value production itself.

To return to our example. Suppose the value produced by one laborer during an average social working-day is represented by a money sum of 6s. = 6M. Then the advanced capital of £500 = 400_c + 100_v represents a value produced in 1,666⅔ ten-hour working-days, of which 1,333⅓ working-days are crystallized in the value of the means of production = 400_c, and 333⅓ are crystallized in the value of labor-power = 100_v. Having assumed a rate of surplus-value of 100%, the production of the commodity to be newly formed entails a labor expenditure = 100_v + 100_s = 666⅔ ten-hour working-days.

We know, then (see Buch 1, Kap. VII, S. 201/193) [English edition: Ch. IX, p. 212.-*Ed.*] that the value of the newly created product of £600 is composed of 1) the reappearing value of the constant capital of £400 expended for means of production, and 2) a newly produced value of £200. The cost-price of the commodity = £500 comprises the reappearing 400_c and one-half of the newly produced value of £200 (= 100_v), that is, two elements of the commodity-value which are of entirely different origin.

Owing to the purposive nature of the labor expended during 666⅔ ten-hour working-days, the value of the consumed means of production amounting to £400 is transferred from these means of production to the product. This previously existing value thus reappears as a component part of the value of the product, but is not created in the process of production of *this* commodity. It exists as a component of the value of the commodity only because it previously existed as an element of the invested capital. The expended constant capital is therefore replaced by that portion of the value of the commodity which this capital itself adds to that value. This element of the cost-price, therefore, has a double meaning. On the one hand, it goes into the cost-price of the commodity, because it is part of the commodity-value which replaces consumed capital. And on the other hand, it forms an element of the commodity-value only because it is the value of expended capital or because the means of production cost so and so much.

It is quite the reverse in the case of the other element of the cost-price. The 666⅔ working-days expended in the production of the commodity create a new value of £200. One portion of this new value merely replaces the advanced variable capital of £100, or the price of the labor-power employed. But this advanced capital-value does not in any way go into the creation of the new value. So far as the advance of capital is concerned, labor-power counts as a *value*. But in the process of production, it acts as the *creator* of value. The place of the value of the labor-power that obtains within the advanced capital is taken in the actually *functioning* productive capital by living value-creating labor-power itself.

The difference between these various elements of the commodity-value, which together make up the cost-price, leaps to the eye whenever a change takes place in the size of the value of either the expended constant, or the expended variable, part of the capital. Let the price of the same means of production, or of the constant part of capital, rise from £400 to £600, or, conversely, let it fall to £200. In the first case it is not only the cost-price of the commodity which rises from £500 to $600_c + 100_v$ = £700, but also the value of the commodity which rises from £600 to $600_c + 100_v + 100_s$ = £800. In the second case, it is not only the cost-price which falls from £500 to 200_c+100_v = £300, but also the value of the commodity which falls from £600 to $200_c + 100_v + 100_s$ = £400. Since the expended constant capital transfers its own value to the product, the value of the product rises or falls with the absolute magnitude of that capital-value, other conditions remaining equal. Assume, on the other hand, that, other circumstances remaining unchanged, the price of the same amount of labor-power rises from £100 to £150, or, conversely, that it falls from £100 to £50. In the first case, the cost-price rises from £500 to $400_c + 150_v$ = £550, and falls in the second case from £500 to $400_c + 50_v$ = £450. But in either case the commodity-value remains unchanged = £600; one time it is $400_c + 150_v + 50_s$, and the other time, 400_c +

$50_v + 150_s$. The advanced variable capital does not add its own value to the product. The place of its value is taken in the product rather by a new value created by labor. Therefore, a change in the absolute magnitude of the variable capital, so far as it expresses merely a change in the price of labor-power, does not in the least alter the absolute magnitude of the commodity-value, because it does not alter anything in the absolute magnitude of the new value created by living labor-power. Such a change rather affects only the relative proportion of the two component parts of the new value, of which one forms surplus-value and the other makes good the variable capital and therefore passes into the cost-price of the commodity.

The two elements of the cost-price, in the present case $400_c + 100_v$, have only this in common that they are both parts of the commodity-value that replace advanced capital.

But this true state of affairs necessarily appears reversed from the standpoint of capitalist production.

The capitalist mode of production differs from the mode of production based on slavery, among other things, by the fact that in it the value, and accordingly the price, of labor-power appears as the value, or price, of labor itself, or as wages (Buch 1, Kap. XVII) [English edition: Ch. XIX. — *Ed.*]. The variable part of the advanced capital, therefore, appears as capital expended in wages, as a capital-value which pays for the value, and accordingly the price, of all the labor expended in production. Let us assume, for instance, that an average ten-hour social working-day is incorporated in a sum of money amounting to 6 shillings. In that case the advance of a variable capital of £100 represents the money expression of a value produced in 333 ⅓; ten-hour working-days. But this value, representing purchased labor-power in the capital advanced, does not, however, form a part of the actually functioning productive capital. Its place in the process of production is taken by living labor-power. If, as in our illustration, the degree of exploitation of the latter is 100%, then it is expended during 666⅔ ten-hour working-days, and thereby adds to the product a new value of £200. But in the capital advanced the variable capital of £100 figures as capital invested in wages, or as the price of labor performed during 666⅔ ten-hour days. The sum of £100 divided by 666⅔ gives us 3 shillings as the price of a ten-hour working-day, which is equal in value to the product of five hours' labor.

Now, if we compare the capital advanced on the one hand with the commodity-value on the other, we find:

I. Capital advanced £500 = £400 of capital expended in means of production (price of means of production) + £100 of capital expended in labor (price of 666⅔ working-days, or wages for same).

II. Value of commodities £600 = £500 representing the cost-price (£400 price of expended means of production + £100 price of expended 666⅔; working-days) + £100 surplus-value.

In this formula, the portion of capital invested in labor-power differs from that invested in means of production, such as cotton or coal, only by serving as payment for a materially different element of production, but not by any means because it serves a functionally different purpose in the process of

creating commodity-value, and thereby also in the process of the self-expansion of capital. The price of the means of production reappears in the cost-price of the commodities, just as it figured in the capital advanced, and it does so because these means of production have been purposively consumed. The price, or wages, for the 666⅔ working-days consumed in the production of these commodities likewise reappears in the cost-price of the commodities just as it has figured in the capital advanced, and also because this amount of labor has been purposively expended. We see only finished and existing values — the portions of the value of the advanced capital which go into the making of the value of the product — but not the element creating new values. The distinction between constant and variable capital has disappeared. The entire cost-price of £500 now has the double meaning that, first, it is that portion of the commodity-value of £600 which replaces the capital of £500 expended in the production of the commodity; and that, secondly, this component of the commodity-value exists only because it existed previously as the cost-price of the elements of production employed, namely means of production and labor, i.e., as advanced capital. The capital-value reappears as the cost-price of a commodity because, and in so far as, it has been expended as a capital-value.

The fact that the various components of the value of the advanced capital have been expended for materially different elements of production, namely for instruments of labor, raw materials, auxiliary materials, and labor, requires only that the cost-price of the commodity must buy back these materially different elements of production. So far as the formation of the cost-price is concerned, however, only one distinction is appreciable, namely that between fixed and circulating capital. In our example we have set down £20 for wear and tear of instruments of labor (400_c = £20 for depreciation of instruments of labor + £380 for materials of production). Before the productive process the value of these instruments of labor was, say, £1,200. After the commodities have been produced it exists in two forms, the £20 as part of the value of the commodity, and 1,200 - 20, or £1,180, as the remaining value of the instruments of labor which, as before, are in the possession of the capitalist; in other words, as an element of his productive, not of his commodity-capital. Materials of production and wages, as distinct from means of labor, are entirely consumed in the production of the commodity and thus their entire value goes into that of the produced commodity. We have seen how these various components of the advanced capital assume the forms of fixed and circulating capital in relation to the turnover.

Accordingly, the capital advanced = £1,680: fixed capital = £1,200 + circulating capital = £480 (= £380 in materials of production plus £100 in wages).

But the cost-price of the commodity only = £500 (£20 for the wear and tear of the fixed capital, and £480 for circulating capital).

This difference between the cost-price of the commodity and the capital advanced merely proves, however, that the cost-price of the commodity is formed exclusively by the capital actually consumed in its production.

Means of production valued at £1,200 are employed in producing the commodity, but only £20 of this advanced capital-value are lost in production. Thus, the employed fixed capital goes only partially

into the cost-price of the commodity, because it is only partially consumed in its production. The employed circulating capital goes entirely into the cost-price of the commodity, because it is entirely consumed in production. But does not this only prove that the consumed portions of the fixed and circulating capital pass uniformly, *pro rata* to the magnitude of their values, into the cost-price of the commodity and that this component of the value of the commodity originates solely with the capital expended in its production? If this were not so, it would be inexplicable why the advanced fixed capital of £1,200 should not, aside from the £20 which it loses in the productive process, also contribute the other £1,180 which it does not lose.

This difference between fixed and circulating capital with reference to the calculation of the cost-price, therefore, only confirms the seeming origination of the cost-price from the expended capital-value, or the price paid by the capitalist himself for the expended elements of production, including labor. On the other hand, so far as the formation of value is concerned, the variable portion of capital invested in labor-power is here emphatically identified under the head of circulating capital with constant capital (that part of capital which consists of materials of production), and this completes the mystification of the self-expansion process of capital. [305]

So far, we have considered just one element of the value of commodities, namely the cost-price. We must now turn also to the other component of the value of commodities, namely the excess over the cost-price, or the surplus-value. In the first place, then, surplus-value is the excess value of a commodity over and above its cost-price. But since the cost-price equals the value of the consumed capital, into whose material elements it is continually reconverted, this excess value is an accretion in the value of the capital expended in the production of the commodity and returning by way of its circulation.

We have already seen earlier that, though s, the surplus-value, springs merely from a change in the value of the variable capital v and is, therefore, originally but an increment of variable capital, after the process of production is over it nevertheless also forms an increment of c + v, the expended total capital. The formula c + (v + s), which indicates that s is produced through the conversion of a definite capital-value v advanced for labor-power into a fluctuating magnitude, i.e., of a constant magnitude into a variable one, may also be represented as (c + v) + s. Before production took place, we had a capital of £500. After production is completed, we have the capital of £500 plus a value increment of £100. [306]

However, surplus-value forms an increment not only of the portion of the advanced capital which goes into the self-expansion process, but also of the portion which does not go into it. In other

[305] In Book I (Kap. VII, 3, S. 216/206 ff.) [English edition: Ch. IX, 3, 225 ff. — *Ed*.] we have given the example of N. W. Senior to show what confusion this may create in the mind of the economist.

[306] "From what has gone before, we know that surplus-value is purely the result of a variation in the value of v, of that portion of the capital which is transformed into labor-power; consequently, v + s = v + Dv (or v plus an increment of v). But the fact that it is v alone that varies, and the conditions of that variation, are obscured by the circumstance that in consequence of the increase in the variable component of the capital, there is also an increase in the sum total of the advanced capital. It was originally £500, and becomes £590." (Buch I, Kap. VI I, 1, S. 203/195.) [English edition: Ch. IX, 1, p. 214. — Ed.]

words, it is an accretion not only to the consumed capital made good out of the cost-price of the commodity, but to all the capital invested in production. Before the production process we had a capital valued at £1,680, namely £1,200 of fixed capital invested in means of production, only £20 of which go into the value of the commodity for wear and tear, plus £480 of circulating capital in materials of production and wages. After the production process we have £1,180 as the constituent element of the value of the productive capital plus a commodity-capital of £600. By adding these two sums of value we find that the capitalist now has a value of £1,780. After deducting his advanced total capital of £1,680 there remains a value increment of £100. The £100 of surplus-value thus form as much of an increment in relation to the invested £1,680 as to its fraction of £500 expended during production.

It is now clear to the capitalist that this increment of value springs from the productive processes undertaken with the capital, that it therefore springs from the capital itself, because it is there after the production process, while it is not there before it. As for the capital consumed in production, the surplus-value seems to spring equally from all its different elements of value consisting of means of production and labor. For all these elements contribute equally to the formation of the cost-price. All of them add their values, obtaining as advanced capital, to the value of the product, and are not differentiated as constant and variable magnitudes of value. This becomes obvious if we assume for a moment that all the expended capital consisted either exclusively of wages, or exclusively of the value of the means of production. In the first case, we should then have the commodity-value of $500_v + 100_s$ instead of the commodity-value of $400_c + 100_v + 100_s$. The capital of £500 laid out in wages represents the value of all the labor expended in the production of the commodity-value of £600, and for just this reason forms the cost-price of the entire product. But the formation of this cost-price, whereby the value of the expended capital is reproduced as a constituent part of the value of the product, is the only process in the formation of this commodity-value that is known to us. We do not know how its surplus-value portion of £100 is formed. The same is true in the second case, in which the commodity-value = $500_c + 100_s$. We know in both cases that surplus-value is derived from a given value, because this value was advanced in the form of productive capital, be it in the form of labor or of means of production. On the other hand, this advanced capital-value cannot form surplus-value for the reason that it has been expended and therefore constitutes the cost-price of the commodity. Precisely because it forms the cost-price of the commodity, it does not form any surplus-value, but merely an equivalent, a value replacing the expended capital. So far, therefore, as it forms surplus-value, it does so not in its specific capacity as expended, but rather as advanced, and hence utilized, capital. For this reason, the surplus-value arises as much out of the portion of the advanced capital which goes into the cost-price of the commodity, as out of the portion which does not. In short, it arises equally out of the fixed and the circulating components of the utilized capital. The aggregate capital serves materially as the creator of products, the means of labor as well as the materials of production, and the labor. The total capital materially enters into the actual labor-process, even though only a portion of it enters the process of self-expansion. This is, perhaps, the very reason why it contributes only in part to the formation of the cost-price, but totally to the formation of surplus-value. However that may be, the outcome is that surplus-

value springs simultaneously from all portions of the invested capital. This deduction may be substantially abbreviated, by saying pointedly and concisely in the words of Malthus:

"The capitalist ... *expects* an equal profit upon all the parts of the capital which he advances." [307]

In its assumed capacity of offspring of the aggregate advanced capital, surplus-value takes the converted form of *profit*. Hence, a certain value is capital when it is invested with a view to producing profit, [308] or, there is profit because a certain value was employed as capital. Suppose profit is p. Then the formula C = c + v + s = k + s turns into the formula C = k + p, or the *value of a commodity = cost-price + profit*.

The profit, such as it is represented here, is thus the same as surplus-value, only in a mystified form that is nonetheless a necessary outgrowth of the capitalist mode of production. The genesis of the mutation of values that occurs in the course of the production process, must be transferred from the variable portion of the capital to the total capital, because there is no apparent distinction between constant and variable capital in the assumed formation of the cost-price. Because at one pole the price of labor-power assumes the transmuted form of wages, surplus-value appears at the opposite pole in the transmuted form of profit.

We have seen that the cost-price of a commodity is smaller than its value. Since C = k + s, it follows that k = C - s. The formula C = k + s reduces itself to C = k, or commodity-value = commodity cost-price only if s = 0, a case which never occurs on the basis of capitalist production, although peculiar market conditions may reduce the selling price of commodities to the level of, or even below, their cost-price.

Hence, if a commodity is sold at its value, a profit is realized which is equal to the excess of its value over its cost-price, and therefore equal to the entire surplus-value incorporated in the value of the commodity. But the capitalist may sell a commodity at a profit even when he sells it below its value. So long as its selling price is higher than its cost-price, though it may be lower than its value, a portion of the surplus-value incorporated in it is always realized, thus always yielding a profit. In our illustration the value of the commodity is £600, and the cost-price £500. If the commodity is sold at £510, 520, 530, 560 or 590, it is sold respectively £90, 80, 70, 40, or 10 below its value. Yet a profit of £10, 20, 30, 60, or 90 respectively is realized in its sale. There is obviously an indefinite number of selling prices possible between the value of a commodity and its cost-price. The greater the surplus-value element of the value of a commodity, the greater the practical range of these intermediate prices.

This explains more than just the everyday phenomena of competition, such as certain cases of underselling, abnormally low commodity-prices in certain lines of industry, [309] etc. The fundamental law of capitalist competition, which political economy had not hitherto grasped, the law which regulates the general rate of profit and the so-called prices of production determined by it, rests, as we

[307] Malthus, Principles of Political Economy, 2nd ed., London, 1836, p. 268.
[308] "Capital is that which is expended with a view to profit." Malthus, Definitions in Political Economy, London, 1827, p. 86.
[309] Cf. Buch I. Kap. XVIII, 1, S. 571/561 ff. [English edition: Ch. XX, 1, p. 549 ff. — Ed.]

shall later see, on this difference between the value and the cost-price of commodities, and on the resulting possibility of selling a commodity at a profit under its value.

The minimal limit of the selling price of a commodity is its cost-price. If it is sold under its cost-price, the expended constituent elements of productive capital cannot be fully replaced out of the selling price. If this process continues, the value of the advanced capital disappears. From this point of view alone, the capitalist is inclined to regard the cost-price as the true *inner* value of the commodity, because it is the price required for the bare conservation of his capital. But there is also this, that the cost-price of a commodity is the purchase price paid by the capitalist himself for its production, therefore the purchase price determined by the production process itself. For this reason, the excess value, or the surplus-value, realized in the sale of a commodity appears to the capitalist as an excess of its selling price over its value, instead of an excess of its value over its cost-price, so that accordingly the surplus-value incorporated in a commodity is not realized through its sale, but springs out of the sale itself. We have given this illusion closer consideration in Book I (Kap. IV, 2) [English edition: Ch. V, 2. — *Ed.*] ("Contradictions in the General Formula of Capital"), but revert here for a moment to the form in which it was reaffirmed by Torrens, among others, as an advance of political economy beyond Ricardo.

"The natural price, consisting of the cost of production, or, in other words, of the capital expended in raising or fabricating commodities, cannot include the profit.... The farmer, we will suppose, expends one hundred quarters of corn in cultivating his fields, and obtains in return one hundred and twenty quarters. In this case, twenty quarters, being the excess of produce above expenditure, constitute the farmer's profit; but it would be absurd to call this excess, or profit, a part of the expenditures... The master manufacturer expends a certain quantity of raw material, of tools and implements of trade, and of subsistence for labor, and obtains in return a quantity of finished work. This finished work must possess a higher exchangeable value than the materials, tools, and subsistence, by the advance of which it was obtained."

Torrens concludes therefrom that the excess of the selling price over the cost-price, or profit, is derived from the fact that the consumers,

> "Either by immediate or circuitous barter give some greater portion of all the ingredients of capital than their production costs." [310]

Indeed, the excess over a given magnitude cannot form a part of this magnitude, and therefore the profit, the excess value of a commodity over the capitalist's expenditures, cannot form a part of these expenditures. Hence, if no other element than the value advance of the capitalist enters into the formation of the value of a commodity, it is inexplicable how more value should come out of production than went into it, for something cannot come out of nothing. But Torrens only evades this creation out of nothing by transferring it from the sphere of commodity-production to that of commodity-circulation. Profit cannot come out of production, says Torrens, for otherwise it would

[310] R. Torrens, An Essay on the Production of Wealth, London, 1821, pp. 51-53, and 349.

already be contained in the cost of production, and there would not be a surplus over this cost. Profit cannot come out of the exchange of commodities, replies Ramsay, unless it already existed before this exchange. The sum of the value of the exchanged products is evidently not altered in the exchange of these products, whose sum of value it is. It is the same before and after the exchange. It should be noted here that Malthus refers expressly to the authority of Torrens [311] although he himself has a different explanation for the sale of commodities above their value, or rather has no explanation at all, since all arguments of this sort never, in effect, fail to be reduced to the same thing as the once-famed negative weight of phlogiston.

In a social order dominated by capitalist production even the non-capitalist producer is gripped by capitalist conceptions. Balzac, who is generally remarkable for his profound grasp of reality, aptly describes in his last novel, *Les Paysans*, how a petty peasant performs many small tasks gratuitously for his usurer, whose goodwill he is eager to retain, and how he fancies that he does not give the latter something for nothing because his own labor does not cost him any cash outlay. As for the usurer, he thus fells two dogs with one stone. He saves the cash outlay for wages and enmeshes the peasant, who is gradually ruined by depriving his own field of labor, deeper and deeper in the spider-web of usury.

The thoughtless conception that the cost-price of a commodity constitutes its actual value, and that surplus-value springs from selling the product above its value, so that commodities would be sold at their value if their selling price were to equal their cost-price, i.e., if it were to equal the price of the consumed means of production plus wages, has been heralded to the world as a newly discovered secret of socialism by Proudhon with his customary quasi-scientific chicanery. Indeed, this reduction of the value of commodities to their cost-price is the basis of his People's Bank. It was earlier shown that the various constituent elements of the value of a product may be represented in proportional parts of the product itself. For instance (Buch I, Kap. VI 1, 2, S. 211/203) [English edition: Ch. IX, 2, pp. 220-21. — *Ed.*] if the value of 20 lbs. of yarn is 30 shillings — namely 24 shillings of means of production, 3 shillings of labor-power, and 3 shillings of surplus-value — then this surplus-value may be represented as 1/10 of the product=2 lbs. of yarn. Should these 20 lbs. of yarn now be sold at their cost-price, at 27 shillings, then the purchaser receives 2 lbs. of yarn for nothing, or the article is sold 1/10 below its value. But the laborer has, as before, performed his surplus-labor, only this time for the purchaser of the yarn instead of the capitalist yarn producer. It would be altogether wrong to assume that if all commodities were sold at their cost-price, the result would really be the same as if they had all been sold above their cost-price, but at their value. For even if the value of the labor-power, the length of the working-day, and the degree of exploitation of labor were the same everywhere, the quantities of surplus-value contained in the values of the various kinds of commodities would be unequal, depending on the different organic composition of the capitals advanced for their production. [312]

[311] Malthus, Definitions in Political Economy, London, 1853, pp. 70, 71.

[312] "The masses of value and of surplus-value produced by different capitals — the value of labor-power being given and its degree of exploitation being equal — vary directly as the amounts of the variable constituents of these capitals, i.e., as their constituents transformed into living labor-power." (Buch 1, Kap. IX. S. 312/303.) [English edition: Ch. XI, pp. 306/307. — Ed.]

The organic composition of capital depends at any given time on two circumstances: first, on the technical relation of labor power employed to the mass of the means of production employed; secondly, on the price of these means of production. This composition, as we have seen, must be examined on the basis of percentage ratios. We express the organic composition of a certain capital consisting 4/5 of constant and 1/5 of variable capital, by the formula $80_c + 20_v$. It is furthermore assumed in this comparison that the rate of surplus-value is unchangeable. Let it be any rate picked at random; say, 100%. The capital of $80_c + 20_v$ then produces a surplus-value of 20_s, and this yields a rate of profit of 20% on the total capital. The magnitude of the actual value of its product depends on the magnitude of the fixed part of the constant capital, and on the portion which passes from it through wear and tear into the product. But since this circumstance has absolutely no bearing on the rate of profit, and hence, in the present analysis, we shall assume, for the sake of simplicity, that the constant capital is everywhere uniformly and entirely transferred to the annual product of the capitals. It is further assumed that the capitals in the different spheres of production annually realize the same quantities of surplus-value proportionate to the magnitude of their variable parts. For the present, therefore, we disregard the difference which may be produced in this respect by variations in the duration of turnovers. This point will be discussed later.

Let us take five different spheres of production, and let the capital in each have a different organic composition as follows:

Capitals	Rate of Surplus-Value	Surplus-Value	Value of Product	Rate of Profit
I. $80_c + 20_v$	100%	20	120	20%
II. $70_c + 30_v$	100%	30	130	30%
III. $60_c + 40_v$	100%	40	140	40%
IV. $85_c + 15_v$	100%	15	115	15%
V. $95_c + 5_v$	100%	5	105	5%

Here, in different spheres of production with the same degree of exploitation, we find considerably different rates of profit corresponding to the different organic composition of these capitals.

The sum total of the capitals invested in these five spheres of production = 500; the sum total of the surplus-value produced by them = 110; the aggregate value of the commodities produced by them

= 610. If we consider the 500 as a single capital, and capitals I to V merely as its component parts (as, say, different departments of a cotton mill, which has different ratios of constant to variable capital in its carding, preparatory spinning, spinning, and weaving shops, and in which the average ratio for the factory as a whole has still to be calculated), the mean composition of this capital of 500 would = 390_c + 110_v, or, in per cent, = 78_c + 22_v. Should each of the capitals of 100 be regarded as 1/5 of the total capital, its composition would equal this average of 78_c + 22_v; for every 100 there would be an average surplus-value of 22; thus, the average rate of profit would = 22%, and, finally, the price of every fifth of the total product produced by the 500 would = 122. The product of each fifth of the advanced total capital would then have to be sold at 122.

But to avoid entirely erroneous conclusions it must not be assumed that all cost-prices = 100.

With 80_c + 20_v and a rate of surplus-value = 100%, the total value of commodities produced by capital I = 100 would be 80_c + 20_v + 20_s = 120, provided the entire constant capital went into the annual product. Now, this may under certain circumstances be the case in some spheres of production. But hardly in cases where the proportion of c : v = 4 : 1. We must, therefore, remember in comparing the values produced by each 100 of the different capitals, that they will differ in accordance with the different composition of c as to its fixed and circulating parts, and that, in turn, the fixed portions of each of the different capitals depreciate slowly or rapidly as the case may be, thus transferring unequal quantities of their value to the product in equal periods of time. But this is immaterial to the rate of profit. No matter whether the 80_c give up a value of 80, or 50, or 5, to the annual product, and the annual product consequently = 80_c + 20_v + 20_s = 120, or 50_c + 20_v + 20_s = 90, or 5_v + 20_v + 20_s = 45; in all these cases the redundance of the product's value over its cost-price = 20, and in calculating the rate of profit these 20 are related to the capital of 100 in all of them. The rate of profit of capital I, therefore, is 20% in every case. To make this still plainer, we let different portions of constant capital go into the value of the product of the same five capitals in the following table:

Capitals	Rate of Surplus-Value	Surplus-Value	Rate of Profit	Used up c	Value of commodities	Cost-Price	
I. 80_c + 20_v	100%	20	20%	50	90	70	
II. 70_c + 30_v	100%	30	30%	51	111	81	
III. 60_c + 40_v	100%	40	40%	51	131	91	
IV. 85_c + 15_v	100%	15	15%	40	70	55	

V. $95_c + 5_v$	100%	5	5%	10	20	15	
$390_c + 110_v$	—	110	110%	—	—	—	Total
$78_c + 22_v$	—	22	22%	—	—	—	Average

If we now again consider capitals I to V as a single total capital, we shall see that, in this case as well, the composition of the sums of these five capitals = 500 = $390_c + 110_v$, so that we get the same average composition = $78_c + 22_v$, and, similarly, the average surplus-value remains 22. If we divide this surplus-value uniformly among capitals I to V, we get the following commodity-prices:

Capitals	Surplus-Value	Value of Commodities	Cost-Price of Commodities	Price of Commodities	Rate of Profit	Deviation of Price from Value
I. $80_c + 20_v$	20	90	70	92	22%	+2
II. $70_c + 30_v$	30	111	81	103	22%	-8
III. $60_c + 40_v$	40	131	91	113	22%	-18
IV. $85_c + 15_v$	15	70	55	77	22%	+7
V. $95_c + 5_v$	5	20	15	37	22%	+17

Taken together, the commodities are sold at 2 + 7 + 17 = 26 above, and 8 + 18 = 26 below their value, so that the deviations of price from value balance out one another through the uniform distribution of surplus-value, or through addition of the average profit of 22 per 100 units of advanced capital to the respective cost-prices of the commodities I to V. One portion of the commodities is sold above its value in the same proportion in which the other is sold below it. And it is only the sale of the commodities at such prices that enables the rate of profit for capitals I to V to be uniformly 22%, regardless of their different organic composition. The prices which obtain as the average of the various rates of profit in the different spheres of production added to the cost-prices of the different spheres of production, constitute the prices of production. They have as their prerequisite the existence of a general rate of profit, and this, again, presupposes that the rates of profit in every individual sphere of production taken by itself have previously been reduced to just as many average rates. These particular rates of

profit = s/C in every sphere of production, and must, as occurs in Part I of this book, be deduced out of the values of the commodities. Without such deduction the general rate of profit (and consequently the price of production of commodities) remains a vague and senseless conception. Hence, the price of production of a commodity is equal to its cost-price plus the profit, allotted to it in per cent, in accordance with the general rate of profit, or, in other words, to its cost-price plus the average profit.

Owing to the different organic compositions of capitals invested in different lines of production, and, hence, owing to the circumstance that — depending on the different percentage which the variable part makes up in a total capital of a given magnitude — capitals of equal magnitude put into motion very different quantities of labor, they also appropriate very different quantities of surplus-labor or produce very different quantities of surplus-value. Accordingly, the rates of profit prevailing in the various branches of production are originally very different. These different rates of profit are equalized by competition to a single general rate of profit, which is the average of all these different rates of profit. The profit accruing in accordance with this general rate of profit to any capital of a given magnitude, whatever its organic composition, is called the average profit. The price of a commodity, which is equal to its cost-price plus the share of the annual average profit on the total capital invested (not merely consumed) in its production that falls to it in accordance with the conditions of turnover, is called its price of production. Take, for example, a capital of 500, of which 100 is fixed capital, and let 10% of this wear out during one turnover of the circulating capital of 400. Let the average profit for the period of turnover be 10%. In that case the cost-price of the product created during this turnover will be 10_c for wear plus 400 (c + v) circulating capital = 410, and its price of production will be 410 cost-price plus (10% profit on 500) 50 = 460.

Thus, although in selling their commodities the capitalists of the various spheres of production recover the value of the capital consumed in their production, they do not secure the surplus-value, and consequently the profit, created in their own sphere by the production of these commodities. What they secure is only as much surplus-value, and hence profit, as falls, when uniformly distributed, to the share of every aliquot part of the total social capital from the total social surplus-value, or profit, produced in a given time by the social capital in all spheres of production. Every 100 of an invested capital, whatever its composition, draws as much profit in a year, or any other period of time, as falls to the share of every 100, the Nth part of the total capital, during the same period. So far as profits are concerned, the various capitalists are just so many stockholders in a stock company in which the shares of profit are uniformly divided per 100, so that profits differ in the case of the individual capitalists only in accordance with the amount of capital invested by each in the aggregate enterprise, i. e., according to his investment in social production as a whole, according to the number of his shares. Therefore, the portion of the price of commodities which replaces the elements of capital consumed in the production of these commodities, the portion, therefore, which will have to be used to buy back these consumed capital-values, i. e., their cost-price, depends entirely on the outlay of capital within the respective spheres of production. But the other element of the price of commodities, the profit added to this cost-price, does not depend on the amount of profit produced in a given sphere of production by a given capital in a given period of time. It depends on the mass of profit which falls as an average for

any given period to each individual capital as an aliquot part of the total social capital invested in social production.

When a capitalist sells his commodities at their price of production, therefore, he recovers money in proportion to the value of the capital consumed in their production and secures profit in proportion to this advanced capital as the aliquot part in the total social capital. His cost-prices are specific. But the profit added to them is independent of his particular sphere of production, being a simple average per 100 units of invested capital.

Let us assume that the five different investments I to V of the foregoing illustration belong to one man. The quantity of variable and constant capital consumed per 100 of the invested capital in each of the departments I to V in the production of commodities I to V would, needless to say, make up a part of their price, since at least this price is required to recover the advanced and consumed portions of the capital. These cost-prices would therefore be different for each class of the commodities I to V, and would as such be set differently by the owner. But as regards the different quantities of surplus-value, or profit, produced by I to V, they might easily be regarded by the capitalist as profit on his advanced aggregate capital, so that each 100 units would get their definite aliquot part. Hence, the cost-prices of the commodities produced in the various departments I to V would be different; but that portion of their selling price derived from the profit added per 100 capital would be the same for all these commodities. The aggregate price of the commodities I to V would therefore equal their aggregate value, i. e., the sum of the cost-prices I to V plus the sum of the surplus-values, or profits, produced in I to V. It would hence actually be the money-expression of the total quantity of past and newly applied labor incorporated in commodities I to V. And in the same way the sum of the prices of production of all commodities produced in society — the totality of all branches of production — is equal to the sum of their values.

This statement seems to conflict with the fact that under capitalist production the elements of productive capital are, as a rule, bought on the market, and that for this reason their prices include profit which has already been realized, hence, include the price of production of the respective branch of industry together with the profit contained in it, so that the profit of one branch of industry goes into the cost-price of another. But if we place the sum of the cost-prices of the commodities of an entire country on one side, and the sum of its surplus-values, or profits, on the other, the calculation must evidently be right. For instance, take a certain commodity A. Its cost-price may contain the profits of B, C, D, etc., just as the cost-prices of B, C, D, etc., may contain the profits of A. Now, as we make our calculation the profit of A will not be included in its cost-price, nor will the profits of B, C, D, etc., be included in theirs. Nobody ever includes his own profit in his cost-price. If there are, therefore, n spheres of production, and if each makes a profit amounting to p, then their aggregate cost-price = k - np. Considering the calculation as a whole we see that since the profits of one sphere of production pass into the cost-price of another, they are therefore included in the calculation as constituents of the total price of the end-product, and so cannot appear a second time on the profit side. If any do appear

on this side, however, then only because the commodity in question is itself an ultimate product, whose price of production does not pass into the cost-price of some other commodity.

If the cost-price of a commodity includes a sum = p, which stands for the profits of the producers of the means of production, and if a profit = p_1 is added to this cost-price, the aggregate profit P = p + p_1. The aggregate cost-price of the commodity, considered without the profit portions, is then its own cost-price minus P. Let this cost-price be k. Then, obviously, k + p = k + p + p_1. In dealing with surplus-values, we have seen in Book I that the product of every capital may be so treated, as though a part of it replaces only capital, while the other part represents only surplus-value. In applying this approach to the aggregate product of society, we must make some rectifications. Looking upon society as a whole, the profit contained in, say, the price of flax cannot appear twice — not both as a portion of the linen price and as the profit of the flax.

There is no difference between surplus-value and profit, as long as, e.g., A's surplus-value passes into B's constant capital. It is, after all, quite immaterial to the value of the commodities, whether the labor contained in them is paid or unpaid. This merely shows that B pays for A's surplus-value. A's surplus-value cannot be entered twice in the total calculation.

But the difference is this: Aside from the fact that the price of a particular product, let us say that of capital B, differs from its value because the surplus-value realized in B may be greater or smaller than the profit added to the price of the products of B, the same circumstance applies also to those commodities which form the constant part of capital B, and indirectly also its variable part, as the laborers' necessities of life. So far as the constant portion is concerned, it is itself equal to the cost-price plus the surplus-value, here therefore equal to cost-price plus profit, and this profit may again be greater or smaller than the surplus-value for which it stands. As for the variable capital, the average daily wage is indeed always equal to the value produced in the number of hours the laborer must work to produce the necessities of life. But this number of hours is in its turn obscured by the deviation of the prices of production of the necessities of life from their values. However, this always resolves itself to one commodity receiving too little of the surplus-value while another receives too much, so that the deviations from the value which are embodied in the prices of production compensate one another. Under capitalist production, the general law acts as the prevailing tendency only in a very complicated and approximate manner, as a never ascertainable average of ceaseless fluctuations.

Since the general rate of profit is formed by taking the average of the various rates of profit for each 100 of capital invested in a definite period, e.g., a year, it follows that in it the difference brought about by different periods of turnover of different capitals is also effaced. But these differences have a decisive bearing on the different rates of profit in the various spheres of production whose average forms the general rate of profit.

In the preceding illustration concerning the formation of the average rate of profit we assumed each capital in each sphere of production = 100, and we did so to show the difference in the rates of profit in per cent, and thus also the difference in the values of commodities produced by equal amounts

of capital. But it goes without saying that the actual amounts of surplus-value produced in each sphere of production depend on the magnitude of the invested capitals, since the composition of capital is given in each sphere of production. Yet the actual rate of profit in any particular sphere of production is not affected by the fact that the capital invested is 100, or m times 100, or xm times 100. The rate of profit remains 10%, whether the total profit is 10:100, or 1,000:10,000.

However, since the rates of profit differ in the various spheres of production, with very much different quantities of surplus-value, or profit, being produced in them, depending on the proportion of the variable to the total capital, it is evident that the average profit per 100 of the social capital, and hence the average, or general, rate of profit, will differ considerably in accordance with the respective magnitudes of the capitals invested in the various spheres. Let us take four capitals A, B, C, D. Let the rate of surplus-value for all = 100%. Let the variable capital for each 100 of the total be 25 in A, 40 in B, 15 in C, and 10 in D. Then each 100 of the total capital would yield a surplus-value, or profit, of 25 in A, 40 in B, 15 in C, and 10 in D. This would total 90, and if these four capitals are of the same magnitude, the average rate of profit would then be 90/4 or 22½%.

Suppose, however, the total capitals are as follows: A = 200, B = 300, C = 1,000, D = 4,000. The profits produced would then respectively = 50, 120, 150, and 400. This makes a profit of 720, and an average rate of profit of 13 1/11% for 5,500, the sum of the four capitals.

The masses of the total value produced differ in accordance with the magnitudes of the total capitals invested in A, B, C, D, respectively. The formation of the average rate of profit is, therefore, not merely a matter of obtaining the simple average of the different rates of profit in the various spheres of production, but rather one of the relative weights which these different rates of profit have in forming this average. This, however, depends on the relative magnitude of the capital invested in each particular sphere, or on the aliquot part which the capital invested in each particular sphere forms in the aggregate social capital. There will naturally be a very great difference, depending on whether a greater or smaller part of the total capital produces a higher or lower rate of profit. And this, again, depends on how much capital is invested in spheres, in which the variable capital is relatively small or large compared to the total capital. It is just like the average interest obtained by a usurer who lends various quantities of capital at different interest rates; for instance, at 4, 5, 6, 7%, etc. The average rate will depend entirely on how much of his capital he has loaned out at each of the different rates of interest.

The general rate of profit is, therefore, determined by two factors:
1) The organic composition of the capitals in the different spheres of production, and thus the different rates of profit in the individual spheres.
2) The distribution of the total social capital in these different spheres, and thus the relative magnitude of the capital invested in each particular sphere at the specific rate of profit prevailing in it; i. e., the relative share of the total social capital absorbed by each individual sphere of production.

In Books I and II we dealt only with the *value* of commodities. On the one hand, the *cost-price* has now been singled out as a part of this value, and, on the other, the *price of production* of commodities has been developed as its converted form.

Suppose the composition of the average social capital is $80_c + 20_v$ and the annual rate of surplus-value, s', is 100%. In that case the average annual profit for a capital of 100 = 20, and the general annual rate of profit = 20%. Whatever the cost-price, k, of the commodities annually produced by a capital of 100, their price of production would then be k + 20. In those spheres of production in which the composition of capital would = $(80 - x)_c + (20 + x)_v$, the actually produced surplus-value, or the annual profit produced in that particular sphere, would be 20 + x, that is, greater than 20, and the value of the produced commodities = k + 20 + x, that is, greater than k + 20, or greater than their price of production. In those spheres, in which the composition of the capital=$(80 + x)_c + (20 - x)_v$, the annually produced surplus-value, or profit, would = 20 - x, or less than 20, and consequently the value of the commodities k + 20 - x less than the price of production, which = k + 20. Aside from possible differences in the periods of turnover, the price of production of the commodities would then equal their value only in spheres, in which the composition would happen to be $80_c + 20_v$.

The specific development of the social productivity of labor in each particular sphere of production varies in degree, higher or lower, depending on how large a quantity of means of production are set in motion by a definite quantity of labor, hence in a given working-day by a definite number of laborers, and, consequently, on how small a quantity of labor is required for a given quantity of means of production. Such capitals as contain a larger percentage of constant and a smaller percentage of variable capital than the average social capital is, therefore, called capitals of *higher* composition, and, conversely, those capitals in which the constant is relatively smaller, and the variable relatively greater than in the average social capital, are called capitals of *lower* composition. Finally, we call those capitals whose composition coincides with the average, capitals of average composition. Should the average social capital be composed in per cent of $80_c + 20_v$, then a capital of $90_c + 10_v$ is *higher*, and a capital of $70_c + 30_v$ *lower* than the social average. Generally speaking, if the composition of the average social capital=mc + nv, in which m and n are constant magnitudes and m + n = 100, the formula $(m + x)_c + (n - x)_v$ represents the higher composition, and $(m - x)_c + (n + x)_v$ the lower composition of an individual capital or group of capitals. The way in which these capitals perform their functions after establishment of an average rate of profit and assuming one turnover per year, is shown in the following tabulation, in which I represent the average composition with an average rate of profit of 20%.

I) $80_v + 20_v + 20_s$. Rate of profit = 20%.

Price of product = 120. Value = 120.

II) $90_c + 10_v + 10_s$. Rate of profit = 20%.

Price of product = 120. Value = 110.

III) $70_c + 30_v + 30_s$. Rate of profit = 20%.

Price of product = 120. Value = 130.

The value of the commodities produced by capital II would, therefore, be smaller than their price of production, the price of production of the commodities of III smaller than their value, and only in the case of capital I in branches of production in which the composition happens to coincide with the social average, would value and price of production be equal. In applying these terms to any particular cases note must, however, be taken whether a deviation of the ratio between c and v is simply due to a change in the value of the elements of constant capital, rather than to a difference in the technical composition.

The foregoing statements have at any rate modified the original assumption concerning the determination of the cost-price of commodities. We had originally assumed that the cost-price of a commodity equaled the value of the commodities consumed in its production. But for the buyer the price of production of a specific commodity is its cost-price, and may thus pass as cost-price into the prices of other commodities. Since the price of production may differ from the value of a commodity, it follows that the cost-price of a commodity containing this price of production of another commodity may also stand above or below that portion of its total value derived from the value of the means of production consumed by it. It is necessary to remember this modified significance of the cost-price, and to bear in mind that there is always the possibility of an error if the cost-price of a commodity in any particular sphere is identified with the value of the means of production consumed by it. Our present analysis does not necessitate a closer examination of this point. It remains true, nevertheless, that the cost-price of a commodity is always smaller than its value. For no matter how much the cost-price of a commodity may differ from the value of the means of production consumed by it, this past mistake is immaterial to the capitalist. The cost-price of a particular commodity is a definite condition which is given, and independent of the production of our capitalist, while the result of his production is a commodity containing surplus-value, therefore an excess of value over and above its cost-price. For all other purposes, the statement that the cost-price is smaller than the value of a commodity has now changed practically into the statement that the cost-price is smaller than the price of production. As concerns the total social capital, in which the price of production is equal to the value, this statement is identical with the former, namely that the cost-price is smaller than the value. And while it is modified in the individual spheres of production, the fundamental fact always remains that in the case of the total social capital the cost-price of the commodities produced by it is smaller than their value, or, in the case of the total mass of social commodities, smaller than their price of production, which is identical with their value. The cost-price of a commodity refers only to the quantity of paid labor contained in it, while its value refers to all the paid and unpaid labor contained in it. The price of production refers to the sum of the paid labor plus a certain quantity of unpaid labor determined for any particular sphere of production by conditions over which it has no control.

The formula that the price of production of a commodity = k + p, i. e., equals its cost-price plus profit, is now more precisely defined with p = kp' (p' being the general rate of profit). Hence the price of production = k + kp'. If k = 300 and p' = 15%, then the price of production is k + kp' = 300 + 300 × 15/100, or 345.

The price of production of the commodities in any particular sphere may change in magnitude:

1) If the general rate of profit changes independently of this particular sphere, while the value of the commodities remains the same (the same quantities of congealed and living labor being consumed in their production as before).

2) If there is a change of value, either in this particular sphere in consequence of technical changes, or in consequence of a change in the value of those commodities which form the elements of its constant capital, while the general rate of profit remains unchanged.

3) Finally, if a combination of the two aforementioned circumstances takes place.

In spite of the great changes occurring continually, as we shall see, in the actual rates of profit within the individual spheres of production, any real change in the general rate of profit, unless brought about by way of an exception by extraordinary economic events, is the belated effect of a series of fluctuations extending over very long periods, fluctuations which require much time before consolidating and equalizing one another to bring about a change in the general rate of profit. In all shorter periods (quite aside from fluctuations of market-prices), a change in the prices of production is, therefore, always traceable *prima facie* to actual changes in the value of commodities, i. e., to changes in the total amount of labor-time required for their production. Mere changes in the money-expression of the same values are, naturally, not at all considered here.

On the other hand, it is evident that from the point of view of the total social capital the value of the commodities produced by it (or, expressed in money, their price) = value of constant capital + value of variable capital + surplus-value. Assuming the degree of labor exploitation to be constant, the rate of profit cannot change so long as the mass of surplus-value remains the same, unless there is a change in either the value of the constant capital, the value of the variable capital, or the value of both, so that C changes, and thereby s/C, which represents the general rate of profit. In each case, therefore, a change in the general rate of profit implies a change in the value of commodities which form the elements of the constant or variable capital, or of both.

Or, the general rate of profit may change, while the value of the commodities remains the same, when the degree of labor exploitation changes.

Or, if the degree of labor exploitation remains the same, the general rate of profit may change through a change in the amount of labor employed relative to the constant capital as a result of technical changes in the labor-process. But such technical changes must always show themselves in, and be attended by, a change in the value of the commodities, whose production would then require more or less labor than before.

We saw in Part I that surplus-value and profit are identical from the standpoint of their mass. But the rate of profit is from the very outset distinct from the rate of surplus-value, which appears at first sight as merely a different form of calculating. But at the same time this serves, also from the outset, to obscure and mystify the actual origin of surplus-value, since the rate of profit can rise or fall while the rate of surplus-value remains the same, and vice versa, and since the capitalist is in practice solely interested in the rate of profit. Yet there was difference of magnitude only between the rate of surplus-value and the rate of profit and not between the surplus-value itself and profit. Since in the rate of profit the surplus-value is calculated in relation to the total capital and the latter is taken as its standard of measurement, the surplus-value itself appears to originate from the total capital, uniformly derived from all its parts, so that the organic difference between constant and variable capital is obliterated in the conception of profit. Disguised as profit, surplus-value actually denies its origin, loses its character, and becomes unrecognizable. However, hitherto the distinction between profit and surplus-value applied solely to a qualitative change, or change of form, while there was no real difference of magnitude in this first stage of the change between surplus-value and profit, but only between the rate of profit and the rate of surplus-value.

But it is different, as soon as a general rate of profit, and thereby an average profit corresponding to the magnitude of invested capital given in the various spheres of production, have been established.

It is then only an accident if the surplus-value, and thus the profit, actually produced in any particular sphere of production, coincides with the profit contained in the selling price of a commodity. As a rule, surplus-value and profit and not their rates alone, are then different magnitudes. At a given degree of exploitation, the mass of surplus-value produced in a particular sphere of production is then more important for the aggregate average profit of social capital, and thus for the capitalist class in general, than for the individual capitalist in any specific branch of production. It is of importance to the latter only in so far as the quantity of surplus-value produced in his branch helps to regulate the average profit. But this is a process which occurs behind his back, one he does not see, nor understand, and which indeed does not interest him. The actual difference of magnitude between profit and surplus-value — not merely between the rate of profit and the rate of surplus-value — in the various spheres of production now completely conceals the true nature and origin of profit not only from the capitalist, who has a special interest in deceiving himself on this score, but also from the laborer. The transformation of values into prices of production serves to obscure the basis for determining value itself. Finally, since the mere transformation of surplus-value into profit distinguishes the portion of the value of a commodity forming the profit from the portion forming its cost-price, it is natural that the conception of value should elude the capitalist at this juncture, for he does not see the total labor put into the commodity, but only that portion of the total labor for which he has paid in the shape of means of production, be they living or not, so that his profit appears to him as something outside the immanent value of the commodity. Now this idea is fully confirmed, fortified, and ossified in that, from the standpoint of his particular sphere of production, the profit added to the cost-price is not actually determined by the limits of the formation of value within his own sphere, but through completely outside influences.

The fact that this intrinsic connection is here revealed for the first time; that up to the present time political economy, as we shall see in the following and in Book IV, either forcibly abstracted itself from the distinctions between surplus-value and profit, and their rates, so it could retain value determination as a basis, or else abandoned this value determination and with it all vestiges of a scientific approach, in order to cling to the differences that strike the eye in this phenomenon — this confusion of the theorists best illustrates the utter incapacity of the practical capitalist, blinded by competition as he is, and incapable of penetrating its phenomena, to recognize the inner essence and inner structure of this process behind its outer appearance.

In fact, all the laws evolved in Part I concerning the rise and fall of the rate of profit have the following two-fold meaning:

1) On the one hand, they are the laws of the general rate of profit. In view of the many different causes which make the rate of profit rise or fall one would think, after everything that has been said and done, that the general rate of profit must change every day. But a trend in one sphere of production compensates for that in another, their effects cross and paralyses one another. We shall later examine to which side these fluctuations ultimately gravitate. But they are slow. The suddenness, multiplicity, and different duration of the fluctuations in the individual spheres of production make them compensate for one another in the order of their succession in time, a fall in prices following a rise, and vice versa, so that they remain limited to local, i. e., individual, spheres. Finally, the various local fluctuations neutralize one another. Within each individual sphere of production, there take place changes, i. e., deviations from the general rate of profit, which counterbalance one another in a definite time on the one hand, and thus have no influence upon the general rate of profit, and which, on the other, do not react upon it, because they are balanced by other simultaneous local fluctuations. Since the general rate of profit is not only determined by the average rate of profit in each sphere, but also by the distribution of the total social capital among the different individual spheres, and since this distribution is continually changing, it becomes another constant cause of change in the general rate of profit. But it is a cause of change which mostly paralyses itself, owing to the uninterrupted and many-sided nature of this movement.

2) Within each sphere, there is some room for play for a longer or shorter space of time, in which the rate of profit of this sphere may fluctuate, before this fluctuation consolidates sufficiently after rising or falling to gain time for influencing the general rate of profit and therefore assuming more than local importance. The laws of the rate of profit, as developed in Part I of this book, likewise remain applicable within these limits of space and time.

The theoretical conception concerning the first transformation of surplus-value into profit, that every part of a capital yields a uniform profit, expresses a practical fact. Whatever the composition of an industrial capital, whether it sets in motion one quarter of congealed labor and three-quarters of living labor, or three-quarters of congealed labor and one-quarter of living labor, whether in one case it absorbs three times as much surplus-labor, or produces three times as much surplus-value than in another — in either case it yields the same profit, given the same degree of labor exploitation and

leaving aside individual differences, which, incidentally, disappear because we are dealing in both cases with the average composition of the entire sphere of production. The individual capitalist (or all the capitalists in each individual sphere of production), whose outlook is limited, rightly believes that his profit is not derived solely from the labor employed by him, or in his line of production. This is quite true, as far as his average profit is concerned. To what extent this profit is due to the aggregate exploitation of labor on the part of the total social capital, i. e., by all his capitalist colleagues — this interrelation is a complete mystery to the individual capitalist; all the more so, since no bourgeois theorists, the political economists, have so far revealed it. A saving of labor — not only labor necessary to produce a certain product, but also the number of employed laborers — and the employment of more congealed labor (constant capital), appear to be very sound operations from the economic standpoint and do not seem to exert the least influence on the general rate of profit and the average profit. How could living labor be the sole source of profit, in view of the fact that a reduction in the quantity of labor required for production appears not to exert any influence on profit? Moreover, it even seems in certain circumstances to be the nearest source of an increase of profits, at least for the individual capitalist.

If in any particular sphere of production there is a rise or fall of the portion of the cost-price which represents the value of constant capital, this portion comes from the circulation and, either enlarged or reduced, passes from the very outset into the process of production of the commodity. If, on the other hand, the same number of laborers produces more or less in the same time, so that the quantity of labor required for the production of a definite quantity of commodities varies while the number of laborers remains the same, that portion of the cost-price which represents the value of the variable capital may remain the same, i. e., contribute the same amount to the cost-price of the total product. But every one of the individual commodities whose sum makes up the total product, shares in more or less labor (paid and therefore also unpaid), and shares consequently in the greater or smaller outlay for this labor, i. e., a 1arger or smaller portion of the wage. The total wages paid by the capitalist remain the same, but wages differ if calculated per piece of the commodity. Thus, there is a change in this portion of the cost-price of the commodity. But no matter whether the cost-price of the individual commodity (or, perhaps, the cost-price of the sum of commodities produced by a capital of a given magnitude) rises or falls, be it due to such changes in its own value, or in that of its elements, the average profit of, e.g., 10% remains 10%. Still, 10% of an individual commodity may represent very different amounts, depending on the change of magnitude caused in the cost-price of the individual commodity by such changes of value as we have assumed.

So far as the variable capital is concerned — and this is most important, because it is the source of surplus-value, and because anything which conceals its relation to the accumulation of wealth by the capitalist serves to mystify the entire system — matters get cruder or appear to the capitalist in the following light: A variable capital of £100 represents the weekly wage of, say, 100 laborers. If these 100 laborers weekly produce 200 pieces of a commodity = 200C, in a given working-time, then 1C — abstracted from that portion of its cost-price which is added by the constant capital, costs £100/200 = 10 shillings, since £100 = 200C. Now suppose that a change occurs in the productiveness of labor. Suppose

it doubles, so that the same number of laborers now produces twice 200C in the time which it previously took to produce 200C. In that case (considering only that part of the cost-price which consists of wages) 1C = £100/400 = 5 shillings, since now £100 = 400C. Should the productiveness decrease one-half, the same labor would produce only 200C/2 and since £100 = 200C/2, 1C = £200/2 = £1. The changes in the labor-time required for the production of the commodities, and hence the changes in their value, thus appear in regard to the cost-price, and hence to the price of production, as a different distribution of the same wage for more or fewer commodities, depending on the greater or smaller quantity of commodities produced in the same working-time for the same wage. What the capitalist, and consequently also the political economist, see is that the part of the paid labor per piece of commodity changes with the productivity of labor, and that the value of each piece also changes accordingly. What they do not see is that the same applies to unpaid labor contained in very piece of the commodity, and this is perceived so much less since the average profit actually is only accidentally determined by the unpaid labor absorbed in the sphere of the individual capitalist. It is only in such crude and meaningless form that we can glimpse that the value of commodities is determined by the labor contained in them.

Chapter 17: Commercial Profit

We have seen in Book II that the pure functions of capital in the sphere of Circulation — the operations which the industrial capitalist must perform, first, to realize the value of his commodities, and second, to reconvert this value into elements of production, operations effecting the metamorphosis of commodity-capital, C' — M — C, hence the acts of selling and buying-produce neither value nor surplus-value. It was rather seen that the time required for this purpose, objectively in regard to commodities and subjectively in regard to the capitalist, sets the limit to the production of value and surplus-value. What is true of the metamorphosis of commodity-capital in general, is, of course, not in the least altered by the fact that a part of it may assume the shape of commercial capital, or that the operations, effecting the metamorphosis of commodity-capital, appear as the special concern of a special group of capitalists, or as the exclusive function of a portion of the money-capital. If selling and buying commodities — and that is what the metamorphosis of commodity-capital C' — M — C amounts to — by industrial capitalists themselves are not operations which create value or surplus-value, they will certainly not create either of these when carried out by persons other than the industrial capitalists. Furthermore, if that portion of the total social capital, which must continually be on hand as money-capital, in order that the process of reproduction is not interrupted by the process of circulation and proceeds continuously — if this money-capital creates neither value nor surplus-value, it cannot acquire the properties of creating them by being continually thrown into circulation by some section of capitalists other than the industrial capitalists, to perform the same function. We have already indicated to what extent merchant's capital may be indirectly productive, and we shall later discuss this point at greater length.

Commercial capital, therefore — stripped of all heterogeneous functions, such as storing, expressing, transporting, distributing, retailing, which may be connected with it, and confined to its true function of buying in order to sell — creates neither value nor surplus-value, but acts as

middleman in their realization and thereby simultaneously in the actual exchange of commodities, *i.e.*, in their transfer from hand to hand, in the social metabolism. Nevertheless, since the circulation phase of industrial capital is just as much a phase of the reproduction process as production is, the capital operating independently in the process of circulation must yield the average annual profit just as well as capital operating in the various branches of production. Should merchant's capital yield a higher percentage of average profit than industrial capital, then a portion of the latter would transform itself into merchant's capital. Should it yield a lower average profit, then the converse would result. A portion of the merchant's capital would then be transformed into industrial capital. No species of capital changes its purpose, or function, with greater ease than merchant's capital.

Since merchant's capital does not itself produce surplus-value, it is evident that the surplus-value which it pockets in the form of average profit must be a portion of the surplus-value produced by the total productive capital. But now the question arises: How does merchant's capital attract its share of the surplus-value or profit produced by the productive capital?

It is just an illusion that commercial profit is a mere addition to, or a nominal rise of, the prices of commodities in excess of their value.

It is plain that the merchant can draw his profit only out of the price of the commodities he sells, and plainer still that the profit he makes in selling his commodities must be equal to the difference between his purchase price and his selling price, *i.e.*, equal to the excess of the latter over the former.

It is possible that additional costs (costs of circulation) may enter into the commodities after their purchase and before their sale, and it is also possible that this may not happen. If such costs should occur, it is plain that the excess of the selling price over the purchase price would not be all profit. To simplify the analysis, we shall assume at this point that no such costs occur.

For the industrial capitalist the difference between the selling price and the purchase price of his commodities is equal to the difference between their price of production and their cost-price, or, from the standpoint of the total social capital, equal to the difference between the value of the commodities and their cost-price for the capitalists, which again comes down to the difference between the total quantity of labor and the quantity of paid labor incorporated in them. Before the commodities bought by the industrial capitalist are thrown back on the market as saleable commodities, they pass through the process of production, in which alone the portion of their price to be realized as profit is created. But it is different with the merchant. The commodities are in his hands only so long as they are in the process of circulation. He merely continues their sale, the realization of their price which was begun by the productive capitalist, and therefore does not cause them to pass through any intermediate process in which they could again absorb surplus-value. While the industrial capitalist merely realizes the previously produced surplus-value, or profit, in the process of circulation, the merchant has not only to realize his profit during and through circulation, but must first make it. There appears to be no other way of doing this outside of selling the commodities bought by him from the industrial capitalist at their prices of production, or, from the standpoint of the total commodity-capital, at their values in

excess of their prices of production, making a nominal extra charge to their prices, hence, selling them, from the standpoint of the total commodity-capital, above their value, and pocketing this excess of their nominal value over their real value; in short, selling them for more than they are worth.

This method of adding an extra charge is easy to grasp. For instance, one yard of linen costs 2s. If I want to make a 10% profit in reselling it, I must add 1/10 to the price, hence sell the yard at 2s. 2 2/5 d. The difference between its actual price of production and its selling price is then = 2 2/5d., and this represents a profit of 10% on 2s. This amounts to my selling the yard to the buyer at a price which is in reality the price of 1 1/10 yard. Or, what amounts to the same, it is as though I sold to the buyer only 10/11 of a yard for 2s. and kept 1/11 of a yard for myself. In fact, I can buy back 1/11 of a yard for 2 2/5d. at the price of 2s. 2 2/5d. per yard. This would, therefore, be just a roundabout way of sharing in the surplus-value and surplus-product by a nominal rise in the price of commodities.

This is realization of commercial profit by raising the price of commodities, as it appears at first glance. And, indeed, this whole notion that profit originates from a nominal rise in the price of commodities, or from their sale above their value, springs from the observations of commercial capital.

But it is quickly apparent on closer inspection that this is mere illusion. Assuming capitalist production to be predominant, commercial profit cannot be realized in this manner. (It is here always a question of averages, not of isolated cases.) Why do we assume that the merchant can realize a profit of no more than, say, 10% on his commodities by selling them 10% above their price of production? Because we assume that the producer of these commodities, the industrial capitalist (who appears as "*the producer*" before the outside world, being the personification of industrial capital), had sold them to the dealer at their prices of production. If the purchase price of commodities paid by the dealer is equal to their price of production, or, in the last instance, equal to their value, so that the price of production or, in the last instance, the value, represent the merchant's cost-price, then, indeed, the excess of his selling price over his purchase price — and this difference alone is the source of his profit — must be an excess of their commercial price over their price of production, so that in the final analysis the merchant sells all commodities above their values. But why was it assumed that the industrial capitalist sells his commodities to the merchant at their prices of production? Or rather, what was taken for granted in that assumption? It was that merchant's capital did not go into forming the general rate of profit (we are dealing with it as yet only in its capacity of commercial capital). We proceeded necessarily from this premise in discussing the general rate of profit, first, because merchant's capital as such did not exist for us at the time, and, second, because average profit, and hence the general rate of profit, had first to be developed as a levelling of profits or surplus-values actually produced by the industrial capitals in the different spheres of production. But in the case of merchant's capital, we are dealing with a capital which shares in the profit without participating in its production. Hence, it is now necessary to supplement our earlier exposition.

Suppose, the total industrial capital advanced in the course of the year = $720_c + 180_v = 900$ (say million £), and that s' = 100%. The product therefore = $720_c + 180_v + 180_s$. Let us call this product or the produced commodity-capital, C, whose value, or price of production (since both are identical for the

totality of commodities) = 1,080, and the rate of profit for the total social capital of 900 = 20%. These 20% are, according to our earlier analyses, the average rate of profit, since the surplus-value is not calculated here on this or that capital of any particular composition, but on the total industrial capital of average composition. Thus, C = 1,080, and the rate of profit = 20%. Let us now assume, however, that aside from these £900 of industrial capital, there are still £100 of merchant's capital, which shares in the profit *pro rata* to its magnitude just as the former. According to our assumption, it is 1/10 of the total capital of 1,000. Therefore, it participates to the extent of 1/10 in the total surplus-value of 180, and thus secures a profit of 18%. Actually, then, the profit to be distributed among the other 1/10 of the total capital is only = 162, or on the capital of 900 likewise = 18%. Hence, the price at which C is sold by the owners of the industrial capital of 900 to the merchants = $720_c + 180_v + 162_s$ = 1,062. If the dealer then adds the average profit of 18% to his capital of 100, he sells the commodities at 1,062 + 18 = 1,080, *i.e.*, at their price of production, or, from the standpoint of the total commodity-capital, at their value, although he makes his profit only during and through the circulation process, and only from an excess of his selling price over his purchase price. Yet he does not sell the commodities above their value, or above their price of production, precisely because he has bought them from the industrial capitalist below their value, or below their price of production.

Thus, merchant's capital enters the formation of the general rate of profit as a determinant *pro rata* to its part in the total capital. Hence, if we say in the given case that the average rate of profit = 18%, it would = 20%, if it were not that 1/10 of the total capital was merchant's capital and the general rate of profit thereby lowered by 1/10. This leads to a closer and more comprehensive definition of the price of production. By price of production we mean, just as before, the price of a commodity = its costs (the value of the constant + variable capital contained in it) + the average profit. But this average profit is now determined differently. It is determined by the total profit produced by the total productive capital; but not as calculated on the total productive capital alone, so that if this = 900, as assumed above, and the profit = 180, then the average rate of profit = 180/900 = 20%. But, rather, as calculated on the total productive + merchant's capital, so that with 900 productive and 100 merchant's capital, the average rate of profit = 180/1,000 = 18%. The price of production is, therefore = k (the costs) + 18, instead of k + 20. The share of the total profit falling to merchant's capital is thus included in the average rate of profit. The actual value, or price of production, of the total commodity-capital is therefore = k + p + m (where m is commercial profit). The price of production, or the price at which the industrial capitalist as such sells his commodities, is thus smaller than the actual price of production of the commodity; or in terms of all commodities taken together, the prices at which the class of industrial capitalists sell their commodities are lower than their value. Hence, in the above case, 900 (costs) + 18% on 900, or 900 + 162= 1,062. It follows, then, that in selling a commodity at 118 for which he paid 100 the merchant does, indeed, add 18% to the price. But since this commodity, for which he paid 100, is really worth 118, he does not sell it above its value. We shall henceforth use the term price of production in this, its more precise, sense. It is evident, therefore, that the profit of the industrial capitalist equals the excess of the price of production of the commodity over its cost-price, and that commercial profit, as distinct from this industrial profit, equals the excess of the selling price over the price of production of

the commodity which, for the merchant, is its purchase price; but that the actual price of the commodity = its price of production + the commercial profit. Just as industrial capital realizes only such profits as already exist in the value of commodities as surplus-value, so merchant's capital realizes profits only because the entire surplus-value, or profit, has not as yet been fully realized in the price charged for the commodities by the industrial capitalist. [313] The merchant's selling price thus exceeds the purchase price not because the former exceeds the total value, but because the latter is below this value.

Merchant's capital, therefore, participates in levelling surplus-value to average profit, although it does not take part in its production. Thus, the general rate of profit contains a deduction from surplus-value due to merchant's capital, hence a deduction from the profit of industrial capital.

It follows from the foregoing:

1) The larger the merchant's capital in proportion to the industrial capital, the smaller the rate of industrial profit, and vice versa.

2) It was demonstrated in the first part that the rate of profit is always lower than the rate of the actual surplus-value, *i.e.*, it always understates the intensity of exploitation, as in the above case, $720_c + 180_v + 180_s$, the rate of surplus-value of 100% and a rate of profit of only 20%. And the difference becomes still greater, inasmuch as the average rate of profit appears smaller again, dropping from 20% to 18%, if the share falling to merchant's capital is also taken into account. The average rate of profit of the direct capitalist exploiter, therefore, expresses a rate of profit smaller than it actually is.

Assuming all other circumstances remaining the same, the relative volume of merchant's capital (with the exception of the small dealer who represents a hybrid form) is in inverse proportion to the velocity of its turnover, hence in inverse proportion to the energy of the process of reproduction in general. In the course of scientific analysis, the formation of a general rate of profit appears to result from industrial capitals and their competition, and is only later corrected, supplemented, and modified by the intervention of merchant's capital. In the course of its historical development, however, the process is really reversed. It is the commercial capital which first determines the prices of commodities more or less in accordance with their values, and it is the sphere of circulation, the sphere that promotes the process of reproduction, in which a general rate of profit initially takes shape. It is originally the commercial profit which determines the industrial profit. Not until the capitalist mode of production has asserted itself and the producer himself has become merchant, is commercial profit reduced to that aliquot part of the total surplus-value falling to the share of merchant's capital as an aliquot part of the total capital engaged in the social process of reproduction.

It was seen in the supplementary equalization of profit through the intervention of merchant's capital that no additional element entered the value of commodities with the merchant's advanced money-capital, and that the extra charge to the price, whereby the merchant makes his profit, was

[313] John Bellers [Essays about the Poor, Manufactures, Trade, Plantations, and Immorality, London, 1699, p. 10. — Ed.].

merely equal to that portion of the value of the commodities, which productive capital had not calculated in the price of production, *i.e.*, had left out. The case of this money-capital is similar to that of the industrial capitalist's fixed capital, since it is not consumed and its value, therefore, does not make up an element of the value of commodity. It is in the purchase price of commodity-capital that the merchant replaces its price of production = M, in money. His own selling price, as previously shown, is = M + DM, where DM stands for the addition to the price of commodities determined by the general rate of profit. Once he sells the commodities, his original money-capital, which he advanced for their purchase, returns to him together with this DM. We see once more that his money-capital is nothing but the industrial capitalist's commodity-capital transformed into money-capital, which affects the magnitude of the value of this commodity-capital no more than would a direct sale of the latter to the ultimate consumer, instead of to the merchant. It, actually, merely anticipates the payment of the consumer. However, this is correct only on the condition hitherto assumed, that the merchant has no overhead expenses, or that aside from the money-capital which he must advance to buy commodities from the producer he need not advance any other capital, circulating or fixed, in the process of commodity metamorphosis., the process of buying and selling. But this is not so in reality, as we have seen in the analysis of the costs of circulation (Book II, Chap. VI). These costs of circulation are partly expenses which the merchant has to reclaim from other agents of circulation, and partly expenses arising directly from his specific business.

No matter what the nature of these costs of circulation — whether they arise from the purely commercial nature of the merchant's establishment as such and hence belong to the merchant's specific costs of circulation, or represent items which are charges for subsequent processes of production added in the process of circulation, such as expressage, transport, storage, etc. — they always require of the merchant, aside from his money-capital, advanced to the purchase of commodities, some additional capital for the purchase and payment of such means of circulation. As much of this element of cost as consists of circulating capital passes wholly as an additional element into the selling price of the commodities; and as much of it as consists of fixed capital only to the extent of its wear and tear. But only as an element which forms a nominal value, even if as the purely commercial costs of circulation, it does not add any real value to the commodities. But whether fixed or circulating, this entire additional capital participates in forming the general rate of profit.

The purely commercial costs of circulation (hence, excluding costs of expressage, shipping, storage, etc.) resolve themselves into costs required to realize the value of commodities, to transform it from commodities into money, or from money into commodities, to affect their exchange. We leave entirely out of consideration all possible processes of production which may continue in the process of circulation, and from which the merchant's business can be altogether separated; as, in fact, the actual transport industry and expressage may be, and are, industrial branches entirely distinct from commercial; and purchasable and saleable commodities may be stored in docks or in other public premises, with the resultant cost of storage being charged to the merchant by third persons inasmuch as he has to advance it. All this takes place in actual wholesale commerce, where merchant's capital appears in its purest form, unmixed with other functions. The express company owner, the railway

director, and the shipowner, is not "merchants." The costs which we consider here are those of buying and selling. We have already remarked earlier that these resolve themselves into accounting, book-keeping, marketing, correspondence, etc. The constant capital required for this purpose consists of offices, paper, postage, etc. The other costs break up into variable capital advanced for the employment of mercantile wage-workers. (Expressage, transport costs, advances for customs duties, etc., may partly be considered as being advanced by the merchant in purchasing commodities and thus enter the purchase price as far as he is concerned.)

All these costs are not incurred in producing the use-value of commodities, but in realizing their value. They are pure costs of circulation. They do not enter into the immediate process of production, but since they are part of the process of circulation, they are also part of the total process of reproduction.

The only portion of these costs of interest to us at this point is that advanced as variable capital. (The following questions should also be analyzed: First, how does the law that only necessary labor enters the value of commodities operate in the process of circulation? Second, how does accumulation obtain in merchant's capital? Third, how does merchant's capital function in the actual aggregate reproduction process of society?)

These costs arise due to the product having the economic form of a commodity.

If the labor-time which the industrial capitalists themselves lose while directly selling commodities to one another — hence, speaking objectively, the circulation time of the commodities — does not add value to these commodities, it is evident that this labor-time does not change its nature in the least by falling to the merchant instead of the industrial capitalist. The conversion of commodities (products) into money, and of money into commodities (means of production) is a necessary function of industrial capital and, therefore, a necessary operation of the capitalist — who is actually but personified capital endowed with a consciousness of its own and a will. But these functions neither create value, nor produce surplus-value. By performing these operations and carrying on the functions of capital in the sphere of circulation after the productive capitalist has ceased to be involved the merchant merely takes the place of the industrial capitalist. The labor-time required in these operations is devoted to certain necessary operations of the reproduction process of capital, but yields no additional value. If the merchant did not perform these operations (hence, did not expend the labor-time entailed), he would not be applying his capital as a circulation agent of industrial capital; he would not then be continuing the interrupted function of the industrial capitalist, and consequently could not participate as a capitalist *pro rata* to his advanced capital, in the mass of profit produced by industrial capitalists. In order to share in the mass of surplus-value, to expand the value of his advance as capital, the commercial capitalist need not employ wage-workers. If his business and capital are small, he may be the only worker in it. He is paid with that portion of the profit which falls to him through the difference between the purchase price paid by him for commodities and their actual price of production.

But, on the other hand, the profit realized by the merchant on a small amount of advanced capital may be no larger, or may even be smaller, than the wages of one of the better-paid skilled wage-workers. In fact, he brushes shoulders with many direct commercial agents of the productive capitalist, such as buyers, sellers, travelers, who enjoy the same or a higher income either in the form of wages, or in the form of a share in the profit (percentages, bonuses) made from each sale. In the first case, the merchant pockets the mercantile profit as an independent capitalist; in the other, the salesman, the industrial capitalist's wage-laborer, receives a portion of the profit either in the form of wages, or as a proportional share in the profit of the industrial capitalist, whose direct agent he is, while his employer pockets both the industrial and the commercial profit. But in all these cases, although his income may appear to the circulation agent as an ordinary wage, as payment for work performed, and although, where it does not so appear, the profit may be no larger than the wage of a better-paid laborer, his income is derived solely from the mercantile profit. This follows from his labor not being labor which produces value.

The lengthening of the act of circulation represents for the industrial capitalist 1) a personal loss of time, since it prevents him from performing in person his function as manager of the productive process; 2) a longer stay of his product in money- or commodity-form, in the circulation process, hence in a process where it does not expand value and where the direct production process is interrupted. If this process is not to be interrupted, production must either be curtailed, or more money-capital must be advanced to maintain the process of production on the same scale. This means that each time either a smaller profit is made on the capital hitherto invested, or that additional money-capital must be advanced to make the previous profit. All this remains unchanged when the merchant takes the place of the industrial capitalist. Instead of the industrial capitalist devoting more time to the process of circulation, it is the merchant who is so engaged; instead of the industrial capitalist it is the merchant who advances additional capital for circulation; or, what amounts to the same thing, instead of a large portion of the industrial capital being continually diverted into the process of circulation, it is the merchant's capital which is wholly tied up in it; and instead of making a smaller profit, the industrial capitalist must yield a portion of his profit wholly to the merchant. So long as merchant's capital remains within the bounds in which it is necessary, the only difference is that this division of the functions of capital reduces the time exclusively used up in the process of circulation, that less additional capital is advanced for this purpose, and that the loss in total profit, represented by mercantile profit, is smaller than it would otherwise have been. If in the above example, $720_c + 180_v + 180_s$, assisted by a merchant's capital of 100, produces a profit of 162, or 18%, for the industrial capitalist, hence implying a deduction of 18, then, but for this independent merchant's capital, the additional capital required would probably be 200, and we should have a total advance by the industrial capitalist of 1,100 instead of 900, which, based upon a surplus-value of 180, would yield a rate of profit of only 16 4/11%.

If the industrial capitalist who acts as his own merchant advances not only the additional capital to buy new commodities before his product in the process of circulation has been reconverted into money, but also capital (office expenses and wages for commercial employees) to realize the value of

his commodity-capital, or, in other words, for the process of circulation, then these supplements form additional capital, but do not create surplus-value. They must be made good out of the value of the commodities, because a portion of the value of these commodities must be reconverted into these circulation costs. But no additional surplus-value is created thereby. So far as this concerns the total capital of society, it means in fact that a portion of it must be set aside for secondary operations which are no part of the self-expansion process, and that this portion of the social capital must be continually reproduced for this purpose. This reduces the rate of profit for the individual capitalist and for the entire class of industrial capitalists, an effect arising from every new investment of additional capital whenever such capital is required to set in motion the same mass of variable capital.

In so far as these additional costs connected with the business of circulation are transferred from the industrial to the commercial capitalist, there takes place a similar reduction in the rate of profit, but to a lesser degree and in a different way. It now develops that the merchant advances more capital than would be necessary if these costs did not exist, and that the profit on this additional capital increases the amount of the commercial profit, so that more of the merchant's capital joins industrial capital in levelling the average rate of profit and thereby the average profit falls. If in our above example an additional capital of 50 is advanced besides the merchant's capital of 100 to cover the costs in question, then the total surplus-value of 180 is distributed with respect to a productive capital of 900 plus a merchant's capital of 150, together = 1,050. The average rate of profit, therefore, sinks to 17 1/7% The industrial capitalist sells his commodities to the merchant at 900 + 154 2/7 = 1,0542 1/7, and the merchant sells them at 1,130 (1,080 + 50 for costs which he must recover). Moreover, it must be admitted that the division between merchant's and industrial capital is accompanied by a centralization of the commercial expenses and, consequently, by their reduction.

The question now arises: What about the commercial wage-workers employed by the commercial capitalist, here the merchant?

In one respect, such a commercial employee is a wage-worker like any other. In the first place, his labor-power is bought with the variable capital of the merchant, not with money expended as revenue, and consequently it is not bought for private service, but for the purpose of expanding the value of the capital advanced for it. In the second place, the value of his labor-power, and thus his wages, are determined as those of other wage-workers, *i.e.*, by the cost of production and reproduction of his specific labor-power, not by the product of his labor.

However, we must make the same distinction between him and the wage-workers directly employed by industrial capital which exists between industrial capital and merchant's capital, and thus between the industrial capitalist and the merchant. Since the merchant, as a mere agent of circulation, produces neither value nor surplus-value (for the additional value which he adds to the commodities through his expenses resolves itself into an addition of previously existing values, although the question here poses itself, how he preserves this value of his constant capital?) it follows that the mercantile workers employed by him in these same functions cannot directly create surplus-value for him. Here, as in the case of productive laborers, we assume that wages are determined by the value of

the labor-power, and that, hence, the merchant does not enrich himself by depressing wages, so that he does not enter into his cost account an advance for labor which he has paid only in part; in other words, that he does not enrich himself through cheating his clerks, etc.

The difficulty as concerns mercantile wage-workers is by no means to explain how they produce direct profits for their employer without creating any direct surplus-value (of which profit is but a transmuted form). This question has, indeed, already been solved in the general analysis of commercial profits. Just as industrial capital makes profit by selling labor embodied and realized in commodities, for which it has not paid any equivalent, so merchant's capital derives profit from not paying in full to productive capital for all the unpaid labor contained in the commodities (in commodities, in so far as capital invested in their production functions as an aliquot part of the total industrial capital), and by demanding payment for this unpaid portion still contained in the commodities when making a sale. The relation of merchant's capital to surplus-value is different from that of industrial capital. The latter produces surplus-value by directly appropriating the unpaid labor of others. The former appropriates a portion of this surplus-value by having this portion transferred from industrial capital to itself.

It is only through its function of realizing values that merchant's capital acts as capital in the process of reproduction, and hence draws on the surplus-value produced by the total capital. The mass of the individual merchant's profits depends on the mass of capital that he can apply in this process, and he can apply so much more of it in buying and selling, the more the unpaid labor of his clerks. The very function, by virtue of which the merchant's money becomes capital, is largely done through his employees. The unpaid labor of these clerks, while it does not create surplus-value, enables him to appropriate surplus-value, which, in effect, amounts to the same thing with respect to his capital. It is, therefore, a source of profit for him. Otherwise, commerce could never be conducted on a large scale, capitalistically.

Just as the laborer's unpaid labor directly creates surplus-value for productive capital, so the unpaid labor of the commercial wage-worker secures a share of this surplus-value for merchant's capital.

The difficulty lies here: Since the merchant's labor-time and labor do not create value, although they secure for him a share of already produced surplus-value, how does the matter stand with the variable capital which he lays out in purchasing commercial labor-power? Is this variable capital to be included in the cost outlays of the advanced merchant's capital? If not, this appears to conflict with the law of equalization of the rate of profit; what capitalist would advance 150 if he could charge only 100 to advanced capital? If so, it seems to conflict with the nature of merchant's capital, since this kind of capital does not act as capital by setting in motion the labor of others, as industrial capital does, but rather by doing its own work, *i.e.*, performing the functions of buying and selling, this being precisely the means and the reason why it receives a portion of the surplus-value produced by the industrial capital.

(We must therefore analyze the following points: the merchant's variable capital; the law of necessary labor in the sphere of circulation; how the merchant's labor maintains the value of his constant capital; the part played by merchant's capital in the process of reproduction as a whole; and, finally, the duplication in commodity-capital and money-capital, on the one hand, and in commercial capital and money-dealing capital on the other.)

If every merchant had only as much capital as he himself were able to turn over by his own labor, there would be infinite fragmentation of merchant's capital. This fragmentation would increase in the same proportion as productive capital raised production and operated with greater masses in the forward march of the capitalist mode of production. Hence, an increasing disproportion of the two. Capital in the sphere of circulation would become decentralized in the same proportion as it became centralized in the sphere of production. The purely commercial business of the industrial capitalist, and thus his purely commercial expenses, would expand infinitely thereby, for he would have to deal with, say, 1,000 merchants, instead of 100. Thus, the advantages of independently operating merchant's capital would largely be lost. And not the purely commercial expenses alone, but also the other costs of circulation, such as sorting, expressage, etc., would grow. This, as far as the industrial capital is concerned. Now let us consider merchant's capital. Firstly, the purely commercial operations. It does not take more time to deal with large figures than with small ones. It takes ten times as much time to make 10 purchases at £100 each as it does to make *one* purchase at £1,000. It takes ten times as much correspondence, paper, and postage, to correspond with 10 small merchants as it does with *one* large merchant. The clearly defined division of labor in a commercial office, in which one keeps the books, another looks after money matters, a third has charge of correspondence, one buys, another sells, a third travels, etc., saves immense quantities of labor-time, so that the number of workers employed in wholesale commerce are in no way related to the comparative size of the establishment. This is so, because in commerce much more than in industry the same function requires the same labor-time, whether performed on a large or a small scale. This is the reason why concentration appears earlier historically in the merchant's business than in the industrial workshop. Further, regarding outlays in constant capital. One hundred small offices cost incomparably more than one large office, 100 small warehouses more than a large one, etc. The costs of transport, which enter the accounts of a commercial establishment at least as costs to be advanced, grow with the fragmentation.

The industrial capitalist would have to lay out more in labor and in circulation costs in the commercial part of his business. The same merchant's capital, when divided among many small capitalists, would, owing to this fragmentation, require more laborers to perform its functions, and more merchant's capital would, furthermore, be needed to turn over the same commodity-capital.

Suppose B is the entire merchant's capital directly applied in buying and selling commodities, and b the corresponding variable capital paid out in wages to the commercial employees. Then B + b is smaller than the total merchant's capital, B, would be if every merchant had to get along without assistants, hence would invest nothing in b. However, we have not yet overcome the difficulty.

The selling price of the commodities must suffice 1) to pay the average profit on B + b. This is explained if only by the fact that B + b is generally a reduction of the original B, representing a smaller merchant's capital than would be required without b. But this selling price must suffice 2) to cover not only the additional profit on b, but to replace also the paid wages, the merchant's variable capital = b. This last consideration gives rise to the difficulty. Does b represent a new constituent of the price, or is it merely a part of the profit made by means of B + b, which appears as wages only so far as the mercantile wage-worker is concerned, and as concerns the merchant simply replaces variable capital? In the latter case, the merchant's profit on his advanced capital B + b would just equal the profit due to B by virtue of the general rate, plus b, which he pays out in the form of wages, but which does not itself yield a profit.

The crux of the matter is, indeed, to find the limits (mathematically speaking) of b. Let us first accurately define the problem. Let B stand for capital invested directly in buying and selling commodities, K for the constant capital (actual handling costs) consumed in this function, and b for the variable capital invested by the merchant.

Recovering B offers no difficulties at all. For the merchant it is simply the realized purchase price, and the price of production for the manufacturer. It is the price paid by the merchant, and in reselling he recovers B as part of his selling price; in addition to this B, he makes a profit on B, as previously explained. For example, let the commodity cost £100. Suppose the profit is 10%. In that case, the commodity is sold at 110. The commodity previously cost 100, and the merchant's capital of 100 merely adds 10 to it.

Now if we look at K, it is at most as large as, but in fact smaller than, the portion of constant capital which the producer would use up in buying and selling, but then it would form an addition to the constant capital he requires directly in production. This portion, nonetheless, must be continually recovered in the price of the commodity, or, what amounts to the same, a corresponding portion of the commodity must be continually expended in this form, or, from the standpoint of the total capital of society, must be continually reproduced in this form. This portion of the advanced constant capital would have a limiting effect on the rate of profit, just as the entire mass of it directly invested in production. In so far as the industrial capitalist leaves the commercial part of his business to the merchant, he need not advance this part of the capital. The merchant advances it in his stead. In a way, he does this but nominally, since a merchant neither produces, nor reproduces, the constant capital consumed by him (the actual handling costs). Its production appears a separate business, or at least a part of the business, of some industrial capitalists who thus play a role similar to those who supply constant capital to producers of necessities of life. First, therefore, the merchant has this constant capital recovered for him and, secondly, receives his profit on it. Through both of these, therefore, the industrial capitalist's profit is reduced. But owing to economizing and concentration which are bound up with division of labor, it shrinks less than it would if he himself had to advance this capital. The reduction in the rate of profit is less, because the capital thus advanced is less.

So far, then, the selling price is made up of B + K + the profit on B + K. This portion of it offers no further difficulties. But now b, the variable capital advanced by the merchant, enters into it.

The resultant selling price is B + K + b + the profit on B + K + the profit on b.

B merely recovers the purchase price and adds nothing to it but the profit on B. K adds the profit on K, and K itself; but K + the profit on K, the part of the circulation costs advanced in the form of constant capital + the corresponding average profit, would be larger in the hands of the industrial capitalist than in the merchant's. The shrinking of the average profit appears in the form of the full average profit calculated after deducting B + K from the advanced industrial capital, with the deduction from the average profit on B + K paid to the merchant, so that this deduction appears as the profit of a specific capital, merchant's capital.

But the situation is different with respect to b + the profit on b, or, in the present case, where the rate of profit is assumed = 10%, with b + 1/10 b. And the real difficulty lies here.

What the merchant buys with b is, according to our assumption, nothing but commercial labor, hence labor required to perform the functions of circulating capital, C — M and M — C. But commercial labor is the labor generally necessary for a capital to operate as merchant's capital, to help convert commodities into money and money into commodities. It is labor which realizes, but does not create, values. And only in so far as a capital performs these functions — hence a capitalist performs these operations, or this work with his capital — does it serve as merchant's capital and participate in regulating the general rate of profit, *i.e.*, draw its dividends out of the total profit. But (b + the profit on b) appears to include, first, payment for labor (for it makes no difference whether the industrial capitalist pays the merchant for his own labor, or the labor of the clerks paid by the merchant), and, secondly, the profit on the payment for this labor, which the merchant would have to perform in person. First, merchant's capital gets its b refunded, and, secondly, he makes the profit on it. This arises from the fact, therefore, that, first, it requires payment for the work whereby it operates as *merchant's* capital, and that, secondly, it demands the profit, because it operates as *capital, i.e.*, because it performs work for which profit is paid to it as functioning capital. This is, therefore, the question to be solved.

Let us assume that B = 100, b = 10, and the rate of profit = 10%. We take it that K = 0, in order to leave out of consideration this element of the purchase price, which does not belong here and has already been accounted for. Hence, the selling price would = B + p + b + p (= B + Bp' + b + bp'; where p' stands for the rate of profit) = 100 + 10 + 10 + 1 = 121.

But if b were not invested by the merchant in wages — since b is paid only for commercial labor, hence labor required, to realize the value of the commodity — capital thrown on the market by industrial capital — the matter would stand as follows: to buy or sell for B = 100, the merchant would devote his time, and we wish to assume that this is the only time at his disposal. The commercial labor represented by b, or 10, if paid for by profit instead of wages, would presuppose another merchant's capital = 100, since at 10% this makes b = 10. This second B = 100 would not additionally go into the

price of commodities, but the 10% would. There would, hence, be two operations at 100 = 200, that would buy commodities at 200 + 20 = 220.

Since merchant's capital is absolutely nothing but an individualized form of a portion of industrial capital engaged in the process of circulation, all questions referring to it must be solved by representing the problem primarily in a form; in which the phenomena peculiar to merchant's capital do not yet appear independently, but still in direct connection with industrial capital, as a branch of it. As an office, distinct from a workshop, mercantile capital operates continually in the circulation process. It is here — in the office of the industrial capitalist himself — that we must first analyze the b now under consideration.

The office is from the outset always infinitesimally small compared to the industrial workshop. As for the rest, it is clear that as the scale of production is extended, commercial operations required constantly for the circulation of industrial capital, in order to sell the product existing as commodity-capital, to reconvert the money so received into means of production, and to keep account of the whole process, multiply accordingly. Calculation of prices, book-keeping, managing funds, correspondence — all belong under this head. The more developed the scale of production, the greater, even if not proportionately greater, the commercial operations of the industrial capital, and consequently the labor and other costs of circulation involved in realizing value and surplus-value. This necessitates the employment of commercial wage-workers who make up the actual office staff. The outlay for these, although made in the form of wages, differs from the variable capital laid out in purchasing productive labor. It increases the outlay of the industrial capitalist, the mass of the capital to be advanced, without directly increasing surplus-value. Because it is an outlay for labor employed solely in realizing value already created. Like every other outlay of this kind, it reduces the rate of profit be-cause the advanced capital increases, but not the surplus-value. If surplus-value s remains constant while advanced capital C increases to C + DC, then the rate of profit s/C is replaced by the smaller rate of profit s/C + DC. The industrial capitalist endeavors, therefore, to cut these expenses of circulation down to a minimum, just as his expenses for constant capital. Hence, industrial capital does not maintain the same attitude to its commercial wage-laborers as it does to its productive wage-laborers. The more productive wage-laborers it employs under otherwise equal circumstances, the greater the output, and the greater the surplus-value, or profit. Conversely, however, the larger the scale of production, the greater the quantity of value and surplus-value to be realized, the greater the produced commodity-capital, the greater are the absolute, if not relative, office costs, giving rise to a kind of division of labor. To what extent profit is the precondition for these outlays, is seen, among other things, from the fact that with the increase of commercial salaries, a part of them is frequently paid by a share in the profit. It is in the nature of things that labor consisting merely of intermediate operations connected partly with calculating values, partly with realizing them, and partly with reconverting the realized money into means of production, is a labor whose magnitude therefore depends on the quantity of the produced values that have to he realized, and does not act as the cause, like directly productive labor, but rather as an effect, of the respective magnitudes and masses of these values. The same applies to the other costs of circulation. To do much measuring, weighing, packing, and transporting, much must be on

hand. The amount of packing, transporting, etc., depends on the quantity of commodities which are the objects of this activity, not vice versa.

The commercial worker produces no surplus-value directly. But the price of his labor is determined by the value of his labor-power, hence by its costs of production, while the application of this labor-power, its exertion, expenditure of energy, and wear and tear, is as in the case of every other wage-laborer by no means limited by its value. His wage, therefore, is not necessarily proportionate to the mass of profit which he helps the capitalist to realize. What he costs the capitalist and what he brings in for him, are two different things. He creates no direct surplus-value, but adds to the capitalist's income by helping him to reduce the cost of realizing surplus-value, inasmuch as he performs partly unpaid labor. The commercial worker, in the strict sense of the term, belongs to the better-paid class of wage-workers — to those whose labor is classed as skilled and stands above average labor. Yet the wage tends to fall, even in relation to average labor, with the advance of the capitalist mode of production. This is due partly to the division of labor in the office, implying a one-sided development of the labor capacity, the cost of which does not fall entirely on the capitalist, since the laborer's skill develops by itself through the exercise of his function, and all the more rapidly as division of labor makes it more one-sided. Secondly, because the necessary training, knowledge of commercial practices, languages, etc., is more and more rapidly, easily, universally and cheaply reproduced with the progress of science and public education the more the capitalist mode of production directs teaching methods, etc., towards practical purposes. The universality of public education enables capitalists to recruit such laborers from classes that formerly had no access to such trades and were accustomed to a lower standard of living. Moreover, this increases supply, and hence competition. With few exceptions, the labor-power of these people is therefore devaluated with the progress of capitalist production. Their wage falls, while their labor capacity increases. The capitalist increases the number of these laborers whenever he has more value and profits to realize. The increase of this labor is always a result, never a cause of more surplus-value. [314]

There is duplication, therefore. On the one hand, the functions as commodity-capital and money-capital (hence further designated as merchant's capital) are general definite forms assumed by industrial capital. On the other hand, specific capitals, and therefore specific groups of capitalists, are exclusively devoted to these functions; and these functions thus develop into specific spheres of self-expansion of capital.

[314] How well this forecast of the fate of the commercial proletariat, written in 1865, has stood the test of time can be corroborated by hundreds of German clerks, who are trained in all commercial operations and acquainted with three or four languages, and offer their services in vain in London City at 25 shillings per week, which is far below the wages of a good machinist. A blank of two pages in the manuscript indicates that this point was to have been treated at greater length. For the rest, we refer the reader to Book II (Kap. VI.) ("The Costs of Circulation") [English edition: Vol. II, Ch. VI. — Ed.], where various matters belonging under this head have already been discussed. — F.E.

In the case of mercantile capital, the commercial functions and circulation costs are found only in individualized form. That side of industrial capital which is devoted to circulation, continuously exists not only in the shape of commodity-capital and money-capital, but also in the office alongside the workshop. But it becomes independent in the case of mercantile capital. In the latter's case, the office is its only workshop. The portion of capital employed in the form of circulation costs appears much larger in the case of the big merchant than in that of the industrialist, because besides their own offices connected with every industrial workshop, that part of capital which would have to be so applied by the entire class of industrial capitalists is concentrated in the hands of a few merchants, who in carrying out the functions of circulation also provide for the growing expenses incidental to their continuation.

To industrial capital the costs of circulation appear as unproductive expenses, and so they are. To the merchant they appear as a source of his profit, proportional, given the general rate of profit, to their size. The outlay to be made for these circulation costs is, therefore, a productive investment for mercantile capital. And for this reason, the commercial labor which it buys is likewise immediately productive for it.

Chapter 21: Interest-Bearing Capital

In our first discussion of the general, or average, rate of profit (Part II of this book) we did not have this rate before us in its complete form, the equalization of profit appearing only as equalization between industrial capitals invested in different spheres. This was supplemented in the preceding part, which dealt with the participation of merchant's capital in this equalization, and also commercial profit. The general rate of profit and the average profit now appeared in narrower limits than before. It should be remembered in the course of our analysis that in any future reference to the general rate of profit or to average profit we mean this latter connotation, hence only the final form of average rate. And since this rate is the same for mercantile, as well as industrial, capital, it is no longer necessary, so far as this average profit is concerned, to make a distinction between industrial and commercial profit. Whether industrially invested in the sphere of production, or commercially in the sphere of circulation, capital yields the same average annual profit *pro rata* to its magnitude.

Money — here taken as the independent expression of a certain amount of value existing either actually as money or as commodities — may be converted into capital on the basis of capitalist production, and may thereby be transformed from a given value to a self-expanding, or increasing, value. It produces profit, *i.e.*, it enables the capitalist to extract a certain quantity of unpaid labor, surplus-product and surplus-value from the laborers, and to appropriate it. In this way, aside from its use-value as money, it acquires an additional use-value, namely that of serving as capital. Its use-value then consists precisely in the profit it produces when converted into capital. In this capacity of potential

capital, as a means of producing profit, it becomes a commodity, but a commodity *sui generis*. Or, what amounts to the same, capital as capital becomes a commodity. [315]

Suppose the annual average rate of profit is 20%. In that case a machine valued at £100, employed as capital under average conditions and an average amount of intelligence and purposive effort, would yield a profit of £20. A man in possession of £100, therefore, possesses the power to make £120 out of £100, or to produce a profit of £20. He possesses a potential capital of £100. If he gives these £100 to another for one year, so the latter may use them as real capital, he gives him the power to produce a profit of £20 — a surplus-value which costs this other nothing, and for which he pays no equivalent. If this other should pay, say, £5 at the close of the year to the owner of the £100 out of the profit produced, he would thereby pay the use-value of the £100 — the use-value of its function as capital, the function of producing a profit of £20. The part of the profit paid to the owner is called interest, which is just another name, or special term, for a part of the profit given up by capital in the process of functioning to the owner of the capital, instead of putting it into its own pocket.

It is plain that the possession of £100 gives their owner the power to pocket the interest — that certain portion of profit produced by means of his capital. If he had not given the £100 to the other person, the latter could not have produced any profit, and could not at all have acted as a capitalist with reference to these £100. [316]

To speak here of natural justice, as Gilbart does (see note), is nonsense. The justice of the transactions between agents of production rests on the fact that these arise as natural consequences out of the production relationships. The juristic forms in which these economic transactions appear as willful acts of the parties concerned, as expressions of their common will and as contracts that may be enforced by law against some individual party, cannot, being mere forms, determine this content. They merely express it. This content is just whenever it corresponds, is appropriate, to the mode of production. It is unjust whenever it contradicts that mode. Slavery on the basis of capitalist production is unjust; likewise, fraud in the quality of commodities.

The £100 produce the profit of £20 because they function as capital, be it industrial or mercantile. But the *sine qua non* of this function as capital is that they are expended as capital, *i.e.*, are expended in purchasing means of production (in the case of industrial capital) or commodities (in the case of merchant's capital). But to be expended, they must be available. If A, the owner of the £100, were either to spend them for personal consumption, or to keep them as a hoard, they could not have been invested as capital by B in his capacity of functioning capitalist. B does not expend his own capital, but A's; however, he cannot expend A's capital without A's consent. Therefore, it is really A who originally expends the £100 as capital, albeit his function as capitalist is limited to this outlay of £100 as capital. In

[315] At this point certain passages may be quoted, in which the economists so conceive the matter. — "You (the Bank of England) are very large dealers in the commodity of capital?" is the question posed to a director of this bank when he was interrogated for the Report on Bank Acts on the witness stand. (H. of C. 1857, p. 404.)

[316] "That a man who borrows money with a view of making a profit by it, should give some portion of his profit to the lender, is a self-evident principle of natural justice." (Gilbart, The History and Principles of Banking, London, 1834, p.463.)

respect to these £100, B acts as capitalist only because A lends him the £100, thus expending them as capital.

Let us first consider the singular circulation of interest-bearing capital. We shall then secondly have to analyze the peculiar manner in which it is sold as a commodity, namely loaned instead of relinquished once and for all.

The point of departure is the money which A advances to B. This may be done with or without security. The first-named form, however, is the more ancient, save advances on commodities or paper, such as bills of exchange, shares, etc. These special forms do not concern us at this point. We are dealing here with interest-bearing capital in its usual form.

In B's possession the money is actually converted into capital, passes through M — C — M' and returns to A as M', as M+ΔM, where ΔM represents the interest. For the sake of simplicity, we shall not consider here the case, in which capital remains in B's possession for a long term and interest is paid at regular intervals.

The movement, therefore, is

M — M — C — M' — M'.

What appears duplicated here, is 1) the outlay of money as capital, and 2) its reflux as realized capital, as M' or M+ΔM.

In the movement of merchant's capital, M — C — M', the same commodity changes hands twice, or more than twice, if merchant sells to merchant. But every such change of place of the same commodity indicates a metamorphosis, a purchase or sale of the commodity, no matter how often the process may be repeated, until it enters consumption.

On the other hand, the same money changes hands twice in C — M — C, but this indicates the complete metamorphosis of the commodity, which is first converted into money and then from money back into another commodity.

But in interest-bearing capital the first time M changes hands are by no means a phase either of the commodity metamorphosis, or of reproduction of capital. It first becomes one when it is expended a second time, in the hands of the active capitalist who carries on trade with it, or transforms it into productive capital. M's first change of hands does not express anything here, beyond its transfer from A to B — a transfer which usually takes place under certain legal forms and stipulations.

This double outlay of money as capital, of which the first is merely a transfer from A to B, is matched by its double reflux. As M', or M + ΔM, it flows back out of the process to B, the person acting as capitalist. The latter then transfers it back to A, but together with a part of the profit, as realized capital, as M + ΔM, in which ΔM is not the entire profit, but only a portion of the profit — the interest. It flows back to B only as what he had expended, as functioning capital, but as the property of A. To make its reflux complete, B must consequently return it to A. But in addition to the capital, B must also

turn over to A a portion of the profit, a part which goes under the name of interest, which he had made with this capital since A had given him the money only as a capital, *i.e.*, as value which is not only preserved in its movement, but also creates surplus-value for its owner. It remains in B's hands only so long as it is functioning capital. And with its reflux — on the stipulated date — it ceases to function as capital. When no longer acting as capital, however, it must again be returned to A, who had never ceased being its legal owner.

The form of lending, which is peculiar to this commodity, to capital as commodity, and which also occurs in other transactions instead of that of sale, follows from the simple definition that capital obtains here as a commodity, or that money as capital becomes a commodity.

A distinction should be made here.

We have seen (Book II, Chap. I), and recall briefly at this point, that in the process of circulation capital serves as commodity-capital and money-capital. But in neither form does capital become a commodity as capital.

As soon as productive capital turns into commodity-capital it must be placed on the market to be sold as a commodity. There it acts simply as a commodity. The capitalist then appears only as the seller of commodities, just as the buyer is only the buyer of commodities. As a commodity the product must realize its value, must assume its transmuted form of money, in the process of circulation by its sale. It is also quite immaterial for this reason, whether this commodity is bought by a consumer as a necessity of life, or by a capitalist as means of production, *i.e.*, as a component part of his capital. In the act of circulation commodity-capital acts only as a commodity, not as a capital. It is commodity-*capital*, as distinct from an ordinary commodity, 1) because it is weighted with surplus-value, the realization of its value, therefore, being simultaneously the realization of surplus-value; but this alters nothing about its simple existence as a commodity, as a product with a certain price; 2) because its function as a commodity is a phase in its process of reproduction as capital, and therefore its movement as a commodity being only a partial movement of its process, is simultaneously its movement as capital. Yet it does not become that through the sale as such, but only through the connection of the sale with the whole movement of this specific quantity of value in the capacity of capital.

In the same way as money-capital it really acts simply as money, *i.e.*, as a means of buying commodities (the elements of production). The fact that this money is simultaneously money-capital, a form of capital, does not emerge from the act of buying, the actual function which it here performs as money, but from the connection of this act with the total movement of capital, since this act, performed by capital as money, initiates the capitalist production process.

But in so far as they actually function, *i.e.*, actually play a role in the process, commodity-capital acts here only as a commodity and money-capital only as money. At no time during the metamorphosis, viewed by itself, does the capitalist sell his commodities as *capital* to the buyer, although to him they represent capital; nor does he give up money as capital to the seller. In both cases

be gives up his commodities simply as commodities, and money simply as money, *i.e.*, as a means of purchasing commodities.

It is only in connection with the entire process, at the moment where the point of departure appears simultaneously as the point of return, in M — M' or C — C', that capital in the process of circulation appears as capital (whereas in the process of production it appears as capital through the subordination of the laborer to the capitalist and the production of surplus value). In this moment of return, however, the connection disappears. What we have then is M', or M + ΔM, a sum of money equal to the sum originally advanced plus an increment — the realized surplus-value (regardless of whether the amount of value increased by ΔM exists in the form of money, or commodities, or elements of production). And it is precisely at this point of return where capital exists as realized capital, as an expanded value, that it never enters the circulation in this form — in so far as this point is fixed as a point of rest, whether real or imaginary — but rather appears to have been withdrawn from circulation as a result of the whole process. Whenever it is again expended, it is never given up to another as *capital*, but is sold to him as an ordinary commodity, or given to him as ordinary money in exchange for commodities. It never appears as capital in its process of circulation, only as commodity or money, and at this point this is the only form of its existence for *others*. Commodities and money are here capital not because commodities change into money, or money into commodities, not in their actual relations to sellers or buyers, but only in their ideal relations to the capitalist himself (subjectively speaking), or as phases in the process of reproduction (objectively speaking). Capital exists as capital in actual movement, not in the process of circulation, but only in the process of production, in the process by which labor-power is exploited.

The matter is different with interest-bearing capital, however, and it is precisely this difference which lends it its specific character. The owner of money who desires to enhance his money as interest-bearing capital, turns it over to a third person, throws it into circulation, turns it into a commodity as *capital*; not just capital for himself, but also for others. It is not capital merely for the man who gives it up, but is from the very first given to the third person as capital, as a value endowed with the use-value of creating surplus-value, of creating profit; a value which preserves itself in its movement and returns to its original owner, in this case the owner of money, after performing its function. Hence it leaves him only for a specified time, passes but temporarily out of the possession of its owner into the possession of a functioning capitalist, is therefore neither given up in payment nor sold, but merely loaned, merely relinquished with the understanding that, first, it shall return to its point of departure after a definite time interval, and, second, that it shall return as realized capital — a capital having realized its use-value, its power of creating surplus-value.

Commodities loaned out as capital are loaned either as fixed or as circulating capital, depending on their properties. Money may be loaned out in either form. It may be loaned as fixed capital, for instance, if it is paid back in the form of an annuity, whereby a portion of the capital flows back together with the interest. Certain commodities, such as houses, ships, machines, etc., can be loaned out only as fixed capital by the nature of their use-values. Yet all loaned capital, whatever its form, and no

matter how the nature of its use-value may modify its return, is always only a specific form of money-capital. Because what is loaned out is always a definite sum of money, and it is this sum on which interest is calculated. Should whatever be loaned out be neither money nor circulating capital, it is also paid back in the way fixed capital returns. The lender periodically receives interest and a portion of the consumed value of the fixed capital itself, this being an equivalent for the periodic wear and tear. And at the end of the stipulated term the unconsumed portion of the loaned fixed capital is returned in kind. If the loaned capital is circulating capital, it is likewise returned in the manner peculiar to circulating capital.

The *manner* of reflux is, therefore, always determined by the actual circuit described by capital in the act of reproduction and by its specific varieties. But as for loaned capital, its reflux assumes the *form* of return payments, because its advance, by which it is transferred, possesses the form of a loan.

In this chapter we treat only of actual money-capital, from which the other forms of loaned capital are derived.

The loaned capital flows back in two ways. In the process of reproduction, it returns to the functioning capitalist, and then its return repeats itself once more as transfer to the lender, the money-capitalist, as return payment to the real owner, its legal point of departure.

In the actual process of circulation, capital appears always as a commodity or as money, and its movement always is broken up into a series of purchases and sales. In short, the process of circulation resolves itself into the metamorphosis of commodities. It is different, when we consider the process of reproduction as a whole. If we start out with money (and the same is true if we start out with commodities, since we begin with their value, hence view them *sub specie* as money), we shall see that a certain sum of money is expended and returns after a certain period with an increment. The advanced sum of money returns together with a surplus-value. It has remained intact and increased in making a certain cycle. But now, being loaned out as capital, money is loaned as just the sum of money which preserves and expands itself, which returns after a certain period with an increment, and is always ready to perform the same process over again. It is expended neither as money nor as a commodity, thus neither exchanged against a commodity when advanced in the form of money, nor sold in exchange for money when advanced as a commodity; rather, it is expended as capital. This relation to itself, in which capital presents itself when the capitalist production process is viewed as a whole and as a single unity, and in which capital appears as money that begets money, is here imparted to it as its character, its designation, without any intermediary movement. And it is relinquished with this designation when loaned out as money-capital.

A queer conception of the role of money-capital is held by Proudhon (*Gratuité du Crédit. Discussion entre M. F. Bastiat et M. Proudhon*, Paris, 1850). Loaning seems an evil to Proudhon because it is not selling. Loaning for an interest is

> "The faculty of selling the same article over and over again, and of receiving its price again and again, without once relinquishing ownership of the object which is being sold" (p. 9). [The cited

words belong to Cheve, one of the editors of the newspaper *La Voix du peuple*, and the author of the "first letter" in the book *Gratuité du Crédit. Discussion entre M. F. Bastiat et M. Proudhon*, Paris, 1850. — *Ed*]

The object — money, a house, etc. — does not change owners as in selling and buying. But Proudhon does not see that no equivalent is received in return for money given away in the form of interest-bearing capital. True, the object is given away in every act of buying and selling, so far as there are processes of exchange at all. Ownership of the sold article is always relinquished. But its value is not given up. In a sale the commodity is given away, but not its value, which is returned in the form of money, or in what is here just another form of it — promissory notes, or titles of payment. When purchasing, the money is given away, but not its value, which is replaced in the form of commodities. The industrial capitalist retains the same value in his hands throughout the process of reproduction (excluding surplus-value), but in different forms.

Inasmuch as there is an exchange, *i.e.*, an exchange of articles, there is no change in the value. The same capitalist always retains the same value. But so long as surplus-value is produced by the capitalist, there is no exchange. As soon as an exchange occurs, the surplus-value is already incorporated in the commodities. If we view the entire circuit made by capital, M — C — M', rather than individual acts of exchange, we shall see that a definite amount of value is continually advanced, and that this same amount plus surplus-value, or profit, is withdrawn from circulation. The actual acts of exchange do not, at any rate, reveal how this process is promoted. And it is precisely this process of M as capital, on which the interest of the money-lending capitalist rests, and from which it is derived.

"In fact," says Proudhon, "the hat-maker, who sells hats, receives their value, neither more nor less. But the money-lending capitalist ... does not recover just his capital, he recovers more than his capital, more than he throws into the exchange; he receives an interest over and above his capital" (p. 69).

Here the hatter represents the productive capitalist as distinct from the loan capitalist. Proudhon has obviously failed to grasp the secret of how the productive capitalist can sell commodities at their value (equalization through prices of production is here immaterial to his conception) and receive a profit over and above the capital he flings into exchange. Suppose the price of production of 100 hats = £115, and that this price of production happens to coincide with the value of the hats, which means that the capital producing the hats is of the same composition as the average social capital. Should the profit = 15%, the hatter makes a profit of £15 by selling his commodities at their value of £115. They cost him only £100. If he produced them with his own capital, he pockets the entire surplus of £15 but if with borrowed capital, he may have to give up £5 as interest. This alters nothing in the value of the hats, only in the distribution among different persons of the surplus-value already contained in this value. Since, therefore, the value of the hats is not affected by the payment of interest, it is nonsense on Proudhon's part to say:

"As in commerce the interest on capital is added to the wages of laborers in making up the price of commodities, it is impossible for the laborer to buy back the product of his own labor. *Vivre en travaillant* is a principle which contains a contradiction under the rule of interest" (p. 105). [317]

How little Proudhon understood the nature of capital is shown in the following statement, in which he describes the movement of capital in general as a movement peculiar to interest-bearing capital:

"Since money-capital returns to its source from exchange through the accumulation of interest, it follows that reinvestment always made by the same individual continually brings profit to the same person," p. 154.

What is it that still puzzles him in the peculiar movement of interest-bearing capital? The categories: buying, price, giving up articles, and the immediate form in which surplus-value appears here; in short, the phenomenon that capital as such has become a commodity, that selling, consequently, has turned into lending and price into a share of the profit.

The return of capital to its point of departure is generally the characteristic movement of capital in its total circuit. This is by no means a feature of interest-bearing capital alone. What singles it out is rather the external form of its return without the intervention of any circuit. The loaning capitalist gives away his capital, transfers it to the industrial capitalist, without receiving any equivalent. His transfer is not an act belonging to the real circulation process of capital at all. It serves merely to introduce this circuit, which is affected by the industrial capitalist. This first change of position of money does not express any act of the metamorphosis — neither buying nor selling. Ownership is not relinquished, because there is no exchange and no equivalent is received. The return of the money from the hands of the industrial capitalist to those of the loaning capitalist merely supplements the first act of giving away the capital. Advanced in the form of money, the capital again returns to the industrial capitalist through the circular process in the form of money. But since it did not belong to him when he invested it, it cannot belong to him on its return. Passing through the process of reproduction cannot by any means turn the capital into his property. He must therefore restore it to the lender. The first expenditure, which transfers the capital from the lender to the borrower, is a legal transaction which has nothing to do with the actual process of reproduction. It is merely a prelude to this process. The return payment, which again transfers the capital that has flowed back from the borrower to the lender is another legal transaction, a supplement of the first. One introduces the actual process; the other is an act supplementary to this process. Point of departure and point of return, the giving away and the recovery of the loaned capital, thus appear as arbitrary movements promoted by legal transactions,

[317] "A house," "money," etc., are not to be loaned as "capital" if Proudhon is to have his way, but are to be sold as "commodities ... cost-price" (p. 44). Luther stood somewhat above Proudhon. He knew that profit-making does not depend on the manner of lending or buying: "They turn buying also into usury. But this is really too much to bite off at once. We must first confine ourselves to one thing, usury in lending, and after we have stopped that (after judgement-day), we shall not fail to preach against usury in buying." (Martin Luther, An die Pfarherrn wider den Wucher zu predigen, Wittenberg, 1540.)

which take place before and after the actual movement of capital and have nothing to do with it as such. It would have been all the same as concerns this actual movement if the capital had from the first belonged to the industrial capitalist and had returned to him, therefore, as his own.

In the first introductory act the lender gives his capital to the borrower. In the supplemental and closing act the borrower returns the capital to the lender. As concerns the transaction between these two — and aside from the interest for the present — as concerns the movement of the loaned capital between lender and borrower, therefore, the two acts (separated by a longer or shorter time interval, during which the actual reproduction process of the capital takes place) embrace the entire movement. And this movement, disposing on condition of returning, constitutes *per se* the movement of lending and borrowing, that specific form of conditionally alienating money or commodities.

The characteristic movement of capital in general, the return of the money to the capitalist, *i.e.*, the return of capital to its point of departure, assumes in the case of interest-bearing capital a wholly external appearance, separated from the actual movement, of which it is a form. A gives away his money not as money, but as capital. No transformation occurs in the capital. It merely changes hands. Its real transformation into capital does not take place until it is in the hands of B. But for A it becomes capital as soon as he gives it to B. The actual reflux of capital from the processes of production and circulation takes place only for B. But for A the reflux assumes the same form as the alienation. The capital returns from B to A. Giving away, *i.e.*, loaning money for a certain time and receiving it back with interest (surplus-value) is the complete form of the movement peculiar to interest-bearing capital as such. The actual movement of loaned money as capital is an operation lying outside the transactions between lender and borrower. In these the intermediate act is obliterated, invisible, not directly included. A special sort of commodity, capital has its own peculiar mode of alienation. Neither does its return, therefore, express itself as the consequence and result, of some definite series of economic processes, but as the effect of a specific legal agreement between buyer and seller. The time of return depends on the progress of the process of reproduction; in the case of interest-bearing capital, its return as capital *seems* to depend on the mere agreement between lender and borrower. So that in regard to this transaction the return of capital no longer appears as a result arising out of the process of reproduction; it appears as if the loaned capital never lost the form of money. To be sure, these transactions are really determined by the actual reproductive returns. But this is not evident in the transaction itself. Nor is it by any means always the case in practice. If the actual return does not take place in due time, the borrower must look for other resources to meet his obligations vis-à-vis the lender. The bare *form* of capital — money expended as a certain sum, A, which returns as sum A + 1/x A after a given lapse of time without any other intermediate act save this lapse of time — is only a meaningless form of the actual movement of capital.

In the actual movement of capital its return is a phase in the process of circulation. The money is first converted into means of production; production transforms them into commodities; through sale of the commodities, they are reconverted into money and return in this form into the hands of the capitalist who had originally advanced the capital in the form of money. But in the case of interest-

bearing capital, the return, like alienation, is the result of a legal transaction between the owner of the capital and a second party. We see only the alienation and the return payment. Whatever passes in the interim is obliterated.

But since money advanced as capital has the property of returning to the person who advanced it, to the one who expended it as capital, and since M — C — M' is the immanent form of the movement of capital, the owner of the money can, for this very reason, loan it out as capital, as something that has the property of returning to its point of departure, of preserving, and increasing, its value in the course of its movement. He gives it away as capital, because it returns to its point of departure after having been employed as capital, hence can be restored by the borrower after a certain period precisely because it has come back to him.

Loaning money as capital — its alienation on the condition of it being returned after a certain time-presupposes, therefore, that it will be actually employed as capital, and that it actually flows back to its starting-point. The real cycle made by money as capital is, therefore, the premise for the legal transaction by which the borrower must return the money to the lender. If the borrower does not use the money as capital, that is his own business. The lender loans it as capital, and as such it is supposed to perform the functions of capital, which include the circuit of money-capital until it returns to its starting-point in the form of money.

The acts of circulation, M — C and C — M', in which a certain amount of value functions as money or commodities, are but intermediate processes, mere phases of the total movement. As capital, it performs the entire movement M — M'. It is advanced as money or a sum of values in one form or another, and returns as a sum of values. The lender of money does not expend it in purchasing commodities, or, if this sum of values is in commodity-form, does not sell it for money. He advances it as capital, as M — M', as a value, which returns to its point of departure after a certain term. He lends instead of buying or selling. This lending, therefore, is the appropriate form of alienating value as *capital*, instead of alienating it as money or commodities. It does not follow, however, that lending cannot also take the form of transactions which have nothing to do with the capitalist process of reproduction.

We have so far only considered the movements of loaned *capital* between its owner and the industrial capitalist. Now we must inquire into *interest*.

The lender expends his money as capital; the amount of value, which he relinquishes to another, is capital, and consequently returns to him. But the mere return of it would not be the reflux of the loaned sum of value as *capital*, but merely the return of a loaned sum of value. To return as capital, the advanced sum of value must not only be preserved in the movement but must also expand, must increase in value, *i.e.*, must return with a surplus-value, as M + ΔM, the latter being interest or a portion of the average profit, which does not remain in the hands of the operating capitalist, but falls to the share of the money-capitalist.

The fact that the latter has relinquished it as capital implies that it must be restored to him as M + ΔM. Later, we shall also have to turn our attention to the form in which interest is paid in the meantime at fixed intervals, but without the capital, whose return follows at the end of a lengthy period.

What does the money-capitalist give to the borrower, the industrial capitalist? What does he really turn over to him? It is only this act of handing over money which changes lending money into alienation of money as capital, *i.e.*, alienation of capital as a commodity.

It is only by this act of alienating that capital is loaned by the money-lender as a commodity, or that the commodity at his disposal is given to another as capital.

What is alienated in an ordinary sale? Not the value of the sold commodity, for this merely changes its form. The value exists ideally in a commodity as its price before it actually passes as money into the hands of the seller. The same value and the same amount of value merely change their form. In the one instance they exist in commodity-form, in the other in the form of money. What is really alienated by the seller, and, therefore, passes into the individual or productive consumption of the buyer, is the use-value of the commodity — the commodity as a use-value.

What, now, is the use-value which the money-capitalist gives up for the period of the loan and relinquishes to the productive capitalist — the borrower? It is the use-value which the money acquires by being capable of becoming capital, of performing the functions of capital, and creating a definite surplus-value, the average profit (whatever is above or below it appears here as a mere accident) during its process, besides preserving its original magnitude of value. In the case of the other commodities the use-value is ultimately consumed. Their substance disappears, and with it their value. In contrast, the commodity-capital is peculiar in that its value and use-value not only remain intact but also increase, through consumption of its use-value.

It is this use-value of money as capital — this faculty of producing an average profit — which the money-capitalist relinquishes to the industrial capitalist for the period, during which he places the loaned capital at the latter's disposal.

Money thus loaned has in this respect a certain similarity with labor-power in its relation to the industrial capitalist. With the difference that the latter pays for the value of labor-power, whereas he simply pays back the value of the loaned capital. The use-value of labor-power for the industrial capitalist is that labor-power creates more value (profit) in its consumption than it possesses itself, and then it costs. This additional value is use-value for the industrial capitalist. And in like manner the use-value of loaned capital appears as its faculty of begetting and increasing value.

The money-capitalist, in fact, alienates a use-value, and thus whatever he gives away is given as a commodity. It is to this extent that the analogy with a commodity *per se* is complete. In the first place, it is a value which passes from one hand to another. In the case of an ordinary commodity, a commodity as such, the same value remains in the hands of the buyer and seller, only in different forms; both have the same value which they had before the transaction, and which they had alienated — the one in the

form of a commodity, the other in the form of money. The difference is that in a loan the money-capitalist is the only one in the transaction who gives away value; but he preserves it through the prospective return. In the loan transaction just one party receives value, since only one party relinquishes value. — In the second place, a real use-value is relinquished on the one side, and received and consumed on the other. But in contrast to ordinary commodities this use-value is value in itself, namely the excess over the original value realized through the use of money as capital. The profit is this use-value.

The use-value of the loaned money lies in its being able to serve as capital and, as such, to produce the average profit under average conditions. [318]

What, now, does the industrial capitalist pay, and what is, therefore, the price of the loaned capital?

"That which men pay as interest for the use of what they borrow" is, according to Massie, "a part of the profit it is capable of producing," 1. c., p. 49. [319]

What the buyer of an ordinary commodity buys is its use-value; what he pays for is its value. What the borrower of money buys is likewise its use-value as capital; but what does he pay for? Surely not its price, or value, as in the case of ordinary commodities. No change of form occurs in the value passing between borrower and lender, as occurs between buyer and seller when it exists in one instance in the form of money, and in another in the form of a commodity. The sameness of the alienated and returned value is revealed here in an entirely different way. The sum of value, *i.e.*, the money, is given away without an equivalent, and is returned after a certain period. The lender always remains the owner of the same value, even after it passes from his hands into those of the borrower. In an ordinary exchange of commodities money always comes from the buyer's side; but in a loan it comes from the side of the seller. He is the one who gives away money for a certain period, and the buyer of capital is the one who receives it as a commodity. But this is only possible as long as the money acts as capital and is therefore advanced. The borrower borrows money as capital, as a value producing more value. But at the moment when it is advanced it is still only potential capital, like any other capital at its starting-point, the moment it is advanced. It is only through its employment that it expands its value and realizes itself as capital. However, it has to be returned by the borrower as *realized* capital, hence as value plus surplus-value (interest). And the latter can only be a portion of the realized profit. Only a portion, not all of it. For the use-value of the loaned capital to the borrower consists in producing profit for him. Otherwise, there would not have been any alienation of use-value on the lender's part. On the other hand, not all the profit can fall to the borrower's share. Otherwise, he

[318] "The equitableness of taking interest depends not upon a man's making or not making profit, but upon its" (the borrowed) "being capable of producing profit if rightly employed". (An Essay on the Governing Causes of the Natural Rate of Interest, wherein the sentiments of Sir W. Petty and Mr. Locke, on that head, are considered, London, 1750, p. 49. The author of this anonymous work is J. Massie.)

[319] "Rich people, instead of employing their money themselves ... let it out to other people for them to make profit of, reserving for the owners a proportion of the profits so made" (l. c., pp. 23-24).

would pay nothing for the alienated use-value, and would return the advanced money to the lender as ordinary money, not as capital, as realized capital, for it is realized capital only as M + ΔM.

Both of them, lender and borrower, expend the same sum of money as capital. But it is only in the hands of the latter that it serves as capital. The profit is not doubled by the double existence of the same sum of money as capital for two persons. It can serve as capital for both of them only by dividing the profit. The portion which falls to the lender is called interest.

The entire transaction, as assumed, takes place between two kinds of capitalists — the money-capitalist and the industrial or merchant capitalist.

It must always be borne in mind that here capital as capital is a commodity, or that the commodity here discussed is capital. All the relations in evidence here would therefore be irrational from the standpoint of an ordinary commodity, or from that of capital in so far as it acts as a commodity-capital in the process of reproduction. Lending and borrowing, instead of selling and buying, is a distinction which here springs from the specific nature of the commodity-capital. Similarly, the fact that it is interest, not the price of the commodity, which is paid here. If we want to call interest the price of money-capital, then it is an irrational form of price quite at variance with the conception of the price of commodities. [320] The price is here reduced to its purely abstract and meaningless form, signifying that it is a certain sum of money paid for something serving in one way or another as a use-value; whereas the conception of price really signifies the value of some use-value expressed in money.

Interest, signifying the price of capital, is from the outset quite an irrational expression. The commodity in question has a double value, first a value, and then a price different from this value, while price represents the expression of value in money. Money-capital is nothing but a sum of money, or the value of a certain quantity of commodities fixed in a sum of money. If a commodity is loaned out as capital, it is only a disguised form of a sum of money. Because what is loaned out as capital is not so and so many pounds of cotton, but so much and so much money existing in the form of cotton as its value. The price of capital, therefore, refers to it as to a sum of money, even if not currency, as Mr. Torrens thinks (see Footnote 59). How, then, can a sum of value have a price besides its own price, besides the price expressed in its own money-form? Price, after all, is the value of a commodity (this is also true of the market-price, whose difference from value is not one of quality, but only one of quantity, referring only to the magnitude of value) as distinct from its use-value. A price which differs from value in quality is an absurd contradiction. [321]

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[320] "The term 'value,' when applied to currency, has three several meanings ... 2) currency, actually in hand... compared with the same amount of currency to be received upon a future day. In this case the value of currency is measured by the rate of interest, and the rate of interest being determined by the ratio between the amount of liable capital and the demand for it." (Colonel R. Torrens, On the Operation of the Bank Charter Act of 1844, etc., 2nd ed., 1847, pp. 5, 6.)

[321] "The ambiguity of the term 'value of money' or of the currency, when employed indiscriminately as it is, to signify both value in exchange for commodities and value in use of capital, is a constant source of confusion." (Tooke, Inquiry into the Currency Principle, p. 77.) The main confusion (implied in the matter itself) that value as such (interest) becomes the use-value of capital, has escaped Tooke.

Capital manifests itself as capital through self-expansion. The degree of its self-expansion expresses the quantitative degree in which it realizes itself as capital. The surplus-value or profit produced by it — its rate or magnitude — is measurable only by comparison with the value of the advanced capital. The greater or lesser self-expansion of interest-bearing capital is, therefore, likewise only measurable by comparing the amount of interest, its share in the total profits, with the value of the advanced capital. If, therefore, price expresses the value of the commodity, then interest expresses the self-expansion of money-capital and thus appears as the price paid for it to the lender. This shows how absurd it is from the very first to apply hereto the simple relations of exchange through the medium of money in buying and selling, as Proudhon does. The basic premise is precisely that money functions as capital and may thus be transferred as such, *i.e.*, as potential capital, to a third person.

Capital, however, appears here as a commodity, inasmuch as it is offered on the market, and the use-value of money is actually alienated as capital. Its use-value, however, lies in producing profit. The value of money or of commodities employed as capital does not depend on their value as money or as commodities, but on the quantity of surplus-value they produce for their owner. The product of capital is profit. On the basis of capitalist production, it is merely a different use of money — whether it is expended as money; or advanced as capital. Money, or commodities, are in themselves potentially capital, just as labor-power is potential capital. Because, 1) money may be converted into elements of production and is, as is, merely an abstract expression of them — their existence as value; 2) the material elements of wealth have the property of potentially becoming capital, because their supplementary opposite, which makes them into capital, namely wage-labor, is available on the basis of capitalist production.

The contradictory social features of material wealth — its antagonism to labor as wage-labor — are expressed in capitalist property as such independently of the production process. This particular fact, set apart from the process of capitalist production itself, from which it constantly results and as whose constant result it serves as a constant prerequisite, expresses itself in that money and commodities alike are latent, potential, capital, so that they may be sold as capital, and in that they can in this form command the labor of others bestowing a claim to appropriate the labor of others, and therefore represent self-expanding values. It also becomes clearly apparent that this relationship, and not the labor offered as an equivalent on the part of the capitalist, supplies the title and the means to appropriate the labor of others.

Furthermore, capital appears as a commodity, inasmuch as the division of profit into interest and profit proper is regulated by supply and demand, that is, by competition, just as the market-prices of commodities. But the difference here is just as apparent as the analogy. If supply and demand coincide, the market-price of commodities corresponds to their price of production, *i.e.*, their price then appears to be regulated by the immanent laws of capitalist production, independently of competition, since the fluctuations of supply and demand explain nothing but deviations of market-prices from prices of production. These deviations mutually balance one another, so that in the course of certain longer periods the average market-prices equal the prices of production. As soon as supply and demand

coincide, these forces cease to operate, *i.e.*, compensate one another, and the general law determining prices then also comes to apply to individual cases. The market-price then corresponds even in its immediate form, and not only as the average of market-price movements, to the price of production, which is regulated by the immanent laws of the mode of production itself. The same applies to wages. If supply and demand coincide, they neutralize each other's effect, and wages equal the value of labor-power. But it is different with the interest on money-capital. Competition does not, in this case, determine the deviations from the rule. There is rather no law of division except that enforced by competition, because, as we shall later see, no such thing as a "natural" rate of interest exists. By the natural rate of interest people merely mean the rate fixed by free competition. There are no "natural" limits for the rate of interest. Whenever competition does not merely determine the deviations and fluctuations, whenever, therefore, the neutralization of opposing forces puts a stop to any and all determination, the thing to be determined becomes something arbitrary and lawless. More on this in the next chapter.

In the case of interest-bearing capital everything appears superficial: the advance of capital as mere transfer from lender to borrower; the reflux of realized capital as mere transfer back, as a return payment with interest, by borrower to lender. The same is true of the fact, immanent in the capitalist mode of production, that the rate of profit is not only determined by the relation of profit made in one single turnover to advanced capital-value, but also by the length of this period of turnover, hence determined as profit yielded by industrial capital within definite spans of time. In the case of interest-bearing capital this likewise appears on the surface to mean that a definite interest is paid to the lender for a definite time span.

With his usual insight into the internal connection of things, the romantic Adam Müller says (*Elemente der Staatskunst*, Berlin, 1809, Dritter Theil, S. 138);

"In determining the prices of things, time is not considered; while in determining interest, time is the principal factor."

He does not see how the time of production and the time of circulation enter into the determination of commodity-prices, and how this is just what determines the rate of profit for a given period of turnover of capital, whereas interest is determined by precisely this determination of profit for a given period. His sagacity here, as elsewhere, consists in observing the clouds of dust on the surface and presumptuously declaring this dust to be something mysterious and important.

Unit 4. Land Rent and Capitalist Development in Agriculture.

Topics covered:

I. Land rent and its forms.
II. Evolution of rent.
III. Capitalist development in agriculture.
IV. Capitalism and small property, Cooperatives

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CHAPTER 12 : MERCHANT CAPITAL AND MERCHANTS' PROFIT

Merchants' Profit and its Source

Merchant and money-lenders' capital preceded industrial capital in history. Under the capitalist mode of production these forms of capital lose their previous independent role; their functions are reduced to serving industrial capital. Consequently, under capitalism, merchant capital and interest-bearing capital are essentially different from what they were in their pre-capitalist forms.

Industrial capital, as already stated, assumes in the course of its rotation three successive forms: money capital, industrial capital and commodity capital, which have different functions. These functional forms of industrial capital come to stand apart from each other at a certain level of its development. From industrial capital employed in production there is separated off merchant capital, in the shape of the capital of the merchant, and loan capital in the shape of bank capital. Within the capitalist class three groups are formed, all sharing in the appropriation of surplus-value: manufacturers, merchants and bankers.

Merchant capital is capital employed in the sphere of commodity circulation. In this sphere no surplus-value is created. Whence, then, does the merchant's profit arise? If the capitalist manufacturer himself were to undertake the realization of his commodities, he would have to spend part of his capital on equipping commercial establishments, hiring salesmen, and other expenses connected with trade. In order to do this, he would have to increase the amount of capital advanced or else, with the same amount of capital advanced, to reduce the scale of production.

And in either case his profit would fall. The manufacturer prefers to sell his commodities to a middleman-a merchant capitalist, who as his special task undertakes the selling of goods, the forwarding of them to the consumer. This specialization of merchant capital in the function of

commodity circulation enables the time and expense connected with circulation to be reduced. Merchant capital, in serving the process of realization of the commodities of many industrial capitalists, thereby reduces the part of social capital which is diverted from production to the circulation process. Thanks to having transferred the task of realizing his commodities to the merchant, the industrial capitalist speeds up the turnover of his capital and this leads to an increase in his profits. This enables the manufacturer in his own interests to surrender to the merchant a certain share of the surplus-value, which constitutes the merchant capitalist's profit. Merchants' profit is a part of the surplus-value, which the manufacturer surrenders to the merchant in return for realizing his commodities.

The realization of commodities is affected by merchant capital by means of exploiting commercial employees. The labor of these wageworkers who are engaged in realizing commodities, i.e., in transforming commodities into money and money into commodities, creates neither value nor surplus-value, but it enables the merchant capitalist to appropriate part of the surplus-value created in production.".

"Just as the unpaid labor of the laborer of the productive capital creates surplus-value for it in a direct way, sot:, unpaid labor of the commercial wage-workers secures, share of this surplus-value for the merchant's capital." (Marx, Capital, Kerr edition, vol. III, p.346.)

The working day of commercial employees, like that of workers engaged in production, breaks down into two parts: during the necessary time they effect the realization of that part of the surplus-value created in the sphere of production which replaces the capitalists' outlay on the hiring of their labor-power, and during the surplus time they work gratis for the capitalists, enabling them to appropriate merchants' profit.

Consequently, the workers in the sphere of trade are subjected to exploitation on the part of the merchant capitalists just as the workers who produce commodities are subjected to exploitation by the manufacturers.

If he is to realize a certain mass of commodities, the merchant must advance for a certain period a capital of appropriate amount. He tries to obtain as large profits as possible on this, capital. If the rate of merchants' profit turns out to be less than the average rate of profit, the business of merchant becomes unprofitable, and merchants transfer their capital to industry, agriculture or some other branch of the economy.

Conversely, a high rate of merchants' profit attracts industrial capital into commerce. Competition between the capitalists leads to the level of merchants' profit being determined by the average rate of profit, the average profit being formed in relation to all capital, including that which operates in the sphere of circulation.

Thus, not only the capital of industrial capitalists but also merchant capital takes part in the process of evening-out the rate of profit, as a result of which both industrial and merchant capitalists receive the average rate of profit in proportion to the amount of capital expended by them. It follows

that the industrial capitalists do not realize all the profit created in industry but only that part of it which constitutes the average profit on the capital which they have invested. The merchant capitalists sell commodities at their price of production, which includes the average profit both of the industrialist and of the merchant. Because of this it is possible for them to realize the average profit on the capital they have invested out of the difference between their buying and selling prices.

In the form of merchants' profit the true source of the increase of capital is still more closely hidden than it is in the form of industrial profit. The merchant's capital plays no part in production. The formula for the movement of merchant capital is: M-C-M. Here the stage of productive capital is missing and the link with production outwardly seems broken. A misleading appearance is created that profit is arising from trade itself by way of additions to the price and the selling of commodities above their price of production. What in fact happens, as has been shown, is the opposite: the manufacturer sells the commodity to the merchant below the price of production, surrendering to him part of his profit.

Merchant capital not only takes part in realizing the surplus-value created in production, it also subjects the working people to additional exploitation as consumers. Striving to obtain additional profit, the merchant capitalists inflate prices by all means available, extensively practice the giving of short weight and short measure to customers, and sell poor-quality and adulterated goods.

One of the sources of merchants' profit is the exploitation of petty commodity producers by merchant capital. Merchant capitalists compel peasants and craftsmen to sell them the products of their labors at low prices and at the same time the latter buy from the merchant capitalists tools, equipment, raw material, etc., at high prices. The share taken by commercial middlemen of the retail price of agricultural products in the, U.S.A. rose between 1913 and 1934 from 54 per cent to 63 per cent.

All this leads to enhanced impoverishment of the working people and still further sharpens the contradictions of capitalism.

Costs of Circulation

The process of capitalist circulation of commodities demands, a certain outlay for expenses. These expenses, connected with the maintenance of the sphere of circulation, are the costs of circulation.

Two kinds of capitalist costs incurred in the sphere of trade must be distinguished one from the other: first, net costs of circulation which are directly connected with the processes of purchase and sale of goods and derive from the peculiarities of the capitalist system; and, second, costs arising from the extension of the production-process into the sphere of circulation.

The predominant and continually growing share of the costs of circulation in capitalist trade is taken by the net costs. To the net costs of circulation belong the expenses connected with the transformation of commodities into money and money into commodities. To this category belong the expenses arising from competition and speculation, from advertising, the greater part of the expenditure on the wages of commercial employees, on the keeping of accounts, correspondence, the

upkeep of commercial offices, etc. Net costs of circulation, as Marx showed do not add one jot of value to the commodity. They constitute a direct deduction from the total sum of values produced in society, and are covered by the capitalists from the total mass of surplus-value produced by the labor of the working class. The increase in the net costs of circulation testifies to the growth of waste under capitalism." .

In the U.S.A. recorded expenses on advertisement alone amounted in 1934 to 1.6 milliard dollars, in 1940 to 2.1 milliard and in 1953 to 7.8 milliard.

With the development of capitalism and the growing difficulties of realizing commodities, a colossal trading apparatus with manifold links is built up. Before they reach the hands of the consumer, commodities pass through the hands of a whole army of merchants, speculators, retailers and agents.

To the category of costs connected with the extension of the production process into the sphere of circulation belong expenses which are socially necessary and do not depend on the peculiarities of the capitalist system-on the finishing, transport and packing of goods. Every product is available to the consumer only when it has been delivered to him. The costs of finishing, transport and packing of goods correspondingly increase the cost of production of commodities. The labor which the workers expend in this work transfers to the commodities the value of the means of production expended and adds new value to the value of the commodity.

The anarchy of capitalist production and crises, the competitive struggle and speculation, bring about the piling up of extraordinary stocks of commodities and lengthen and distort their channels of movement, which leads to huge unproductive expenditure being incurred. In the overwhelming majority of cases capitalist advertisement is connected to a greater or less extent with swindling the customer and gives rise to superfluous and expensive packing of goods. This means that an ever-larger part of the expenses for transport, storage and packing of commodities are transformed into net costs caused by capitalist competition and anarchy of production. The rise in the level of the costs of circulation is one of the indices of intensified parasitism in bourgeois society. The cost of capitalist trade weigh heavily upon the working people as consumers. .

In the U.S.A. costs of circulation amounted in 1929 to 31 per cent and in 1935 to 32.8 per cent of the total amount of retail trade. In the capitalist countries of Europe, the costs of circulation amount to approximately a third of the total retail turnover.

Forms of Capitalist Trade. Commodity Exchanges

As capitalist production and circulation develop, the forms of trade, wholesale and retail, also develop. Wholesale trade is trade between manufacturers and trading concerns, while retail trade is the sale of commodities directly to the population.

In trade, as in industry, concentration and centralization of capital goes on. Small and medium capitalists are squeezed out by large-scale ones both in wholesale and in retail trade. In retail trade the concentration of capital takes place principally in the form of the setting up of large stores, both

universal a specialized. Universal stores carry on trade in all kinds of goods, specialized shops trade only in one kind of goods, e.g., footwear, or clothing.

The production of identical commodities permits merchants to carry on wholesale trade by means of samples. Mass homogeneous goods such as cotton, flax-fiber, metals b ferrous and non-ferrous, rubber, grain, sugar, coffee, etc., are bought and sold in accordance with fixed standards and samples on the commodity exchanges.

A commodity exchange is a special kind of market, where trade in uniform commodities in bulk is carried on and the supply of and demand for these commodities is concentrated on the scale of entire countries often even on the scale of the capitalist world market.

The commodities which are the subject of the deals made between capitalists on the exchanges do not pass immediately from hand to hand. The deals are usually made for completion at the end of a period: the seller undertakes to supply the buyer with a certain quantity of the commodity at a stated time. For instance, deals are concluded in spring for supplying cotton from the next harvest, when this cotton has not yet been sown. In concluding these exchange deals the seller reckons that the price of the commodity in question will have fallen by the time stated, so that he will benefit by the difference in price; the buyer reckons that prices will rise. Often the sellers on the exchange do not possess the goods they sell and the buyers do not want the goods they buy. Thus, commodity exchanges are places where speculative trade is carried on. The speculators buy and sell the ownership of goods with which they have not the slightest connection. Speculation is inseparably linked with the whole structure of capitalist trade, since this trade has for its aim not the satisfaction of society's wants but the extraction of profit. It is the largescale capitalists, mostly, who make big money in speculative trade. It leads to the ruin of a considerable section of the small and medium entrepreneurs.

In bourgeois countries trade is often conducted on credit or on the instalment plan. This type of trade frequently leads the ordinary consumer being obliged to pay his debts with his goods and chattels, being unable to settle with his creditors in due time. Trade on a credit basis is often used by the capitalists as a means of disposing of inferior goods which are otherwise unsaleable.

Foreign Trade

As mentioned above, the transition to capitalism was connected with the creation of a world market. Lenin said that capitalism resulted from "widely developed commodity circulation which goes beyond the boundaries of the State. For this reason, one cannot imagine a capitalist nation without foreign trade; and there is no such nation." (Lenin, "Development of Capitalism in Russia", Works, Russian edition, vol. III, p.43.)

In the course of the development of commodity circulation, going beyond the limits of national markets, capitalist foreign trade is extended.

The extension of world trade in itself expresses the development of the international division of labor, connected with the growth of the productive forces. For the capitalists, however, foreign trade

serves as a means of increasing profits. In their hunt for profit the capitalists are constantly seeking new markets for their goods and sources of raw material. The limitations of the home market resulting from the impoverishment of the masses and the seizure of internal sources of raw material by large-scale capitalists intensifies their striving to establish supremacy in foreign markets.

Foreign trade was really extensively developed only in the capitalist epoch. During one hundred years, from 1800 to 1900, the turnover of world trade grew more than twelve-and-a-half-fold, from 1.5 milliard dollars to 18.9 milliard dollars. During the following three decades it grew more than three-and-a-half-fold and in 1929 attained the figure of 68.6 milliard dollars.

Foreign trade is a source of additional profit for the capitalists of the more developed capitalist countries, since manufactured articles are sold in backward countries at relatively higher prices, while raw material can be purchased there at much lower prices. Foreign trade serves as One of the means of economic enslavement of the backward countries by the developed bourgeois countries, and of the extension of the spheres of influence of the capitalist powers.

Thus, for example, the English East India Company plundered India for more than 250 years (1600-1858). As a result of the rapacious exploitation of the local inhabitants by the East India Company many provinces of India were transformed into wildernesses; the fields were not cultivated, the land became overgrown with scrub and the population died off.

Foreign trade is made up of export, i.e., the sending out of commodities, and import, i.e., the bringing in of commodities. The relationship between the total of the prices of the commodities exported by a particular country and the total of the prices of the commodities imported by it during a certain period, e.g., a year, constitutes the balance of trade. If the export side exceeds the import side, the balance of trade is active, while if the opposite is the case, it is passive.

A country which has a passive balance of trade must cover its deficit by drawing upon such sources as stocks of gold, income from transporting the products of other countries, income from capital investments in other countries, and finally, by means of foreign, loans.

The trade balance does not show all the forms of economic: relations which exist between countries. A fuller expression of these relations is given by the balance of payments. The balance of payments is the relationship between the total of all payments received by a particular country from other countries and the total of all payments which this country makes to other countries.

The nature of the economic connections between countries also determines the foreign-trade policy of capitalist States. In the epoch of pre-monopoly capitalism two main types of trade policy took shape: the policy of free trade and the policy of protecting native industry (protectionism), which was carried out mainly by introducing high customs dues on foreign goods.

BRIEF CONCLUSIONS

(1) Merchant capital serves the circulation of industrial capital. Merchants' profit is part of surplus-value, which their manufacturer yields to the merchant.

(2) The exploitation by merchant capital of its wage-workers enables, it to appropriate part of the surplus-value created in production. Merchant capital exploits the small commodity producers through nonequivalent exchange. The workers and other sections of the working people are exploited by merchant capital as purchasers of consumer goods.

(3) The outlay connected with maintaining the sphere of circulation constitutes the costs of circulation. The costs of circulation are made up of net costs, directly connected with the buying and selling of commodities, and costs which arise from the continuation of the production-process into the sphere of circulation. As capitalist trade develops, unproductive expenditure in the sphere of circulation grows.

(4) Foreign trade arises from an international division of labor. Under capitalism it serves as one of the methods of economic enslavement of industrially less developed countries by more developed industrial capitalist powers.

V. I. Lenin: The Agrarian Question and the "Critics of Marx"

Chapter 2: The Theory of Rent

Mr. Bulgakov has completely failed to understand Marx's theory of rent. He is convinced that he has shattered this theory by the two following arguments: (1) According to Marx, agricultural capital enters into the equalization of the rate of profit, so that rent is created by a surplus profit that exceeds the average rate of profit. Mr. Bulgakov considers this to be false because the monopoly of land ownership eliminates free competition, which is necessary for the process of equalizing the rate of profit. Agricultural capital does not enter into the process of equalizing the rate of profit. (2) Absolute rent is merely a special case of differential rent, and it is erroneous to distinguish the one from the other. The distinction is based upon a completely arbitrary twofold interpretation of one and the same fact, namely, the monopoly ownership of one of the factors of production. Mr. Bulgakov is so convinced of the crushing effect of his arguments that he cannot refrain from pouring forth a stream of vehement words against Marx, such as *petitio principii*, [An argument based on the conclusion from a proposition that has still to be proved.—*Ed.*] non-Marxism, logical fetishism, Marx's loss of capacity for mental flights, and so forth. And yet both those arguments are based on a rather crude error. The same one-sided vulgarization of the subject which induced Mr. Bulgakov to raise one of the possible cases (diminishing productivity of additional investments of capital) to the level of the universal law of diminishing returns brings him in the present instance to employ the concept "monopoly" uncritically and to convert it into something universal. In doing so, he confuses the results which accrue under the capitalist organisation of agriculture from *the limitedness of land*, on the one hand, and from *private property in land*, on the other. These are two different things, as we shall explain.

"The *condition*, although not the source, of the appearance of ground-rent," writes Mr. Bulgakov, "is the same as that which gave rise to the possibility of the monopolization of land—the fact that the productivity of the land is limited, while man's growing need for it is limitless" (I, 90). Instead of "the productivity of the land is limited", he should have said, *"land is limited"*. (As we have shown, limitedness of the productivity of the land implies "limitedness" of the given technical level, the given

state of the productive forces.) Under the capitalist system of society, the limitedness of land does indeed presuppose monopolization of land, *but of land as an object of economy and not as an object of property rights.* The assumption of the capitalist organisation of agriculture necessarily includes the assumption that all the land is occupied by separate private enterprises; *but it in no way includes the assumption* that the whole of the land is the private property of those farmers, or of other persons, or that it is, in general, private property. The monopoly of landownership based on property rights and the monopoly of the land economy are two entirely different things, not only logically, but historically. Logically, we can quite easily imagine a purely capitalist organisation of agriculture in which private property in land is entirely absent, in which the land is the property of the state, or of a village commune, etc. In actual practice we see that in all developed capitalist countries the whole of the land is occupied by separate, private enterprises; but these enterprises exploit not only their own lands, but also those rented from other landowners, from the state, or from village communes (e.g., in Russia, where, as is well known, the private enterprises established on peasant communal lands are principally capitalist peasant enterprises). Not without reason did Marx, at the very beginning of his analysis of rent, observe that the capitalist mode of production meets in its first stages (and subordinates to itself) the most varied forms of landed property: from clan property [322] and feudal landed property down to the property of the peasant commune.

Thus, the limitedness of land necessarily presupposes only the monopolization of the economy of the land (under the domination of capitalism). The question arises: what are the necessary consequences of *this* monopolization in relation to the problem of rent? The limitedness of land results in the price of grain being determined by the conditions of production, not on the average land, but on the worst land under cultivation. This price of grain enables the farmer (= the capitalist entrepreneur in agriculture) to cover his cost of production and gives him the average rate of profit on his capital. The farmer on the better land obtains an additional profit, which forms *differential rent*. The question as to whether private property in land exists has nothing whatever to do with the question of the formation of differential rent, which is inevitable in capitalist agriculture even on communal, state, or non-private lands. The only consequence of the limitedness of land under capitalism is the formation of differential rent arising out of the difference in the productivity of various investments of capital. Mr. Bulgakov sees a second consequence in the elimination of free competition in agriculture when he says that the absence of this free competition prevents agricultural capital from participating in the formation of average profit. Obviously, he confuses the question of land cultivation with the right of property in land. The only thing that logically follows from the limitedness of land (irrespective of private property in land) is that the land will be entirely occupied by capitalist farmers; but it by no means follows that free competition among those farmers will necessarily be restricted in any way. Limitedness of land is a general phenomenon which inevitably leaves its impress upon the whole of capitalist agriculture. The logical unsoundness of confusing these different things is clearly confirmed by history. We shall not speak of England, where the separation of landownership from land cultivation is obvious, where free

[322] Clan property—the land owned by the clan.

competition among farmers is almost limitless, where capital obtained from commerce and industry was and is invested in agriculture on the widest scale. But in all other capitalist countries (notwithstanding the opinion of Mr. Bulgakov, who, following Mr. Struve, vainly strives to place "English" rent in a special category) *the same process* of the separation of landownership from land cultivation is actual, although in extremely varied forms (leases, mortgages). In failing to see this process (strongly emphasized by Marx), Mr. Bulgakov has failed to see the main thing. In all European countries, after the fall of serfdom, we see the decay of landownership based on social-estates, the mobilization of landed property, the investment of merchant and industrial capital in agriculture, an increase in tenant farming and an increase in the mortgaging of land. In Russia also, despite the most pronounced survivals of serfdom, we see after the Reform [323] increased purchasing of land by peasants, commoners, and merchants, and increased leasing of privately-owned, state, and *village communal* lands, etc., etc. What do all these phenomena prove? They prove that free competition has entered *agriculture – despite* the monopoly *of landed property* and regardless of the infinite variety of its forms. In all capitalist countries at the present time, every owner of capital can invest his money in agriculture (by purchasing or leasing land) as easily, or almost as easily, as he can invest in any branch of commerce or industry.

In arguing against Marx's theory of differential rent, Mr. Bulgakov says that "all these differences [differences in the conditions of the production of agricultural products] are contradictory and *may* [our italics] mutually eliminate one another; as Rodbertus pointed out, distance may be counteracted by fertility, different degrees of fertility may be equalized by more intensive cultivation of the more fertile plots" (I, 81). A pity, indeed, that our strict scientist should have forgotten that Marx noted this fact and was able to appraise it not so one-sidedly. Marx wrote: ". . . It is evident that these two different causes of differential rent— fertility and location [of plots of land]—may work in opposite directions. A certain plot of land may be very favorably located and yet be very poor in fertility, and vice versa. This circumstance is important, for it explains how it is possible that bringing into cultivation the land of a certain country may equally well proceed from the better to the worse land as vice versa. Finally, it is clear that the progress of social production in general has, on the one hand, the effect of evening out differences arising from location [of plots of land] as a cause of ground-rent, by creating local markets and improving locations by establishing communication and transportation facilities; on the other hand, it increases the differences in individual locations of plots of land by separating agriculture from manufacturing and forming large centers of production, on the one hand, while relatively isolating agricultural districts *[relative Vereinsamung des Landes]* on the other" (*Das Kapital*, III, 2, *S*. 190). [324] thus while Mr. Bulgakov triumphantly repeats the long-known references to the *possibility* of the mutual elimination of the differences, Marx presents the *further* problem of the transformation of this possibility into reality and shows that, simultaneously with equalizing influences, there are to be observed differentiating influences. The final result of these mutually contradictory influences is, as everyone knows, that in all countries plots of land *differ* considerably both in fertility and in location.

[323] The Reform of 1861 which abolished serfdom in Russia.—Tr.
[324] See Karl Marx, Capital, Vol. III, Moscow, 1959, pp. 635-36.

Mr. Bulgakov's objection merely reveals that he has not given any thought whatsoever to his observations.

Continuing his argument, Mr. Bulgakov says that the conception of the last and least productive investment of labor and capital is "employed uncritically by both Ricardo and Marx. It is not difficult to see what an arbitrary element is introduced by this conception: let the amount of capital invested in land be equal to 1O*a*, and let each successive a represent a diminishing productivity; the total product of the soil will be *A*. Obviously, the average productivity of each a will be equal to *A*/10; and if the total capital is regarded as a single whole, then the price will be determined precisely by this average productivity" (I, 82). Obviously, we say in reply to this, behind his florid phrases about the "limited productivity of the land" Mr. Bulgakov failed to see a *trifle:* the limitedness of land. This limitedness, irrespective of the form of *property* in land, creates a certain kind of monopoly, i.e., since all the land is occupied by farmers, and since there is a demand for the whole of the grain produced on the whole of the land, including the worst land and the remotest from the market, it is clear that the price of grain is determined by the price of production on the worst land (or the price of production connected with the last and least productive investment of capital). Mr. Bulgakov's "average productivity" is a futile exercise in arithmetic, for the limitedness of land prevents the actual formation of this average. For this "average productivity" to form and to determine the prices, every capitalist must, in general, not only be able to invest capital in agriculture (to the extent that free competition, as we have said, exists in agriculture), but he must be able at all times to establish *new* agricultural enterprises in addition to those already existing. If this were possible, there would be no difference whatever between agriculture and industry, and rent could not come into existence. But precisely because of the limitedness of land, this is not the case.

To proceed. Until now we have pursued our argument without taking into account the question of property in land; we have seen that this method was necessary for logical considerations, as well as for the reason that historical data show that capitalist agriculture emerged and developed under various forms of landownership. Let us now introduce this new condition. Let us assume that all land is privately owned. How will this affect rent? Differential rent will be collected by the landowner from the farmer on the basis of his right of ownership. Since differential rent is the surplus profit over and above the normal, average profit on capital, and since free competition in the sense of the free investment of capital in agriculture exists (is being created by capitalist development), the landowner will always find a farmer who will be satisfied with the average profit and who will give him the surplus profit. Private property in land does not create differential rent; it merely transfers it from the hands of the farmer to the hands of the landowner. Is the influence of private landownership restricted to that? Can we assume that the landowner will permit the farmer to exploit *gratis* the worst and most inconveniently located land, which only produces, the average profit on capital? Naturally, not. Landownership is a monopoly, and on the basis of this monopoly the landowner demands payment from the farmer for this land also. That payment will be *absolute rent*, which has no connection whatever with the difference in productivity of various investments of capital, and which *has its genesis in the private owner ship of land.* In accusing Marx of making an arbitrary, two-fold interpretation of the

same monopoly, Mr. Bulgakov did not take the trouble to consider that we are actually dealing with a twofold monopoly. In the first place, we have the monopoly (capitalist) of land economy. This monopoly originates in the limitedness of land, and is therefore inevitable in any capitalist society. *This* monopoly leads to the determination of the price of grain by the conditions of production on the worst land; the surplus profit obtained by the investment of capital on belier land, or by a more productive investment of capital, forms differential rent. This rent comes into being quite independently of private property in land, which simply enables the landowner to take it from the farmer. In the second place, we have the monopoly of private property in land. Neither logically nor historically is this monopoly inseverably linked with the previous monopoly. [325] There is nothing in this monopoly that is *essential* to capitalist society and to the capitalist organisation of agriculture. On the one hand, we can quite easily conceive of capitalist agriculture without private property in land; indeed, many consistent bourgeois economists have demanded the nationalization of land. On the other hand, even in practice we meet with the capitalist organisation of agriculture without private ownership of land, e.g., on state and village-commune lands. Consequently, it is necessary to distinguish between these two kinds of monopolies, as well as to recognize that absolute rent, which is *engendered* by private property in land, exists side by side with differential rent. [326]

Marx explains the possibility of the formation of absolute rent from the surplus-value of agricultural capital by the fact that in agriculture the share of variable capital in the total composition of capital is above the average (a quite natural assumption in view of the undoubted backwardness of agricultural as compared with industrial technique). This being the case, it follows that the value of agricultural products, generally speaking, is higher than the cost of their production, and that surplus-value is higher than profit. The monopoly of private property in land, however, prevents this surplus

[325] It is hardly necessary to remind the reader that we are dealing here with the general theory of rent and the capitalist organisation of agriculture; we do not, therefore, concern ourselves with facts like th antiquity and widespread character of private property in land, or the undermining of the last-mentioned form of monopoly, and partly of both its forms, by overseas competition, and so forth. —Lenin

[326] In the second part of Volume II of Theories of Surplus-Value (Theorien über den Mehrwert, II. Band, If. Theil), published in 1905, Marx gives an explanation of absolute rent which confirms the correctness of my interpretation (particularly in regard to the two forms of monopoly). The following passages from Marx pertain to this interpretation: "If land were an unlimited element, not only in relation to capital and to population, but in actual fact, i.e., if it were as 'unlimited' as 'air and water', if it 'existed in unlimited quantities' quotations from Ricardo], then the appropriation of land by one per son could not in practice in any way exclude the appropriation of land by another person. In that case, private (as also 'public' and state) property in land could not exist. If, in addition, the land everywhere was of the same quality, no rent could be obtained for it.... The crux of the matter is—if land in relation to capital existed as a natural element, then capital in the sphere of agriculture would operate in the same way as it does in every other sphere of industry. There would then be no property in land and no rent.... On the other hand, if land is: (1) limited; and (2) appropriated—if property in land is a condition for the emergence of capital—and that is precisely the case in countries where capitalist production is developing; and in countries where this condition did not formerly exist (as in old Europe), capitalist production itself creates it, as in the United States—then land does not represent a field of activity accessible to capital in an elementary way. That is why absolute rent exists, apart from differential rent" (pp. 80-81). Marx definitely draws a distinction here between the limitedness of land and the fact that land is private property. (Author's note to the 1908 edition.—Ed.) —Lenin

from passing wholly into the process of equalizing profits, and absolute rent is taken from this surplus.[327]

Mr. Bulgakov is greatly dissatisfied with this explanation and he exclaims: "What kind of thing is this surplus-value, which, like cloth or cotton, or some other commodity, can suffice or not suffice to cover a possible demand? In the first place, it is not a material thing, it is a concept, which serves to express a definite social relationship of production" (I, 105). This contrasting of a "material thing" to a "concept" is a striking example of the scholasticism which is now so freely offered in the guise of "criticism". What would be the use of a "concept" of the share of the social product if there were no definite "material things" corresponding to that concept? Surplus-value is the money equivalent of the surplus product, which consists of a definite share of cloth, cotton, grain, and of all other commodities (the word "definite" must not, of course, be understood in the sense that science can concretely define that share, but in the sense that the conditions which, in general outline, define the dimensions of this share are known). In agriculture, the surplus product is larger (in proportion to the capital) than in other branches of industry, and this surplus (which does not enter into the equalization of profit owing to the monopoly of private property in land) may, naturally, "suffice or not suffice to cover the demand" of the monopolist landowner.

We shall not burden the reader with a detailed exposition of the theory of rent which Mr. Bulgakov has created, as he modestly remarks, "by his own efforts", "pursuing his own path" (I, 111). A few remarks will suffice to characterize this product of the "last and least productive investment" of professorial "effort". The "new" theory of rent is brewed according to the ancient recipe: "What is worth doing at all is worth doing thoroughly". Since free competition exists, then without any restrictions (although absolutely free competition has nowhere and at no time existed). Since monopoly exists, there is nothing more to be said. Consequently, rent is not taken from surplus-value, and not even from the agricultural product; it is taken from the product of non-agricultural labor; it is simply a tribute, a tax, a deduction from the total social product, a promissory note in favor of the landlord. "Agricultural capital, with its profit, and agricultural labor, agriculture in general as a sphere of investment for capital and labor, are therefore a *status in statu** [A state within a state.—*Ed.*] in the kingdom of capitalism.... All *[sic!]* definitions of capital, surplus-value, wages, and value generally are imaginary quantities when applied to agriculture" (I, 99).

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[327] We desire to say in passing that we have considered it necessary to deal in particular detail with Marx's theory of rent because we find that the interpretation Mr. P. Maslov gives of it is also incorrect ("The Agrarian Question", in Zhizn, Nos. 3 and 4, 1901). In that article, he regards the diminishing productivity of successive investments of capital, if not as a law, then at all events as the "usual" and as it were normal phenomenon, which he links with differential rent, and he rejects the theory of absolute rent. Mr. P. Maslov's interesting article contains many true remarks concerning the Critics, but it suffers greatly from the author's erroneous theory just referred to (while defending Marxism, he has not taken the trouble to define clearly the difference between "his own" theory and that of Marx), as well as from a number of careless and utterly unjust assertions, as, for example, that Mr. Berdyaev "is completely liberating himself from the influence of bourgeois authors" and is distinguished for his "consistent class point of view, maintained without sacrificing objectivity"; that "in many respects Kautsky's analysis is in places ... tendentious"; that Kautsky "has completely failed to indicate in what direction the development of the productive forces in agriculture is proceeding"; and so forth. —Lenin

So, now everything is clear: both capitalists and wage- workers in agriculture are imaginary quantities. But if Mr. Bulgakov at times wanders into the clouds, he, at others, argues not altogether irrationally. Fourteen pages farther on we read: "The production of agricultural products costs society a certain quantity of labor; that is the value of these products." Excellent. Consequently, at least the "definition" of value is not altogether an imaginary quantity. Farther 'we read: "Since production is organized on a capitalist basis, and since capital stands at the head of production, the price of grain will be determined by the price of production, that is, the productivity of the given labor and capital invested will be calculated according to average social productivity." Fine! Consequently, the "definitions" of capital, surplus-value, and wages are not altogether imaginary quantities. Consequently, free competition (although not absolutely free) exists; for unless capital could flow from agriculture into industry and vice versa, "the calculation of productivity according to average social productivity" would be impossible. Again: "The monopoly in land causes price to rise above value to the limits permitted by market conditions." Excellent! But where has Mr. Bulgakov seen that tribute, taxes, promissory notes, etc., are dependent upon market conditions? If the monopoly causes price to rise to the limits permitted by market conditions, then the only difference between the "new" theory of rent and the "old" is this: the author, pursuing "his own path", failed to understand the difference between the influence of the limitedness of land and the influence of private property in land, on the one hand, and the connection between the concept "monopoly" and the concept "the last and least productive investment of labor and capital", on the other. Is it surprising, therefore, that seven pages farther on (I, 120) Mr. Bulgakov should completely lose sight of "his own" theory and argue about the "method of distributing this [agricultural] product among the landowner, the capitalist farmer, and the agricultural laborers"? A brilliant finale to a brilliant criticism! A remarkable outcome of the new *Bulgakov theory of rent*, which, henceforth, will enrich the science of political economy!

V. I. Lenin: The Agrarian Program of Social-democracy in the First Russian Revolution, 1905-07

Chapter I: The Economic Basis and Nature of the Agrarian Revolution in Russia

The two years of revolution, from the autumn of 1905 to the autumn of 1907, have furnished a vast amount of experience of historical value concerning the peasant movement in Russia and the character and significance of the peasants' struggle for land. Decades of so-called "peaceful" evolution (i. e., when millions of people peacefully allow themselves to be fleeced by the upper ten thousand) can never furnish such a wealth of material for explaining the inner workings of our social system as has been furnished in these two years both by the direct struggle of the peasant masses against the landlords and by the demands of the peasants, expressed with at least some degree of freedom, at assemblies of representatives of the people. Therefore, the revision of the agrarian programme of the Russian Social-Democrats in the light of the experience of these two years is absolutely necessary, particularly in view of the fact that the present agrarian programme of the Russian Social-Democratic Labor Party was adopted at the Stockholm Congress in April 1906, i. e., on the eve of the first public appearance of representatives of the peasantry from all over Russia with a peasant agrarian programme, in opposition to the programme of the government and to that of the liberal bourgeoisie.

The revision of the Social-Democratic agrarian programme must be based on the latest data on landed property in Russia in order to ascertain with the utmost precision what actually is the economic background of all the agrarian programs of our epoch, and what precisely are the issues in the great historic struggle. This economic basis of the real struggle must be compared with the ideological political reflection of this basis that is found in the programs, declarations, demands, and theories of the spokesmen of the different classes. This is the course, and the only course, that a Marxist should take, unlike the petty-bourgeois socialist who proceeds from "abstract" justice, from the theory of the "labor principle", etc., and unlike the liberal bureaucrat who, in connection with every reform, covers up his defense of the interests of the exploiters by arguments about whether the reform is practicable and about the "state" point of view.

Section 1: Landownership in European Russia

The *Landed Property Statistics for 19O5*, published by the Central Statistical Committee in 1907, enables us to ascertain precisely the comparative size of the peasant and landlord holdings in the fifty gubernias in European Russia. First of all, we will give the general data. The whole territory of European Russia (50 gubernias) is given (see census of January 28, 1897) as 4,230,500 square versts, i. e., 440,800,000 dessiatins. The landed property statistics for 1905 register a total of 395,200,000 dessiatins under the following three main headings:

	Million dessiatins
A. Privately owned land	101.7
B. Allotment land [328]	138.8
C. Land owned by state, church, and various institutions	154.7
Total land in European Russia	395.2

From these general figures it is necessary to deduct, first of all, state lands situated in the far north and consisting partly of tundra and partly of such forest land as cannot be expected to be used for agriculture in the near future. There are 107,900,000 dessiatins of such land in the "northern region" (in the Arkhangelsk, Olonets and Vologda gubernias). Of course, by deducting all these lands we considerably overestimate the area of land unsuitable for agriculture. It suffices to point out that such a cautious statistician as Mr. A. A. Kaufman calculates that in the Vologda and Olonets gubernias 25,7Q0,000 dessiatins of forest land (with over 25 per cent of forest) could be utilized for additional allotment to the peasants. [329] However, since we are dealing with general data about the

[328] Allotment land—the plots of land allotted to the peasants after the abolition of serfdom in Russia in 1861; they belonged to the village commune and were periodically reallotted. among the peasants for their use.

[329] The Agrarian Question, a collection of articles published by Dolgorukov and Petrunkevich, Vol. II, Moscow, 1907, p. 305. —Lenin

land area, without giving separate figures for forest land, it will be more correct to take a more cautious estimate of the land area suit able for agriculture. After deducting 107,900,000 dessiatins, there will be left 287,300,000 dessiatins, or in round figures, 280,000,000 dessiatins, leaving out a portion of urban land (the total of which is 2,000,000 dessiatins) and a portion of the state lands in the Vyatka and Perm gubernias (the total area of state land in these two gubernias is 16,300,000 dessiatins).

Thus, the *aggregate* amount of land suitable for agriculture in European Russia is distributed as follows:

A. Privately owned land	101.7 million dessiatins
B. Allotment land	138.8 " "
C. State land and land owned by various institutions	39.5 " "
Total in European Russia	280.0 " "

Now we must give separate figures for small and large (particularly very large) holdings in order to obtain a concrete idea of the conditions of the peasant struggle for land in the Russian revolution. Such figures, however, are incomplete. Of the 138,800,000 dessiatins of peasant allotment land 136,900,000 dessiatins are classified according to size of holdings. Of the 101,700,000 dessiatins of privately owned land, 85,900,000 dessiatins are so classified; the remaining 15,800,000 dessiatins are recorded as belonging to "societies and associations". Examining the latter we find that 11,300,000 dessiatins are owned by peasant societies and associations, which means that on the whole they are small holdings, unfortunately not classified according to size. Further, 3,700,000 dessiatins belong to "industrial and commercial, manufacturing and other" associations, of which there are 1,042. Of these, 272 own more than 1,000 dessiatins each, the total for the 272 being 3,600,000 dessiatins. These are, evidently, landlord latifundia. The bulk of this land is concentrated in Perm Gubernia, where *nine* such associations own 1,448,902 dessiatins! It is known that the Urals factories own many thou sand dessiatins of land—a direct survival in bourgeois Russia of the feudal, seigniorial latifundia.

We therefore single out 3,600,000 dessiatins from the land owned by societies and associations as the biggest landed estates. The remainder has not been classified, but generally it consists of small holdings.

Out of the 39,500,000 dessiatins of state and other lands, only the crown lands [330] (5,100,000 dessiatins) lend themselves to classification according to size. These, too, are very large semi-medieval landed estates. We thus get a total area of land, both classified and not classified according to size of holdings, as follows:

[330] Crown lands—land made over in 1797 out of the total of state lands to the members of the tsarist household as their private property together with the peasants who worked it; by an ukase of Paul I. The revenue from the exploitation of the crown-land peasants was used for the upkeep of the imperial family (including the grand dukes, their wives, daughters, etc.). These sums were not included in the state budget and were not subject to control by the state.

	Land classified according to	Land not classified size of holdings
	(million dessiatins)	
A. Privately owned land	89.5 [331]	12.2
B. Allotment land	136.9	1.9
C. State land and land owned by various institutions	5.1	34.4
Total	231.5	48.5
Grand total	} 280.0 {	

Let us now classify the allotment land according to size of holdings. By rearranging the data obtained from our source of information into somewhat larger groups, we get:

Allotment Land

Groups of households	Number of households	Total areas of land (dess.)	Average dessiatins per household
Up to 5 dess. inclusive	2,857,650 }	9,030,333 }	3.1 }
5 to 8 " "	3,317,601 }	21,706,550 }	6.5 }
Total up to 8 dess. incl.	6,175,251	30,736,883	4.9
8 to 15 " "	3,932,485	42,182,923	10.7
15 to 30 " "	1,551,904	31,271,922	20.1
Over 30 " "	617,715	32,695,510	52.9
Total in European Russia	12,277,355	136,887,238	11.1

From these data it is evident that more than half of the households (6,200,000 out of 12,300,000) have up to 8 dessiatins each, i. e., in general and on the average, an area of land that is absolutely insufficient to support a family. Ten million one hundred thousand households possess up to 15 dessiatins each (making a total of 72,900,000 dessiatins), i. e., over four-fifths of the total number of households are, at the present level of peasant agricultural technique, on the brink of semi-starvation. Middle and well-to-

[331] 85,900,000 dessiatins of privately owned land plus 3,600,000 dessiatins of latifundia owned by industrial and commercial associations and societies. —Lenin

do households—according to amount of land owned— umber only 2,200,000 out of 12,300,000, owning altogether 63,900,000 dessiatins out of 136,900,000 dessiatins. Only households having more than 30 dessiatins each can be regarded as rich; of these there are only 600,000, i. e., one-twentieth of the total number of households. They possess nearly one-fourth of the total land area: 32,700,000 out of 136,900,000 dessiatins. To give an idea as to which categories of peasants constitute this group of rich households, we shall point out that first place among them is held by the Cossacks. In the over-30-dessiatins-per-household group, the Cossack households number 266,929 having a total of 14,426,403 dessiatins, i. e., the overwhelming majority of the Cossacks (in European Russia: 278,650 households having a total of 14,689,498 dessiatins of land, i. e., an average of 52.7 dessiatins per household).

The only data available for the whole of Russia enabling us to judge how all the peasant households are approximately classified according to scale of farming and not according to area of allotments, are those about the number of horses owned. According to the last army horse censuses of 1888-91, the peasant households in 48 gubernias of European Russia are classified as follows:

		Households
Poor	{ Without horses	2,765,970
	{ Owning 1 horse	2,885,192
Middle	{ " 2 horses	2,240,574
	{ " 3 "	1,070,250
Well-to-do	" 4 " or more	1,154,674
Total		10,116,660

Broadly speaking, this means that over one-half are poor (5,600,000 out of 10,100,000), about one-third are middle households (3,300,000 with 2 or 3 horses), and slightly over one-tenth are well-to-do (1,100,000 out of 10,100,000).

Let us now examine the distribution of individual private landed property. The statistics do not give a clear enough idea of the smallest holdings, but they give extremely detailed data on the biggest latifundia.

Individual Private Landed Property in European Russia

Groups of holdings	**Number of holdings**	**Total area of land (dess.)**	**Average dess. per holding**
10 dess. and less	409,864	1,625,226	3.9
10-50 dess. incl.	209,119	4,891,031	23.4
50-500 " "	106,065	17,326,495	163.3

{ 500-2,000 " "	21,748 }	20,590,708 }	947 }
{ 2,000-10,000 " "	5,386 }	20,602,109 }	3,825 }
{ Over 10,000 " "	699 }	20,798,504 }	29,754 }
Total over 500 dess.	27,833	61,991,321	2,227
Grand total for European Russia	752,881	85,834,073	114

We see here, first, the enormous preponderance of large landownership: 619,000 small holders (up to 50 dessiatins) own only 6,500,000 dessiatins. Secondly, we see vast latifundia: 699 owners have almost 30,000 dessiatins each! 28,000 owners have a total of 62,000,000 dessiatins, I. e., 2,227 dessiatins each. The overwhelming majority of these latifundia are owned by the nobility, namely, 18,102 estates (out of 27,833) and 44,471,994 dessiatins of land, i.e., over 70 per cent of the entire latifundia area. The medieval character of landlordism is very strikingly revealed by these data.

Section 2: What is the Struggle About?

Ten million peasant households own 73,000,000 dessiatins of land, whereas 28,000 noble and upstart landlords own 62,000,000 dessiatins. Such is the main background of the arena on which the peasants' struggle for the land is developing. On such a main background amazing technical backwardness, the neglected state of agriculture, an oppressed and downtrodden state of the mass of peasantry and an endless variety of forms of feudal, corvée exploitation is inevitable. Not to wander too far afield we must confine ourselves to mentioning briefly these commonly known facts, which have been described at great length in the extensive literature on peasant agriculture. The size of the landholdings outlined by us in no way corresponds to the scale of farming. In the purely Russian gubernias large-scale capitalist farming definitely drops into the background. Small-scale farming preponderates on large latifundia, comprising various forms of tenant farming based on servitude and bondage, labor service (corvée) farming, "winter hiring",[332] bondage for cattle trespassing on the landlords' pastures, bondage for the cut-off lands, and so on without end. The mass of the peasants, crushed by feudal exploitation, are being ruined and some of them let their allotments to "thrifty" farmers. The small minority of well-to-do peasants develops into a peasant bourgeoisie; rents land for capitalist farming and exploits hundreds of thousands of farm-hands and day-laborers.

Bearing in mind all these facts, which have been fully established by Russian economic science, we must distinguish, in regard to the present struggle of the peasants for the land, *four basic groups* of landholdings: (1) a mass of peasant farms crushed by the feudal latifundia and directly interested in the expropriation of these latifundia, an expropriation from which they stand to gain directly snore than anyone else; (2) a small minority of middle peasants already possessing an approximately average amount of land, sufficient to conduct farming in a tolerable way; (3) a small minority of well-to-do peasants who are becoming transformed into a peasant bourgeoisie and who are connect ed by a number of intermediate stages with farming con ducted on capitalist lines, and (4) feudal latifundia far

332

exceeding in dimensions the capitalist farms of the present period in Russia and deriving their revenues chiefly from the exploitation of the peasants by means of bondage and the labor rent system.

Of course, the available data on landed property enable us to distinguish these basic groups only very approximately and sketchily. Nevertheless, we are obliged to distinguish them if we are to present a complete picture of the struggle for land in the Russian revolution. And we can safely say in advance that partial corrections of the figures, partial shifting of the boundary line between one group and another, *cannot* substantially alter the general picture. It is not. partial corrections that are important; what is important is that a clear contrast be made between small landownership, which is striving for more land, and the feudal latifundia, which monopolies an enormous amount of land. The chief falsity of both the government's (Stolypin's) and the liberals' (the Cadets') economics lies in the fact that they conceal, or obscure, this clear contrast.

Let us assume the following sizes of landholdings for the four groups mentioned: (1) up to 15 dessiatins; (2) 15 to 20 dessiatins; (3) 20 to 500 dessiatins, and (4) over 500 dessiatins per holding. Of course, in order to present a complete picture of the struggle for land, we must, in each of these groups, combine the peasants' allotments with the private holdings. In our source of information, the latter category is divided into groups: up to 10 dessiatins, and from 10 to 20 dessiatins, so that a group up to 15 dessiatins can be singled out only approximately. Any inaccuracy that may arise from this approximate calculation and from the round figures that we give, will be quite negligible (as the reader will soon see) and will not affect the conclusions to be drawn.

Here is a table showing the present distribution of land among these groups in European Russia:

Group	**Number of holdings (millions)**	**Total area of land (million dessiatins)**	**Average dess. per holding**
(a) Ruined peasantry, crushed by feudal exploitation	10.5	75.0	7.0
(b) Middle peasantry	1.0	15.0	15.0
(c) Peasant bourgeoisie and capitalist landownership	1.5	70.0	46.7
(d) Feudal latifundia	0.03	70.0	2,333.0
Total	13.03	230.0	17.6
Not classified according to holdings	–	50	–

Grand total [333]	13.03	280.0	21.4

Such are the relations which give rise to the peasants' struggle for land. Such is the *starting-point* of the peasants' struggle (7-15 dessiatins per household plus renting on terms of bondage, etc.) against the very big landlords (2,333 dessiatins per estate). What is the objective tendency, the *ultimate* point of this struggle? Obviously, it is the abolition of large feudalist estates and the transfer of the land (according to certain principles) to the peasants. This objective tendency inevitably arises from the predominance of small-scale *cultivation*, which is held in bondage by the feudal latifundia. To depict this tendency in the same graphic way in which we depicted the starting-point of the struggle, i. e., the present state of affairs, we must take the *best conceivable* eventuality, i. e., we must assume that all the feudalist latifundia, as well as all land not classified according to holdings, have passed into the hands of the ruined peasantry. It is this best eventuality which *all* the participants in the present agrarian struggle envisage more or less distinctly: the government talks about "allotting" land to the "needy", the liberal official (or Cadet) talks a-bout supplementary allotments to those who have little land, the peasant Trudovik talks about increasing holdings to the "subsistence" or "labor" "norm", and the Social Democrat, differing on the question of the form of land tenure, generally accepts the proposal of the Narodniks about allotting land to the poorest peasants. (In the Second Duma, 47th sitting, May 26, 1907, Tsereteli accepted the figure of the value of the 57,000,000 dessiatins of land to be alienated as given by the Narodnik Karavayev, namely, 6,500,000,000 rubles, of which the poorest peasants having up to 5 dessiatins account for 2,500,000,000 rubles. See Stenographic Record, p. 1221.) In short, however much the landlords, the officials, the bourgeoisie, the peasantry, and the proletariat may differ in their view of the aims and terms of the reform, they all outline the same tendency, namely, the transfer of the large landed estates to the neediest peasants. With the fundamental differences of opinion among the classes concerning the extent and terms of such a transfer we shall deal separately elsewhere. At present we shall supplement our outline of the starting-point of the struggle with a similar outline of its possible ultimate point. We have already shown what the situation is *now*. We shall show what it may be *then*. Let us assume that 30,000 landlords will retain 100 dessiatins each, i. e., a total of 3,000,000 dessiatins, while the remaining 67,000,000 dessiatins and 50,000,000 dessiatins of unclassified land will be transferred to 10,500,000 poor households. We shall then get the following:

[333] As already mentioned, this table is. given in round figures. Here are the exact figures: allotment land: (a) 10,100,000 holdings and 72,900,000 dessiatins; (b)874,000 holdings and 15,000,000 dessiatins. Private landed property up to 10 dessiatins, 410,000 holdings and 1,600,000 dessiatins; 10-20 dessiatins, 106,000 holdings and 1,600,000 dessiatins, Sum total a+b of both categories of land: 11,500,000 holdings and 91,200,000 dessiatins. For group (c) the exact. figures are 1,500,000 holdings and 69,500,000 dessiatins. For group (d): 27,833 holdings and 61,990,000 dessiatins of land. To the latter are added, as already mentioned, 5,100,000 dessiatins of crown lands and 3,600,000 dessiatins owned by the very large industrial and commercial associations. The exact figure of land not classified according to holdings was given above as 48,500,000 dessiatins. From this the reader may see that all our approximate calculations and round figures involve quite negligible numerical changes and cannot affect our conclusions in the least. —Lenin

	Now			Then		
	Number of holdings (mill)	**Total area of land (mill. dess.)**	**Average dess. per holding.**	**Number of holdings (mill)**	**Total area of land (mill. dess.)**	**Average dess. per holding.**
(a) Small ruined peasants	10.5	75	7.0	—	—	—
(b) Middle peasants	1.0	15	15.0	11.5	207	18.0
(c) Wealthy peasants and bourgeoisie	1.5	70	46.7	1.53	73	47.7
(d) Feudal landlords	0.03	70	2,333.0	—	—	—
Total	13.03	230	17.6	13.03	280	21.4
Unclassified land	—	50	—	—	—	—
Grand total	13.03	280	21.4	—	—	—

Such is the economic basis of the struggle for land in the Russian revolution. Such is the starting-point of this struggle and its tendency, i.e., its ultimate point, its result in the best eventuality (from the standpoint of those engaged in the struggle).

Before proceeding to examine this economic basis and its ideological (and ideological-political) cloak, let us dwell on possible misunderstandings and objections as well.

First, it may be said that my picture presupposes the *division* of the land, whereas I have not yet examined the question of municipalization, division, nationalization, or socialization.

That would be a misunderstanding. My picture leaves out altogether the *terms* of landownership; it does not deal at all with the *terms* of the transfer of the land to the peasants (whether in ownership or in one or another form of tenure). I have taken only the *transfer of the land in general* to the small peasants and there can be no doubt whatever that this is the trend of our agrarian struggle. The small peasants are fighting, fighting to have the land transferred *to themselves*. Small (bourgeois) cultivation is

fighting large-scale (feudal) landownership. [334] At best, the revolution can have *no other* result than the one I have drawn.

Secondly, it may be said that I had no right to assume that all the confiscated lands (or expropriated lands, for I have not yet said anything about the terms of expropriation) will be transferred to the peasants with little land. It may be said that owing to economic necessity the lands *must* be transferred to the wealthier peasants. But such an objection would be a misunderstanding. To demonstrate the bourgeois character of the revolution, I must take the *best* eventuality from the standpoint of the Narodniks, I must *assume* the achievement of the aim set themselves by those who are fighting. I must take an aspect that most closely approaches the so-called General Redistribution [335] and not the further consequences of the agrarian revolution. If the masses win the struggle, they will take the fruits of the victory for themselves. To whom these fruits will ultimately go is another matter.

Thirdly, it may be said that I have assumed an unusually favorable result for the poor peasantry (that the whole of the poor peasantry will be transformed into middle peas ants with holdings up to *18* dessiatins per household) by *overestimating* the extent of the unoccupied land area. It may ho said that I should have discounted *forests*, which, it is said, cannot be allotted to the peasants. Such objections may, and even inevitably will, be raised by the economists in the government and Cadet camp, but they will be wrong. First, one must be a bureaucrat who all his life grovels to the semi-feudal landlord to imagine that the peasants will not be able to manage forest land properly and derive an income from it for *themselves* and not for the landlords. The standpoint of the police official and of the Russian liberal is: how to provide the muzhik with an allotment? The standpoint of the class-conscious worker is: how to free the muzhik from feudal landlordism? How to break up the feudal latifundia? Secondly, I have left out the *whole* of the northern region (the Arkhangelsk, Vologda, and Olonets gubernias), as well as parts of the Vyatka and Perm gubernias, i.e., areas in which it is difficult to imagine that the agricultural exploitation of land covered by forests is likely in the near future. Thirdly, a special calculation of the forest areas would greatly complicate the matter without much altering the results. For instance, Mr. Kaufman, who is a Cadet, and, consequently, is very *cautious* when dealing with landlord estates, calculates that land with over 25 per cent of forest might go to cover the shortage of land, and he thus obtains an area of 101,700,000 dessiatins for 44 gubernias. For 47 gubernias I have estimated a land area of approximately 101,000,000 dessiatins, i. e., 67,000,000 out of the 70,000,000 dessiatins of the feudal latifundia, and 34,000,000 dessiatins owned by the state and by various institutions. Assuming that all landed estates of over 100 dessiatins are to be expropriated, these lands will be increased by another nine or ten million dessiatins. [336]

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[334] What I have put. in brackets is either ignored or denied by the petty-bourgeois ideology of the Narodniks. I shall deal with this later on. —Lenin

[335] General Redistribution—a slogan expressing the peasants' urge towards a general redistribution of the land and the abolition of landlordism.

[336] The alienation limit of 500 dessiatins. which I have taken in the text, is purely hypothetical. If this limit, is taken as 100 dessiatins, which is also purely hypothetical, the picture of the change will he as follows:

The data given here on the role of the large landlord estates in the struggle for land in Russia must be amplified in one respect; A characteristic feature of the agrarian programs of our bourgeoisie and petty bourgeoisie is the fact that in them the question as to *which* class is the most powerful opponent of the peasantry, and *which holdings* form the bulk of the expropriable lands are obscured by arguments about "norms". They (both the Cadets and the Trudoviks) talk mainly about how much land the peasants need according to this or that "norm", instead of dealing with the more concrete and vital question: how much land *is available* for expropriation? The first way of presenting the question obscures the class struggle, conceals the *essence* of the matter by hollow pretensions to a "state" point of view. The second places the chief emphasis on the class struggle, on the class interests of a definite landowning stratum which largely represents feudal tendencies.

We shall revert to the question of "norms" elsewhere. Here we want to mention one "happy" exception among the Trudoviks, and one typical Cadet writer.

In the Second Duma, the Popular Socialist Delarov referred to the percentage of landowners who would be affect ed by the alienation of land (47th sitting, May 20, 1907). Delarov spoke of *alienation* (compulsory), without raising the question of confiscation, and apparently accepted *the same norm* of alienation which I have taken hypothetically in my table, namely, 500 dessiatins. Unfortunately, in the stenographic records of the Second Duma this particular passage in Delarov's speech (p. 1217) is distorted, unless Mr. Delarov himself made a mistake. The record says that compulsory alienation would affect 32 per cent of the private estates and 96 per cent of their total area of land; the rest, 68 per cent of the landowners, it is claimed, have only 4 per cent of the private land. Actually, the figure should be not 32 per cent, but 3.7 per cent, because 27,833 out of 752,881 landowners constitute 3.7 per cent, whereas the area of land affected—62,000,000 dessiatins out of a total of 85,800,000 dessiatins—amounts to 72.3 per cent. It is not clear whether this was a slip on Mr. Delarov's part, or whether he got hold of the wrong figures. At all events, of the numerous speakers in the Duma, he, if we are not mistaken, was the only one who *approached* the real issue of the struggle in the most direct and concrete way.

A Cadet writer whose "works" one must mention when dealing with this question is Mr. S. Prokopovich. True, he is, strictly speaking, a member of the *Bez Zaglaviya* group, who, like the majority of the contributors to the bourgeois newspaper *Tovarishch*, at one moment poses as a Cadet and at another as a Menshevik Social-Democrat. Lie is a typical representative of the handful of consistent Bernsteinians among the Russian bourgeois intellectuals who waver between the Cadets and the Social-Democrats, who (in most cases) join no party, and in the liberal press pursue a line slightly to the right of Plekhanov. Mr. Prokopovich must be mentioned here

Now			**Then**			
	Households (millions)	**Total area of land (million dessiatins)**		**Households (millions)**	**Total area of land (million dessiatins)**	**Dess. per household**
(a)	10.5	75	(a)	—	—	
(b)	1.0	15	(b)	11.5	217	18.8
(c)	1.4	50	(c)	1.53	63	41.1
(d)	0.13	90	(d)	—	—	—
	13.03	230 + 50		13.03	280	21.4

The main conclusions about the character and essence of the change are identical in either case. —*Lenin*

because he was one of the first to quote in the press figures from the 1905 landed property statistics, and in so doing actually adopted the *Cadet* position on agrarian reform. In two articles which he wrote for *Tovarishch* (No. 214 of March 13, 1907, and No. 238 of April 10, 1907), Mr. Prokopovich argues against General Zolotaryov, the compiler of the official statistics, who tries to prove that the government can tackle the land reform quite easily without any compulsory alienation, and that 5 dessiatins per household are quite sufficient for the peasant to conduct his husbandry! Mr. Prokopovich is *more liberal:* he puts the figure *at* 8 *dessiatins per household*. He repeatedly makes the reservation, however, that this amount of land is "quite inadequate", that this is a "very modest" calculation, and so forth; nevertheless, he accepts this figure in order to determine the "degree of the land shortage" (the title of the first of Mr. Prokopovich's articles mentioned above). He explains that he takes this figure "*to avoid unnecessary disputes*" – *presumably* with the Zolotaryovs. Calculating thus the number of "obviously land-poor" peasant households at one half the total, Mr. Prokopovich correctly estimates that in order to bring the peasants' holdings up to 8 dessiatins, 18,600,000 dessiatins will be required, and since the government's total land reserve is alleged to be not more than 9,000,000 dessiatins, "it will be impossible to avoid compulsory alienation".

Both in his calculations and in his arguments, this Menshevik-minded Cadet, or Cadet-minded Menshevik, admirably expresses the spirit and meaning of the liberal agrarian programme. The questions of the semi-feudal latifundia, and of latifundia in general, is quite glossed over. Mr. Prokopovich quoted the figures only for private holdings of more than 50 dessiatins. Thus, the actual issue of this struggle is obscured. The class interests of a handful, literally a handful, of landlords are concealed behind a veil. Instead of an exposure of those interests, we are given the "state point of view": the state lands "*will not suffice*". Hence, if they did suffice, Mr. Prokopovich, to judge from his argument, would be quite willing to leave the feudal latifundia intact....

The peasant's allotment scale that he takes (8 dessiatins) is a starvation scale. The amount of land to be "compulsorily alienated" from the landlords that he allows for is insignificant (18—9=9 million dessiatins out of 62,000,000 in estates of over 500 dessiatins!). To carry out *that kind* of "compulsory alienation", the *landlords* will have to use compulsion on the peasants, as in 1861!

Whether he meant to or not, wittingly or unwittingly, Mr. Prokopovich has *correctly* expressed the *landlord* nature of the Cadet agrarian programme. But the Cadets are cautious and sly: they prefer *to say nothing at all* about *how much* land they are inclined to expropriate from the land lords.

Section 4: The Economic Nature of the Agrarian Revolution and its Ideological Cloaks

We have seen that the essence of the revolution now in progress amounts to the break-up of the feudal latifundia and to the creation of a free and (as far as this. is possible under present circumstances) well-to-do peasantry capable not only of toiling in misery on the land, but of developing the productive forces and promoting the progress of agriculture. This revolution does not and cannot in any way affect the system of small *production* in agriculture, the domination of the *market* over the producer and, consequently, the domination also of *commodity production*, since the struggle for the *redistribution* of the land. cannot alter the relations of production in the farming of this land. And we have seen that a feature of this struggle is the strong development of small-scale farming on the feudal latifundia.

The ideological cloak of the struggle now in progress is furnished by the theories of the Narodniks. The fact that in the First and Second Dumas the peasant representatives from all over Russia openly came out with agrarian programs has definitely proved that the theories and programs of the Narodniks do indeed constitute the ideological cloak of the peasants' struggle for land.

We have shown that the basic and chief component of the distributable land for which the peasants are fighting are the big feudal estates. We have taken a very high norm of expropriation—500 dessiatins. But it can easily be seen that our conclusions hold good however much this norm is reduced, let us say to 100 or to 50 dessiatins. Let us divide group (c)—20-500 dessiatins, into three subgroups: (aa) 20-50 dessiatins, (bb) 50-100, and (cc) 100-500, and see what the size of the peasant allotments and private holdings is within these subdivisions:

	[CATEGORY]		
Subdivisions	**Number of holdings**	**Total area of land (dessiatins)**	**Average per holding**
	Allotment Land		
20-50 dess.	1,062,504	30,898,147	29.1
50-100 "	191,898	12,259,171	63.9
100-500 "	40,658	5,762,276	141.7
	Private Land		
20-50 dess.	103,237	3,301,004	32.0
50-100 "	44,877	3,229,858	71.9
100-500 "	61,188	14,096,637	230.4
	Total in European Russia		
20-50 dess.	1,165,741	34,199,151	29.3
50-100 "	236,775	15,489,029	65.4
100-500 "	101,846	19,858,913	194.9

Hence it follows, first, that the confiscation of estates of over 100 dessiatins will increase the distributable land, as already stated above, by nine to ten million dessiatins, whereas the confiscation of estates of over 50 dessiatins, as assumed by Chizhevsky, a member of the First Duma, will increase this land by eighteen and a half million dessiatins. Consequently, in this case also, the feudal latifundia will form the *basis* of the distributable land area. That is the crux of the present-day agrarian problem. Moreover, the connection that exists between these big estates arid the higher bureaucracy is also quite well known: G. A. Alexinsky in the Second Duma quoted Mr. Rubakin's data on the size of the estates owned by higher officials in Russia. Secondly, it is seen from these data that even after deducting the peasant allotments *and the estates of over 100 dessiatins*, the size of the bigger allotments (and the small estates) still varies considerably. The revolution already finds the peasants differentiated in regard to size of holdings, and still more in the amount of capital, number of livestock, the quantity and quality of implements, etc. That the differentiation in the sphere of non-allotment property, so to speak, is far more considerable than in the sphere of allotment landownership has been sufficiently proved in our economic literature.

What, then, is the significance of the Narodnik theories, which more or less accurately reflect the views of the peas ants on their struggle for land? The substance of these Narodnik theories is contained in two "principles": the "labor principle" and "equalization". The petty-bourgeois nature of those principles is so manifest and has been so often and so fully demonstrated in Marxist literature that there is no need to dwell on it here. It is important, however, to note a feature of these "principles" that has not yet been properly appreciated by Russian Social-Democrats. In a vague form those principles *do* express something real and *progressive* at the present historical moment. Namely, they express the struggle for the break-up of the feudal latifundia.

Look at the outline given above of the evolution of our agrarian system from the present stage to the "ultimate point" of the present, bourgeois revolution. You will clearly see that the future "then" is distinguished from the present "now" by an incomparably greater "equalization" in owner ship, that the *new* distribution of the land conforms far more to the "labor principle". And that is not accidental It cannot be otherwise in a peasant country, the bourgeois development of which emancipates it from serfdom. In such a country, the break-up of the feudal latifundia is undoubtedly a condition for the development of capitalism. But as long as small-scale farming predominates in agriculture, the break-up of the feudal latifundia inevitably implies greater "equalization" in landownership. In breaking up the medieval latifundia, capitalism *begins* with a more "equalized" landownership, and *out of that* creates large-scale farming on a new basis, on the basis of wage-labor, machinery and superior agricultural technique, and not on the basis of labor rent and bondage.

The mistake all the Narodniks make is that by confining themselves to the narrow outlook of the small husbandman, they fail to perceive the bourgeois nature of the social relations into which the peasant enters on coming out of the fetters of serfdom. They convert the "labor principle" of *petty-bourgeois* agriculture and "equalization", which are their slogans for breaking up the *feudal* latifundia, into something absolute, self-sufficing, into something implying a special, non-bourgeois order.

The mistake some Marxists make is that, while criticizing the Narodnik *theory*, they overlook its historically real and historically legitimate *content in the struggle against serfdom*. They criticize, and rightly criticize, the "labor principle" and "equalization" as backward, reactionary petty-bourgeois *socialism*; but they forget that these theories express progressive, revolutionary petty bourgeois *democracy*, that they serve as the banner of the most determined struggle against the old, feudal Russia, The idea of equality is the most revolutionary idea in the struggle against the old system of absolutism in general, and against the old system of feudal landlordism in particular. The idea of *equality* is legitimate and progressive for the petty-bourgeois peasant insofar as it expresses the struggle against feudal, serf inequality. The idea of "equalized" landownership is legitimate and progressive insofar as it expresses the aspirations of ten million peasants, with allotments of seven dessiatins and ruined by the landlords, for a *division*[337] of the 2,300-dessiatin feudal latifundia, and in the present historical situation that idea *really* expresses such strivings, it gives an impetus towards consistent *bourgeois* revolution, while mistakenly clothing this in vague, *quasi-socialist* phraseology. He would be a poor Marxist indeed who, while criticizing the falsity of a socialist disguise for bourgeois slogans, failed to appreciate their historically progressive significance as the most decisive *bourgeois* slogans in the struggle *against serfdom*, The real content of the revolution which the Narodnik regards as "socialization" will be that it will most consistently clear the way for capitalism, will most resolutely eradicate serfdom. The outline which I have drawn above indicates precisely the maximum to be achieved in the abolition of serfdom and the

[337] We speak here of division not as private property. but for economic use. Such a division is possible—and, with the predominance of small farming, inevitable for some time—both under municipalization and under nationalization. —Lenin

maximum of "equalization" to be attained thereby. The Narodnik imagines that this "equalization" eliminates the bourgeois element, whereas, in reality, it *expresses* the aspirations of the most radical bourgeoisie. And whatever else there is in "equalization" over and above that is nothing but ideological *smoke*, a petty-bourgeois illusion.

The short-sighted and unhistorical judgement of some Russian Marxists on the significance of Narodnik theories in the Russian bourgeois revolution is to be explained by the fact that they have not reflected on the significance of the "confiscation" of the landlord estates which the Narodniks advocate. One has only to visualize clearly the economic basis of this revolution under the present conditions of landownership in our country in order to grasp not only the illusory nature of the Narodnik theories, but also the truth of the struggle, restricted to a definite historical task, the truth of the struggle against serfdom, which represents the real content of those illusory theories.

Section 5: Two Types of Bourgeois Agrarian Evolution

To proceed. We have shown that the Narodnik theories, while absurd and reactionary from the standpoint of the struggle for socialism against the bourgeoisie, turn out to be "rational" (in the sense of being a specific historic task) and progressive in the bourgeois struggle against serfdom. The question now arises: when we say that serfdom must inevitably die out in Russian landownership and in the whole social system in Russia, when we say that a bourgeois-democratic agrarian revolution is inevitable, does that mean that this can take place only in one definite form? Or is it possible in various forms?

That question is of cardinal importance for arriving at correct views on our revolution and on the Social-Democratic agrarian programme. And solve this question we must, starting out from the data given above concerning the economic basis of the revolution.

The pivot of tile struggle is the feudal latifundia which are the most conspicuous embodiment and the strongest mainstay of the survivals of serfdom in Russia. The development of commodity production and capitalism will certainly and inevitably put an end to those survivals. In that respect Russia has *only one* path before her, that of bourgeois development.

But there may be two forms of that development. The survivals of serfdom may fall away either as a result of the transformation of landlord economy or as a result of the abolition of the landlord latifundia, i. e., either by reform or by revolution. Bourgeois development may proceed by having big landlord economies at the head, which will gradually become more and more bourgeois and gradually substitute bourgeois for feudal methods of exploitation. It may also proceed by having small peasant economies at the head, which in a revolutionary way, will remove the "excrescence" of the feudal latifundia from the social organism and then freely develop without them along the path of capitalist economy.

Those two paths of objectively possible bourgeois development we would call the Prussian path and the American path, respectively. In the first case feudal landlord economy slowly evolves into bourgeois, Junker landlord economy, which condemns the peasants to decades of most harrowing expropriation and bondage, while at the same time a small minority of *Grossbauern* ("big peasants") arises. In the second case there is no landlord economy, or else it is broken up by revolution, which confiscates and splits up the feudal estates. In that case the peasant predominates, becomes the sole agent of agriculture, and evolves into a capitalist farmer. In the first case the main content of the evolution is transformation of feudal bondage into servitude and capitalist

exploitation on the land of the feudal landlords—Junkers. In the second case the main background is transformation of the patriarchal peasant into a bourgeois farmer.

In the economic history of Russia both these types of evolution are clearly in evidence. Take the epoch of the fall of serfdom. A struggle went on between the landlords and the peasants over tile method of carrying out the reform. Both stood for conditions of bourgeois economic development (without being aware of it), but the former wanted a development that would preserve to the utmost the land lord economies, the landlord revenues, and the landlord (bondage) methods of exploitation. The latter wanted a development that would secure for the peasants the greatest degree of prosperity possible with the existing level of agriculture, the abolition of the landlord latifundia, the abolition of all serf and bondage methods of exploitation, and the expansion of free peasant landownership. Needless to say, in the second case the development of capitalism and the growth of the productive forces would have been wider and *more rapid* than by peasant reform, carried out in the landlords' way. [338] Only caricature Marxists, as the Narodniks, the opponents of Marxism, tried to depict them, could have believed that the divorcement of the peasantry from the land in 1861 guaranteed the development of capitalism. On the contrary, it would have been a guarantee— and so in fact it turned out to be—a guarantee of *bondage*, i.e., semi-serf tenant farming and labor rent, i. e., corvée economy, which exceedingly retarded the development of capitalism and the growth of the productive forces in Russian agriculture. The conflict of interests between the peas ants and the landlords was not a struggle waged by "people's production" or the "labor principle" against the bourgeoisie (as our Narodniks have imagined it to be)—it was a struggle for the American type of bourgeois development as against the Prussian type of bourgeois development.

And in those localities of Russia where no serfdom bad existed, where agriculture was undertaken entirely, or chiefly, by free peasants (for example, in the steppes of the Trans-Volga area, Novorossiya, and the Northern Caucasus, which were colonized after the Reform), the growth of the productive forces and the development of capitalism proceeded far more rapidly than in the central provinces which were burdened by survivals of serfdom. [339]

While Russia's agricultural centre and agricultural borderlands show us, as it were, the spatial or geographical distribution of the localities in which one or the other type of agrarian evolution prevails, the fundamental features of both types of evolution are also clearly evident in *all* those localities where landlord and peasant farming exist side by side. A cardinal mistake of the Narodnik economists was that they believed that

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[338] In the magazine Nauchnoye Obozreniye (May-June 1900), I wrote on this subject as follows: "... The more the land the peasants received when they were emancipated, and the lower the price they paid for it, the faster, wider, and freer would have been the development of capitalism in Russia, the higher would have been the standard of living of the population, the wider would have .been the home market, the faster would have been the introduction of machinery into production; the more, in a word, would the economic development of Russia have resembled that of America. I shall confine myself to indicating two circumstances which, in my opinion, confirm the correctness of the latter view: (1) land-poverty and the burden of taxation have led to the development over a very considerable area of Russia of the labor-service system of private-landowner farming, i. e., a direct survival of serfdom, and not at all to the development of capitalism; (2) it is in our border regions, where serfdom was either entirely unknown, or was feeblest, and where the peasants suffer least from land shortage, labor-service, and the burden of taxation, that there has been the greatest development of capitalism in agriculture." (See, present edition, Vol. 3, pp. 624-25.—Ed.) —Lenin

[339] have dealt in detail with the importance of the borderlands of Russia as colonization lands during the development of capitalism in The Development of Capitalism in Russia. (St. Petersburg, 1899, pp. 185, 444, et al.) Second edition issued, St. Petersburg, 1908. (See present edition, Vol. 3, pp.. 257, 561, 590-95.—Ed.) The question of the importance of the borderlands in regard to the Social-Democratic agrarian programme will be dealt with separately later on. —Lenin

landlord farming was the only source of agrarian capitalism, while they regarded peasant farming from the point of view of "people's production" and the "labor principle" (that is the view taken even now by the Trudoviks, the "Popular Socialists", and the Socialist-Revolutionaries). We know that this is wrong. Landlord economy evolves in a capitalist way and gradually replaces the labor rent system by "free wage-labor", the three-field system by intensive cultivation, and the obsolete peasant implements by the improved machinery employed on the big private farms. Peasant farming *also evolves in a capitalist way* and gives rise to a rural bourgeoisie and a rural proletariat. The better the condition of the "village commune" and the greater the prosperity of the peasantry in general, the *more rapid* is the process of differentiation among the peasantry into the antagonistic classes of capitalist agriculture. Consequently, we see two streams of agrarian evolution everywhere. The conflict of interests between the peasants and the landlords which runs like a scarlet thread through the whole history of post-Reform Russia and constitutes the most important economic basis of our revolution, is a struggle for one or the other type of bourgeois agrarian evolution.

Only by clearly understanding the difference between these two types and the bourgeois character of *both*, can we correctly explain the agrarian question in the Russian revolution and grasp the class significance of the various agrarian programs put forward by the different parties.[340] The pivot of the struggle, we repeat, is the feudal latifundia. The capitalist evolution of these is beyond all dispute, but it is possible in two forms: either they will be abolished, eliminated in a revolutionary manner by peasant farmers, or they will be gradually transformed into Junker estates (and correspondingly, the enthralled muzhik will be transformed into an enthralled Knecht).

Section 6: Two lines Of Agrarian Programs in the Revolution

If we now compare the agrarian programs put forward by the different classes in the course of the revolution with the economic basis outlined above, we shall at once perceive two lines in these programs, corresponding to the two types of agrarian evolution which we have indicated.

Let us take the Stolypin programme, which is supported by the Right landlords and the Octobrists. It is avowedly a landlords' programme. But can it be said that it is reactionary in the economic sense, i. e., that it precludes, or seeks to preclude, the development of capitalism, to prevent a bourgeois agrarian evolution? Not at all. On the contrary, the famous agrarian legislation introduced by Stolypin under Article 87 is permeated through and through with the purely bourgeois spirit. There can be no doubt that it. follows the line of capitalist evolution, facilitates and pushes forward that

[340] The amount of confusion that reigns at times in the minds of Russian Social-Democrats about the two paths of bourgeois agrarian evolution in Russia is demonstrated by P Maslov. In Obrazovaniye (No. 3,1907), he outlines two paths: (1) "capitalism in process of development" and (2) "a useless struggle against economic development". "The first path,". if you please, "leads the working class and the whole of society towards socialism; the second path pushes [!] the working class into the arms [!] of the bourgeoisie, into a struggle between big and small proprietors, into a struggle from which the working class has nothing to gain but defeat" (p. .92). In the first place, the "second path" is an empty phrase, a dream and not a path; it is a false ideology, and not a real possibility of development. Secondly, Maslov fails to see that Stolypin and the bourgeoisie are also leading the peasantry along the capitalist road; consequently, the real struggle is not about capitalism as such, but about the type of capitalist development. Thirdly, it is sheer nonsense to talk as if there can be a path in Russia which will not "push" the working class under the domination of the bourgeoisie Fourthly, it is equally nonsensical to allege that there can be a "path" on which there will be no struggle between small and big proprietors. Fifthly, by the use of terms descriptive of general European categories (big and small proprietors), Maslov obscures the historical peculiarity of Russia which is of great significance in the present revolution: the struggle between petty-bourgeois and big feudal proprietors. — Lenin

evolution, hastens the expropriation of the peasantry, the break-up of the village commune, and the creation of a peasant bourgeoisie. Without a doubt, that legislation is progressive in the scientific-economic sense.

But does that mean that Social-Democrats should "support" it? It does not. Only vulgar Marxism can reason in that way, a Marxism whose seeds Plekhanov and the Mensheviks are so persistently sowing when they sing, shout, plead, and proclaim: we must support the bourgeoisie in its struggle against the old order of things. No. To facilitate the development of the productive forces (this highest criterion of social progress) we must support not bourgeois evolution of the landlord type, but bourgeois evolution of the peasant type. The former implies the utmost preservation of bondage and serfdom (remodeled on bourgeois lines), the least rapid development of the productive forces, and the retarded development of capitalism; it implies infinitely greater misery and suffering, exploitation and oppression for the broad mass of the peasantry and, consequently, also for the proletariat. The second type implies the most rapid development of the productive forces and the best possible (under commodity production) conditions of existence for the mass of the peasantry. The tactics of Social-Democracy in the Russian bourgeois revolution are determined not by the task of supporting the liberal bourgeoisie, as the opportunists think, but by the task of supporting. the fighting peasantry.

Let us take the programme of the liberal bourgeoisie, 1. e., the Cadet programme. True to the motto: "at your service" (i. e., at the service of the landlords), they proposed one programme in the First Duma and another in the Second. They can change their programme as easily and imperceptibly as all the European unprincipled bourgeois careerists do. In the First Duma the revolution appeared to be strong, and so the liberal programme borrowed from it a bit of nationalization (the "state land available for distribution"). In the Second Duma the counter-revolution appeared to be strong, and so the liberal programme threw the state land available for distribution overboard, swung round to the Stolypin idea of stable peasant property, strengthened and enlarged the scope of exemptions from the general rule of compulsory alienation of the landlords' land. But we note this two-faced attitude of the liberals only in passing. The important thing to note here is something else, viz., the principle which is *common to both* "*faces*" of the liberal agrarian programme. That common principle consists of: (1) redemption payments; (2) preservation of the landlords' estates; (3) preservation of the landlords' privileges when carrying out the reform.

Redemption payment is tribute imposed upon social development, tribute paid to the owners of the feudal latifundia. Redemption payment is tile realization, ensured by bureaucratic, police measures, of the feudal methods of exploitation in the shape of the bourgeois "universal equivalent". Further, preservation of the landlords' estates is seen *in one or another* degree in both Cadet programs, no matter how the bourgeois politicians may try to conceal that fact from the people. The third point—the preservation of the landlords' privileges when carrying out the reform—is quite definitely expressed in the Cadets' attitude to the election of local land committees on the basis of universal, direct, and equal

suffrage by secret ballot. We cannot here go into details [341] which concern another part of our argument. All we need do here is to define the *line* of the Cadet agrarian programme. And in this connection, we must say that the question of the composition of the local land committees is of *cardinal* importance. Only political infants could be taken in by the sound of the Cadet slogan of "*compulsory* alienation". The question is, who will compel whom? Will the landlords compel the peasants (to pay an exorbitant price for inferior land), or will the peasants compel the landlords? The Cadet talk "about equal representation of the conflicting interests" and about the undesirability of "one-sided violence" reveals as clear as clear can be the essence of the matter, namely, that the Cadet idea of compulsory alienation means that the land lords will compel the peasants!

The Cadet agrarian programme follows the line of Stolypin progress, i. e., landlord bourgeois progress. That is a fact. Failure to appreciate this fact is the fundamental mistake made by those Social-Democrats who, like some of the Mensheviks, regard the Cadet agrarian policy as being more progressive than the Narodnik policy.

As for the spokesmen of the peasantry, i. e., the Trudoviks, the Social-Narodniks, and partly the Socialist-Revolutionaries, we find that, *in spite of* considerable vacillation and wavering, they, in both Dumas, adopted a very clear line of defending the interests of the peasantry against the landlords. For instance, vacillation is observed in the programme of the Trudoviks on the question of redemption payments, but, in the first place, they frequently interpret that as something in the nature of public relief for disabled landlords; [342] secondly, in the records of the Second Duma one can find a number of exceedingly characteristic speeches by *peasants repudiating* redemption payments and proclaiming the slogan: all the land to all the people. [343] On the question of the local land committees—this all-important

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[341] See the records of the First Duma, 14th sitting, May 24, 1906, which show that the Cadets Kokoshkin and Kotlyarevsky, hand in hand with the (then) Octobrist Heyden, resorted to the basest sophistry to repudiate the idea of local land committees. In the Second Duma: the evasions by the Cadet Savelyev (16th sitting. March 26, 1907) and the open opposition to the idea of local committees by the Cadet Tatarinov (24th sitting, April 9,1907, p. 1783 of Stenographic Record). The newspaper Rech, No. 82, for May 25, 1906. contained a noteworthy leading article which is reprinted in Milyukov's a Year of Struggle, No. 117, pp. 457-59. Here is the decisive passage from this Octobrist in disguise: "We believe that setting up these commit tees on the basis of universal suffrage would mean preparing them not for the peaceful solution of the land problem in the local areas, but for something entirely different. Control of the general direction of the reform ought to be left in the hands of the state.... The local commissions should consist as equally as possible [sic!] of representatives of the conflicting interests which can be reconciled without impairing the state importance of the proposed reform, and without turning it into an act of one-sided violence"... (p. 459). In the Cadet Agrarian Question, Vol. II, Mr. Kutler published the text of his Bill which ensures to the landlords, plus the officials, preponderance over the peasants in all the principal, gubernia and uyezd land commissions and committees (pp. 640-41), while Mr. A. Chuprov—a "liberal"!— defends on principle the same despicable plan of the landlords to swindle the peasants (p. 33). —Lenin

[342] See Sbornik "Izvestii Krestyanskikh Deputatov" i "Trudovoi Rossii" (The Symposium of "Peasant Deputies' News" and "Toiling Russia"), St. Petersburg, 1906, a collection of newspaper articles by the Trudoviks in the First Duma; for instance, the article entitled "Grants, Not Redemption Payments" (pp. 44-49), et al. —Lenin

[343] See the speech made by the Right-wing peasant deputy Petrochenko in the Second Duma (22nd sitting, April 5, 1907): Kutler, he said, proposed good conditions.... "Of course, being a wealthy man, he has named a high figure, and we, poor peasants, cannot pay such a price" (p. 1616). Thus, the Right-wing peasant is more to the left than the bourgeois politician who is playing at being a liberal. See also the speech of the non-party peasant deputy Semyonov (April 12, 1907), which breathes the spirit of the spontaneous revolutionary struggle of the peasants, and many other speeches. —Lenin

question as to who will compel whom—the peasant deputies are the originators and supporters of the idea of having them elected by universal suffrage.

We are not, for the time being, dealing with the content of the agrarian programs of the Trudoviks and Socialist-Revolutionaries, on the one hand, and the Social-Democrats, on the other. We must first of all note the incontrovertible fact that the agrarian programs of *all* the parties and classes which came out openly in the Russian revolution can be clearly divided into *two* basic types, corresponding to the two types of bourgeois agrarian evolution. The dividing line between the "Right" and "Left" agrarian programs does not run between the Octobrists and the Cadets, as is frequently and mistakenly assumed by the Mensheviks (who allow themselves to be taken in by the sound of "constitutional-democratic" words and substitute analysis of the respective titles of the parties for a class analysis). The dividing line runs between the Cadets and the Trudoviks. That line is determined by *the interests of the two principal classes* in Russian society which are fighting for the land, viz., the landlords and the peasantry. The Cadets stand for the preservation of landlordism and for a civilized, European, but *landlord* bourgeois evolution of agriculture. The Trudoviks (and the Social-Democratic workers' deputies), i.e., the representatives of the peasantry and the representatives of the proletariat, advocate, a *peasant* bourgeois evolution of agriculture.

A strict distinction must be drawn between the ideological cloak of the agrarian programs, their different political details, etc., and the economic basis of those programs. The present difficulty does not lie in understanding the bourgeois character of the agrarian demands and programs of both the landlords *and the peasants*: that was already explained by the Marxists before the revolution, and the revolution has confirmed the correctness of their explanation. The difficulty lies in understanding fully the basis of the struggle between the two classes *within the framework* of bourgeois society and bourgeois evolution. The fact that this struggle is a normal social phenomenon will not be understood unless it is seen as part and parcel of the objective tendencies of the economic development of capitalist Russia.

Now, having shown the connection between the two types of agrarian programs in the Russian revolution and the two types of bourgeois agrarian evolution, we must pass on to the examination of a new, extremely important aspect of the question.

V. I. Lenin: The Agrarian Question and the "Critics of Marx"

Chapter 1: The "Law" of Diminishing Returns

"... To argue ... that dogmatic Marxism has been jolted from its positions in the sphere of agrarian questions would be like forcing an open door... ." So spoke *Russkoye Bogatstvo* last year through the mouth of Victor Chernov (1900, No. 8, p. 204). What a peculiar quality this "dogmatic Marxism" possesses! For many years now scientists and very learned people in Europe have been gravely declaring (and newspaper scribes and journalists have been repeating it over and over again) that Marxism has been jolted from its positions by "criticism", and yet every new critic starts from the beginning, all over again, to bombard these allegedly destroyed positions. Mr. Chernov, for example, in

the periodical *Russkoye Bogatstvo*, as well as in the collection, *At the Glorious Post*, in a *two-hundred-and-forty-page-long* "discussion" of Hertz' work [344] with his reader, "forces an open door". Hertz' work, which has been given such a lengthy exposition, is itself a review of Kautsky's book, and has been translated into Russian. Mr. Bulgakov, in keeping with his promise to refute this very same Kautsky, has published a whole two-volume study. Now, surely, no one will ever be able to find the remnants of "dogmatic Marxism", which lies crushed to death beneath this mountain of critical printed matter.

Let us first of all examine the general theoretical physiognomy of the Critics. Mr. Bulgakov published an article in the periodical *Nachalo* criticizing Kautsky's *Agrarian Question* in which he at once exposed his stock of "critical" methods. He charged down on Kautsky with the dash and abandon of a veritable cavalier and "scattered" him to the winds. He put into Kautsky's mouth what he had not said, he accused him of ignoring the very circumstances and arguments which he, Kautsky, had expounded with precision, and he presented to the reader as *his own* the critical conclusions drawn by Kautsky. With the air of an expert, Mr. Bulgakov accused Kautsky of confounding technology with economics, and in doing so betrayed, not only incredible confusion, but also a disinclination to .read to the end the page he quotes from his opponent's book. Needless to say, this article from the pen of the future professor is replete with outworn gibes against socialists, against the "theory of collapse", against utopianism, against belief in miracles, etc. [345] Now, in his doctoral thesis (*Capitalism and Agriculture*, St. Petersburg, 1900), Mr. Bulgakov settled all his accounts with Marxism and brought his "critical" evolution to its logical conclusion.

Mr. Bulgakov makes the "law of diminishing returns" the corner-stone of his "theory of agrarian development". We are treated to quotations from the works of the classics who established this "law" (according to which each additional investment of labor and capital in land produces, not a corresponding, but a diminishing quantity of products). We are given a list & the English economists who recognize this law. We are assured that it "has universal significance", that it is "an evident and absolutely undeniable truth", "which needs only to be stated clearly", etc., etc. The more emphatically Mr. Bulgakov expresses himself, the clearer it becomes that he is *retreating* to bourgeois political economy, which obscures social relationships by imaginary "eternal laws". Indeed, what does the "evidentness" of the notorious "law of diminishing returns" amount to? If each successive investment of labor and capital in land produced, not a diminishing, but an equal quantity of products, there would be no sense in extending the area of land under cultivation; additional quantities of grain, would be produced on the same plot of land, however small, and "it would be possible to carry on the agriculture of the whole globe upon one Desiatina of land". This is the customary (*and the only*) argument advanced in favor of this "universal" law. A little thought, however, will prove to anyone that this argument is an empty abstraction, which ignores the most important thing—the level of technological development, the state of the productive forces. Indeed, the very term "additional (or

[344] See present volume, footnote to p. 130—Tr.

[345] I replied immediately to Mr. Bulgakov's article in Nachalo by an article entitled "Capitalism in Agriculture". Following the suppression of Nachalo, my article was published in Zhizn, 1900, Nos. 1 and 2. (Author's note to the 1908 edition. —Ed.) (See present edition, Vol. 4, pp. 105-59.—Ed.) —Lenin

successive) investments of labor and capital" *presupposes* changes in the methods of production, reforms in technique. In order to increase the quantity of capital invested in land to any considerable degree, new machinery must be *invented*, and there must be new methods of land cultivation, stock breeding, transport of products, and so on and so forth. Of course, "additional investments of labor and capital" may and do take place on a relatively small scale even when the technique of production has remained at the same level. In such cases, the "law of diminishing returns" is applicable *to a certain degree*, i.e., in the sense that the unchanged technique of production imposes relatively very narrow limits upon the investment of additional labor and capital. Consequently, instead of a universal law, we have an extremely relative "law"—so relative, indeed, that it cannot be called a "law", or even a cardinal specific feature of agriculture. Let us take for granted: the three-field system, cultivation of traditional grain crops, maintenance of cattle to obtain manure, lack of improved grassland and improved implements. Obviously, assuming that these conditions remain unchanged, the possibilities of investing additional labor and capital in the land are extremely limited. But even within the narrow limits in which some investment of additional labor and capital is still possible, a decrease in the productivity of each such additional investment will *not always and not necessarily* be observed. Let us take industry—flour-milling or ironworking, for example, in the period preceding world trade and the invention of the steam-engine. At that level of technical development, the limits to which additional labor and capital could be invested in a blacksmith's forge, or in a wind- or water-mill, were very restricted; the inevitable thing that happened was that small smithies and flour- mills continued to multiply and increase in number until the radical changes in the methods of production created a basis for new forms of industry.

thus the "law of diminishing returns" does not at all apply to cases in which technology is progressing and methods of production are changing; it has only an extremely relative and restricted application to conditions in which technology remains unchanged. That is why neither Marx nor the Marxists speak of this "law", and only representatives of bourgeois science like Brentano make so much noise about it, since they are unable to abandon the prejudices of the old political economy, with its abstract, eternal, and natural laws.

Mr. Bulgakov defends the "universal law" by arguments deserving only of ridicule.

"What was formerly a free gift of Nature must now be produced by man: the wind and the rain broke up the soil, which was full of nutritive elements, and only a little effort on the part of man was required to produce what was needed. In the course of time, a larger and larger share of the productive work fell to man. As is the case everywhere, artificial processes more and more take the place of natural processes. But while in industry this expresses man's victory over Nature, in agriculture it indicates the increasing difficulties of an existence for which Nature is diminishing her gifts.

"In the present case it is immaterial whether the increasing difficulty of producing food is expressed in an increase in human labor or in an increase of its products, such as instruments of production, fertilizers [Mr. Bulgakov wishes to say that it is immaterial whether the increasing difficulty of producing food finds expression in an increased expenditure of human labor or in an increase in the

products of human labor]; what is important is that food becomes more and more costly to man. This substitution of human labor for the forces of Nature and of artificial factors of production for natural factors is the law of diminishing returns" (16).

Evidently, Mr. Bulgakov is envious of the laurels of Messrs. Struve and Tugan-Baranovsky, who arrived at the conclusion that it is not man who works with the help of machines, but machines that work with the help of man. And like those critics, he sinks to the level of vulgar political economy by talking about the forces of Nature being *superseded* by human labor, and so forth. Speaking generally, it is as impossible for human labor to supersede the forces of Nature as it is to substitute pounds for yards. Both in industry and in agriculture., man can only utilize the forces of Nature when he has learned how they operate, and he can *facilitate* this utilization by means of machinery, tools, etc. That primitive man obtained all he required as a free gift of Nature is a silly fable for which Mr. Bulgakov would be howled down even by first-term students. Our age was not preceded by a Golden Age; and primitive man was absolutely crushed by the burden of existence, by the difficulties of the struggle against Nature. The introduction of machinery and of improved methods of production immeasurably eased man's struggle against Nature generally, and the production of food in particular. It has not become more difficult to produce food; it has become more difficult for the workers to obtain it because capitalist development has inflated ground-rent and the price of land, has concentrated agriculture in the hands of large and small capitalists, and, to a still larger extent, has concentrated machinery, implements, and money, without which successful production is impossible. To explain the aggravation of the workers' condition by the argument that Nature is reducing her gifts can mean only that one has become a bourgeois apologist.

"In accepting this law," continues Mr. Bulgakov, "we do not in the least assert that there is a continuously increasing difficulty in food production; nor do we deny progress in agriculture. To assert the first, and to deny the second, would be contrary to obvious facts. This difficulty does not grow uninterruptedly, of course; development proceeds in zigzag fashion. Discoveries in agronomics and technical improvements convert barren into fertile land and temporarily remove the tendency indicated by the law of diminishing returns" (ibid.).

Profound, is it not?

Technical progress is a "temporary" tendency, while the law of diminishing returns, i.e., diminishing productivity (and that not always) of additional investments of capital on the basis of an unchanging technique, "has universal significance"! This is equal to saying that the stopping of trains at stations represents the universal law of steam transport, while the motion of trains between stations is a temporary tendency paralyzing the operation of the universal law of immobility.

Finally, extensive data clearly refute the universality of the law of diminishing returns—data on the agricultural as well as the non-agricultural population. Mr. Bulgakov himself admits that "if each country were restricted to its own natural resources, the procuring of food would call for an uninterrupted relative increase [note this!] in the quantity of labor and, consequently, in the

agricultural population" (19). The diminution in the agricultural population of Western Europe, accordingly, is explained by the fact that the operation of the law of diminishing returns has been counteracted by the importation of grain.

An excellent explanation, indeed! Our pundit has forgotten a detail, namely, that a relative diminution in the agricultural population is common to all capitalist countries, both agricultural and grain-importing. The agricultural population is relatively diminishing in America and in Russia. It has been diminishing in France since the end of the eighteenth century (see figures in the same work of Mr. Bulgakov, II, p. 168). Moreover, the relative diminution of the agricultural population sometimes becomes an absolute diminution, whereas the excess of grain imports over exports was still quite insignificant in the thirties and forties, and *only after 1878* do we cease to find years in which grain exports exceed grain imports. [346] In Prussia there was a relative diminution in the agricultural population from 73.5 per cent in 1816 to 71.7 per cent in 1849, and to 67.5 per cent in 1871, whereas the importation of rye began only in the early sixties, and the importation of wheat in the early seventies (ibid., Part II, pp. 70 and 88). Finally, if we take the European grain-importing countries, e.g., France and Germany during the last decade, we shall find that there has been *undoubted progress* in agriculture side by side with *an absolute diminution* in the number of workers engaged in farming. In France this number dropped from 6,913,504 in 1882 to 6,663,135 in 1892 (*Statistique agricole*, Part II, pp. 248.51), and in Germany from 8,064,000 in 1882 to 8,045,000 in 1895. [347] Thus, it may be said that the *entire* history of the nineteenth century, by a multitude of data on countries of the most varied character, proves irrefutably that the "universal" law of diminishing returns is *absolutely paralyzed* by the "temporary" tendency of technological advance which enables a relatively (and sometimes absolutely) diminishing rural population to produce an increasing quantity of agricultural products for an increasing mass of population.

Incidentally, this mass of statistical data also refutes the two following main points of Mr. Bulgakov's "theory": first, his assertion that the theory that constant capital (implements and materials of production) grows more rapidly than variable capital (labor-power) "is absolutely inapplicable to agriculture". With an air of importance Mr. Bulgakov declares that this theory is wrong, and in proof of his opinion refers to: (a) "Professor A. Skvortsov" (celebrated mostly for having ascribed Marx's theory

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[346] Statistique agricole de La France. Enquête de 1892, Paris, 1897, p. 113. (Agricultural Statistics of France. Survey of 1892. — Ed.) —Lenin

[347] Statistik des Deutschen Reichs, Neue Folge, Bd. 112: Die Land wirtschaft im Deutschen Reich (Statistics of the German Empire, New Series, Vol. 112: Agriculture in the German Empire—Ed.), Berlin, 1898, S. 6 *. This evidence of technological advance accompanied by a diminution in the agricultural population is of course not at all pleasing 1.0 Mr. Bulgakov, for it utterly destroys his Malthusianism. Our "strict scientist", therefore, resorts to the following trick: instead of taking agriculture in the strict sense of the term (land cultivation, livestock breeding, etc.), he (after adducing statistics on the increase in the quantity of agricultural produce obtained per hectare!) takes "agriculture in the broad sense", in which German statistics include hothouse cultivation, market gardening, and forestry and fishing! In this way, we get an increase in the' sum-total of per sons actually engaged in "agriculture"!! (Bulgakov, II, p. 133.) The figures quoted above apply to persons for whom agriculture is the principal occupation. The number of persons engaged in agriculture as a subsidiary occupation increased from 3,144,000 to 3,578,000. To add these to the previous figures is not entirely correct; but even if we do this, the increase is very small: from 11,208,000 to 11,623,000. —Lenin

of the average rate of profit to ill-intentioned propaganda); and (b) the fact that under intensive farming the number of workers employed per unit of land increases. This is an example of the deliberate refusal to understand Marx which fashionable Critics constantly display. Think of it: the theory of the more rapid growth of constant capital as compared with variable capital is refuted by the increase of *variable capital* per unit of land! And Mr. Bulgakov *fails to notice* that the very statistics he himself offers in such abundance confirm Marx's theory. In German agriculture as a whole the number of workers employed diminished from 8,064,000 in 1882 to 8,045,000 in 1895 (and if the number of persons engaged in agriculture as a subsidiary occupation is added, it increased from 11,208,000 to 11,623,000, i.e., only by 3.7 per cent). In the same period, livestock increased from 23,000,000 to 25,400,000 (all livestock expressed in terms of cattle), i.e., by more than 10 per cent; the number of cases in which the five most important agricultural machines were employed increased from 458,000 to 922,000, i.e., more than doubled; the quantity of fertilizers imported increased from 636,000 tons (1883) to 1,961,000 tons (1892), and the quantity of potassium salts from 304,000 double centners to 2,400,000. [348] Is it not clear from this that constant capital has increased in relation to variable capital? This, quite apart from the fact that these summary figures to a great extent conceal the progress of large-scale production. We shall deal with this point later.

Secondly, the progress of agriculture simultaneously with a diminution, or a negligible absolute increase, in the agricultural population completely refutes Mr. Bulgakov's absurd attempt to revive Malthusianism. The first of the Russian "ex-Marxists" to make this attempt was probably Mr. Struve, in his *Critical Remarks;* but he, as always, never went beyond hesitant, half-expressed, and ambiguous remarks, which he did not carry to their logical conclusion or round off into a complete system of views. Mr. Bulgakov, however, is bolder and more consistent; he unhesitatingly converts the "law of diminishing returns" into "one of the most important laws of the history of civilization" (*sic!* p. 18). "The entire history of the nineteenth century ... with its problems of riches and poverty would be unintelligible without this law." "I have not the least doubt that the social question as it is posed today is materially linked with this law." (Our strict scientist hastens to make this declaration on page 18 of his "Inquiry"!)... "There is no doubt," he declares at the end of his work, "that where over-population exists, a certain part of the poverty that prevails must be put under the heading of *absolute poverty*, the poverty of production and not of distribution" (II, 221). "The population problem, in the special form in which it presents itself to us as a result of the conditions of agricultural production, is, in my opinion, the principal obstacle—at the present time at any rate—in the way of any extensive application of the principles of collectivism or co-operation in agricultural enterprise" (II, 265). "The past leaves to the future a heritage in the shape of a grain problem more terrible and more difficult than the social problem—the problem of production and not of distribution" (II, 455), and so on and so forth. There is no need for us to discuss the scientific significance of this "theory", which is inseparably connected with the universal law of diminishing returns, since we have already examined this law. The fact that critical flirtation with Malthusianism in its logical development has inevitably resulted in a descent to

[348] Statistik des Deutschen Reichs, Bd. 112, S. 36 * ; Bulgakov, II, 135. —Lenin

the most vulgar bourgeois apologetics is proved by the above-quoted arguments, which Mr. Bulgakov has presented with a frankness that leaves nothing to be desired.

In a further essay we shall examine data from several new sources cited by our Critics (who constantly din into our ears that orthodox Marxists fear specification) and show that Mr. Bulgakov generally stereotypes the word "over population", the use of which relieves him of the necessity of making any kind of analysis, particularly of analyzing the class antagonisms among the "peasantry". Here we shall confine ourselves to the general theoretical aspect of the agrarian question and touch on the theory of rent. "As for Marx," writes Mr. Bulgakov, "we must say that in Volume III of *Capital*, in the form in which we have it now, he adds nothing worthy of attention to Ricardo's theory of differential rent" (87). Let us bear this "nothing worthy of attention" in mind and compare the Critic's verdict with the following statement made by him previously: "Notwithstanding his obvious opposition to this law [the law of diminishing returns I, Marx appropriates, in its fundamental principles, Ricardo's theory of rent, which is based on this law" (13). Thus, according to Mr. Bulgakov, Marx failed to see the connection between Ricardo's theory of rent and the law of diminishing returns, and therefore he never carried his argument to its logical conclusion! In regard to such a statement we can say but one thing—that no one distorts Marx to the degree that the ex-Marxists do and no one is so incredibly un... un... unabashed in ascribing to the writer he is criticizing a thousand and one mortal sins.

Mr. Bulgakov's assertion is a glaring distortion of the truth. Actually, Marx not only saw the connection between Ricardo's theory of rent and his erroneous doctrine of diminishing returns, but quite definitely exposed Ricardo's error. Anyone who has read Volume III of *Capital* with even a grain of "attention" could not but have observed the fact, very much "worthy of attention", that it was precisely Marx who *freed* the theory of differential rent from *all connection* with the notorious "law of diminishing returns Marx demonstrated that the unequal productivity of different investments of capital in land was all that was necessary for the formation of differential rent. The question as to whether the transition is from better land to worse land or vice versa, as to whether the productivity of the additional investments of capital in land diminishes or increases, is absolutely immaterial. In actual practice, all sorts of combinations of these varying cases take place; and it is utterly impossible to subject these combinations to a single general rule. For example, Marx first of all describes the first form of differential rent, which arises from the unequal productivity of capital invested in unequal plots of land, and he explains his case by tables (concerning which Mr. Bulgakov severely rebukes Marx for his "excessive predilection for clothing what are often very simple thoughts in a complicated mathematical garb". This complicated mathematical garb is simply the four rules of arithmetic, and the very simple ideas, as we see, were completely misunderstood by our learned professor). After analyzing these tables, Marx draws the conclusion: "This takes care of the first false assumption regarding differential rent—still found among West, Malthus and Ricardo—namely, that it necessarily presupposes a movement toward worse and worse soil, or an ever-decreasing fertility of the soil. It can be formed, as we have seen, with a movement toward better and better soil; it can be formed when a better soil takes the lowest position that was formerly occupied by the worst soil; it can be connected

with a progressive improvement in agriculture. The precondition is merely the in equality of different kinds of soil ." (Marx does not speak here of the unequal productivity of successive investments of capital in land, because this gives rise to the *second* form of differential rent; in this chapter he speaks only of the *first* form of differential rent.) "So far as the increase in productivity is concerned, it [differential rent—Ed. I assume that the increase in absolute fertility of the total area does not eliminate this inequality, but either increases it, leaves it unchanged, or merely reduces it" (*Das Kapital*, III, 2, *S*. 199). Mr. Bulgakov *failed to* see the radical difference between Marx's theory of differential rent and Ricardo's theory of rent. He preferred to rummage in Volume III of *Capital* for "a fragment which would rather suggest the idea that Marx was by no means opposed to the law of diminishing returns" (p. 1.3, footnote). We apologies to the reader for having to devote so much space to a passage that is quite immaterial to the question that concerns us and Mr. Bulgakov. But what can one do when the heroes of modern criticism (who have the insolence to charge orthodox Marxists with resorting to rabulous disputation) distort the absolutely clear meaning of a doctrine to which they are opposed by quoting passages out of context and in faulty translations? Mr. Bulgakov quotes the passage that he found as follows: "From the standpoint of the capitalist mode of production, a relative increase in the price of (*agricultural*) products always takes place, *since* [we ask the reader to pay particular attention to the words *we* have italicized I these products cannot be secured unless an expenditure is incurred, a payment made, which was not previously made." Marx goes on to say that elements of Nature entering as agents into production, costing nothing, represent a free gift of Nature's productive power of labor; but if for the production of an additional product it is necessary to work without the help of this natural power, a new capital outlay is required, which leads to an increase in the cost of production.

Concerning this mode of "quoting" we have three remarks to make. First, *Mr. Bulgakov himself introduced* the word "since", which gives his tirade the definite sense of establishing some kind of "law". *In the original (Das Kapital*, III, 2, *S*. 277-78) *Marx does not say "since" but "when". When* something is paid for which formerly did not have to be paid for, there is a relative increase in the price of the product. Is *that* proposition anything like a recognition of the "law" of diminishing returns? Secondly, Mr. Bulgakov inserts in parentheses the word "agricultural". *In the original text the word does not appear at all.* In all probability, with the frivolousness characteristic of the Critics, Mr. Bulgakov decided that in this passage Marx could be speaking only of agricultural products, and therefore hastened to give his readers an "explanation" that is a complete misrepresentation. In point of fact, Marx in this passage speaks of products generally; in the original, the passage quoted by Mr. Bulgakov is preceded by the words: "But, in general, the following is to be noted." Freely bestowed natural forces may also enter into industrial production—in the same section on rent Marx gives the example of a waterfall which for a certain factory takes the place of steam power—and if it is necessary to manufacture an additional quantity of products without the aid of these freely bestowed natural forces, there will *always* be a relative increase in the price of the products. Thirdly, we must examine the context in which this passage occurs Marx discusses in this chapter differential rent obtained from the worst cultivated soil, and he examines *as always* two absolutely equivalent, *two absolutely equally possible* cases: the first case—increasing productivity of successive investments of capital (*S*. 274-76), and the second case—

decreasing productivity of such investments (*S*. 276-78). In regard to the second of the possible cases, Marx says: "Concerning decreasing productiveness of the soil with successive investments of capital, see Liebig.... *But, in general*, the following is to be noted" (our italics). There follows the passage "translated" by Mr. Bulgakov, stating that when what was formerly obtained gratis has now to be paid for, there is *always* a relative increase in the price of the product.

We shall leave it to the reader to judge the scientific conscientiousness of the Critic who turned Marx's remark about one of the possible cases into a recognition of this case by Marx as some sort of general "law".

And the following is the conclusion at which Mr. Bulgakov arrives concerning the passage he has discovered:

"This passage, of course, is vague...." Of course! By substituting one word for another, Mr. Bulgakov has rendered it utterly meaningless! "... but it cannot be understood otherwise than as an indirect or even direct recognition [listen well! I of the law of diminishing returns. I am unaware that Marx has expressed himself openly on the latter in any other place" (I, 14). As an ex-Marxist, Mr. Bulgakov is "unaware" that Marx openly declared the assumptions of West, Malthus and Ricardo—that differential rent presupposes a transition to worse land or diminishing returns—to be utterly false. [349] He is "unaware" that in the course of his voluminous analysis of rent Marx points out *scores of times* that he regards diminishing and increasing productivity of additional investments of capital as equally possible cases!

Chapter 3: Machinery in Agriculture

Let us now pass to what Mr. Bulgakov regards as the "remarkable" work of Hertz (*Die agrarischen Fragen im Verhältniss zum Sozialismus*, Wien, 1899. [Friedrich Otto Hertz, *The Agrarian Questions in Relation to Socialism.* Vienna. 1899.—*Ed*.] Russian translation by A. Ilyinsky, St. Petersburg, 1900). We shall need, however, to spend a little time in simultaneously examining similar arguments by both authors.

The question of machinery in agriculture and the closely connected question of large- and small-scale production in agriculture most frequently provide the "Critics" with the occasion to "refute" Marxism. We shall later analyze some of the detailed data they present; for the present let us examine their general arguments. The Critics devote entire pages to arguing in detail that the use of machinery encounters greater difficulties in agriculture than in industry and for that reason machines are used to a smaller extent and have less significance. This is indisputable, and it was definitely shown, for example, by the same Kautsky whose name is enough to arouse Messrs. Bulgakov, Hertz, and Chernov to a state bordering on frenzy. But this indisputable fact does not in the least controvert the other fact

[349] This false assumption of classical political economy, refuted by Marx, was adopted by the "Critic" Mr. Bulgakov, following on the heels of his teacher, Brentano, uncritically, of course. "The condition for the appearance of rent," Mr. Bulgakov writes, "is the law of diminishing returns" (I, 90). "...English rent ... as a matter of fact distinguishes successive investments of capital of varying and, as a rule, diminishing productivity" (I, 130). —*Lenin*

that the use of machinery is developing rapidly in agriculture also, and that it has a powerful transforming effect upon it. All that the Critics can do is to "evade" this inevitable conclusion by such profound arguments as, "Agriculture is characterized by the domination of Nature in the process of production and by the lack of human free will" (Bulgakov, I, 43). "...instead of the uncertain and imprecise work of man, it [machinery in industry] performs micrometric as well as colossal, work with mathematical precision. The machine cannot do the like [?] in the production of agricultural products because, to this day, this working instrument is not in the hands of man, but in the hands of Mother Nature. This is no metaphor" (ibid.). Indeed, it is no metaphor; it is merely an empty phrase; for everyone knows that the steam plough, the seed-drill, the threshing-machine, etc., *make* work *more* "certain and precise"; consequently, to say, "cannot do the like", is simply to talk nonsense! Similarly, how can it be said that machinery in agriculture "cannot to any extent [sic!] revolutionize *production*" (Bulgakov, I, 43-44, where he quotes the opinion of agricultural machinery experts, who, however, merely refer to the relative difference between agricultural and industrial machinery), or that "not only cannot machinery convert the worker into its adjunct[?], but that the worker still retains his previous control of the process" (44) —as feeder of the threshing-machine, perhaps?

Mr. Bulgakov tries to belittle the superiority of the steam plough by references to Stumpfe and Kutzleb (who wrote of the ability of small-scale farming to compete with large-scale farming), as against the opinions of experts in agricultural machinery and agricultural economics (Fühling, Perels). He advances arguments to the effect that steam ploughing requires a special soil [350] and "extremely extensive estates" (in Mr. Bulgakov's opinion this is not an argument against small-scale farming, but against the steam plough!), and that with *12-inch* furrows the work of animals is *cheaper* than steam power, and so forth. One could fill tomes with such arguments, without, however, in the least refuting the fact that the steam plough has made extremely deep ploughing possible (furrows deeper than 12 inches), or the fact that its use has rapidly developed: in England, in 1867, only 135 estates were using steam ploughs, whereas in 1871 over 2,000 steam ploughs had come in to use (Kautsky); in Germany the number of farms using steam ploughs increased from 836 in 1882 to 1,696 in 1895.

On the question of agricultural machinery Mr. Bulgakov frequently cites Franz Bensing, whom he recommends as "the author of a special monograph on agricultural machinery" (I, 44). It would be most unfair if we did not in the present case show *how* Mr. Bulgakov quotes his authors, and *how* the very witnesses he calls testify against him.

In arguing that Marx's "construction" on the more rapid growth of constant capital as compared with variable capital is inapplicable to agriculture, Mr. Bulgakov points to the need of a larger expenditure of labor-power in proportion to the increase in the productivity of agriculture, and, among others, quotes the calculations made by Bensing: "The general amount of human labor required by the various systems of economy is expressed as follows: the three-field system—712 man-days; the Norfolk

[350] Hertz, with a particularly "triumphant" air, insists upon this, contending that the "absolute" judgement (S. 65, Russian translation, p. 156) that the steam plough is superior to the horse plough "under all circumstances" is false. This is precisely what is called forcing an open door! —Lenin

crop rotation system—1,615 man-days; crop rotation with a considerable production of sugar-beet—3,179 man-days per 60 hectares" (Franz Bensing, *Der Einfluss der landwirtschaftlichen Maschinen auf Volks- and Privatwirtschaft*, [*The Influence of Agricultural Machinery on National and Private Economy.—Ed.*] Breslau, 1897, S. 42. Quoted by Bulgakov, I, 32). The unfortunate thing, however, is that by this calculation Bensing desired to prove that the role of machinery is growing. Applying these figures to German agriculture as a whole, Bensing calculates that the available agricultural workers would be sufficient to cultivate the land only on the three-field system, and that, consequently, the introduction of a crop rotation system would have been altogether *impossible* without machines. It is well known that when the old three-field system prevailed machinery was hardly utilized at all; consequently, Bensing's calculation proves the *opposite* of what Mr.: Bulgakov tries to prove; this calculation shows that the growth of productivity of agriculture was necessarily accompanied by a more rapid growth of constant capital as compared with variable capital.

Elsewhere Mr. Bulgakov, after asserting that "a radical [*sic*!] difference exists between the role of machinery in the manufacturing industry and in agriculture", quotes the words of Bensing: "Agricultural machinery cannot effect an unlimited increase in production in the way machines in industry do..." (I, 44). Mr. Bulgakov is unlucky again. Bensing points to this by no means "radical" difference between agricultural and industrial machinery in the beginning of Chapter VI of his book, which is entitled: "The Influence of Agricultural Machinery on Gross Income". After making a detailed analysis of the data relating to each special type of machine as published in agricultural literature and of his own findings obtained in a special inquiry, Bensing arrives at the following general conclusion: the increase in gross income obtained by the use of a steam plough is ten per cent, of a seed-drill ten per cent, and of a threshing-machine fifteen per cent; moreover, the seed-drill causes a saving of twenty per cent in seed; only the use of potato-digging machines shows a decline of five per cent in gross income. Mr. Bulgakov's assertion that "at all events, the steam plough is the only agricultural machine about which anything favor able can be said from the technical point of view" (I, 47-48) is *at all events* refuted by the very Bensing to whom incautious Mr. Bulgakov here refers.

In order to present the significance of machinery in agriculture as precisely and completely as possible, Bensing makes a number of detailed calculations of the results of farming carried on without machinery, with one machine, with two machines, and so forth, and, finally, with the use of all the important machines, including the steam plough and light railways (*Feldbahnen).* He found that in farming without the aid of machinery gross income amounted to 69,040 marks—expenditure, 68,615 marks, net income, 425 marks, or 1.37 marks per hectare. In farming that made use of all the important machines gross income amounted to 81,078 marks—expenditure, 62,551.5 marks, net income, 18,526.5 marks, or 59.76 marks per hectare, i.e., *more than forty times as much as in the first case.* That is the effect of machinery alone, for the system of cultivation is assumed to have remained unchanged. It goes without saying that the use of machinery is accompanied, as Bensing's calculations show, by an enormous increase in constant capital and a *diminution* in variable capital (i.e., in the capital expended on labor-power and in the number of workers employed). In short, Bensing's work entirely refutes Mr.

Bulgakov and proves the superiority of large-scale production in agriculture, as well as the fact that the law of the growth of constant capital at the expense of variable capital is applicable to agriculture.

Only one thing makes Mr. Bulgakov akin to Bensing, and that is that the latter adopts the purely bourgeois point of view, completely fails to understand the contradictions inherent in capitalism, and smugly pretends not to see that machines oust the worker, etc. This moderate and methodical pupil of the German professors speaks of Marx with a hatred to match Mr. Bulgakov's, except that Bensing is more consistent—he calls Marx "an opponent of machinery" in general, in both agriculture and industry, because, says he, Marx "distorts the facts" when he talks of the harmful effect machines have on the workers and attributes all sorts of misfortunes to machines (Bensing, *loc. cit., S. 4*, 5, and 11). Mr. Bulgakov's attitude toward Bensing reveals to us again and again what the "Critics" take from the bourgeois scientists and what they pretend not to see.

The nature of Hertz' "criticism" is sufficiently revealed by the following example. On page 149 of his book (Russian translation) he charges Kautsky with employing "*feuilleton* methods", and on page 150 he "refutes" the assertion that large-scale production is superior to small-scale production in regard to the use of machinery, by the following arguments: (1) Machinery *is accessible* also to small farmers through the medium of co-operative societies. That, if you please, is supposed to refute the *fact* that machinery is used on a larger scale on big farms! On the question as to who has greater *access* to the benefits of co-operative organisation, we shall have a separate talk with Hertz in our second essay. (2) David has shown in *Sozialistische Monatshefte* (Vol. V, No. 2) that the use of machinery on small farms "is extensive and is rapidly increasing ... that seed-drills are frequently [*sic*] to be found even on very small farms. The same applies to mowers and other machines" (S. 63, Russian translation, p. 151). But if the reader turns to David's article, [351] he will see that the author takes the *absolute figures* of the number of farms using machinery, and not the percentage of those farms in relation to the total number of farms in the given category (as Kautsky does, of course).

Let us compare those figures, which are for the whole of Germany for 1895: [352]

Groups of farms	**Total number of farms**	**Farms using machinery**					
		Seedling machines	**Per cent**	**Seed drills**	**Per cent**	**Mowers and reapers**	**Per cent**
Under 2 hectares	3,236,367	214	0.01	14,735	0.46	245	0.01
2 to 5	1,016,318	551	0.05	13,088	1.29	600	0.06
5 to 20	998,804	3,252	0.33	48,751	4.88	6,746	0.68

[351] This faulty method is repeated in David's work Socialism and Agriculture, St. Petersburg, 1906, p. 179. (Author's note to the 1908 edition.–Ed.) —Lenin

[352] Statistik des deulachen Reichs, 112. Bd., S. 36*. —Lenin

2O to 100	281,767	12,091	4.29	49,852	17.69	19,535	6.93
100 and over	25,061	12,565	50.14	14,366	57.32	7,958	31.75
Totals	5,558,317	28,673	0.52	140,792	2.54	35,084	0.63

Confirmation indeed of the statement of David and Hertz that seeding-machines and mowers are "frequently" found "even on very small farms"! And if Hertz draws the "conclusion" that, "judged by statistics, Kautsky's assertion will not stand criticism", who is it that really employs *feuilleton* methods?

It should be pointed out as a curiosity that whereas the "Critics" deny the superiority of large-scale farming in regard to the use of machinery and deny the overwork and under consumption caused by this fact in small farming, they outrageously contradict themselves when compelled to deal with the actual facts of the situation (and when they forget their "principal task"—to refute "orthodox" Marxism). Thus, in Volume II of his book (p. 115) Mr. Bulgakov says: "Large-scale farming always works with greater capital intensity than small-scale farming, and therefore, naturally, gives preference to the mechanical factors of production over live labor-power." That Mr. Bulgakov as a "Critic" should follow Messrs. Struve and Tugan-Baranovsky in their inclination towards vulgar political economy by contrasting mechanical *"factors* of production" to live factors is indeed quite "natural". But is it natural that he should so incautiously deny the superiority of large-scale farming?

On concentration in agricultural production Mr. Bulgakov can find no other words with which to express himself than "the mystical law of concentration", and so forth. But he comes up against the figures for England, and they show that a tendency towards the concentration of farms was observed from the fifties to the end of the seventies. "Small subsistence farms combined into larger farms," writes Mr. Bulgakov. *"This* consolidation of land was by no means the result of the conflict between large-scale and small-scale production [?] but of a conscious [?!] striving on the part of the landlords to increase their rents by combining several small farms which provided them with very low rents into large farms capable of paying them larger rents" (I, 239). We are to understand from this: **Not** conflict between large- scale and small-scale farming, **but** the elimination of the latter, because it is less remunerative. "Since farming is established on a capitalist basis, it is indisputable that within certain limits large-scale capitalist farming possesses undoubted advantages over small-scale capitalist farming" (I, 239-40). If this is indisputable, why the clamor? Why did Mr. Bulgakov cry murder (in *Nachalo*) against Kautsky, who *begins* his chapter on large-scale and small-scale production (in his *Agrarian Question*) with the statement: "The more capitalistic agriculture becomes, the more qualitative becomes the difference in technique between large-scale and small-scale production"?

But not only the period of prosperity of English agriculture—also the period of crisis leads to conclusions unfavorable to small-scale farming. The reports of commissions published during recent years "with astonishing persistence assert that the crisis has most severely affected the small farmers" (I, 311). One report dealing with small owners says: "Their homes are worse than the average laborers' cottages.... All of them work astonishingly hard and for many more hours than the laborers, and many

of them say that their material conditions are not so good as those of the latter, that they do not live as well and rarely eat fresh meat.... The yeomen, burdened with mortgages, were the first to go under..." (I, 316). "They stint themselves in all things as only few laborers do.... The small farmers keep going as long as they are able to avail themselves of the unpaid labor of the members of their families.... It is hardly necessary to add that the living conditions of the small farmers are far worse than those of the laborers" (I, 320.21). We have quoted these passages so that the reader may judge the correctness of the following conclusion drawn by Mr. Bulgakov: "The severe ruination of the farms which had survived until the epoch of the agrarian crisis indicates merely [!!] that in such circumstances small producers succumb more quickly than large producers—and nothing more [*sic*!!]. It is utterly impossible to draw from this any general conclusion concerning the economic viability of small farms, for in that epoch the whole of English agriculture was insolvent" (I, 333). Isn't this priceless? And in the chapter dealing with the general conditions of development of peasant farming, Mr. Bulgakov even generalizes this remarkable method of reasoning in the following manner: "A sudden drop in prices has a serious effect on all forms of production; but peasant production, having least capital at its disposal, is naturally less stable than large-scale production (which does not in the slightest affect the question of its general viability)" (II, 247). Thus, in capitalist society, enterprises having less capital at their disposal are less stable; but that does not affect their "general" viability!

Hertz is not more consistent in his reasoning. He "refutes" Kautsky (in the manner described above); but in discussing America he admits the superiority of large-scale farming in that country, which permits "the employment of machinery on a far larger scale than our parcellized farming permits" (S. 36, Russian translation, p. 93). He admits that "the European peasant, employing antiquated, routine methods of production, frequently toils [*robotend*] for a crust of bread like a laborer, without striving for anything better" (ibid.). Hertz admits generally that "small-scale production employs a relatively larger amount of labor than large-scale production" (S. 74, Russian translation, p. 177); he could well communicate to Mr. Bulgakov the data on the increase in yield resulting from the introduction of the steam plough (S. 67-68, Russian translation, pp. 162-63), etc.

The natural concomitant of our Critics' faulty theoretical reasoning on the significance of agricultural machinery is their helpless repetition of the views of downright reactionary agrarians who are opposed to machinery. Hertz, it is true, still hesitates on this delicate point; in speaking of the "difficulties" in the way of introducing machinery in agriculture, he observes: "The opinion is expressed that so much free time is left in the winter that hand threshing is more profitable" (S. 65, Russian translation, pp. 156-57). Apparently, Hertz, with the logic peculiar to him, is inclined to draw the conclusion that this is an argument, not against small production, not against the capitalist obstacles to the introduction of machinery, but against machinery! It is not surprising that Mr. Bulgakov chides Hertz for being "too closely tied to the opinion of his party" (II, 287). The Russian professor, of course, is above such degrading "ties" and proudly declares: "I am sufficiently free from the prejudice so widespread—particularly in Marxist literature—according to which every machine must be regarded as progress" (I, 48). Unfortunately, the flight of imagination revealed in this magnificent piece of reasoning finds no correspondence in concrete conclusions. "The steam threshing-

machine," writes Mr. Bulgakov, "which deprives very many workers of winter occupation, spelt for the laborers an undoubtedly serious evil uncompensated by technical advantages. [353] Goltz, incidentally, points this out and even gives expression to a utopian desire" (II, 103), i.e., the desire to *restrict* the use of threshing-machines, particularly steam threshers, "in order", adds he, "to improve the conditions of the agricultural laborers, as well as to reduce emigration and migration",(by migration Goltz, in all probability, means movement to the towns).

We shall remind the reader that this Goltzian idea was also noted by Kautsky in his *Agrarian Question*. It will not be without interest, therefore, to compare the attitude of the narrow orthodox Marxist, steeped in Marxist prejudices, with that of the latter-day Critic who has excellently assimilated the whole spirit of "criticism" towards a concrete question of economics (the significance of machines) and politics (not to be restricted?).

Kautsky says (*Agrarfrage*, S. 41) that Goltz ascribes a particularly "harmful influence" to the threshing-machine: it deprives the agricultural laborers of their principal winter occupation, drives them into the towns, and intensifies the depopulation of the countryside. Goltz proposes to restrict the use of the threshing-machine, and, Kautsky adds, proposes this "ostensibly in the interests of agricultural laborers, but in fact in the interests of the landlords, for whom," as Goltz himself says, "the loss resulting from such restriction will be amply compensated—if not immediately, then in the future—by the larger number of workers they will be able to obtain in the summer-time". "Fortunately," continues Kautsky, "this conservative friendship for the laborers is nothing more nor less than reactionary utopianism. The threshing-machine is of too great an 'immediate' advantage for the landlord to be induced to abandon its use for the sake of profits 'in the future'. And so, the thresher will continue to perform its revolutionary work; it will continue to drive the agricultural laborers into the towns, and as a result will become a powerful instrument for the raising of wages in the rural districts, on the one hand, and for. the further development of the agricultural machine industry, on the other."

Mr. Bulgakov's attitude towards the problem as presented by a Social-Democrat and by an agrarian is very characteristic; it is an example in miniature of the position all the contemporary "Critics" occupy midway between the party of the proletariat and the party of the bourgeoisie. The Critic, of course, is not so narrow-minded and not so banal as to adopt the point of view of the class struggle and the revolutionizing of all social relationships by capitalism. On the other hand, however, although our Critic "has grown wiser", the recollection of the time when he was "young and foolish", and shared the prejudices of Marxism, prevents him from adopting in its entirety the programme of his new comrade, the agrarian, who quite reasonably and consistently passes from the conclusion that machinery is harmful "for the *whole* of agriculture" to the desire to prohibit its use. And our good Critic finds himself in the position of Buridan's ass, between two bundles of hay. On the one hand, he has lost

[353] Cf. Vol. I, p. 51: "... the steam thresher ... performs the bulk of the work in winter when there is a scarcity of work as it is (consequently, the usefulness of the machine for agriculture as a whole [sic!!] is more than doubtful; we shall come across this fact again later on)." —Lenin

all understanding of the class struggle and is now capable of saying that machinery is harmful for "the *whole* of agriculture", forgetting that the *whole* of modern agriculture is conducted mainly by entrepreneurs, who are concerned only about their profit; he has so far forgotten "the years of his youth", when he was a Marxist, that he now raises the extremely absurd question as to whether the technical advantages of machinery will "compensate" for its harmful effects upon the laborers (produced, not by the steam thresher alone, but by the steam plough, the mower, seed-sifter, etc.). He even fails to see that, in fact, the agrarian wants to enslave the laborer further both in winter and in summer. On the other hand, he vaguely recalls the obsolete, "dogmatic" prejudice that, prohibiting machinery is utopian. Poor Mr. Bulgakov! Will he manage to extricate himself from this unpleasant situation?

It is interesting to note that in trying in every way to belittle the significance of agricultural machinery, and even making use of the "law of diminishing returns", our Critics have forgotten to mention (or have deliberately refrained from mentioning) the new technological revolution which electrical engineering is preparing in agriculture. But Kautsky, who, according to the extremely unfair judgement of Mr. P. Maslov, "committed a serious mistake in completely failing to indicate the course taken by the development of the productive forces in agriculture" (*Zhizn*, 1901, No. 3, p. 171), pointed to the significance of electricity in agriculture as far back as 1899 (in *Die Agrarfrage).* Today, the symptoms of the approaching technological revolution are much more distinct. Attempts are being made to elucidate theoretically the significance of electricity in agriculture (see Dr. Otto Pringsheim, *Landwirtschaftliche Manulaktur und elektrische Landwirtschaft*, [*Agricultural Manufacture and Electrified Agriculture.—Ed.*] Brauns Archiv, XV, 1900, S. 406-18; and Kautsky's article in *Neue Zeit*, XIX, 1, 1900-01, No. 18, "*Die Elektrizität in der Landwirtschaft*" ["Electricity in Agriculture." —*Ed.*]). Practical landlord' farmers are describing their experiments in the application of electricity (Pringsheim cites a work by Adolf Seufferheld, who describes the experiments on his own farm). These landlords see in electricity a means of making agriculture once more remunerative. They call upon the government and the landlords to establish central power stations and to organize the mass production of electricity for farmers. (Last year a work was published in Königsberg, written by P. Mack, an East-Prussian landlord, entitled *Der Aufschwung unseres Landwirtschaftsbetriebes durch Verbilligung der Produktionskosten. Eine Untersuchung über den Dienst, den Maschinentechnik und Elektrizität der Landwirtschaft bieten*. [*The Rise in Our Agriculture Through Reduced Cost of Production. An Inquiry into the Services Offered to Agriculture by Mechanical Engineering and Electricity.—Ed.*])

Pringsheim makes what in our opinion is a very true observation: that, in its general technological, and perhaps even economic, level, modern agriculture is at a stage of development which more than anything resembles the stage of industry Marx described as "manufacture". The predominance of hand labor and simple co-operation, the sporadic employment of machines, the relatively small extent of production (if we consider, for example, the total annual volume of products sold by a single enterprise), the relatively limited market for the most part, the connection between large- and small-scale production (the latter, like the handicrafts man in his relation to the big master-manufacturer, supplies the former with labor-power—or else the former buys up the "semi-finished

articles" from the latter; thus the big farmer buys beets, cattle, etc., from the small farmers)— all these are symptoms of the fact that agriculture has not yet reached the stage of real "large-scale machine industry" in the Marxian sense. In agriculture there is no "system of machines" as yet linked into one productive mechanism.

Of course, this comparison must not be carried too far. On the one hand, agriculture possesses certain peculiar features that cannot possibly he removed (if we leave aside the extremely remote and problematic possibility of producing protein and foods in laboratories). Owing to these peculiarities, large-scale machine production will never manifest in agriculture *all* the features it possesses in industry. On the other hand, even in the manufacture stage of development large-scale production in industry reached predominance and considerable technical superiority over small-scale production. For a long time, the small producer tried to counteract this superiority by the lengthened working day and curtailed consumption which are so characteristic of the handicrafts man and of the modern small peasant. The predominance of hand labor in the manufacture stage enabled the small producer to hold his own for a time by "heroic" measures such as these. But those who were deceived by this and talked about the viability of the handicraftsman (even as our contemporary Critics talk of the viability of the peasant) very soon found themselves refuted by the "temporary tendency" which paralyzed the "universal law" of technological stagnation. Let us recall, for instance, the Russian investigators into the handicraft weaving industry in Moscow Gubernia in the seventies. As far as cotton weaving was concerned, they said, the hand weaver was doomed; the machine had triumphed. The handicraft silk weaver, however, may still hold his own for a time, the machinery being still far from perfect. Two decades have passed, and machinery has driven the small producer from still another of his last refuges, as if telling those who have ears to hear and eyes to see that the economist must always look forward, towards technological progress, or else be left behind at once; for he who will not look ahead turns his back on history; there is not and there cannot be any middle path.

"Writers who, like Hertz, in treating of competition between small- and large-scale production in agriculture ignored electrical engineering, must start their investigation all over again," aptly remarked Pringsheim, which remark applies with still greater force to Mr. Bulgakov's two-volume work.

Electricity is cheaper than steam power. It is more easily divisible into small units, it can be more easily transmitted over very long distances; machinery powered by electricity runs more smoothly and precisely, and for that reason it is more convenient to use it in threshing, ploughing, milking, cutting fodder, [354] etc. Kautsky describes one of the Hungarian latifundia [355] in which electricity is transmitted from a central station in all directions to the remote parts of the estate and is used for running agricultural machinery, for chopping mangels, for raising water, for lighting, etc., etc. "In order to pump 300 hectoliters a day from a well 29 meters deep into a reservoir 10 meters high, and in order to prepare fodder for 240 cows, 200 calves, and 60 oxen and horses, i.e., for chopping mangels, etc., two

[354] This is for the information of our bold Mr. Bulgakov, who boldly and groundlessly speaks of "branches of agricultural production in which machinery cannot be used at all, as, for example, livestock farming" (I, 49). —Lenin

[355] Again, for the information of Mr. Bulgakov, who talks of "the latifundian degeneration of large-scale farming"! —Lenin

pairs of horses were required in the winter and one pair in the summer, at a cost of 1,500 gulden. Now, the horses have been replaced by a three and a five h.p. motor costing altogether 700 gulden to maintain, which represents a saving of 800 gulden" (Kautsky, loc. cit.). Mack calculates the cost of a horse-workday at 3 marks; but if the horse is replaced by electricity the cost is 40 to 75 pfennigs, i.e., four to seven times cheaper. If in 50 years or more from now, he says, 1,750,000 of the horses used in German agriculture were supplanted by electricity (in 1895, 2,600,000 horses, 1,000,000 oxen, and 2,300,000 cows were used for field work in German agriculture, of which 1,400,000 horses and 400,000 oxen were used on farms exceeding 20 hectares in area), expenses would be reduced from 1,003,000,000 marks to 261,000,000 marks, i.e., by 742,000,000 marks. An enormous area of land now utilized for raising cattle feed could then be turned to the production of food—for the improvement of the food of the workers, whom Mr. Bulgakov tries so much to scare with the prospect of the "diminution of the gifts of Nature", "the grain problem", and so forth. Mack strongly recommends the uniting of agriculture with industry for the permanent exploitation of electricity; he recommends the cutting of a Masurian canal to provide power for five power stations which would distribute electricity to farmers within a radius of 20-25 kilometers. He recommends the use of peat for the same purpose, and demands the association of farmers: "Only in co-operative association with industry and big capital is it possible to make our branch of industry profitable once again" (Mack, S. 48). Of course, the employment of new methods of production will encounter many difficulties; it will not proceed in a straight line, but in zigzag fashion; however, that the employment of new methods will take place, that the revolution in agriculture is inevitable, can hardly be doubted. "The substitution of electric motors for the majority of draught animals," rightly says Pringsheim, "means opening up the possibility of the machine system in agriculture.... What could not be achieved by steam power will certainly be achieved by electrical engineering, namely, the advancement of agriculture from the old manufacture stage to modern large—scale production" (loc. cit., p. 414.)

We shall not dilate upon the enormous victory the introduction of electrical engineering in agriculture will represent (and partly already represents) for large-scale production; it is too obvious to require emphasis. It will be better to see which modern farms contain the rudiments of this "machine system" that will be set in motion by a central power station. Before the machine system can be introduced, it is first of all necessary to test various kinds of machines, to conduct experiments with many combinations of machines. The information we require can be found in the returns of the German agricultural census of June 14, 1895. We have figures showing the number of farms in each category that used their own or hired machines. (Mr. Bulgakov, when citing some of these figures on page 114, Vol. II, erroneously takes them to apply to the number of *machines* used. In passing, it may be said that the statistics on the number of farms using machines, their own or hired, naturally bring out the superiority of large-scale farming to a smaller extent than is really the case. Big farmers have their own machines more often than small farmers, who are obliged to pay exorbitant prices for the hire of machines.) The data relate to the use either of machines in general, or of a certain kind of machine, so that we are not able to determine *how many* machines the farms in each group use. But if for each group we compute the number of farms using each separate kind of machine, we shall obtain *the number of*

cases in which agricultural machines of all kinds are *used.* The following table presents the data drawn up in this manner and shows how the ground is being prepared for the "machine system" in agriculture.

Size of farms	**Per hundred farms**	
	Number of farms that used agricultural machines generally (1895)	**Number of instances in which some kind of agricultural machine was used (1895)**
Under 2 hectares	2.03	2.30
2 to 5	13.81	15.46
5 to 20	45.80	56.04
20 to 100	78.79	128.46
100 and over	94.16	352.34
Average	16.36	22.36

Thus, in small farms under five hectares (these comprise more than three-fourths of the total in this group, viz., 4,100,000 out of 5,500,000, or 75.5 per cent; but they account for only 5,000,000 hectares out of a total of 32,500,000 hectares, or 15.6 per cent), the number of *cases* in which agricultural machines of any type are used (we have included dairy machinery) is quite insignificant. Of the medium farms (from 5 to 20 hectares) fewer than half use machines generally, while the number of instances showing use of agricultural machines represents only 56 per hundred farms. Only under large-scale capitalist production [356] do we see the *majority* of farms (from three-quarters to nine-tenths) using machinery and *the beginning of the establishment of a machine system:* on every farm there is more than one case of use of machinery. This means that several machines are used on a single farm: for example, farms of over 100 hectares use *about four machines* each (352 per cent as compared with 94 per cent using machines generally). Of 572 latifundia (farms of 1,000 hectares and over), 555 use machines; and the number of cases in which machines were used is 2,800, i.e., each farm used *five machines.* It is clear from this which farms are preparing the ground for the "electrical" revolution and which will mostly take advantage of it.

[356] Over 20 hectares; only 300,000 farms out of 5,500,000, i.e., only 5.5 per cent of the total, but they occupy 17,700,000 hectares of land out of 32,500,000, or 54.4 per cent of the total farmland. —Lenin

Details, details! cries Mr. Bulgakov in *Nachalo* (No. 1, pp. 7 and 13); and this slogan is repeated a hundred times in a hundred different sharps and flats by all the "Critics".

Very well, gentlemen, let us examine the details.

It was utterly absurd of you to direct this slogan at Kautsky, since the principal task of a scientific study of the agrarian question, which is encumbered with a countless number of disconnected details, was to present a general picture of the whole of the modern agrarian system in its development. Your slogan merely concealed your lack of scientific principle and your opportunistic dread of any integral and well-thought-out philosophy. Had you not read Kautsky's book in the manner of a Voroshilov, you would have been able to derive from it a great deal of information on handling and assimilating detailed statistics. And that you are unable to operate with detailed statistics we shall now demonstrate by a number of examples *chosen by yourselves*.

In his article entitled "Peasant Barbarians", directed against Kautsky and published in the magazine of the Voroshilovs, *Sozialistische* (??) *Monatshefte* (III. Jahrg., 1899, Heft 2), Eduard David triumphantly refers to "one of *the most thorough and interesting monographs*" on peasant farming that have appeared recently, namely, that of Moritz Hecht, entitled *Drei Dörfer der badischen Hard* [*Three Villages in the Hard of Baden.—Ed.*] (Leipzig, 1895). Hertz clutched at this reference and, following David, cited some figures from this "excellent work" (S. 68, Russian translation, p. 164) and "strongly recommended" (S. 79, Russian translation, p. 188) the reading of the original or of the passage given by David. Mr. Chernov, in *Russkoye Bogatstvo*, hastened to repeat both David and Hertz, and contrasted to Kautsky's statements Hecht's "striking pictures of the prosperity of advanced, modern small farms" (No. 8, pp. 206-09).

Let us then turn to Hecht.

Hecht describes three Baden villages located at distances ranging from four to fourteen kilometers from Karlsruhe: Hagsfeld, Blankenloch, and Friedrichsthal. Although the farms are small, from one to three hectares, the peasants lead a prosperous and cultured life and gather an exceptionally large yield from their land. David (followed by Chernov) compares this yield with the average yield for the whole of Germany (in double centners per hectare: potatoes, 150-160 and 87.8; rye and wheat, 20-23 and 10-13; hay, 50-60 and 28.6) and exclaims: What do you think of that as an example of "backward small peasants"! In the first place, we reply, insofar as no comparison is made between small—and large-scale farming conducted under the same conditions, it is absurd to view this as an argument against Kautsky. Mr. Chernov appears even more absurd when he asserts, in *Russkoye Bogatstvo*, No. 8, p. 229, that "Kautsky's rudimentary view [regarding the agronomic exploitation of the

[357] Chapters V-IX were published in the magazine Obrazovaniye with the following note by the author: "These essays were written in 1901. The first part was published in pamphlet form last year In Odessa [by Burevestnik (Storm Petrel) Publishers]. The second part appears in print for the first time. Each essay is a more or less independent whole. Their common theme is the analysis of the criticism of Marxism in Russian literature." —Ed.

village by the town] even exaggerates the shady aspects of capitalism", and when he cites, on page 209 of the same issue, as an argument *against* Kautsky, an instance in which this capitalist obstacle to the progress of agriculture *is eliminated* by the fact that the villages he selects are situated in proximity to towns. While the overwhelming majority of the agricultural population lose an enormous quantity of natural fertilizers as a result of the depopulation of the rural districts by capitalism and the concentration of the population in the cities, an insignificant minority of suburban peasants obtain special benefits from their situation and become rich at the expense of the impoverishment of the masses. It is not surprising that the yield in the villages described is so high, considering that they spend the sum of 41,000 marks annually on manure from the army stables in the three neighboring garrison towns (Karlsruhe, Bruchsal, and Durlach) and on liquid refuse from the urban drainage systems (Hecht, S. 65); artificial fertilizers are purchased only to the amount of 7,000 marks annually. [358] To attempt to refute the technical superiority of large-scale over small-scale farming by adducing instances of small farms operating under such conditions means merely to expose one's impotence. Secondly, to what extent do these instances really represent "genuine small peasants", *echte und rechte Kleinbauem*, as David says, and as Hertz and Chernov repeat after him? They mention *only* the area of the farms, and in this way prove only their inability to handle detailed statistics. As everyone knows, a hectare of land is to a suburban peasant what ten hectares are to a peasant living in a remote district; moreover, the very *type* of farms undergoes radical change because of the proximity of towns. Thus, the price of land in Friedrichsthal, the village which has the least land, but which is the most prosperous of the suburban villages, ranges from 9,000 to 10,000 marks, *live times* the average price of land in Baden (1,938 marks), *and about twenty times* the price in remote districts in East Prussia. Consequently, judged by the size of output (the only exact index of the size of a farm), these are by no means "small" peasants. In regard to the *type* of farming, we see here a remarkably high stage of development of *money* economy and the *specialization* of agriculture, which is particularly emphasized by Hecht. They cultivate tobacco (45 per cent of the area under cultivation in Friedrichsthal) and high grades of potatoes (used partly for seed and partly for the table of the "gentry"—Hecht, S. 17—in Karlsruhe); they sell milk, butter, sucking-pigs, and grown pigs to the capital, and themselves buy grain and hay. Agriculture here has assumed a completely commercial character, and the peasant who conducts his farm in the neighborhood of the capital is the purest type *of petty bourgeois;* so that, had Mr. Chernov really familiarized himself with the details he borrows from others, he might have acquired some understanding of this category of "petty-bourgeois" peasant which is to him so mysterious (see *Russkoye Bogatstvo*, No. 7, p. 163). It is most curious that both Hertz and Mr. Chernov, while declaring that they are totally unable to understand how the peasant fulfils the functions of an entrepreneur, how

[358] Incidentally, Mr. Chernov assures the readers of Russkoye Bogatstvo that there is "hardly any noticeable difference" in the size of the farms in those villages. But if the demand for details is not an empty phrase on his lips, he cannot forget that for these suburban peasants the amount of land is of much less importance than the number of fertilizers used; and in this respect the difference is extremely marked. The yields are highest and the peas ants most prosperous in the village of Friedrichsthal, although the land area in that village is the smallest. This village, farming 258 hectares of land, spends 28,000 out of the total of 48,000 marks spent on fertilizers, which amounts to 108 marks per hectare. Hagsfeld spends only 30 marks per hectare (12,000 marks for 397 hectares), while Blankenloch spends only 11 marks per hectare (8,000 marks for 736 hectares). —Lenin

he is able to figure as a worker at one moment and as an entrepreneur at another, refer to the detailed investigation of an author who says bluntly: "The peasant of the eighteenth century, with his eight-to-ten hectares of land, was a peasant ["*was* a peasant", Mr. Chernov!] and a manual laborer; the dwarf peasant of the nineteenth century, with his one or two hectares of land, is a brainworker, an entrepreneur and a merchant" (Hecht, S. 69; cf. S. 12: "The farmer has become a *merchant* and an *entrepreneur*." Hecht's italics). Well, have not Hertz and Mr. Chernov "annihilated" Kautsky in the Voroshilov manner for confusing the peasant with the entrepreneur?

The clearest indication of the "entrepreneur" is his employment of wage-labor. It is highly characteristic that not one of the quasi-socialists who referred to Hecht's work *uttered a single word* about that fact. Hecht, a most typical *Kleinbürger* of the ultra-loyal type, who waxes enthusiastic. over the piety of the peasants and the "paternal solicitude" shown them by the Grand Duchy officials in general, and over their adoption of such an "important" measure as, in particular, the establishment of cookery schools, naturally tries to obscure those facts and to show that no "social gulf" separates the rich from the poor, the peasant from the agricultural laborer, or the peasant from the factory worker. "No agricultural *day-laborer* category exists," writes Hecht. "The majority of the peasants are able to cultivate their land themselves, with the help of their families; only a few in those three villages experience the need for outside help during the harvest or at threshing time; such families 'request' ['*bitten*'], to employ the local expression, certain men or women, who would never dream of calling themselves 'day-laborers', 'to help them'" (S. 31). There is nothing surprising in the fact that only a few farmers in the three villages mentioned hire day-laborers, because many "farmers", as we shall see, are factory workers. What proportion of pure farmers employ hired labor Hecht does not say; he prefers to pack his candidate's thesis (the Germans call it doctoral dissertation), which is devoted only to three villages (of one of which he is a native), not with exact statistics concerning the various categories of peasants, but with reflections on the high moral significance of diligence and thrift. (Notwithstanding this, or perhaps because of it, Hertz and David extol Hecht's work to the skies.) All we learn is that the wages of day-laborers are lowest in the most prosperous and purely agricultural village, Friedrichsthal, which is farthest away from Karlsruhe (14 kilometers). In Friedrichsthal, a day-laborer gets two marks a day, paying for his own keep, while in Ragsfeld (4 kilometers from Karlsruhe and inhabited by factory workers) the wages of a day-laborer are three marks a day. Such is one of the conditions of the "prosperity" of the "real small peasants" so much admired by the Critics. "In those three villages," Hecht informs us, "purely patriarchal relations still exist between the masters and their *servants* [*Gesinde* in German means both domestic servants and farm laborers]. The 'master', i.e., the peasant with three to four hectares of land, addresses his men and women laborers as 'thou' and calls them by their forenames; they call the peasant 'uncle' [*Vetter*] and the peasant's wife 'auntie' [*Base*], and address them as 'you'.... The laborers eat at the family table and are regarded as members of the family" (S. 93). Our "most thorough" Hecht says nothing about the extent to which hired labor is employed in tobacco growing, which is so widely developed in that district and which requires a particularly large number of laborers; but since he has said at least something about wage-labor, even this very loyal little

bourgeois must be regarded as being much better able to handle the "details" of a research than the Voroshilovs of "critical" socialism.

Thirdly, Hecht's research was used to refute the fact that the peasantry suffers from overwork and undernourishment. But here it turns out that the Critics preferred *to ignore* facts of the kind *mentioned* by Hecht. They cleverly utilized that conception of the "middle" peasant by means of which both the Russian Narodniks and the West-European bourgeois economists so extensively idealize the "peasantry". Speaking "generally", the peasants in the three villages mentioned are very prosperous; but even from Hecht's far from thorough monograph it is apparent that in this respect the peasants must be divided into three large groups. About one-fourth (or 30 per cent) of the farmers (the majority in Friedrichsthal and a few in Blankenloch) are prosperous petty bourgeois, who have grown rich as a result of living in the vicinity of the capital. They engage in remunerative dairy farming (selling 10-20 liters of milk a day) and tobacco growing (one example: gross income of 1,825 marks from 1.05 hectares of land under tobacco), fatten pigs for sale (in Friedrichsthal, 497 out of 1,140 inhabitants keep pigs; in Blankenloch, 445 out of 1,684; and in Hagsfeld, 220 out of 1,273 inhabitants), etc. This minority (who alone possess all the features of "prosperity" so much admired by the Critics) are without doubt quite frequent employers of hired labor. In the next group, to which the majority of farmers in Blankenloch belong, standards are very much lower, less fertilizers is used, the yield is lower, there is less livestock (in Friedrichsthal, the number of livestock, expressed in terms of cattle, is 599 head on 258 hectares; in Blankenloch, 842 head on 736 hectares; and in Hagsfeld, 324 head on 397 hectares); "parlors" are more rarely seen in the houses, meat is far from being a daily fare, and many families practice (what is so familiar to us Russians) the selling of grain in the autumn—when they are hard pressed for money—and the re-purchasing of grain in the spring. [359] In this group, the centre of gravity is constantly shifting *from agriculture to industry*, and 103 Blankenloch peasants are already employed as factory workers in Karlsruhe. These, together with almost the entire population of Hagsfeld, form the third category (40-50 per cent of the total number of farms). In this category, agriculture is a side line in which mostly women are engaged. The standard of living is higher than in Blankenloch (the result of the influence of the capital city), but poverty is strongly felt. The peasants sell their milk and for themselves sometimes purchase "cheaper margarine" (S. 24). The number of goats kept is rapidly increasing: from nine in 1855 to ninety-three in 1893. "This increase," writes Hecht, "can be explained only by the disappearance of farms that are strictly speaking peasant farms, and the break-up [*Auflösung*] of the peasant class into a class of rural factory workers possessing extremely small plots of land" (S. 27). Parenthetically, it should be said that between 1882 and 1895 the number of goats in Germany increased enormously: from 2,400,000 to 3,100,000, which clearly reveals the reverse of the progress of the "sturdy peasantry" which the Bulgakovs and the petty-bourgeois socialist "Critics" laud to the skies. The majority of the workers walk three and a half kilometers every day to their factory in the

[359] Incidentally, Hecht explains the economic backwardness of Blankenloch by the predominance of natural economy and the existence of common lands which guarantees to every person on reaching the age of 32 a strip of land (Allmendgut) of 36 arcs (1 are=0.01 hectare.—Ed.), irrespective of whether he is "lazy or diligent, thrifty or otherwise" (S. 30). Hecht, for all that, is opposed to dividing up the common lands. This, he says, is a sort of public charity institution (Altersversorgung) for aged factory workers, whose numbers are increasing in Blankenloch. —Lenin

town, because they cannot afford to spend even one mark (48 kopeks) a week on railway fares. Nearly 150 workers out of the 300 in Hagsfeld find it beyond their means to pay even 40 or 50 pfennigs for dinner in the "public dining- room" and have their dinners brought to them from home. "Punctually at eleven o'clock," writes Hecht, "the poor womenfolk put the dinners in their pots and carry them to the factory" (S. 79). As for the working women, they, too, work at the factory ten hours a day, and all they receive for their toil is from 1.10 to 1.50 marks (the men receive 2.50 to 2.70 marks); at piece-work they earn from 1.70 to 2.00 marks. "Some of the working women try to supplement their meagre wages by some auxiliary employment. In Blankenloch four girls work at the paper mill in Karlsruhe, and they take home paper to make bags at night. Working from eight p. m. to eleven p. m. [*sic!*], they can make 300 bags, for which they receive 45-50 pfennigs; this supplement to their small daily earnings goes to pay their railway fares to and from work. In Hagsfeld, several women who worked in factories as girls earn a little extra money polishing silverware on winter evenings" (S. 36). "The Hagsfeld worker," says Hecht, moved, "has a permanent residence not by imperial order, but as a result of his own efforts; he has a little house which he is not compelled to share with others, and a small plot of land. But more important than these real possessions are the consciousness that they have been acquired by his own diligence. The Hagsfeld worker is both a factory worker and a peasant. Those with no land of their own rent at least a few strips to supplement their income by *working in their spare time*. In the summer, when work in the factory starts only ["only"!] at seven o'clock, the worker rises at four in order to hoe potatoes in his field, or to carry fodder to the cattle. Or when he returns from work at seven in the evening, what is there for him to do, especially in the summer? Well, he puts in an hour or an hour and a half in his field; he does not want a high rent from his land—he merely wants to make full use *[sic!]* of his labor-power...." Hecht goes on at great length in this unctuous strain and concludes his book with the words: "The dwarf peasant and the factory worker have both [*sic!*] raised themselves to the position of the middle class, not as a result of artificial and coercive measures, but as a result of their own diligence, their own energy, and the higher morality they have reached." [360]

"The three villages of the Baden Hard now represent *one great and broad middle class"* (Hecht's italics).

There is nothing astonishing in the fact that Hecht writes, in this vein, for he is a bourgeois apologist of the common or garden variety. But what name do those people deserve who, to deceive others, call themselves socialists, who paint reality in still brighter colors than does Hecht, point to the prosperity of the bourgeois minority as general progress, and conceal the proletarization of the majority with the stale shibboleth "unification of agriculture and industry"?

[360] Hecht says very much more about this "higher morality", and no less than Mr. Bulgakov waxes enthusiastic over the "sober marital policy", the "iron diligence", the "thrift", and the "temperance"; lie even quotes a "well-known peasant proverb": Man sieht nicht auf die Goschen (d. h. Mund), sondern auf die Groschen, which freely translated means: We work, not so much for our mouths as for our pockets. We suggest that our readers compare this proverb with the "doctrine" of the Kiev professor, Bulgakov: that peasant farming (since it seeks neither rent nor profit) is "the most advantageous form of organisation of agriculture that society [sic!] can have" (Bulgakov, 1, 154). —Lenin

Chapter 6: The Productivity of a Small and a Big Farm. An Example from East Prussia

For a change let us go from distant South Germany to East Prussia, nearer to Russia. We have before us a highly instructive and *detailed* investigation of which Mr. Bulgakov, who clamors so loudly for details, has been totally unable to make use. "A comparison of the data on the real productivity of large and small farms," writes Mr. Bulgakov, "cannot provide an answer to the question of their technical advantages, since the farms compared may be operating under different economic conditions. The most that can be obtained from such data is the factual confirmation of the negative conclusion that large-scale production possesses no technical advantages over small-scale production, not only theoretically, but, under certain conditions, also practically. Quite a few comparisons of this kind have been made in economic literature, at all events sufficient to undermine the belief of the unbiased and unprejudiced reader in the advantages of large-scale production generally" (I, 57-58). In a footnote the author cites two instances. The first is Auhagen's work, quoted by Kautsky in his *Agrarfrage* (*S*. Ill), as well as by Hertz (*S*. 69, Russian translation, p. 166), in which a comparison is made only between two farms in Hanover, one of 4.6 hectares and one of 26.5 hectares. In this example, the small farm has a higher yield per hectare than the large one, and Auhagen determined the income of the small farm to be higher than that of the large farm. Kautsky, however, has shown that this higher income is the result of *under-consumption.* Hertz attempted to refute this evidence, but with his usual success. Since Hertz' work has now been translated into Russian, while Kautsky's reply to Hertz is unknown in Russia, we shall, very briefly, give the substance of this reply (in the cited article in *Neue Zeit).* Hertz, as usual, distorted Kautsky's arguments and alleged that he referred only to the fact that the owner of the big farm is able to send his son to the Gymnasium. In actuality, Kautsky mentioned this merely to illustrate the standard of living, and had Hertz quoted *in full the budgets* of the two families in question (each consisting of five persons), he would have obtained the following figures: 1,158.40 marks for the small farm and 2,739.25 marks for the large farm. If the family of the small farm lived on the *same* standard as that of the large farm, the small farm would prove *less* profitable than the large one. Auhagen estimates the income of the small farm at 1,806 marks, i.e., 5.45 per cent of the capital invested (33,651 marks), and that of the large farm at 2,720 marks, or 1.82 per cent of the capital invested (149,559 marks). If we make allowance for the under-consumption of the small farmer, we shall find that his income is equal to *258 marks*, or *0.80 per cent!* And this, when the amount of labor involved is disproportionately high: on the small farm there are three workers to 4.6 hectares, that is, one worker to 1.5 hectares, while on the large farm there are eleven (see Hertz, *S*. 75, Russian translation, p. 179) to 26.5 hectares, that is one worker to 2.4 hectares. Furthermore, we shall not dwell on the circumstance, justly ridiculed by Kautsky, that the alleged socialist Hertz compares the labor of the children of modern peasants to Ruth's gleaning! Mr. Bulgakov confines himself merely to presenting the figures of the yield per hectare, but *says not a word* about the respective standards of living of the small and big farmers.

"We find another example," continues our advocate of details, "in the latest researches of Karl Klawki (*Ueber Kon kurrenzfähigkeit des landwirtschaftlichen Kleinbetriebs. Thiel's Landwirtschaftliche Jahrbücher*,

1899, Heft 3-4). [361] His examples are taken from East Prussia. The author compares large, medium, and small farms by taking four of each kind. The specific feature of his comparisons is, first, the fact that expenditure and income are expressed in money, and, secondly, the fact that the author translates the cost of labor-power on the small farms, where it is not purchased, into money and places it to the expenditure account; such a method is hardly correct for our purpose *[sic!* Mr. Bulgakov forgets to add that Klawki translates the cost of labor on *all* the farms into money and from the outset values the labor on the small farms at a lower rate!]. Nevertheless, we have...." There follows a table which for the moment we shall merely summaries: the average net profit per morgen (= 1/4 hectare) on the large farm is ten marks, on the medium farm, eighteen marks, on the small farm, twelve marks. And Mr. Bulgakov concludes: "The highest profits are obtained on the medium farms; then come the small farms, while the large farms lag behind the others."

We have seen fit to quote the *entire* passage in which Mr. Bulgakov compares the large and small farms. Now let us consider what is evidenced by Klawki's interesting work, 120 pages of which are devoted to a description of twelve typical farms existing under equal conditions. In the first place, we shall cite the statistics pertaining to these farms, and in the interest of space and clarity we shall confine ourselves to the *average* figures for the large, medium, and small farms (the average size of the farms in each category being 358, 50, and 5 hectares respectively).

[361] The Competitive Capacity of Small-Scale Production in Agriculture—Thiel's Agricultural Yearbooks, 1899, Issue 3-4.—Ed.

Category of farms	Income and expenditure per morgen in marks (1 morgen = 14 hectare)												Expenditure per 100 marks of produce		Per 100 Morgan	
	Total Income			Income from the sale of produce			Consumption of own produce			Total						
	Agro.	Stock farming	Total	Agro.	Stock farming	Total	Agro.	Stock farming	Total	Income	Expenses	Net profit	Marks		Hired work-days	Total work-days
													a	b		
Large	17	16	33	11	14	25	6	2	8	33	23	10	65	70	887	887
Medium	18	27	45	12	17	29	6	10	16	45	27	18	35	60	744	924
Small	23	41	64	9	27	36	14	14	28	64	52	12	8	80	—	—

It would appear, therefore, that *all* Mr. Bulgakov's conclusions are fully confirmed by Klawki's work: the smaller the farm, the higher the gross income and the higher even the income from sales per morgen! We think that with the methods employed by Klawki—widely employed methods, in their main features common to all bourgeois and petty-bourgeois economists—the superiority of small-scale farming in all or nearly all cases is proved. Consequently, *the essential thing* in this matter, which the Voroshilovs completely fail to see, is *to analyze those methods*, and it is for this reason that Klawki's partial researches are of such enormous general interest.

Let us start with the yields. It turns out that the yield of the great majority of cereals regularly and very considerably *diminishes* with the diminution of the area of the farms. The yield (in centners per morgen) on the large, medium, and small farms respectively is: wheat 8.7, 7.3, 6.4; rye 9.9, 8.7, 7.7; barley 9.4, 7.1, 6.5; oats 8.5, 8.7, 8.0; peas 8.0, 7.7, 9.2; [362] potatoes 63, 55, 42; mangels 190, 156, 117. Only of flax, not grown on the large farms, do the small farms (3 out of 4) gather a bigger yield than the medium farms (2 out of 4), namely, 6.2 *Stein* (=18.5 pounds) as against 5.5.

To what is the higher yield on the large farms due? Klawki ascribes decisive importance to the following four causes: (1) Drainage is almost entirely absent on the small farms, and even where it exists the drain pipes are laid by the farmer himself and laid badly. (2) The small farmers do not plough their land deep enough, their horses being weak. (3) Most often the small farmers are unable to give their cattle sufficient fodder. (4) The small farmers have inferior manure, their straw is shorter, it is largely used as fodder (which also means that the feed is inferior), and less straw is used for bedding.

Thus, the small farmers' cattle are weaker and inferior, and is kept in a worse condition. This circumstance explains the strange and glaring phenomenon that, notwithstanding the higher yield per morgen on the large farms, income from agriculture per morgen, according to Klawki's computations, is less on the large than on the medium and small farms. The reason for this is that Klawki *does not include fodder*, either in disbursement or in income. In this way, things that in reality make for an essential difference between the large and small farms, a difference unfavorable to the latter, are artificially and falsely equated. By this method of computation large-scale farming appears to be less remunerative than small-scale farming, *because* a larger portion of the land of the large farms is devoted to the cultivation of fodder (although the large farms keep a much smaller number of cattle per unit of land), whereas the small farmers "make shift" with straw for fodder. Consequently, the "superiority" of small- scale farming lies in its *wasteful exploitation* of the land (by inferior fertilization) and of the *cattle* (by inferior fodder). Needless to say, such a comparison of the profitableness of different farms lacks all scientific value. [363]

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[362] These are grown only on two out of the four farms in this category; in the large and medium categories, three out of four grow peas. —Lenin

[363] It should be noted that a similarly false equation of obviously unequal quantities in small- and large-scale farming is to be found, not only in separate monographs, but in the great bulk of contemporary agrarian statistics. Both French and German statistics deal with "average" live weight and "average" price per head of cattle in all categories of farms. German statistics

Another reason for the higher yield on large farms is that a larger number of the big farmers (and apparently, even, almost they alone) marl the soil, utilize larger quantities of artificial fertilizers (the expenditure per morgen being: 0.81 marks, 0.38 marks, and 0.43 marks respectively) and *Kraftfuttermittel*[364] (in large farms two marks per morgen, and in the others nil). "Our peasant farms," says Klawki, who includes the medium farms in the category of large peas ant farms, "spend nothing on *Kraftfuttermittel.* They are very slow to adopt progressive methods and are particularly chary of spending cash" (Klawki, op. cit., 461). The large farms are superior also in the method of cultivating the soil: we observe improved crop rotation on all four of the large farms, on three of the medium farms (on one the old three- field system is used), and only on one of the small farms (on the other three the three-field system is used). Finally, the big farmers use machinery to a far greater extent. True, Klawki himself is of the opinion that machinery is of no great consequence, but we shall not be satisfied with that "opinion"; we shall examine the statistics. The following eight kinds of machines—steam threshers, horse threshers, grain-sorting machines, sifters, seed-drills, manure spreaders, horse-drawn rakes, and rollers—are distributed among the farms described, as follows: on the four large farms, twenty-nine (including one steam thresher); on the four medium farms, eleven (not a single steam-driven machine); and on the four small farms, one machine (a horse-driven thresher). Of course, no "opinion" of any admirer of peasant farming can make us believe that grain-sorting machines, seed-drills, rollers, etc., do not affect the size of the crop. Incidentally, we have here data on machines belonging to certain definite owners, unlike the general run of German statistics, which register only cases of the use of machines, whether owned or hired. Obviously, such a registration will also have the effect of minimizing the superiority of large-scale farming and of obscuring forms of "borrowing" machines, like the following described by Klawki: "The big farmer willingly lends the small farmer his roller, horse rake, and grain-sorting machine, if the latter promises to supply a man to do the mowing for him in the busy season" (443). Consequently, a certain number of the cases in which machines are employed on small farms, which, as we have shown, are rare, represent a transmuted form of acquiring labor-power.

To continue. Another case of erroneous comparison of obviously unequal quantities is Klawki's method of computing the price of the product on the market as being equal for all categories of farms. Instead of taking actual transactions, the author takes as a basis an assumption that be himself points to as incorrect. The peasants sell most of their grain in their own locality, and merchants in small towns force down prices very considerably. "The large estates are better off in this respect, for they can send grain to the principal city in the province in considerable quantities. In doing so, they usually receive from 20 to 30 pfennigs more per centner than they could get in the small town" (373). The big farmers are better able to assess the value of their grain (451), and they sell it, not by measure, as the peasants do to their disadvantage, but by weight. Similarly, the big farmers sell their cattle by weight, whereas

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go so far in this method as to define the gross value of the whole of the cattle in various categories of farms (classified according to area). At the same time, however, the reservation is made that the presumed equal value per head of cattle in different categories of farms "does not correspond to the reality" (S. 35). —Leni

[364] Concentrated feed.—Ed.

the price of the peasants' cattle is fixed simply on the basis of outer appearance. The big farmers can also make better arrangements for selling their dairy products, for they can send their milk to the towns and obtain a higher price than the middle farmers, who convert their milk into butter and sell it to merchants. Moreover, the butter produced on the medium farms is superior to that produced on the small farms (use of separators, daily churning, and so forth), and the latter get from five to ten pfennigs per pound less. The small farmers have to sell their fat stock sooner (i.e., less matured) than the middle farmers, because they have a smaller supply of fodder (444). Klawki, in his monograph, leaves out of his calculations all these advantages—in their totality by no means unimportant—which the large farms possess as sellers, just as the theoreticians who admire small-scale farming leave out this *fact* and refer to the *possibility* of improving matters by means of co-operation. We do not wish to confound the realities of capitalism with the possibilities of a petty-bourgeois co-operative paradise. Below we shall bring forward *facts* showing who really derives the most advantage out of co-operatives.

Let us note that Klawki "is not concerned with" the labor of the small and middle farmers themselves in draining the soil and in all kinds of repair work ("the peasants do the work themselves"), and so forth. The socialist calls this "advantage" enjoyed by the small farmer *Ueberarbeit*, overwork, and the bourgeois economist refers to it as one of the advantageous aspects ("for *society*"!) of peasant farming. Let us note that, as Klawki points out, the hired laborers get better pay and food on the medium farms than on the large farms, but they work harder: the "example" set by the farmer stimulates "greater diligence and thoroughness" (465). Which of these two capitalist masters—the landlord or his "own kind", the peasant—squeezes more work out of the laborer for the given wages, Klawki does not attempt to determine. We shall therefore confine ourselves to stating that the expenditure of the big farmers on accident and old-age insurance for their laborers amounts to 0.29 marks per morgen and that of the middle farmer to 0.13 marks (the small farmer here, too, enjoys an advantage in that he does not insure himself at all; needless to say, to the "great advantage of the society" of capitalists and landlords). We shall also bring an example from Russian agricultural capitalism. The reader who is familiar with Shakhovskoi's work *Outside Agricultural Employment* will probably remember the following characteristic observation: The Russian homestead farmers and the German colonists (in the south) "pick" their laborers, pay them from 15 to 20 per cent more than do the big employers and squeeze 50 per cent more work out of them. This was reported by Shakhovskoi in 1896; this year we read in *Torgovo-Promyshlennaya Gazeta*, [*Commercial and Industrial Gazette.—Tr.*] for instance, the following communication from Kakhovka: "...The peasants and homestead farmers, as is the custom, paid higher wages (than those paid on the big estates), for they demand better workers and those possessing the greatest endurance" (No. 109, May 16, 1901). There are hardly grounds for assuming that this condition is characteristic of Russia alone.

In the table given above the reader saw two methods of computation—one that takes into account the money value of the farmer's labor-power, and one that does not. Mr. Bulgakov considers that to include this money value "is hardly correct". Of course, a precise budget of the farmers' and laborers' expenditure, in money and in kind, would be far more correct; but since we lack these data,

we are obliged to make an *approximate* estimate of the family's money expenditure. The *manner* in which Klawki makes this approximation is extremely interesting. The big estate-owners do not work themselves, of course; they even have special salaried managers who carry out all the work of direction and supervision (of four estates, three are supervised by managers and one is not; Klawki would consider it more correct to classify this last estate, consisting of 125 hectares, as a large peasant estate). Klawki "assigns" to the owners of two large estates 2,000 marks per annum each "for their labor" (which on the first estate, for instance, consists of leaving the principal estate once a month for a few days' check-up on the manager's work). To the account of the farmer of 125 hectares (the first-mentioned estate consisted of 513 hectares) he "assigns" only 1,900 marks for the work of the farmer himself and of his three sons. Is it not "natural" that a farmer with a smaller amount of land should "make shift" with a smaller budget? Klawki allows the middle farmers from 1,200 to 1,716 marks for the labor of the husband and wife, and in three cases also of the children. To the small farmers he allows from 800 to 1,000 marks for the work of four to five (*sic*!) persons, i.e., a little more (if more at all) than a laborer, an *Instmann*, gets, who with his family earns only from 800 to 900 marks. Thus, we observe here another big step forward: first, a comparison is made between figures that are obviously incomparable; now it is declared that the standard of living *must* decline with the diminution in the size of the farm. But that means the *a priori* recognition of the fact that capitalism degrades the small peasants, a fact ostensibly to have been refuted by the computations of the "net profit"!

And if, by the author's *assumption*, the money income diminishes with the diminution in the size of the farm, the drop in consumption is evident by direct data. Consumption of agricultural products on the farms amounts to the following per person (counting two children as one adult): large farm, 227 marks (average of two figures); medium farm, 218 marks (average of four figures); small farm, 135 (*sic*!) marks (average of four figures). And the larger the farm, the larger is the quantity of additional food products purchased (S. 453). Klawki himself observes that here it is necessary to raise the question of *Unterkonsumption* (under-consumption), which Mr. Bulgakov denied, and which here he preferred *to ignore*, thus proving to be even more of an apologist than Klawki. Klawki seeks to minimize the significance of this fact. "Whether there is any under-consumption among the small farmers or not, we cannot say," he states, "but we think it is probable in the case of small farm IV [97 marks per head]. The fact is that the small peasants live very frugally [!] and sell much of what they, so to speak, save out of their mouths" (*sick sozusagen vom Munde absparen)*. [365] He attempts to prove that this fact does not refute the higher "productivity" of small-scale farming. If consumption were increased to 170 marks, which is quite adequate (for the "younger brother", but not for the capitalist. farmer, as we see), the figure for

[365] It is interesting to note, for example, that the income from the sale of milk and butter on the large farms amounts to seven marks per morgen, on the medium farms three marks, and on the small farms seven marks. The point is, however, that the small peasants consume "very little butter and whole milk ... while the inhabitants of small farm IV [on which the consumption of products produced on the farm amounts to only 97 marks per head] do not consume these items at all" (450). Let the reader compare this fact (which, by the way, has long been known to all except the "Critics") with Hertz' grand reasoning (S. 113, Russian translation, p. 270): "But does the peasant get nothing for his milk?" "Who, in the end, eats the [milk-fed!] pig? Not the peasant?" These utterances should be recalled more often as an unexcelled example of the most vulgar embellishment of poverty. —Lenin

consumption per morgen would have to be increased and the income from sales reduced by six or seven marks. If this amount is subtracted (see table above), we get from 29 to 30 marks, i.e., a sum still larger than that obtained on the large. farms (S. 453). But if we increase consumption, not to this haphazardly-taken figure (and a low one at that, because "he'll manage somehow"), but to 218 marks (equal to the actual figure on the medium farms), the income from the sale of products will drop on the small farms to *20 marks* per morgen, as against 29 marks on the medium farms, and 25 marks on the large farms. That is to say, the correction of *this one* error (of the numerous errors indicated above) in Klawki's computations destroys *all* the "advantages" of the small peasant.

But Klawki is untiring in his quest of advantages. The small peasants "combine agriculture with industrial occupations": three small peasants (out. of four) "diligently work as day-laborers and receive board in addition to their pay" (435). But the advantages of small-scale farming are particularly marked during periods of crisis (as Russian readers have long known from the numerous exercises on this theme on the part of the Narodniks, now rehashed by the Chernovs): "During agricultural crises, as well as at other times, it is the small farms that possess the greatest stability, they are able to sell a relatively larger quantity of products than the other categories of farms by severely curtailing domestic expenses, which, it is true, must lead to a certain amount of under-consumption" (479—Klawki's last conclusions; cf. S. 464). "Unfortunately, many small farms are reduced to this by the high rates of interest on loans. But in this way, although with great effort, they are able to keep on their feet and eke out a livelihood. Probably, it is the great diminution in consumption that chiefly explains the increase in the number of small peasant farms in our locality indicated in the statistics of the Empire." And Klawki adduces figures for the Königsberg *Regierungsbezirk*, [Königsberg Administrative Area.—*Ed.*] where in the period between 1882 and 1895 the number of farms under two hectares increased from 56,000 to 79,000, those from two to five hectares from 12,000 to 14,000, and those from five to twenty hectares from 16,000 to 19,000. This is in East Prussia, the very place in which the Bulgakovs claim to see the "elimination" of large-scale by small-scale production. And yet the gentlemen who give the bare statistics of the area of farms in this Suzdal fashion clamor for "details"! Naturally, Klawki considers that "the most important task of modern agrarian policy for the solution of the agricultural laborer problem in the East is to encourage the most efficient laborers to settle down by affording them the opportunity of acquiring a piece of land as their own property, if not in the first, then at least in the second [*sic*!] generation" (476). It doesn't matter that the *Instleute* who purchase a plot of land out of their savings "in the majority of cases prove to be worse off financially; they are fully aware of this themselves, but they are tempted by the greater freedom", and the main task of bourgeois political economy (now, apparently, of the "Critics" also) is to foster this illusion among the most backward section of the proletariat.

Thus, on every point Klawki's inquiry refutes Mr. Bulgakov, who referred to Klawki. This inquiry demonstrates the technical superiority of large-scale production in agriculture, the overwork and under-consumption of the small peasant and his transformation into a regular or day-laborer for the landlord; it proves that there is a connection between the increase in the number of small peasant farms and the growth of poverty and proletarization. Two conclusions that follow from this inquiry are

of exceptional significance from the point of view of principle. First, we see clearly the obstacle to the introduction of machinery in agriculture: the abysmal degradation of the small farmer, who is ready to "leave out of account" his own toil and who makes manual labor cheaper for the capitalist than machinery. Mr. Bulgakov's assertions notwithstanding, the facts prove incontestably that under the capitalist system the position of the small peasant in agriculture is *in every way analogous* to that of the handicraftsman in industry. Mr. Bulgakov's assertions notwithstanding, we see in agriculture a still further diminution in consumption and a still further intensification of labor employed as methods of competing with large-scale production. Secondly, in regard to every manner of comparison between the remunerativeness of small and large farms, we must once and for all declare as absolutely useless and vulgarly apologetic any conclusion that leaves out of account the following three circumstances: (1) How does the *farmer* eat, live, and work? (2) How are the *cattle* kept and worked? (3) How is the *land* fertilized, and is it exploited in a rational manner? Small-scale farming manages to exist by methods of sheer waste—waste of the farmer's labor and vital energy, waste of strength and quality of the cattle, and waste of the productive capacities of the land. Consequently, any inquiry that fails to examine these circumstances thoroughly is nothing more nor less than bourgeois sophistry. [366]

It is not surprising, therefore, that the "theory" of the overwork and under-consumption of the small peasants in modern society has been so severely attacked by Messrs. the Critics. In *Nachalo* (No. 1., p. *10*) Mr. Bulgakov "undertook" to give any number of "citations" disproving Kautsky's assertions. From the studies of the League for Social and Political Questions, *Bäuerliche Zustände (Conditions of the Peasantry*), repeats Mr. Bulgakov, "Kautsky, in his attempt to galvanize the corpse [*sic*!] of the obsolete dogma back to life, selected certain facts showing the depressed condition of peasant farming, which is quite understandable at the present time. Let the reader look for himself; he will find evidence there of a somewhat different character" (II, 282). Let us "look" for ourselves and verify the quotations given by this strict scientist, who, in part, merely repeats Hertz' quotations (S. 77, Russian translation, p. 183).

"From Eisenach comes evidence of improvements in stock-breeding, in soil fertilization, evidence of the use of machinery, and in general of progress in agricultural production.... We turn to the article on

[366] Leo Huschke, in his work, Landwirtschaftliche Reinertrags-Berechnungen bei Klein-, Mittel- und Grossbetrieb dargelegt an typischen Beispielen Mittelthüringens [Assessment of Net Incomes of Small, Medium, and Large Farms, Based on Typical Examples from Middle Thuringia.—Ed.] (Gustav Fischer, Jena, 1902), justly points out that "it is possible by merely reducing the assessment" of the small farmer's labor-power to obtain a computation that will prove his superiority over the middle and the big farmer, and his ability to compete with them (S. 126). Unfortunately, the author did not carry his idea to its logical conclusion, and therefore did not present systematic data showing the manner in which the cattle were kept, the method of fertilizing the soil, and the cost of maintaining the farmer's household in the various categories of farms. We hope to return to Herr Huschke's interesting work. For the moment we shall merely note his reference to the fact that small-scale farming fetches lower prices for its products than large-scale farming (S. 146, 155), and his conclusion that: "The small and medium farms strove to overcome the crisis which set in after 1892 (the fall in the prices of agricultural produce) by cutting down cash expenditure as much as possible, while the large farms met the crisis through increasing their yields by means of increased expenditure on their farms" (S. 144). Expenditure on seeds, fodder, and fertilizers in the period from 1887-91 to 893-97 was reduced on the small and medium farms, and increased on the large farms. On the small farms, this expenditure amounted to seventeen marks per hectare, and on the large farms to. forty-four marks. (Author's note to the 1908 edition—Ed.) —Lenin

Eisenach (*Bäuerliche Zustände*, I. Band). The condition of the owners of less than five hectares (of which there are 887 out of the 1,116 farms in this district) "is, in general, not very favorable" (66). "Insofar as they can work for the big farmers as reapers, day-laborers, etc., their condition is relatively good..." (67). Generally speaking, important technological progress has been made in the past twenty years, but "much is left to be desired, particularly in regard to the smaller farms..." (72). "...the smaller farmers sometimes employ weak cows for field work...." Subsidiary earnings derive from tree felling and carting firewood; the latter "takes the farmers away from agriculture" and leads to "worsened conditions..." (69). "Nor does tree felling provide adequate earnings, in some districts the small landowners *[Grundstücksbesitzer]* engage in weaving, which is miserably *[leidlich]* paid. In isolated cases work is obtained at cigar-making at home. Generally speaking, there is a shortage of subsidiary earnings..." (73). And the author, Ökonomie Commissar Dittenberger, concludes with the remark that, in view of their "simple lives" and their "modest requirements", the peasants are strong and healthy, which "is astonishing, considering the low nutritive value of the food consumed by the poorest class, among whom potatoes are the principal item of fare..." (74).

That is how the "learned" Voroshilovs refute the "obsolete Marxist prejudice that peasant farming is incapable of technological progress"!

In regard to the Kingdom of Saxony, General Secretary Langsdorff says that in whole districts, particularly in the more fertile localities, there is now hardly any difference in intensiveness of cultivation between the large and the small estates". That is how Kautsky is refuted by the Austrian Voroshilov (Hertz, S. 77, Russian translation, pp. 182-83), followed by the Russian Voroshilov (Bulgakov, II, 282, referring to *Bäuerliche Zustände*, II, 222). We turn to page 222 of the book from which the Critics cite, and following the words quoted by Hertz we read: "The difference is more marked in the hilly districts, where the bigger estates operate with a relatively large working capital. But here, too, very frequently, the peasant farms realize a no lesser net profit than do the large farms, since the smaller income is compensated by greater frugality, which at the prevailing very low level of requirements *[bei der vorhandenen grossen Bedürfnisslosigkeit]* is carried to such lengths that the condition of the peasant is very often worse than that of the industrial worker, who has become accustomed to greater requirements" (*Bäuerliche Zustände*, II, 222). We read further that the prevailing system of land cultivation is crop rotation, which has become the predominant system among the middle farmers, while "the three-field system is met with almost exclusively among the small peasant-owned estates". In regard to stock-breeding, progress is also observed everywhere. "Only in regard to the raising of horned cattle and the utilization of dairy products does the peasant usually lag behind the big land lord" (223).

"Professor Ranke," continues Mr. Bulgakov, "testifies to the technological advance in peasant farming in the environs of Munich, which, he says, is typical for the whole of Upper Bavaria." We turn to Ranke's article: Three *Grossbauer* communities farming with the aid of hired laborers— 69 peasants out of 119 hold more than 20 hectares each, comprising three-fourths of the land. Moreover, 38 of these

"peasants" hold more than 40 hectares each, with an average of 59 hectares each; between them they hold nearly 60 per cent of the entire land....

We think this should suffice to reveal the manner in which Messrs. Bulgakov and Hertz "quote".

Chapter 3. The Former Slave-Owning South

The United States of America, writes Mr. Himmer, is a "country which has never known feudalism and is free from its economic survivals" (p. 41 of his article). This is the very opposite of the truth, for the economic survivals of *slavery* are not in any way distinguishable from those of feudalism, and in the former slave-owning South of the U.S.A. these survivals *are still very powerful*. It would not be worthwhile to dwell on Mr. Himmer's mistake if it were merely one in a hastily written article. But all liberal and all Narodnik writings in Russia show that the very same "mistake" is being made regularly and with unusual stubbornness with regard to the Russian *labor-service* system, our own survival of feudalism.

The South of the U.S.A. was slave-owning until slavery was swept away by the Civil War of 1861-65. To this day, the Negroes, who make up no more than from 0.7 to 2.2% of the population in the North and the West, constitute from 22.6 to 33.7% of the population in the South. For the U.S.A. as a whole, the Negroes constitute 10.7% of the population. There is no need to elaborate on the degraded social status of the Negroes: The American bourgeoisie is in no way better in this respect than the bourgeoisie of any other country. Having "freed" the Negroes, it took good care, under "free", republican-democratic capitalism, to restore everything possible, and do everything possible and impossible for the most shameless and despicable oppression of the Negroes. A minor statistical fact will illustrate their cultural level. While the proportion of illiterates in 1900 among the white population of the U.S.A. of 10 years of age and over was 6.2%, among the Negroes it was as high as 44.5%! More than seven times as high! In the North and the West illiteracy amounted from 4 to 6% (1900), while in the South it was from 22.9 to 23.9%! One can easily imagine the complex of legal and social relationships that corresponds to this disgraceful fact from the sphere of popular literacy.

What then is the economic basis that has produced and continues to support this fine "superstructure" ?

It is the typically Russian, "purely Russian" *labor service system*, which is known as *share-cropping*.

In 1910, Negroes owned 920,883 farms, i.e., 14.5% of the total. Of the total number of farmers, 37% were tenants; 62.1%, owners; the remaining 0.9% of the farms were run by managers. But among the whites 39.2% were tenant farmers, and among the Negroes—75.3%! The typical white farmer in America is an owner; the typical Negro farmer is a tenant. The proportion of tenants in the West was only 14%: this section is being settled, with new lands unoccupied, and is an El Dorado (a short-lived and unreliable El Dorado, to be sure) for the small "independent farmer" . In the North, the proportion of tenant farmers was 26.5%, and in the South, 49.6%! Half of the Southern farmers were tenants.

But that is not all. These are not even tenants in the European, civilized, modern-capitalist sense of the word. They are chiefly semi-feudal or—which is the same thing in economic terms—semi-slave *share-croppers*. In the "free" West, share-croppers were in the minority (25,000 out of a total of 53,000 tenants). In the old North, which was settled long ago, 483,000 out of 766,000 tenant farmers, i.e., 63%, were share-croppers. In the South, 1,021,000 out of 1,537,000 tenant farmers, *i.e.*, *66%*, were *share-croppers*.

In 1910, free, republican-democratic America had 1,500,000 share-croppers, of whom *more than 1,000,000 were Negroes*. And the proportion of share-croppers to the total number of farmers is not decreasing, but is on the contrary steadily and rather rapidly increasing. In 1880, 17.5% of the farmers in the U.S.A. were sharecroppers, in 1890, 18.4%; in 1900, 22.2%; and in 1910, 24%.

American statisticians draw the following conclusions from the 1910 returns:

"In the South the conditions have at all times been somewhat different from those in the North, and many of the tenant farms are parts of plantations of considerable size which date from before the Civil War." In the South, "the system of operation by tenants—chiefly colored tenants—has succeeded the system of operation by slave labor. . . . The development of the tenant system is most conspicuous in the South, where the large plantations formerly operated by slave labor have in many cases been broken up into small parcels or tracts and leased to tenants. . . . These plantations are in many cases still operated substantially as agricultural units, the tenants being subjected to a degree of supervision more or less similar to that which hired farm laborers are subjected to in the North" (*op. cit.*, Vol. V, pp. 102, 104).

To show what the South is like, it is essential to add that its population is fleeing to other capitalist areas and to the towns, just as the peasantry in Russia is fleeing from the most backward central agricultural gubernias, where the survivals of serfdom have been most greatly preserved, in order to escape the rule of the notorious Markovs, to those areas of Russia which have a higher level of capitalist development, to the metropolitan cities, the industrial gubernias and the South (see *The Development of Capitalism in Russia*). The share-cropping area, both in America and in Russia, is the most stagnant area, where the masses are subjected to the greatest degradation and oppression. Immigrants to America, who have such an outstanding role to play in the country's economy and all its social life, shun the South. In 1910, the foreign-born formed 14.5% of the total population of America. But in the South the figure was only l to 4% for the several divisions, whereas in the other divisions the proportion of incomers ranged from not less than 13.9% to 27.7% (New England). For the "emancipated" Negroes, the American South is a kind of prison where they are hemmed in, isolated and deprived of fresh air. The South is distinguished by the immobility of its population and by the greatest "attachment to the land" : with the exception of that division of the South, which still has considerable homesteading (West South Central), 91 to 92% of the population in the two other divisions of the South resided in the same division where they were born, whereas for the United States as a whole the figure was 72.6%, i.e., the mobility of the population is much greater. In the West, which is a solid homestead area, only 35 to 41% of the population lived in the division of their birth.

Negroes are in full flight from the two Southern divisions where there is no homesteading: in the 10 years between the last two censuses, these two divisions provided other parts of the country with almost 600,000 "black" people. The Negroes flee mainly to the towns: in the South, 77 to 80% of all the Negroes live in rural communities; in other areas, only 8 to 32%. Thus, it turns out that there is a startling similarity in the economic status of the Negroes in America and the peasants in the heart of agricultural Russia who "*were formerly landowners' serfs*".

Karl Marx: Capital Vol. III

Chapter 38: Differential Rent: General Remarks

In the analysis of ground-rent we shall begin with the assumption that products paying such a rent, products in which a portion of the surplus-value, and therefore also a portion of the total price, resolves itself into ground-rent, i.e., that agricultural as well as mining products are sold at their prices of production like all other commodities. (It suffices for our purposes to confine ourselves to agricultural and mining products.) In other words, their selling prices are made up of the elements of their cost (the value of consumed constant and variable capital) plus a profit determined by the general rate of profit and calculated on the total advanced capital, whether consumed or not. We assume, then, that average selling prices of these products are equal to their prices of production. The question now arises how it is possible for ground-rent to develop under these conditions, i.e., how it is possible for a portion of the profit to become transformed into ground-rent, so that a portion of the commodity-price falls to the landlord.

In order to demonstrate the general character of this form of ground-rent, let us assume that most of the factories of a certain country derive their power from steam-engines, while a smaller number derive it from natural waterfalls. Let us further assume that the price of production in the former amounts to 115 for a quantity of commodities which have consumed a capital of 100. The 15% profit is calculated not solely on the consumed capital of 100, but on the total capital employed in the production of this commodity-value. We have previously shown that this price of production is not determined by the individual cost-price of every single industrial producer, but by the average cost-price of the commodity under average conditions of capital in the entire sphere of production. It is, in fact, the market-price of production, the average market-price as distinct from its oscillations. It is in general in the form of the market-price, and, furthermore, in the form of the regulating market-price, or market-price of production, that the nature of the value of commodities asserts itself, its determination not by the labor-time necessary in the case of any individual producer for the production of a certain quantity of commodities, or of some individual commodity, but by the socially necessary labor-time; that is, by the labor-time, required for the production of the socially necessary total quantity of commodity varieties on the market under the existing average conditions of social production

As definite figures are immaterial in this case, we shall assume furthermore that the cost-price in factories run on water-power is only 90 instead of 100. Since the regulating market-price of production of this quantity of commodities = 115, with a profit of 15%, the manufacturers who operate their

machines on water power will also sell their commodities at 115, i.e., the average price regulating the market-price. Their profit would then be 25 instead of 15; the regulating price of production would allow them a surplus-profit of 10% not because they sell their commodities above the price of production, but because they sell them at the price of production, because their commodities are produced, or their capital operates, under exceptionally favorable conditions, i.e., under conditions which are more favorable than the average prevailing in this sphere.

Two things become evident at once:

First, the surplus-profit of the producers who use a natural waterfall as motive power is to begin with in the same class with all surplus-profit (and we have already analyzed this category when discussing prices of production) which is not the fortuitous result of transactions in the circulation process, of the fortuitous fluctuations in market-prices. This surplus-profit, then, is likewise equal to the difference between the individual price of production of these favored producers and the general social price of production regulating the market in this entire production sphere. This difference is equal to the excess of the general price of production of the commodities over their individual price of production. The two regulating limits of this excess are, on the one hand, the individual cost-price, and thus the individual price of production, and, on the other hand, the general price of production. The value of commodities produced with water-power is smaller because a smaller total quantity of labor is required for their production, i.e., less labor — in materialized form — enters into the constant capital as part of the latter.

The labor employed here is more productive, its individual productive power is greater than that employed in the majority of factories of the same kind. Its greater productive power is shown in the fact that in order to produce the same quantity of commodities, it requires a smaller quantity of constant capital, a smaller quantity of materialized labor, than the others. It also requires less living labor, because the water-wheel need not be heated. This greater individual productiveness of employed labor reduces the value, but also the cost-price and thereby the price of production of the commodity. For the individual industrial capitalist this expresses itself in a lower cost-price for his commodities. He has to pay for less materialized labor, and also less wages for less living labor-power employed. Since the cost-price of his commodities is lower, his individual price of production is also lower. His cost-price is 90 instead of 100. His individual price of production would therefore be only 103½ instead of 115 (100:115 = 90:103½) The difference between his individual price of production and the general price of production is limited by the difference between his individual cost- price and the general cost-price. This is one of the magnitudes which form the limits to his surplus-profit. The other is the magnitude of the general price of production into which the general rate of profit enters as one of the regulating factors. Were coal to become cheaper, the difference between his individual cost-price and the general cost-price would decrease, and with it his surplus-profit. Should he be compelled to sell his commodities at their individual value, or at the price of production determined by their individual value, then the difference would disappear. It is, on the one hand, a result of the fact that the commodities are sold at their general market-price, the price brought about by the equalization of

individual prices through competition, and, on the other, a result of the fact that the greater individual productivity of labor set in motion by him does not benefit the laborer, but the employer, as does all productivity of labor, that it appears as the productiveness of capital.

Since the level of the general price of production is one of the limits of this surplus-profit, the level of the general rate of profit being one of its factors, this surplus-profit can only arise from the difference between the general and the individual price of production, and consequently from the difference between the general and the individual rate of profit. An excess above this difference presupposes the sale of products above, not at, the price of production regulated by the market.

Secondly, thus far, the surplus-profit of the manufacturer using natural water-power instead of steam does not differ in any way from any other surplus-profit. All normal surplus-profit, that is, all surplus-profit not due to fortuitous sales or market-price fluctuations is determined by the difference between the individual price of production of the commodities of a particular capital and the general price of production, which regulates the market-prices of the commodities produced by the capital in this sphere of production in general, or, in other words, the market-prices of commodities of the total capital invested in this sphere of production.

But now we come to the difference.

To what circumstance does the industrial capitalist in the present case owe his surplus-profit, the surplus resulting for him personally from the price of production regulated by the general rate of profit?

He owes it in the first instance to a natural force — the motive power of the waterfall — which is found readily available in Nature and is not itself a product of labor like the coal which transforms water into steam. The coal, therefore, has value, must be paid for by an equivalent, and has a cost. The waterfall is a natural production agent in the production of which no labor enters.

But this is not all. The manufacturer who operates with steam also employs natural forces which cost him nothing yet make the labor more productive and increase the surplus-value and thereby the profit, inasmuch as they thus cheapen the manufacture of the means of subsistence required for the laborers. These natural forces are thus quite as much monopolized by capital as the social natural forces of labor arising from co-operation, division of labor, etc. The manufacturer pays for coal, but not for the capacity of water to alter its physical state, to turn into steam, not for the elasticity of the steam, etc. This monopolization of natural forces, that is, of the increase in labor-power produced by them, is common to all capital operating with steam-engines. It may increase that portion of the product of labor which represents surplus-value in relation to that portion which is transformed into wages. In so far as it does this, it raises the general rate of profit, but it does not create any surplus-profit, for this consists of the excess of individual profit over average profit. The fact that the application of a natural force, a waterfall, creates surplus-profit in this case, cannot therefore be due solely to the circumstance that the increased productivity of labor here results from the application of a natural force. Other modifying circumstances are necessary.

Conversely. The mere application of natural forces in industry may influence the level of the general rate of profit because it affects the quantity of labor required to produce the necessary means of subsistence. But in itself it does not create any deviation from the general rate of profit, and this is precisely the point in which we are interested here. Furthermore, the surplus-profit which some individual capital otherwise realizes in a particular sphere of production — for deviations of the rates of profit in various spheres of production are continually balanced out into an average rate — is due, aside from fortuitous deviations, to a reduction in cost-price, in production costs. This reduction arises either from the fact that capital is used in greater than average quantities, so that *faux frais* of production are reduced, while the general causes increasing the productiveness of labor (cooperation, division of labor, etc.) can become effective to a higher degree, with more intensity, because their field of activity has become larger; or it may arise from the fact that, aside from the amount of functioning capital, better methods of labor, new inventions, improved machinery, chemical manufacturing secrets, etc., in short, new and improved, better than average means of production and methods of production are used. The reduction in cost-price and the surplus-profit arising from it are here the result of the manner in which the functioning capital is invested. They result either from the fact that the capital is concentrated in the hands of one person in extraordinarily large quantities (a condition that is cancelled out as soon as equal magnitudes of capital are used on the average), or from the fact that a certain magnitude of capital functions in a particularly productive manner (a condition that disappears as soon as the exceptional method of production becomes general or is surpassed by a still more developed one).

The cause of the surplus-profit, then, arises here from the capital itself (which includes the labor set in motion by it) whether it be due to the greater magnitude of capital employed or to its more efficient application; and, as a matter of fact, there is no particular reason why all capital in the same production sphere should not be invested in the same manner. On the contrary, the competition between capitals tends to cancel these differences more and more. The determination of value by the socially necessary labor-time asserts itself through the cheapening of commodities and the compulsion to produce commodities under the same favorable conditions. But matters are different with the surplus-profit of an industrial capitalist who makes use of the waterfall. The increased productiveness of the labor used by him comes neither from the capital and labor itself, nor from the mere application of some natural force different from capital and labor but incorporated in the capital. It arises from the greater natural productiveness of labor bound up with the application of a force of Nature, but not a force of Nature that is at the command of all capital in the same sphere of production, as for example the elasticity of steam. In other words, its application is not to be taken for granted whenever capital is generally invested in this sphere of production. On the contrary, it is a monopolizable force of Nature which, like the waterfall, is only at the command of those who have at their disposal particular portions of the earth and its appurtenances. It is by no means within the power of capital to call into existence this natural premise for a greater productivity of labor in the same manner as any capital may transform water into steam. It is found only locally in Nature and, wherever it does not exist, it cannot be established by a definite investment of capital. It is not bound to goods which labor can produce,

such as machines and coal, but to specific natural conditions prevailing in certain portions of land. Those manufacturers who own waterfalls exclude those who do not from using this natural force, because land, and particularly land endowed with water-power, is scarce. This does not prevent the amount of water-power available for industrial purposes from being increased, even though the number of natural waterfalls in a given country is limited. The waterfall may be harnessed by man in order to fully exploit its motive force. If such exists, the water-wheel may be improved so as to make use of as much of the water-power as possible; where the ordinary wheel is not suitable for the water-supply, turbines may be used, etc. The possession of this natural force constitutes a monopoly in the hands of its owner; it is a condition for an increase in the productiveness of the invested capital that cannot be established by the production process of the capital itself; [367] this natural force, which can be monopolized in this manner, is always bound to the land. Such a natural force does not belong to the general conditions of the sphere of production in question, nor to those conditions of the latter which may be generally established.

Now let us assume that the waterfalls, along with the land to which they belong, are held by individuals who are regarded as owners of these portions of the earth, i.e., who are landowners. These owners prevent the investment of capital in the waterfalls and their exploitation by capital. They can permit or forbid such utilization. But a waterfall cannot be created by capital out of itself. Therefore, the surplus-profit which arises from the employment of this waterfall is not due to capital, but to the utilization of a natural force which can be monopolized, and has been monopolized, by capital. Under these circumstances, the surplus-profit is transformed into ground-rent, that is, it falls into possession of the owner of a waterfall. If the manufacturer pays the owner of a waterfall £10 annually, then his profit is £15, that is, 15% on the £100 which then make up his cost of production; and he is just as well or possibly better off than all other capitalists in his sphere of production who operate with steam. It would not alter matters one bit if the capitalist himself should be the owner of a waterfall. He would, in such a case, pocket as before the surplus-profit of £10 in his capacity as waterfall owner, and not in his capacity as capitalist; and precisely because this surplus does not stem from his capital as such, but rather from the control of a limited natural force distinct from his capital which can be monopolized, is it transformed into ground-rent.

First, it is evident that this rent is always a differential rent, for it does not enter as a determining factor into the general production price of commodities, but rather is based on it. It invariably arises from the difference between the individual production price of a particular capital having command over the monopolized natural force, on the one hand, and the general production price of the total capital invested in the sphere of production concerned, on the other.

Secondly, this ground-rent does not arise from the absolute increase in the productiveness of employed capital, or labor appropriated by it, since this can only reduce the value of commodities; it is due to the greater relative fruitfulness of specific separate capitals invested in a certain production

[367] Concerning extra profit, see the Inquiry [into those Principles, Respecting the Nature of Demand and the Necessity of Consumption, lately advocated by Mr. Malthus, London, 1821. — Ed.] (against Malthus).

sphere, as compared with investments of capital which are excluded from these exceptional and natural conditions favoring productiveness. For instance, if the use of steam should offer overwhelming advantages not offered by the use of water-power, despite the fact that coal has value and the water-power has not, and if these advantages more than compensated for the expense, then, the water-power would not be used and could not produce any surplus-profit, and therefore could not produce any rent.

Thirdly, the natural force is not the source of surplus-profit, but only its natural basis, because this natural basis permits an exceptional increase in the productiveness of labor. In the same way, use-value is in general the bearer of exchange-value, but not its cause. If the same use-value could be obtained without labor, it would have no exchange-value, yet it would retain, as before, the same natural usefulness as use-value. On the other hand, nothing can have exchange-value unless it has use-value, i.e., unless it is a natural bearer of labor. Were it not for the fact that the various values are averaged out into prices of production, and the various individual prices of production into a general price of production regulating the market, the mere increase in productivity of labor through utilization of the waterfall would merely lower the price of commodities produced with the aid of this waterfall, without increasing the share of profit contained in these commodities. Similarly, on the other hand, this increased productivity of labor itself would not be converted into surplus-value were it not for the fact that capital appropriates the natural and social productivity of the labor used by it as its own.

Fourthly, the private ownership of the waterfall in itself has nothing to do with the creation of the surplus-value (profit) portion, and therefore, of the price of the commodity in general, which is produced by means of the waterfall. This surplus-profit would also exist if landed property did not exist; for instance, if the land on which the waterfall is situated were used by the manufacturer as unclaimed land. Hence landed property does not create the portion of value which is transformed into surplus-profit, but merely enables the landowner, the owner of the waterfall, to coax this surplus-profit out of the pocket of the manufacturer and into his own. It is not the cause of the creation of such surplus-profit, but is the cause of its transformation into the form of ground-rent, and therefore of the appropriation of this portion of the profit, or commodity-price, by the owner of the land or waterfall.

Fifthly, it is evident that the price of the waterfall, that is, the price which the landowner would receive were he to sell it to a third party or even to the manufacturer himself, does not immediately enter into the production price of the commodities, although it does enter into the individual cost-price of the manufacturer; because the rent arises here from the price of production of similar commodities produced by steam machinery, and this price is regulated independently of the waterfall. Furthermore, this price of the waterfall on the whole is an irrational expression, but behind it is hidden a real economic relationship. The waterfall, like land in general, and like any natural force, has no value because it does not represent any materialized labor, and therefore, it has no price, which is normally no more than the expression of value in money terms. Where there is no value, there is also *eo ipso* nothing to be expressed in money. This price is nothing more than the capitalized rent. Landownership enables the landowner to appropriate the difference between the individual profit and average profit.

The profit thus acquired, which is renewed every year, may be capitalized, and appears then as the price of the natural force itself. If the surplus-profit realized by the manufacturer using the waterfall amounts to £10 per year, and the average interest is 5%, then these £10 represent the annual interest on a capital of £200 and the capitalization of the annual £10 which the waterfall enables its owner to appropriate from the manufacturer, appears then as the capital-value of the waterfall itself. That it is not the waterfall itself which has value, but that its price is a mere reflection of the appropriated surplus-profit capitalistically calculated, becomes at once evident from the fact that the price of £200 represents merely the product obtained by multiplying a surplus-profit of £10 by 20 years, whereas, other conditions remaining equal, the same waterfall will enable its owner to appropriate these £10 every year for an indefinite number of years — 30 years, 100 years, or x years; and, whereas, on the other hand, should some new method of production not applicable with water-power reduce the cost-price of commodities produced by steam machinery from £100 to £90, the surplus-profit, and thereby the rent, and thus the price of the waterfall, would disappear.

Now that we have described the general concept of differential rent, we shall pass on to its consideration in agriculture proper. What applies to agriculture will also apply on the whole to mining.

Chapter 44: Differential Rent Also on the Worst Cultivated Soil

Let us assume the demand for grain is rising, and the supply can only result from successive investments of capital under conditions of under-productiveness in the rent-bearing soils, or by additional investment of capital, also with decreasing productivity, in soil A, or by the investment of capital in new lands of inferior quality than A.

Let us take soil B as representative of the rent-bearing soils.

The additional investment of capital demands an increase in the market-price above the hitherto prevailing price of production of £3 per quarter, in order to make possible the increased production upon B of one quarter (which may here stand for one million quarters, just as every acre may stand for one million acres). Increased output may also be yielded by soils C and D, etc., the soils bearing the highest rent, but only with decreasing surplus-productiveness; but it is assumed that the quarter from B is necessary in order to meet the demand. If this quarter is more cheaply produced by investing more capital in B than with the same addition of capital to A, or by descending to soil A - 1, which may, e.g., require £4 to produce a quarter, whereas the addition to capital A might do so for £3¾, then the additional capital on B will regulate the market-price.

A produces a quarter for £3, as heretofore. Similarly, B, as before, produces a total of 3½ quarters at an individual price of production of £6 for its total output. Now, if an additional £4 of production price (including profit) becomes necessary on B in order to produce an additional quarter, whereas it could have been produced on A for £3¾, then it would naturally be produced on A, rather than on B. Let us assume, then, that it can be produced on B with the additional price of production of £3½. In this case, £3½ would become the regulating price for the entire output. B would now sell its present output of 4½ quarters for £l5¾. Of this £6 is the price of production for the first 3½ quarters and the £3½ for the

last quarter, i.e., a total of £9½. This leaves a surplus-profit for rent = £6¼ as against the former £4½. In this case, an acre of A would also yield a rent of £1½; but it would not be the worst soil A, but rather the better soil B that would regulate the price of production of £3½. Of course, we assume here that new soil of quality A and equally favorable location as that hitherto cultivated is not available, but that either a second investment of capital in the already cultivated plot A at a higher price of production, or the cultivation of an even poorer soil A-1, is required. As soon as differential rent II comes into force through successive investments of capital, the limits of the rising price of production may be regulated by better soil; and the worst soil, the basis of differential rent I, may also yield rent. This, even with a single differential rent, all cultivated land would yield rent. We would then have the following two tables, where by price of production we mean the sum of the invested capital plus 20% profit; in other words, on every £2½ of capital £½ of profit or a total of £3.

Type of Soil	Acres	Price of Production £	Output Qrs	Selling Price £	Proceeds £	Grain-Rent Qrs	Money-Rent £
A	1	3	1	3	3	0	0
B	1	6	3½	3	10½	1½	4½
C	1	6	5½	3	16½	3½	10½
D	1	6	7½	3	22½	5½	16½
Total	4	21	17½		52½	10½	31½

This is the state of affairs before the new capital of £3½, which yields only one quarter, is invested in B. After this investment, the situation looks as follows:

Type of Soil	Acres	Price Of Production £	Output Qrs	Selling Price £	Proceeds £	Grain-Rent Qrs	Money-Rent £
A	1	3	1	3½	3½	1/7	½
B	1	9½	4½	3½	15¾	1 11/14	6¼
C	1	6	5½	3½	19¼	3 11/14	13¼
D	1	6	7½	3½	26¼	5 11/14	20¼
Total	4	24½	18½		64¾	11½	40¼

[This, again, is not quite correctly calculated. First of all, the cost of the 4½ qrs for farmer B is, in the first place, £9½: in price of production and, secondly, £4½ in rent, i.e., a total of £14; average per quarter = £3½. This average price of his total production thus becomes the regulating market-price. Thus, the rent on A would amount to £1/9 instead of £½, and that on B would remain £4½ as heretofore; 4½ qrs

at £3½ = £14 and, if we deduct £9½ in price of production, £4½ remain for surplus-profit. We see, then, that in spite of the required change in numerical values this illustration shows how, by means of differential rent II, better soil, already yielding rent, may regulate the price and thus transform *all* soil, even hitherto rentless, into rent-bearing soil. — *F. E.*]

The grain-rent must rise as soon as the regulating price of production of the grain rises, i.e., as soon as the price of production of a quarter of grain from the regulating soil, or the regulating invested capital in one of the various soil types, rises. It is the same as though all soils had become less productive and produced, e.g., only 5/7 quarter instead of 1 quarter with every new investment of £2½. Whatever else they produce in grain with the same investment of capital is transformed into surplus-product, which represents the surplus-profit and therefore the rent. Assuming the rate of profit remains the same, the farmer can buy less grain with his profit. The rate of profit may remain the same if wages do not rise — either because they are depressed to the physical minimum, i.e., below the normal value of labor-power; or because the other articles of consumption needed by the laborer and supplied by manufacture have become relatively cheaper; or because the working day has become longer or more intensive, so that the rate of profit in non-agricultural lines of production, which, however, regulates the agricultural profit, has remained the same or has risen; or, finally, because more constant and less variable capital is employed in agriculture, even though the amount of capital invested is the same.

We have thus considered the first method by which rent may arise on the hitherto worst soil A without taking still worse soil under cultivation; that is, rent may arise from the difference between its individual, hitherto regulating, price of production and the new, higher price of production, whereby the last additional capital employed under conditions of under-productiveness upon the better soil supplies the necessary additional produce.

If the additional produce had to be supplied by soil A-1, which cannot produce a quarter for less than £4, then the rent per acre of A would have risen to £1. But, in this case, soil A-1 would have taken the place of A as the worst cultivated soil, and the latter would have moved into the lowest position in the sequence of rent-bearing soils. Differential rent I would have changed. This case, then, is not included in the consideration of differential rent II, which arises from the varying productiveness of successive investments of capital in the same piece of land.

But aside from this, differential rent may arise on soil A in two other ways.

With the price unchanged — any given price, even a lower one compared to former ones — when the additional investment of capital results in surplus-productiveness, which *prima facie*, and up to a certain point must always be the case precisely on the worst soil.

Secondly, however, when the productiveness of successive investments of capital in soil A decreases.

It is assumed in both cases that the increased production is required to meet demand.

But from the point of view of differential rent, a peculiar difficulty arises here owing to the previously developed law — according to which it is always the individual average price of production per quarter for the total production (or the total outlay of capital) which acts as the determining factor. In the case of soil A, however, there is not, as in the cases of the better soils, another price of production which limits for new investments of capital the equalization of the individual with the general price of production. For the individual price of production of A is precisely the general price of production regulating the market-price.

Let us assume:

1) *When the productiveness of successive investments of capital is increasing*, 1 acre of A will produce 3 qrs instead of 2 qrs given an investment of £5 — corresponding to a price of production of £6. The first investment of £2½ yielded 1 qr, the second — 2 qrs. In this case, a price of production of £6 will yield 3 qrs, so that the average cost of a quarter will be £2; i.e., if the 3 qrs are sold at £2 per quarter, then A, as heretofore, does not yield any rent, but only the basis of differential rent II has been altered; the regulating price of production is now £2 instead of £3; a capital of £2½ now produces an average of 1½ qrs on the worst soil, instead of 1 qr, and now this is the official productivity for all better soils given an investment of £2½. From now on, a portion of their former surplus-product enters into the formation of their necessary output, just as a portion of their surplus-profit enters into forming the average profit.

On the other hand, if the calculation is made upon the basis of better soils, where the average calculation does not alter the absolute surplus at all, because for them the general price of production is the limit for the investment of capital, then a quarter from the first investment of capital costs £3 and the 2 qrs from the second investment cost only £1½ each. This would thereby give rise to a grain-rent of 1 qr and a money-rent of £3 on A, but the 3 qrs would be sold for the old price of £9. If a third investment of £2½ were made under conditions of the same productiveness as the second investment, then the total would be 5 qrs for a price of production of £9. If the individual average price of production of A should remain the regulating price, then a quarter would now be sold at £1 4/5. The average price would have fallen once more — not through a new rise in productiveness of the third investment of capital, but merely through the addition of a new investment of capital having the same additional productiveness as the second. Instead of raising the rent as on the rent-bearing soils, the successive investments of capital in soil A of higher, but constant productiveness would proportionally lower the price of production and thereby, everything else being equal, the differential rent on all other soils. On the other hand, if the first investment of capital which produces 1 qr at a price of production of £3 should in itself remain regulating, then 5 qrs would be sold for £15, and the differential rent of the later investments of capital in soil A would amount to £6. The additional capital per acre of soil A, however it is applied, would be an improvement in this case, and would make the original portion of capital more productive. It would be ridiculous to say that ⅓ of the capital had produced 4 qr and the other ⅔ — 4 qrs. For £9 per acre would always produce 5 qrs, while £3 would produce only 1 qr. Whether or not a rent would arise here, whether or not a surplus-profit would be derived, would depend wholly upon the circumstances. Normally the regulating price of production would have to

fall. This would be the case, if this improved but more expensive cultivation of soil A should occur only because it also takes place on the better soils, in other words, if a general revolution in agriculture should occur; so that when we now refer to the natural fertility of soil A, it is assumed that it is worked with £6 or £9 instead of £3. This would particularly apply if the bulk of cultivated acres of soil A, which furnish the main supply of a given country, should employ this new method. But if the improvement should at first extend only to a small area of A, then this better cultivated portion would yield a surplus-profit, which the landlord would be quick to transform wholly or in part into rent, and to fix in the form of rent. In this way — if the demand kept pace with the increasing supply — as more and more of soil A began to employ the new method of cultivation, rent might be gradually formed on all soil of quality A, and the surplus-productivity might be eliminated wholly or in part, depending on market conditions. The equalization of the price of production of A to the average price of its produce obtained under conditions of increased outlay of capital might thus be prevented by fixing the surplus-profit of this increased investment of capital in the form of rent. Thus, as was previously seen to be the case for the better soils when the productiveness of the additional capital decreased, it would again be the transformation of surplus-profit into ground-rent, i.e., the intervention of property in land, which would raise the price of production, instead of the differential rent merely being the result of the difference between the individual and the general price of production. It would prevent, in the case of soil A, the coincidence of both prices because it would interfere with the regulation of the price of production by the average price of production on A; it would thus maintain a higher price of production than necessary and thereby create rent. Even if grain were freely imported from abroad, the same result could be brought about or perpetuated by compelling farmers to use soil capable of competing in grain cultivation without yielding rent, at the price of production regulated from abroad, for other purposes, e.g., pasturage, so that only rent-bearing soils would be used for grain cultivation, i.e., only soils whose individual average price of production per quarter were below that determined from abroad. On the whole, it is to be assumed that in the given case, the price of production will fall, but not to the level of its average; it will be higher than the average, but below the price of production of the worst cultivated soil A, so that the competition from new soil A is limited.

2) *When the productiveness of additional capitals is decreasing*. Let us assume that soil A-1 requires £4 to produce the additional quarter, whereas soil A produces it for £3¾, i.e., more cheaply, but still £¾ more dearly than the quarter produced by its first investment of capital. In this case, the total price of the two quarters produced upon A would = £6¾; thus, the average price per quarter = £3 3/8. The price of production would rise, but only by £3/8, whereas it would rise by another 3/8 or to £3¾, if the additional capital were invested in new land which produced at £3¾, and it would thus bring about a proportional increase in all other differential rents.

The price of production of £3 3/8 per quarter for A would thus be equalized to its average price of production with an increased investment of capital, and would be the regulating price; thus, it would not yield any rent, since it would not produce any surplus-profit.

However, if this quarter, produced by the second investment of capital, were sold for £3¾, soil A would now yield a rent of £¾, and indeed, on all acres of A in which no additional investment of capital had taken place and which thus would still produce at £3 per quarter. So long as any uncultivated fields of A remain, the price could rise only temporarily to £3¾. Competition from new fields of A would hold the price of production at £3 until all land of type A, whose favorable location enables it to produce a quarter at less than £3¾, would be exhausted. This is then what we would assume, although the landlord, so long as an acre of land yields rent, will not let a tenant farmer have another acre rent-free.

It would again depend to what extent a second investment of capital in the available soil A had become general, whether the price of production is equalized at the average price or whether the individual price of production of the second investment of capital becomes regulating at £3¾. The latter occurs only when the landowner has sufficient time until demand is satisfied to fix as rent the surplus-profit derived at the price of £3¾ per qr.

Concerning decreasing productiveness of the soil with successive investments of capital, see Liebig. [Liebig, *Die Chemie in ihrer Anwendung auf Agricultur und Physiologie*, Braunschweig, 1862. — *Ed.*] We have observed that the successive decrease in surplus-productiveness of invested capital invariably increases the rent per acre, so long as the price of production remains constant, and that this may occur even with a falling price of production.

But, in general, the following is to be noted.

From the standpoint of the capitalist mode of production, a relative increase in the price of products always takes place when these products cannot be secured unless an expenditure or payment not previously made is incurred. For by the replacement of capital consumed in production we mean only the replacement of values represented by certain means of production. Natural elements entering as agents into production, and which cost nothing, no matter what role they play in production, do not enter as components of capital, but as a free gift of Nature to capital, that is, as a free gift of Nature's productive power to labor, which, however, appears as the productiveness of capital, as all other productivity under the capitalist mode of production. Therefore, if such a natural power, which originally costs nothing, takes part in production, it does not enter into the determination of price, so long as the product which it helped to produce suffices to meet the demand. But if in the course of development, a larger output is demanded than that which can be supplied with the help of this natural power, i.e., if this additional output must be created without the help of this natural power, or by assisting it with human labor-power, then a new additional element enters into capital. A relatively larger investment of capital is thus required in order to secure the same output. All other circumstances remaining the same, a rise in the price of production takes place.

(From a note-book "begun in mid-February 1876." [*F.E.*])

Differential rent and rent as mere interest on capital incorporated in the soil.

The so-called permanent improvements — which change the physical, and, in part, also the chemical conditions of the soil by means of operations requiring an expenditure of capital, and which may be regarded as an incorporation of capital in the soil — nearly all amount to giving a particular piece of land in a certain limited locality such properties as are naturally possessed by some other piece of land elsewhere, sometimes quite nearby. One piece of land is naturally level, another has to be levelled; one possesses natural drainage, another requires artificial drainage; one is endowed by Nature with a deep layer of top soil, another needs artificial deepening; one clay soil is naturally mixed with the proper amount of sand, another has to be treated to obtain this proportion; one meadow is naturally irrigated or covered with layers of silt, another requires labor to obtain this condition, or, in the language of bourgeois economics, it requires capital.

It is indeed a truly amusing theory, whereby here, in the case of one piece of land whose comparative advantages have been acquired, rent is interest, whereas in the case of another piece of land which possesses these advantages naturally, it is not interest. (In fact, this is so distorted in practice that since rent really coincides in the one case with interest, it is falsely also called interest in the other cases, where this is positively not the case.) However, land yields rent after capital is invested not because capital is invested, but because the invested capital makes this land more productive than it formerly was. Assuming that all the land of a given country requires this investment of capital, every piece of land which has not received it must first pass through this stage, and the rent (interest yielded in the given case) borne by land already provided with investment of capital constitutes differential rent just as though it naturally possessed this advantage and the other land had first to acquire it artificially.

This rent too, which may be resolved into interest, becomes pure differential rent as soon as the invested capital is amortized. Otherwise, one and the same capital would have to exist twice as capital.

A most amusing phenomenon is that all opponents of Ricardo who oppose the idea that value determination is based exclusively on labor rather than regarding differential rent as arising from differences in soil, point out that here Nature rather than labor determines value; but at the same time they credit this determination to the location of the land, or — and to an even greater extent — the interest on capital put into the land during its cultivation. The same labor produces the same value in a product created during a given period of time; but the magnitude or quantum of this product, and consequently also the portion of value associated with some aliquot part of this product, depends for a given quantity of labor solely upon the quantum of product, and the latter, in turn, depends upon the productivity of the given quantum of labor rather than the absolute magnitude of this quantum. It is immaterial whether this productivity is due to Nature or to society. Only in the case when the productivity itself costs labor, and consequently capital, does it increase the price of production by a new element — which Nature by itself does not do.

In the analysis of differential rent we proceeded from the assumption that the worst soil does not pay any ground-rent; or, to put it more generally, only such land pays ground-rent whose product has an individual price of production below the price of production regulating the market, so that in this manner a surplus-profit arises which is transformed into rent. It is to be noted, to begin with, that the law of differential rent as such is entirely independent of the correctness or incorrectness of this assumption.

Let us call the general price of production, by which the market is regulated, P. Then, P coincides with the individual price of production of the output of the worst soil A; i.e., its price pays for the constant and variable capital consumed in production plus the average profit (= profit of enterprise plus interest).

The rent in this case is equal to zero. The individual price of production of the next better soil B is = P′, and P > P′; that is, P pays for more than the actual price of production of the product of soil B. Let us now assume that P - P′ = d; d, the excess of P over P′, is therefore the surplus-profit which the farmer of soil type B realizes. This d is transformed into rent, which must be paid to the landlord. Let P′′ be the actual price of production of the third type of soil C, and P - P′′ = 2d; then this 2d is converted into rent; similarly, let P′′′ be the individual price of production of the fourth type of soil D, and P - P′′′ = 3d, which is transformed into ground-rent, etc. Now let us assume the premise for soil A, that rent = 0 and therefore the price of its product = P + 0, is erroneous. Assume rather that it, too, yields rent = r. In that case, two different conclusions follow.

First: The price of the product of soil A would not be regulated by the price of production on the latter, but would include an excess above this price, i.e., would be = P + r. Because assuming the capitalist mode of production to be functioning normally, that is, assuming that the excess r which the farmer pays to the landlord represents neither a deduction from wages nor from the average profit of capital, the farmer can only pay it by selling the product above its price of production, thus yielding him surplus-profit if he did not have to turn over this excess to the landlord in the form of rent. The regulating market-price of the total output on the market derived from all soils would then not be the price of production which capital generally yields in all spheres of production, i.e., a price equal to costs plus average profit, but rather the price of production plus the rent, P + r, and not P. For the price of the product of soil A represents generally the limit of the regulating general market-price, i.e., the price at which the total product can be supplied, and to that extent it regulates the price of this total product.

But *secondly*: Although the general price of agricultural products would in this case be significantly modified, the law of differential rent would nevertheless in no way lose its force. For if the price of the product of soil A, and thereby the general market-price = P + r, the price for soils B, C, D, etc., would likewise = P + r. But since P - P′ = d for soil B, then (P + r) - (P′ + r) would likewise = d, and P - P′′ = (P + r) - (P′′ + r) = 2d for soil C; and finally, P - P′′′ = (P + r) - (P′′′ + r) = 3d for soil D, etc. Thus, the differential rent would be the same as before and would be regulated by the same law,

although the rent would include an element independent of this law and would show a general increase together with the price of the agricultural product. It follows, then, that no matter what the case may be as regards the rent of the least fertile soils, the law of differential rent is not only independent of it, but that the only manner of grasping differential rent in keeping with its character is to let the rent on soil A = 0. Whether this actually = 0 or > 0 is immaterial so far as the differential rent is concerned, and, in fact, does not come into consideration.

The law of differential rent, then, is independent of the results of the following study.

If we were now to inquire more deeply into the basis of the assumption that the product of the worst soil A does not yield any rent, the answer would of necessity be as follows: If the market-price of the agricultural product, say grain, attains that level where an additional investment of capital in soil A results in the usual price of production, i.e., the usual average profit on the capital is yielded, then this condition suffices for investing the additional capital in soil A. In other words, this condition is sufficient for the capitalist to invest new capital yielding the usual profit and to employ it in the normal manner.

It should be noted here that in this case, too, the market-price must be higher than the price of production of A. For as soon as the additional supply is created, it is evident that the relation between supply and demand becomes altered. Formerly the supply was insufficient. Now it is sufficient. Hence the price must fall. In order to fall, it must have been higher than the price of production of A. But due to the fact that soil A newly taken under cultivation is less fertile, the price does not fall again as low as when the price of production of soil B regulated the market. The price of production of A constitutes the limit, not for the temporary but for the relatively permanent rise of the market-price. On the other hand, if the new soil taken under cultivation is more fertile than the hitherto regulating soil A, and yet only suffices to meet the increased demand, then the market-price remains unchanged. The investigation of the question whether the poorest type of soil yields rent, however, coincides in this case too with our present inquiry, for here too the assumption that soil A does not yield any rent would be explained by the fact that the market-price is sufficient for the capitalist farmer to exactly cover, with this price, the invested capital plus the average profit; in brief, it would be explained by the fact that the market-price yields him the price of production of his commodities.

At any rate, the capitalist farmer can cultivate soil A under these conditions, inasmuch as he, as capitalist, has such power of decision. The prerequisite for the normal expansion of capital in soil A is now present. But from the premise that the capitalist farmer can now invest capital in soil A under average conditions for the expansion of capital, even if he did not have to pay any rent, it nowise follows that this land, belonging to category A, is now at the disposal of the farmer without further ado. The fact that the tenant farmer could realize the usual profit on his capital did he not have to pay any rent, is by no means a basis for the landlord to lend his land gratis to the farmer and to become so philanthropic as to grant *crédit gratuit* for the sake of a business friendship. Such an assumption would mean the abstraction of landed property, the elimination of land-ownership, and it is precisely the existence of the latter that constitutes a limitation to the investment of capital and the free expansion of

capital in the land. This limitation does not at all disappear before the simple reflection of the farmer that the level of grain prices would enable him to realize the usual profit from the investment of his capital in the exploitation of soil A did, he did not have to pay any rent; in other words, if he could proceed in effect as though landed property did not exist. But differential rent presupposes the existence of a monopoly in land ownership, landed property as a limitation to capital, for without it surplus-profit would not be transformed into ground-rent nor fall to the share of the landlord instead of the farmer. And landed property as a limitation continues to exist even when rent in the form of differential rent disappears, i.e., on soil A. If we consider the cases in a country with capitalist production, where the investment of capital in the land can take place without payment of rent, we shall find that they are all based on a *de facto* abolition of landed property, if not also the legal abolition; this, however, can only take place under very specific circumstances which are by their very nature accidental.

First: When the landlord is himself a capitalist, or the capitalist is himself a landlord. In this case he may *himself* manage his land as soon as market-price has risen sufficiently to enable him to get, from what is now soil A, the price of production, that is, replacement of capital plus average profit. But why? Because for him landed property does not constitute an obstacle to the investment of capital. He can treat his land simply as an element of Nature and therefore be guided solely by considerations of expansion of his capital, by capitalist considerations. Such cases occur in practice, but only as exceptions. Just as capitalist cultivation of the soil presupposes the separation of functioning capital from landed property, so does it as a rule exclude self-management of landed property. It is immediately evident that this case is a purely accidental one. If the increased demand for grain requires the cultivation of a larger area of soil type A than is in the hands of self-managing proprietors, in other words, if a part of it must be rented to be at all cultivated, then this hypothetical lifting of the limitation created by landed property to the investment of capital at once collapses. It is an absurd contradiction to start out with the differentiation under the capitalist mode of production between capital and land, farmers and landlords, and then to turn round and assume that landlords, as a rule, manage their own land wherever and whenever capital would not draw rent from the cultivation of the soil if landed property were not separate and distinct from it. (See the passage by Adam Smith concerning mining rent, quoted below.) This abolition of landed property is fortuitous. It may or may not occur.

Secondly: In the total area of a leasehold there may be certain portions which do not yield any rent at the existing level of market-prices, so that they are in fact loaned gratis; but the landlord does not look upon it in that light, because he sees the total rental of the leased land, not the specific rent of the individual component plots. In this case, as regards the rentless component plots of the leasehold, landed property as a limitation to the investment of capital is eliminated for the capitalist farmer; and this, indeed, by contract with the landlord himself. But he does not pay rent for these plots merely because he pays rent for the land associated with them. A combination is here presupposed whereby poorer soil A does not have to be resorted to as a distinctly new field of production in order to produce the deficit supply, but rather whereby it merely constitutes an inseparable part of the better land. But the case to be investigated is precisely that in which certain pieces of land of soil type A must be

independently managed, i.e., for the conditions generally prevailing under the capitalist mode of production, they must be independently leased.

Thirdly: A farmer may invest additional capital in the same leasehold even if the additional product secured in this manner yields him only the price of production at the prevailing market-prices, i.e., provides him with the usual profit but does not enable him to pay any additional rent. He thus pays ground-rent with one portion of the capital invested in the land, but not with the other. How little this assumption helps to solve the problem, however, is seen from the following: If the market-price (and the fertility of the soil) enables him to obtain an additional yield with his additional capital, which, as in the case of the old capital, yields a surplus-profit in addition to the price of production, he is able to pocket this surplus-profit so long as his lease does not expire. But why? Because the limitation placed by landed property on the investment of his capital in land has been eliminated for the duration of the lease. But the simple fact that additional soil of poorer quality must be independently cleared and independently leased in order for him to secure this surplus-profit proves irrefutably that the investment of additional capital in the old soil no longer suffices to produce the required increased supply. One assumption excludes the other. It is true that now one might say: The rent on the worst soil A is itself differential rent — whether the comparison is made with respect to the land cultivated by the owner himself (this occurs, however, as a purely chance exception) or with respect to the additional investment of capital in the old leaseholds which do not yield any rent. However, this would be 1) a differential rent which does not arise from the difference in fertility of the various categories of soil, and which therefore would *not* presuppose that soil A does not yield any rent and its produce sells at the price of production; and 2) the circumstance whether additional investments of capital in the same leasehold yield rent or not is just as irrelevant to the question as to whether the new soil of class A to be taken under cultivation pays rent or not, as it is irrelevant to, say, the establishment of a new and independent manufacturing business whether another manufacturer in the same line invests a portion of his capital in interest-bearing paper because he cannot use all of it in his business, or whether he makes certain improvements which do not yield him the full profit, but nevertheless do yield more than interest. This is of secondary importance to him. The additional new establishments, on the other hand, must yield the average profit and are organized in the hope of obtaining this average profit. It is true, to be sure, that the additional investments of capital in the old leaseholds and the additional cultivation of new land of soil type A mutually restrict one another. The limit, up to which additional capital may be invested in the same leasehold under less favorable conditions of production, is determined by the competing new investments in soil A; on the other hand, the rent which this category of soil can yield is limited by the competing additional investments of capital in the old leaseholds.

But all this dubious subterfuge does not solve the problem, which, simply stated, is this: Assume the market-price of grain (which in this inquiry stands for products of the soil in general) to be sufficient to permit taking portions of soil A under cultivation and that the capital invested in these new fields could return the price of production, i.e., replace capital plus average profit. Thus, assume that conditions exist for the normal expansion of capital on soil A. Is this sufficient? Can this capital

then really be invested? Or must the market-price rise to the point where even the worst soil A yields rent? In other words, does the landowner's monopoly hinder the investment of capital which would not be the case from the purely capitalist standpoint in the absence of this monopoly? It follows from the way in which the question itself is posed that if, e.g., additional capitals are invested in the old leaseholds, yielding the average profit at the given market-price, but no rent, this circumstance in no way answers the question whether capital may now really be invested in soil A, which also yields the average profits but no rent. But this is precisely the question before us. The fact that additional investments of capital not yielding any rent do not satisfy the demand is proved by the necessity of taking new land of soil type A under cultivation. Just two alternatives are possible if the additional cultivation of soil A takes place only in so far as it yields rent, that is, yields more than the price of production. Either the market-price must be such that even the last additional investments of capital in the old leaseholds yield surplus-profit, whether pocketed by the farmer or by the landlord. This rise in price and this surplus-profit from the last additional investments of capital would then result from the fact that soil A cannot be cultivated without yielding rent. For if the price of production were sufficient for cultivation to take place, merely yielding average profit, the price would not have risen so high, and competition from new plots would have been felt as soon as they just yielded this price of production. Competing with the additional investments in old leaseholds not yielding any rent would then be investments in soil A, which likewise do not yield any rent. — Or, the last investments in the old leaseholds do not yield any rent, but nevertheless the market-price has risen sufficiently to make it possible for soil A to be taken under cultivation and to yield rent. In this case, the additional investment of capital not yielding any rent was only possible because soil A cannot be cultivated until the market-price permits it to pay rent. Without this condition, its cultivation would have already begun at a lower price level; and those later investments of capital in the old leaseholds, which require the high market-price in order to yield the usual profit without rent, could not have taken place. At the high market-price, it is true, they yield only the average profit. At a lower market-price, which would have become the regulating price of production from the time soil A came under cultivation, they would thus not have yielded this average profit, i.e., the investments would thus not have taken place at all under such conditions. In this way, the rent from soil A would indeed constitute differential rent compared with the investments in the old leaseholds not yielding any rent. But that such differential rent is formed on the land areas of A is but a consequence of the fact that the latter are not at all available to cultivation, unless they yield rent; i.e., that the necessity for this rent exists, which, in itself, is not determined by any differences in soil types, and which constitutes the barrier to possible investment of additional capitals in the old leaseholds. In either case, the rent from soil A would not be simply a consequence of the rise in grain prices, but, conversely, the fact that the worst soil must yield rent in order to make its cultivation at all possible, would be the cause for the rise in the grain price to the point where this condition may be fulfilled.

Differential rent has the peculiarity that landed property here merely intercepts the surplus-profit which would otherwise flow into the pocket of the farmer, and which the latter may actually pocket under certain circumstances during the period of his lease. Landed property is here merely the cause

for transferring a portion of the commodity-price which arises without the property having anything to do with it (indeed, in consequence of the fact that the price of production which regulates the market-price is determined by competition) and which resolves itself into surplus-profit — the cause for transferring this portion of the price from one person to another, from the capitalist to the landlord. But landed property is not the cause which *creates* this portion of the price, or the rise in price upon which this portion of the price is premised. On the other hand, if the worst soil A cannot be cultivated — although its cultivation would yield the price of production — until it produces something in excess of the price of production, rent, then landed property is the creative cause of *this* rise in price. *Landed property itself has created rent*. This fact is not altered, if, as in the second case mentioned, the rent now paid on soil A constitutes differential rent compared with the last additional investment of capital in old leaseholds, which pay only the price of production. For the circumstance that soil A cannot be cultivated until the regulating market-price has risen high enough to permit rent to be yielded from soil A — only this circumstance is the basis here for the fact that the market-price rises to a point which enables the last investments in the old leaseholds to yield, indeed, only their price of production, but a price of production which, at the same time, yields rent on soil A. The fact that the latter has to pay rent at all is, in this case, the cause for the differential rent between soil A and the last investments in the old leaseholds.

When stating, in general, that soil A does not pay any rent — assuming the price of grain is regulated by the price of production — we mean rent in the categorical sense of the word. If the farmer pays "lease money" which constitutes a deduction from the normal wages of his laborers, or from his own normal average profit, he does not pay rent, i.e., an independent component of the price of his commodities distinct from wages and profit. We have already indicated that this continually takes place in practice. In so far as the wages of the agricultural laborers in a given country are, in general, depressed below the normal average level of wages, so that a deduction from wages, a part of the wages, as a general rule enters into rent, this does not constitute an exceptional case for the farmer cultivating the worst soil. In the same price of production which makes cultivation of the worst soil possible these low wages already form a constituent element, and the sale of the product at the price of production does not therefore enable the farmer cultivating this soil to pay any rent. The landlord can also lease his land to some laborer, who may be satisfied to pay to the former in the form of rent, all or the largest part of that which he realizes in the selling price over and above the wages. In all these cases, however, no real rent is paid in spite of the fact that lease money is paid. But wherever conditions correspond to those under the capitalist mode of production, rent and lease money must coincide. Yet it is precisely this normal condition which must be analyzed here.

Since even the cases considered above — where, under the capitalist mode of production, investments of capital in the land may actually take place without yielding rent — do not contribute to the solution of our problem, so much less does reference to colonial conditions. The criterion establishing a colony as a colony — we are referring here only to true agricultural colonies — is not merely the prevailing vast area of fertile land in a natural state. It is rather the circumstance that this land has not been appropriated, has not been subjected to private ownership. Herein lies the enormous

difference, as regards the land, between old countries and colonies: the legal or actual non-existence of landed property, as Wakefield [368] correctly remarks, and as Mirabeau *père*, the physiocrat, and other elder economists, had discovered long before him. It is quite immaterial here whether the colonists simply appropriate the land, or whether they actually pay to the state, in the form of a nominal land price, a fee for a valid legal title to the land. It is also immaterial that the colonists already settled there may be the legal owners of the land. In fact, landed property constitutes no limitation here to the investment of capital — and also of labor without capital; the appropriation of some of the land by the colonists already established there does not prevent the newcomers from employing their capital or their labor upon new land. Therefore, when it is necessary to investigate the influence of landed property upon the prices of products of the land and upon rent — in those cases where landed property restricts land as an investment sphere of capital — it is highly absurd to speak of free bourgeois colonies where, in agriculture, neither the capitalist mode of production exists, nor the form of landed property corresponding to it — which, in fact, does not exist at all. Ricardo, e.g., does so in his chapter on ground-rent. In the preface he states that he intends to investigate the effect of the appropriation of land upon the value of the products of the soil, and directly thereafter he takes the colonies as an illustration, whereby he assumes that the land exists in a relatively elementary form and that its exploitation is not limited by the monopoly of landed property.

The mere legal ownership of land does not create any ground-rent for the owner. But it does, indeed, give him the power to withdraw his land from exploitation until economic conditions permit him to utilize it in such a manner as to yield him a surplus, be it used for actual agricultural or other production purposes, such as buildings, etc. He cannot increase or decrease the absolute magnitude of this sphere, but he can change the quantity of land placed on the market. Hence, as Fourier already observed, it is a characteristic fact that in all civilized countries a comparatively appreciable portion of land always remains uncultivated.

Thus, assuming the demand requires that new land be taken under cultivation, whose soil, let us say, is less fertile than that hitherto cultivated — will the landlord lease it for nothing, just because the market-price of the product of the land has risen sufficiently to return to the farmer the price of production, and thereby the usual profit, on his investment in this land? By no means. The investment of capital must yield him rent. He does not lease his land until he can be paid lease money for it. Therefore, the market-price must rise to a point above the price of production, i.e., to P + r, so that rent can be paid to the landlord. Since according to our assumption, landed property does not yield anything until it is leased, is economically valueless until then, a small rise in the market-price above the price of production suffices to bring the new land of poorest quality on the market.

The following question now arises: Does it follow from the fact that the worst soil yields ground-rent which cannot be derived from any difference in fertility that the price of the product of the land is necessarily a monopoly price in the usual sense, or a price into which the rent enters like a tax, with the

[368] Wakefield, England and America, London, 1833. Compare also Das Kapital, Buch I, Kap. XXV [English edition: Ch. XXXIII. — Ed.].

sole distinction that the landlord levies the tax instead of the state? It goes without saying that this tax has its specific economic limits. It is limited by additional investments of capital in the old leaseholds, by competition from products of the land coming from abroad — assuming their import is unrestricted — by competition among the landlords themselves, and finally by the needs of the consumers and their ability to pay. But this is not the question here. The point is whether the rent paid on the worst soil enters into the price of the products of this soil — which price regulates the general market-price according to our assumption — in the same way as a tax placed on a commodity enters into its price, i.e., as an element that is independent of the value of the commodity.

This, by no means, necessarily follows, and the contention that it does has been made only because the distinction between the value of commodities and their price of production has heretofore not been understood. We have seen that the price of production of a commodity is not at all identical with its value, although the prices of production of commodities, considered in their totality, are regulated only by their total value, and although the movement of production prices of various kinds of commodities, all other circumstances being equal, is determined exclusively by the movement of their values. It has been shown that the price of production of a commodity may lie above or below its value, and coincides with its value only by way of exception. Hence, the fact that products of the land are sold above their price of production does not at all prove that they are sold above their value; just as the fact that products of industry, on the average, are sold at their price of production does not prove that they are sold at their value. It is possible for agricultural products to be sold above their price of production and below their value, while, on the other hand, many industrial products yield the price of production only because they are sold above their value.

The relation of the price of production of a commodity to its value is determined solely by the ratio of the variable part of the capital with which the commodity is produced to its constant part, or by the organic composition of the capital producing it. If the composition of the capital in a given sphere of production is lower than that of the average social capital, i.e., if its variable portion, which is used for wages, is larger in its relation to the constant portion, used for the material conditions of labor, than is the case in the average social capital, then the value of its product must lie above the price of production. In other words, because such capital employs more living labor, it produces more surplus-value, and therefore more profit, assuming equal exploitation of labor, than an equally large aliquot portion of the social average capital. The value of its product, therefore, is above the price of production, since this price of production is equal to capital replacement plus average profit, and the average profit is lower than the profit produced in this commodity. The surplus-value produced by the average social capital is less than the surplus-value produced by a capital of this lower composition. The opposite is the case when the capital invested in a certain sphere of production is of a bigger composition than the social average capital. The value of commodities produced by it lies below their price of production, which is generally the case with products of the most developed industries.

If the capital in a certain sphere of production is of a lower composition than the average social capital, then this is, in the first place, merely another way of saying that the productivity of the social

labor in this particular sphere of production is below the average; for the level of productivity attained is manifested in the relative preponderance of constant over variable capital, or in the continual decrease — for the given capital — of the portion used for wages. On the other hand, if the capital in a certain sphere of production is of a higher composition, then this reflects a development of productiveness that is above the average.

Leaving aside actual works of art, whose consideration by their very nature is excluded from our discussion, it is self-evident, moreover, that different spheres of production require different proportions of constant and variable capital in accordance with their specific technical features, and that living labor must play a bigger role in some, and smaller in others. For instance, in the extractive industries, which must be clearly distinguished from agriculture, raw material as an element of constant capital is wholly absent, and even auxiliary material rarely plays an important role. In the mining industry, however, the other part of constant capital, i.e., fixed capital, plays an important role. Nevertheless, here too, progress may be measured by the relative increase of constant capital in relation to variable capital.

If the composition of capital in agriculture proper is lower than that of the average social capital, then, *prima facie*, this expresses the fact that in countries with developed production agriculture has not progressed to the same extent as the processing industries. Such a fact could be explained — aside from all other circumstances, including in part decisive economic ones — by the earlier and more rapid development of the mechanical sciences, and in particular their application compared with the later and in part quite recent development of chemistry, geology and physiology, and again, in particular, their application to agriculture. Incidentally, it is an indubitable and long-known fact [369] that the progress of agriculture itself is constantly expressed by a relative growth of constant capital as compared with variable capital. Whether the composition of agricultural capital is lower than that of the average social capital in a specific country where capitalist production prevails, for instance England, is a question which can only be decided statistically, and for our purposes it is superfluous to go into it in detail. In any case, it is theoretically established that the value of agricultural products can be higher than their price of production only on this assumption. In other words, a capital of a certain size in agriculture produces more surplus-value, or what amounts to the same, sets in motion and commands more surplus-labor (and with it employs more living labor generally) than a capital of the same size of average social composition.

This assumption, then, suffices for that form of rent which we are analyzing here, and which can obtain only so long as this assumption holds good. Wherever this assumption no longer holds, the corresponding form of rent likewise no longer holds.

However, the mere existence of an excess in the value of agricultural products over their price of production would not in itself suffice to explain the existence of a ground-rent which is independent of

[369] See Dombasle [Annales agricoles de Roville, ou Mélanges d'agriculture, d'économie rurale et de législation agricole, Paris, 1824-37. — Ed.] and R. Jones [An Essay on the Distribution of Wealth, and on the Sources of Taxation, Part I, Rent, London, 1831, p. 227. — Ed.]. XLV-1018

differences in fertility of various soil types and in successive investments of capital on the same land — a rent, in short, which is to be clearly distinguished in concept from differential rent and which we may therefore call *absolute rent*. Quite a number of manufactured products are characterized by the fact that their value is higher than their price of production, without thereby yielding any excess above the average profit, or a surplus-profit, which could be converted into rent. Conversely, the existence and concept of price of production and general rate of profit, which it implies, rest upon the fact that individual commodities are not sold at their value. Prices of production arise from an equalization of the values of commodities. After replacing the respective capital-values used up in the various spheres of production, this distributes the entire surplus-value, not in proportion to the amount produced in the individual spheres of production and thus incorporated in their commodities, but in proportion to the magnitude of advanced capitals. Only in this manner do average profit and price of production arise, whose characteristic element the former is. It is the perpetual tendency of capitals to bring about through competition this equalization in the distribution of surplus-value produced by the total capital, and to overcome all obstacles to this equalization. Hence it is their tendency to tolerate only such surplus-profits as arise, under all circumstances, not from the difference between the values and prices of production of commodities but rather from the difference between the general price of production governing the market and the individual prices of production differing from it; surplus-profits which obtain within a certain sphere of production, therefore, and not between two different spheres, and thus do not affect the general prices of production of the various spheres, i.e., the general rate of profit, but rather presuppose the transformation of values into prices of production and a general rate of profit. This supposition rests, however, as previously discussed, upon the constantly changing proportional distribution of the total social capital among the various spheres of production, upon the perpetual inflow and outflow of capitals, upon their transferability from one sphere to another, in short, upon their free movement between the various spheres of production, which represent so many available fields of investment for the independent components of the total social capital. The premise in this case is that no barrier, or just an accidental and temporary barrier, interferes with the competition of capitals — for instance, in a sphere of production, in which the commodity-values are higher than the prices of production, or where the surplus-value produced exceeds the average profit — to reduce the value to the price of production and thereby proportionally distribute the excess surplus-value of this sphere of production among all spheres exploited by capital. But if the reverse occurs, if capital meets an alien force which it can but partially, or not at all, overcome, and which limits its investment in certain spheres, admitting it only under conditions which wholly or partly exclude that general equalization of surplus-value to an average profit, then it is evident that the excess of the value of commodities in such spheres of production over their price of production would give rise to a surplus-profit, which could be converted into rent and such made independent with respect to profit. Such an alien force and barrier are presented by landed property, when confronting capital in its endeavor to invest in land; such a force is the landlord vis-à-vis the capitalist.

Landed property is here the barrier which does not permit any new investment of capital in hitherto uncultivated or unrented land without levying a tax, or in other words, without demanding a

rent, although the land to be newly brought under cultivation may belong to a category which does not yield any differential rent and which, were it not for landed property, could have been cultivated even at a small increase in market-price, so that the regulating market-price would have netted to the cultivator of this worst soil solely his price of production. But owing to the barrier raised by landed property, the market-price must rise to a level at which the land can yield a surplus over the price of production, i.e., yield a rent. However, since the value of the commodities produced by agricultural capital is higher than their price of production, according to our assumption, this rent (save for one case which we shall discuss forthwith) forms the excess of value over the price of production, or a part of it. Whether the rent equals the entire difference between the value and price of production, or only a greater or lesser part of it, will depend wholly on the relation between supply and demand and on the area of land newly taken under cultivation. So long as the rent does not equal the excess of the value of agricultural products over their price of production, a portion of this excess will always enter into the general equalization and proportional distribution of all surplus-value among the various individual capitals. As soon as the rent does equal the excess of the value over the price of production, this entire portion of surplus-value over and above the average profit will be withdrawn from this equalization. But whether this absolute rent equals the whole excess of value over the price of production, or just a part of it, the agricultural products will always be sold at a monopoly price, not because their price exceeds their value, but because it equals their value, or because their price is lower than their value but higher than their price of production. Their monopoly would consist in the fact that, unlike other products of industry whose value is higher than the general price of production, they are not levelled out to the price of production. Since one portion of the value, as well as of price of production, is an actually given constant, namely the cost-price, representing the capital = k used up in production, their difference consists in the other, the variable portion, the surplus-value, which equals p, the profit, in the price of production, i.e., equals the total surplus-value calculated on the social capital and on every individual capital as an aliquot part of the social capital; but which in the value of commodities equals the actual surplus-value created by this particular capital, and forms an integral part of the commodity-values produced by this capital. If the value of commodities is higher than their price of production, then the price of production = k + p, and the value = k + p + d, so that p + d = the surplus-value contained therein. The difference between the value and the price of production, therefore, = d, the excess of surplus-value created by this capital over the surplus-value allocated to it through the general rate of profit. It follows from this that the price of agricultural products may lie higher than their price of production, without reaching their value. It follows, furthermore, that a permanent increase in the price of agricultural products may take place up to a certain point, before their price reaches their value. It follows likewise that the excess in the value of agricultural products over their price of production can become a determining element of their general market-price solely as a consequence of the monopoly in landed property. It follows, finally, that in this case the increase in the price of the product is not the cause of rent, but rather that rent is the cause of the increase in the price of the product. If the price of the product from a unit area of the worst soil = P + r, then all differential rents will rise by corresponding multiples of r, since the assumption is that P + r becomes the regulating market-price.

If the average composition of the non-agricultural social capital were = $85_c + 15_v$, and the rate of surplus-value = 100%, then the price of production would = 115. If the composition of the agricultural capital were = $75_c + 25_v$ and the rate of surplus-value were the same, then the value of the agricultural product and the regulating market-price would = 125. If the agricultural and the non-agricultural product should be equalized to the same average price (we assume for the sake of brevity the total capital in both lines of production to be equal), then the total surplus-value would = 40, or 20%, on the 200 of capital. The product of the one as well as the other would be sold at 120. In an equalization into prices of production, the average market-prices of the non-agricultural product would thus lie above, and those of the agricultural product below, their value. If the agricultural products were sold at their full value, they would be higher by 5, and the industrial products lower by 5, than they are in the equalization. If market conditions do not permit the sale of the agricultural products at their full value, to the full surplus above the price of production, then the effect lies between the two extremes; the industrial products are sold somewhat above their value, and the agricultural products somewhat above their price of production.

Although landed property may drive the price of agricultural produce above its price of production, it does not depend on this, but rather on the general state of the market, to what degree market-price exceeds the price of production and approaches the value, and to what extent therefore the surplus-value created in agriculture over and above the given average profit shall either be transformed into rent or enter into the general equalization of the surplus-value to average profit. At any rate this absolute rent arising out of the excess of value over the price of production is but a portion of the agricultural surplus-value, a conversion of this surplus-value into rent, its being filched by the landlord; just as the differential rent arises out of the conversion of surplus-profit into rent, its being filched by the landlord under a generally regulating price of production. These two forms of rent are the only normal ones. Apart from them the rent can be based only upon an actual monopoly price, which is determined neither by price of production nor by value of commodities, but by the buyers' needs and ability to pay. Its analysis belongs under the theory of competition, where the actual movement of market-prices is considered.

If all the land suitable for agriculture in a certain country were leased — assuming the capitalist mode of production and normal conditions to be general — there would not be any land not paying rent; but there might be some capitals, certain parts of capitals invested in land, that might not yield any rent. For as soon as the land has been rented, landed property ceases to act as an absolute barrier against the investment of necessary capital. Still, it continues to act as a relative barrier even after that, in so far as the reversion to the landlord of the capital incorporated in the land circumscribes the activity of the tenant within very definite limits. Only in this case all rent would be transformed into differential rent, although this would not be a differential rent determined by any difference in soil fertility, but rather by the difference between the surplus-profits arising from the last investments of capital in a particular soil type and the rent paid for the lease of the worst quality land. Landed property acts as an absolute barrier only to the extent that the landlord exacts a tribute for making land at all accessible to the investment of capital. When such access has been gained, he can no longer set

any absolute limits to the size of any investment of capital in a given plot of land. In general, housing construction meets a barrier in the ownership by a third party of the land upon which the houses are to be built. But, once this land has been leased for the purpose of housing construction, it depends upon the tenant whether he will build a large or a small house.

If the average composition of agricultural capital were equal to, or higher than, that of the average social capital, then absolute rent — again in the sense just described — would disappear; i.e., rent which differs equally from differential rent as well as that based upon an actual monopoly price. The value of agricultural produce, then, would not lie above its price of production, and the agricultural capital would not set any more labor in motion, and therefore would also not realize any more surplus-labor than the non-agricultural capital. The same would take place, were the composition of agricultural capital to become equal to that of the average social capital with the progress of civilization.

It seems to be a contradiction, at first glance, to assume that, on the one hand, the composition of agricultural capital rises, in other words, that its constant component increases with respect to its variable, and, on the other hand, that the price of the agricultural product should rise high enough to permit rent to be yielded by new and worse soil than that previously cultivated, a rent which in this case could originate only from an excess of market-price over the value and price of production, in short, a rent derived solely from a monopoly price of the product.

It is necessary to make a distinction here.

In the first place, it was noted in considering the manner in which rate of profit is formed, that capitals, which have the same composition technologically speaking, i.e., which set equivalent amounts of labor in motion relative to machinery and raw materials, may nonetheless have different compositions owing to different values of the constant portions of these capitals. The raw materials or machinery may be dearer in one case than in another. For the same quantity of labor to be set in motion (and this would be required, according to our assumption, to work up the same mass of raw materials), a larger capital would have to be advanced in the one case than in the other, since the same amount of labor cannot be set in motion with, say, a capital of 100 if the cost of raw material, which must be covered out of the 100, is 40 in one case and 20 in another. But it would become immediately evident that these two capitals are of the same technical composition, as soon as the price of the dearer raw material fell to the level of the cheaper one. The value ratio between constant and variable capital would have become the same in that case, although no change had taken place in the technical proportions between the living labor and the mass and nature of the conditions of labor employed by this capital. On the other band, a capital of lower organic composition could assume the appearance of being in the same class with one of a higher organic composition, merely from a rise in the value of its constant portions, solely from the viewpoint of its value-composition. Suppose one capital = $60_c + 40_v$, because it employs much machinery and raw material compared to living labor-power, and another capital = $40_c + 60_v$, because it employs much living labor (60%), little machinery (e.g., 10%) and compared to labor-power less and cheaper raw material (e.g., 30%). Then a simple rise in the value of

raw and auxiliary materials from 30 to 80 could equalize the composition, so that now the second capital would consist of 80 raw material and 60 labor-power for 10 in machines, or $90_c + 60_v$, which, in percentages, would also = $60_c + 40_v$, with no change having taken place in the technical composition. In other words, capitals of equal organic composition may be of different value-composition, and capitals with identical percentages of value-composition may show varying degrees of organic composition and thus express different stages in the development of the social productivity of labor. The mere circumstance, then, that agricultural capital might be on the general level of value-composition, would not prove that the social productivity of labor is equally high-developed in it. It would merely show that its own product, which again forms a part of its conditions of production, is dearer, or that auxiliary materials, such as fertilizer, which used to be close by, must now be brought from afar, etc.

But aside from this, the peculiar nature of agriculture must be taken into account.

Suppose labor-saving machinery, chemical aids, etc., are more extensively used in agriculture, and that therefore constant capital increases technically, not merely in value, but also in mass, as compared with the mass of employed labor-power, then in agriculture (as in mining) it is not only a matter of the social, but also of the natural, productivity of labor which depends on the natural conditions of labor. It is possible for the increase of social productivity in agriculture to barely compensate, or not even compensate, for the decrease in natural power — this compensation will nevertheless be effective only for a short time — so that despite technical development there, no cheapening of the product occurs, but only a still greater increase in price is averted. It is also possible that the absolute mass of products decreases with rising grain prices, while the relative surplus-product increases; namely, in the case of a relative increase in constant capital which consists chiefly of machinery or animals requiring only replacement of wear and tear, and with a corresponding decrease in variable capital which is expended in wages requiring constant replacement in full out of the product.

Moreover, it is also possible that with progress in agriculture only a moderate rise in market-price above the average is necessary, in order to cultivate and draw a rent from poorer soil, which would have required a greater rise in market-price if technical aids were less developed.

The fact that in larger-scale cattle-raising, for example, the mass of employed labor-power is very small compared with constant capital as represented in cattle itself, could be taken to refute the assertion that more labor-power, on a percentage basis, is set in motion by agricultural capital than by the average social capital outside of agriculture. But it should be noted here that we have taken as determining for rent analysis that portion of agricultural capital which produces the principal plant foodstuffs providing the chief means of subsistence among civilized nations. Adam Smith — and this is one of his merits — has already demonstrated that a quite different determination of prices is to be observed in cattle-raising, and, for that matter, generally for capitals invested in land which are not engaged in raising the principal means of subsistence, e.g., grain. Namely in that case the price is determined in such a way that the price of the product of the land — which is used for cattle-raising, say as an artificial pasture, but which could just as easily have been transformed into cornfields of a

certain quality — must rise high enough to produce the same rent as on arable land of the same quality. In other words, the rent of cornfields becomes a determining element in the price of cattle, and for this reason Ramsay has justly remarked that the price of cattle is in this manner artificially raised by the rent, by the economic expression of landed property, in short, through landed property. [G. Ramsay, *An Essay on the Distribution of Wealth*, Edinburgh, 1836, pp. 278-79. — *Ed.*]

"By the extension of cultivation, the unimproved wilds become insufficient to supply the demand for butcher's meat. A great part of the cultivated lands must be employed in rearing and fattening cattle, of which the price, therefore, must be sufficient to pay, not only the labor necessary for tending them, but the rent which the landlord and the profit which the farmer could have drawn from such land, employed in tillage. The cattle bred upon the most uncultivated moors, when brought to the same market, are, in proportion to their weight or goodness, sold at the same price as those which are reared upon the most improved land. The proprietors of those moors profit by it, and raise the rent of their land in proportion to the price of their cattle." (Adam Smith, Book I, Ch. XI, Part 1.)

In this case, likewise, as distinct from grain-rent, the differential rent is in favor of the worst soil.

Absolute rent explains some phenomena, which, at first sight, seem to make merely a monopoly price responsible for the rent. To go on with Adam Smith's example, take the owner of some Norwegian forest, for instance, which exists independent of human activity, i.e., it is not a product of silviculture. If the proprietor of this forest receives a rent from a capitalist who has the timber felled, perhaps in consequence of a demand from England, or if this owner has the timber felled himself acting in the capacity of capitalist, then a greater or smaller amount of rent will accrue to him in timber, apart from the profit on invested capital. This appears to be a pure monopoly charge derived from a pure product of Nature. But, as a matter of fact, the capital here consists almost exclusively of a variable component expended in labor, and thus sets more surplus-labor in motion than another capital of the same size. The value of the timber, then, contains a greater surplus of unpaid labor, or of surplus-value, than that of a product of a capital of a higher organic composition. For this reason, the average profit can be derived from this timber, and a considerable surplus in the form of rent can fall to the share of the owner of the forest. Conversely, it may be assumed that, owing to the ease with which timber-felling may be extended, in other words, its production rapidly increased, the demand must rise very considerably for the price of timber to equal its value, and thereby for the entire surplus of unpaid labor (over and above that portion which falls to the capitalist as average profit) to accrue to the owner in the form of rent.

We have assumed that the land newly brought under cultivation is of still inferior quality to the worst previously cultivated. If it is better, it yields a differential rent. But here we are analyzing precisely the case wherein rent does not appear as a differential rent. There are only two cases possible. The newly cultivated soil is either inferior to, or just as good as the previously cultivated soil. If inferior, then the matter has already been analyzed. It remains only to analyze the case in which it is just as good.

As already developed in our analysis of differential rent, the progress of cultivation may just as well bring equally good, or even better soils under the plough as worse soil.

First. Because in differential rent (or any rent in general, since even in the case of non-differential rent the question always arises whether, on the one hand, the soil fertility in general, and, on the other hand, its location, admit of its cultivation at the regulating market-price so as to yield a profit and rent) two conditions work in opposing directions, now cancelling one another, now alternately exerting the determining influence. The rise in market-price — provided the cost-price of cultivation has not fallen, i.e., no technical progress has given a new impetus to further cultivation — may bring under cultivation more fertile soil formerly excluded from competition by virtue of its location. Or it may so enhance the advantage of the location of the inferior soil that its lesser fertility is counterbalanced by it. Or, without any rise in market-price the location may bring better soils into competition through improvement in means of communication, as can be observed on a large scale in the prairie States of North America. In countries of older civilization, the same also takes place constantly if not to the same extent as in the colonies, where, as Wakefield correctly observes, location is decisive. [[E. Wakefield] *England and America. A Comparison of the Social and Political State of both Nations*, Vol. I, London, 1833, pp. 214-15. — *Ed*.] To sum up, then, the contradictory influences of location and fertility, and the variableness of the location factor, which is continually counterbalanced and perpetually passes through progressive changes tending towards equalization, alternately carry equally good, better or worse land areas into new competition with the older ones under cultivation.

Secondly. With the development of natural science and agronomy the soil fertility is also changed by changing the means through which the soil constituents may be rendered immediately serviceable. In this way, light soil types in France and in the eastern counties of England, which were regarded as inferior at one time, have recently risen to first place. (See Passy. [H. Passy, *Rente du sol*. In: Dictionnaire de l'économie politique, Tome II. Paris. 1854, p. 515. — *Ed*.]) On the other hand, soil considered inferior not for bad chemical composition but for certain mechanical and physical obstacles that hindered its cultivation, is converted into good land as soon as means to overcome these obstacles have been discovered.

Thirdly. In all ancient civilizations, old historical and traditional relations, for instance, in the form of state-owned lands, communal lands, etc., have purely arbitrarily withheld from cultivation large tracts of land, which only return to it little by little. The succession in which they are brought under cultivation depends neither upon their good quality nor siting, but upon wholly external circumstances. In tracing the history of English communal lands turned successively into private property through the Enclosure Bills and brought under the plough, nothing would be more ridiculous than the fantastic idea that a modern agricultural chemist, such as Liebig, had indicated the selection of land in this succession, designating certain fields for cultivation owing to chemical properties and excluding others. What was more decisive in this case was the opportunity which makes the thief; the more or less plausible legalistic subterfuges of the big landlords to justify their appropriation.

Fourthly. Apart from the fact that the stage of development reached at any time by the population and capital increase sets certain limits, even though elastic, to the extension of cultivation, and apart from chance effects which temporarily influence the market-price — such as a series of good or bad seasons — the extension of agriculture over a larger area depends on the overall state of the capital market and business conditions in a country. In periods of stringency, it will not suffice for uncultivated soil to yield the tenant an average profit — no matter whether he pays any rent or not — in order that additional capital be invested in agriculture. In other periods when there is a plethora of capital, it will pour into agriculture even without a rise in market-price if only other normal conditions are present. Better soil than hitherto cultivated would in fact be excluded from competition solely on the basis of unfavorable location, or if hitherto insurmountable obstacles to its employment existed, or through chance. For this reason, we should only concern ourselves with soils which are just as good as those last cultivated. However, there still exists the difference in cost of clearing for cultivation between the new soil and the one last cultivated. And it depends upon the level of market-prices and credit conditions whether this will be undertaken or not. As soon as this soil then actually enters into competition, the market-price will fall once more to its former level, assuming other conditions to be equal, and the new soil will then yield the same rent as the corresponding old soil. The assumption that it does not yield any rent is proved by its advocates by assuming precisely what they are called upon to prove, namely that the last soil did not yield any rent. One might prove in the same manner that houses which were the last built do not yield any rent for the building outside of house-rent proper, even though they are leased. In fact, however, they do yield rent even before yielding any house-rent, when they frequently remain vacant for a long period. Just as successive investments of capital in a certain piece of land may bring a proportional surplus and thereby the same rent as the first investment, so fields of the same quality as those last cultivated may bring the same proceeds for the same cost. Otherwise, it would be altogether inexplicable how fields of the same quality are ever brought successively under cultivation; it seems that either it would be necessary to take all together, or rather not a single one of them, in order not to bring all the remaining ones into competition. The landlord is always ready to draw a rent, i.e., to receive something for nothing. But capital requires certain conditions to fulfil his wish. Competition between pieces of land does not, therefore, depend upon the landlord desiring them to compete, but upon the capital existing which seeks to compete with other capitals in the new fields.

To the extent that the agricultural rent proper is purely a monopoly price, the latter can only be small, just as the absolute rent can only be small here under normal conditions whatever the excess of the product's value over its price of production. The essence of absolute rent, therefore, consists in this: Given the same rate of surplus-value, or degree of labor exploitation, equally large capitals in various spheres of production produce different amounts of surplus-value, in accordance with their varying average composition. In industry these various masses of surplus-value are equalized into an average profit and distributed uniformly among the individual capitals as aliquot parts of the social capital. Landed property hinders such an equalization among capitals, invested in land, whenever production requires land for either agriculture or extraction of raw materials, and takes hold of a portion of the

surplus-value, which would otherwise take part in equalizing to the general rate of profit. The rent, then, forms a portion of the value, or, more specifically, surplus-value, of commodities, and instead of falling into the lap of the capitalists, who have extracted it from their laborers, it falls to the share of the landlords, who extract it from the capitalists. It is hereby assumed that the agricultural capital sets more labor in motion than an equally large portion of non-agricultural capital. How far the discrepancy goes, or whether it exists at all, depends upon the relative development of agriculture as compared with industry. It is in the nature of the case that this difference must decrease with the progress of agriculture, unless the proportionate decrease of variable as compared with constant capital is still greater in the case of industrial than in the case of agricultural capital.

This absolute rent plays an even more important role in the extractive industry proper, where one element of constant capital, raw material, is wholly lacking and where, excluding those lines in which capital consisting of machinery and other fixed capital is very considerable, by far the lowest composition of capital prevails. Precisely here, where the rent appears entirely attributable to a monopoly price, unusually favorable market conditions are necessary for commodities to be sold at their value, or for rent to equal the entire excess of a commodity's surplus-value over its price of production. This applies, for instance, to rent from fisheries, stone quarries, natural forests, etc. [370]

Chapter 47: Genesis of Capitalist Ground-Rent

Section I: Introductory Remarks

We must clarify in our minds wherein lies the real difficulty in analyzing ground-rent from the viewpoint of modern economics, as the theoretical expression of the capitalist mode of production. Even many of the more modern writers have not as yet grasped this, as evidenced by each renewed attempt to "newly" explain ground-rent. The novelty almost invariably consists in a relapse into long out-of-date views. The difficulty is not to explain the surplus-product produced by agricultural capital and its corresponding surplus-value in general. This question is solved in the analysis of the surplus-value produced by all productive capital; in whatever sphere it may be invested. The difficulty consists rather in showing the source of the excess of surplus-value paid the landlord by capital invested in land in the form of rent, after equalization of the surplus-value to the average profit among the various capitals, after the various capitals have shared in the total surplus-value produced by the social capital in all spheres of production in proportion to their relative size; in other words, the source subsequent to this equalization and the apparently already completed distribution of all surplus-value which, in general, is to be distributed. Quite apart from the practical motives, which prodded modern economists as spokesmen of industrial capital against landed property to investigate this question — motives which we shall point out more clearly in the chapter on history of ground-rent — the question was of paramount interest to them as theorists. To admit that the appearance of rent for capital invested in agriculture is due to some particular effect produced by the sphere of investment itself, due to singular qualities of the earth's crust itself, is tantamount to giving up the conception of value as such, thus

[370] Ricardo deals with this very superficially. See the passage directed against Adam Smith concerning forest rent in Norway, at the very beginning of Chapter 11, in Princ

tantamount to abandoning all attempts at a scientific understanding of this field. Even the simple observation that rent is paid out of the price of agricultural produce — which takes place even where rent is paid in kind if the farmer is to recover his price of production — showed the absurdity of attempting to explain the excess of this price over the ordinary price of production; in other words, to explain the relative dearness of agricultural products on the basis of the excess of natural productivity of agricultural production over the productivity of other lines of production. For the reverse is true: the more productive labor is, the cheaper is every aliquot part of its product, because so much greater is the mass of use-values incorporating the same quantity of labor, i.e., the same value.

The whole difficulty in analyzing rent, therefore, consists in explaining the excess of agricultural profit over the average profit, not the surplus-value, but the excess of surplus-value characteristic of this sphere of production; in other words, not the "net product", but the excess of this net product over the net product of other branches of industry. The average profit itself is a product formed under very definite historical production relations by the movement of social processes, a product which, as we have seen, requires very complex adjustment. To be able to speak at all of a surplus over the average profit, this average profit itself must already be established as a standard and as a regulator of production in general as is the case under capitalist production. For this reason, there can be no talk of rent in the modern sense, a rent consisting of a surplus over the average profit, i.e., over and above the proportional share of each individual capital in the surplus-value produced by the total social capital, in social formations where it is not capital which performs the function of enforcing all surplus-labor and appropriating directly all surplus-value. And where therefore capital has not yet completely, or only sporadically, brought social labor under its control. It reflects naïveté, e.g., of a person like Passy (see below), when he speaks of rent in primitive society as a surplus over profit [Passy, *Rente du sol.* In: Dictionnaire de l'économie politique, Tome II. Paris, 1854, p. 511. — *Ed.*] — a historically defined social form of surplus-value, but which, according to Passy, might almost as well exist without any society.

For the older economists, who in general merely begin analyzing the capitalist mode of production, still undeveloped in their day, the analysis of rent offers either no difficulty at all, or only a difficulty of a completely different kind. Petty, Cantillon, and in general those writers who are closer to feudal times, assume ground-rent to be the normal form of surplus-value in general, [[Petty] *A Treatise on Taxes and Contributions,* London, 1667, pp. 23-24; [Richard Cantillon] *Essai sur la nature du commerce en géneral,* Amsterdam, 1756. — *Ed.*] whereas profit to them is still amorphously combined with wages, or at best appears to be a portion of surplus-value extorted by the capitalist from the landlord. These writers thus take as their point of departure a situation where, in the first place, the agricultural population still constitutes the overwhelming majority of the nation, and, secondly, the landlord still appears as the person appropriating at first hand the surplus-labor of the direct producers by virtue of his monopoly of landed property, where landed property, therefore, still appears as the main condition of production. For these writers the question could not yet be posed, which, inversely, seeks to investigate from the viewpoint of capitalist production how landed property manages to wrest back again from capital a portion of the surplus-value produced by it (that is, filched by it from the direct producers) and already appropriated directly.

The *physiocrats* are troubled by difficulties of another nature. As the actually first systematic spokesmen of capital, they attempt to analyze the nature of surplus-value in general. For them, this analysis coincides with the analysis of rent, the only form of surplus-value which they recognize. Therefore, they consider rent-yielding, or agricultural, capital to be the only capital producing surplus-value, and the agricultural labor set in motion by it, the only labor producing surplus-value, which from a capitalist viewpoint is quite properly considered the only productive labor. They are quite right in considering the creation of surplus-value as decisive. Apart from other merits to be set forth in Book IV, they deserve credit primarily for going back from merchant's capital, which functions solely in the sphere of circulation, to productive capital, in opposition to the mercantile system, which, with its crude realism, constitutes the actual vulgar economy of that period, pushing into the background in favor of its own practical interests the beginnings of scientific analysis made by Petty and his successors. In this critique of the mercantile system, incidentally, only its conceptions of capital and surplus-value are dealt with. It has already been indicated previously that the monetary system correctly proclaims production for the world-market and the transformation of the output into commodities, and thus into money, as the prerequisite and condition of capitalist production. In this system's further development into the mercantile system, it is no longer the transformation of commodity-value into money, but the creation of surplus-value which is decisive — but from the meaningless viewpoint of the circulation sphere and, at the same time, in such manner that this surplus value is represented as surplus money, as the balance of trade surplus. At the same time, however, the characteristic feature of the interested merchants and manufacturers of that period, which is in keeping with the stage of capitalist development represented by them, is that the transformation of feudal agricultural societies into industrial ones and the corresponding industrial struggle of nations on the world-market depends on an accelerated development of capital, which is not to be arrived at along the so-called natural path, but rather by means of coercive measures. It makes a tremendous difference whether national capital is gradually and slowly transformed into industrial capital, or whether this development is accelerated by means of a tax which they impose through protective duties mainly upon landowners, middle and small peasants, and handicraftsmen, by way of accelerated expropriation of the independent direct producers, and through the violently accelerated accumulation and concentration of capital, in short by means of the accelerated establishment of conditions of capitalist production. It simultaneously makes an enormous difference in the capitalist and industrial exploitation of the natural national productive power. Hence the national character of the mercantile system is not merely a phrase on the lips of its spokesmen. Under the pretext of concern solely for the wealth of the nation and the resources of the state, they, in fact, pronounce the interests of the capitalist class and the amassing of riches in general to be the ultimate aim of the state, and thus proclaim bourgeois society in place of the old divine state. But at the same time, they are consciously aware that the development of the interests of capital and of the capitalist class, of capitalist production, forms the foundation of national power and national ascendancy in modern society.

The physiocrats, furthermore, are correct in stating that in fact all production of surplus-value, and thus all development of capital, has for its natural basis the productiveness of agricultural labor. If

man were not capable of producing in one working-day more means of subsistence, which signifies in the strictest sense more agricultural products than every laborer needs for his own reproduction, if the daily expenditure of his entire labor power sufficed merely to produce the means of subsistence indispensable for his own individual requirements, then one could not speak at all either of surplus-product or surplus-value. An agricultural labor productivity exceeding the individual requirements of the laborer is the basis of all societies, and is above all the basis of capitalist production, which disengages a constantly increasing portion of society from the production of basic foodstuffs and transforms them into "free heads," as Steuart [Steuart, *An Inquiry into the Principles of Political Economy,* Vol. I, Dublin, 1770, p. 396. — *Ed.*] has it, making them available for exploitation in other spheres.

But what can be said of more recent writers on economics, such as Daire, Passy, etc., who parrot the most primitive conceptions concerning the natural conditions of surplus-labor and thereby surplus-value in general, in the twilight of classical economy, indeed on its very death-bed, and who imagine that they are thus propounding something new and striking on ground-rent [Daire, *Introduction. In: Physiocrats, 1.* Teil, Paris, 1846; Passy, *Rente du sol.* In: Dictionnaire de l'économie politique, Tome II, Paris, 1854, p. 511. — *Ed.*] long after this ground-rent has been investigated as a special form and become a specific portion of surplus-value? It is particularly characteristic of vulgar economy that it echoes what was new, original, profound and justified during a specific outgrown stage of development, in a period when it has turned platitudinous, stale, and false. It thus confesses its complete ignorance of the problems which concerned classical economy. It confounds them with questions that could only have been posed on a lower level of development of bourgeois society. The same holds true of its incessant and self-complacent rumination of the physiocratic phrases concerning free trade. These phrases have long since lost all theoretical interest, no matter how much they may engage the practical attention of this or that state.

In natural economy proper, when no part of the agricultural product, or but a very insignificant portion, enters into the process of circulation, and then only a relatively small portion of that part of the product which represents the landlord's revenue, as, e.g., in many Roman latifundia, or upon the villas of Charlemagne, or more or less during the entire Middle Ages (see Vinçard, *Histoire du travail*), the product and surplus-product of the large estates consists by no means purely of products of agricultural labor. It encompasses equally well the products of industrial labor. Domestic handicrafts and manufacturing labor as secondary occupations of agriculture, which forms the basis, are the prerequisite of that mode of production upon which natural economy rests — in European antiquity and the Middle Ages as well as in the present-day Indian community, in which the traditional organisation has not yet been destroyed. The capitalist mode of production completely abolishes this relationship; a process which may be studied on a large scale particularly in England during the last third of the 18th century. Thinkers like Herrenschwand, who had grown up in more or less semi-feudal societies, still consider, e.g., as late as the close of the 18th century, this separation of manufacture from agriculture as a foolhardy social adventure, as an unthinkably risky mode of existence. And even in the agricultural economies of antiquity showing the greatest analogy to capitalist agriculture, namely Carthage and Rome, the similarity to a plantation economy is greater than to a form corresponding to

the really capitalist mode of exploitation. [371] A formal analogy, which, simultaneously, however, turns out to be completely illusory in all essential points to a person familiar with the capitalist mode of production, who does not, like Herr Mommsen, [372] discover a capitalist mode of production in every monetary economy, is not to be found at all in continental Italy during antiquity, but at best only in Sicily, since this island served Rome as an agricultural tributary so that its agriculture was aimed chiefly at export. Farmers in the modern sense existed there.

An erroneous conception of the nature of rent is based upon the fact that rent in kind, partly as tithes to the church and partly as a curiosity perpetuated by long-established contracts, has been dragged over into modern times from the natural economy of the Middle Ages, completely in contradiction to the conditions of the capitalist mode of production. It thereby creates the impression that rent does not arise from the price of the agricultural product, but from its mass, thus not from social conditions, but from the earth. We have previously shown that although surplus-value is manifested in a surplus-product the converse does not hold that a surplus-product, representing a mere increase in the mass of product, constitutes surplus-value. It may represent a minus quantity in value. Otherwise, the cotton industry of 1860, compared with that of 1840, would show an enormous surplus-value, whereas on the contrary the price of the yarn has fallen. Rent may increase enormously as a result of a succession of crop failures, because the price of grain rises, although this surplus-value appears as an absolutely decreasing mass of dearer wheat. Conversely, the rent may fall in consequence of a succession of bountiful years, because the price falls, although the reduced rent appears as a greater mass of cheaper wheat. As regards rent in kind, it should be noted now that, in the first place, it is a mere tradition carried over from an obsolete mode of production and managing to prolong its existence as a survival. Its contradiction to the capitalist mode of production is shown by its disappearance of itself from private contracts, and its being forcibly shaken off as an anachronism, wherever legislation was able to intervene as in the case of church tithes in England. Secondly, however, where rent in kind persisted on the basis of capitalist production, it was no more, and could be no more, than an expression of money-rent in medieval garb. Wheat, for instance, is quoted at 40 shillings per quarter. One portion of this wheat must replace the wages contained therein, and must be sold to become available for renewed expenditure. Another portion must be sold to pay its proportionate share of taxes. Seed and even a portion of fertilizer enter as commodities into the process of reproduction, wherever the capitalist mode of production and with-it division of social labor are developed, i.e., they must be purchased for replacement purposes; and therefore, another portion of this quarter must be sold to obtain money for this. In so far as they need not be bought as actual

[371] Adam Smith emphasizes how, in his time (and this applies also to the plantations in tropical and subtropical countries in our own day), rent and profit were not yet divorced from one another [Smith, An Inquiry into the Nature and Causes of the Wealth of Nations, Aberdeen, London, 1848, p. 44. — Ed.], for the landlord was simultaneously a capitalist, just as Cato, for instance, was on his estates. But this separation is precisely the prerequisite for the capitalist mode of production, to whose conception the basis of slavery moreover stands in direct contradiction.

[372] Herr Mommsen, in his "Roman History," by no means uses the term capitalist in the sense employed by modern economics and modern society, but rather in the manner of popular conception, such as still continues to thrive, though not in England or America, but nevertheless on the European continent, as an ancient tradition reflecting bygone conditions.

commodities, but are taken out of the product itself in kind, in order to enter into its reproduction anew as conditions of production — as occurs not only in agriculture, but in many other lines of production producing constant capital — they figure in the books as money of account and are deducted as elements of the cost-price. The wear and tear of machinery, and of fixed capital in general, must be made good in money. And finally comes profit, which is calculated on this sum, expressed as costs either in actual money or in money of account. This profit is represented by a definite portion of the gross product, which is determined by its price. And the excess portion which then remains forms rent. If the rent in kind stipulated by contract is greater than this remainder determined by the price, then it does not constitute rent, but a deduction from profit. Owing to this possibility alone, rent in kind is an obsolete form, in so far as it does not reflect the price of the product, but may be greater or smaller than the real rent, and thus may comprise not only a deduction from profit, but also from those elements required for capital replacement. In fact, this rent in kind, so far as it is rent not merely in name but also in essence, is exclusively determined by the excess of the price of the product over its price of production. Only it presupposes that this variable is a constant magnitude. But it is such a comforting reflection that the product in kind should suffice, first, to maintain the laborer, secondly, to leave the capitalist tenant farmer more food than he needs, and finally, that the remainder should constitute the natural rent. Quite like a manufacturer producing 200,000 yards of cotton goods. These yards of goods not only suffice to clothe his laborers; to clothe his wife, all his offspring and himself abundantly; but also leave over enough cotton for sale, in addition to paying an enormous rent in terms of cotton goods. It is all so simple! Deduct the price of production from 200,000 yards of cotton goods, and a surplus of cotton goods must remain for rent. But it is indeed a naive conception to deduct the price of production of, say, £10,000 from 200,000 yards of cotton goods, without knowing the selling price, to deduct money from cotton goods, to deduct an exchange-value from a use-value as such, and thus to determine the surplus of yards of cotton goods over pounds sterling. It is worse than squaring the circle, which is at least based upon the conception that there is a limit at which straight lines and curves imperceptibly flow together. But such is the prescription of M. Passy. Deduct money from cotton goods, before the cotton goods have been converted into money, either in one's mind or in reality! What remains is the rent, which, however, is to be grasped *naturaliter* (see, for instance, Karl Arnd [K. Arnd, *Die naturgemässe Volkswirtschaft, gegenüber dem Monopoliengeiste und dem Communismus*, Hanau, 1845, S. 461-62. — *Ed.*]) and not by deviltries of sophistry. The entire restoration of rent in kind is finally reduced to this foolishness, the deduction of the price of production from so many and so many bushels of wheat, and the subtraction of a sum of money from a cubic measure.

II. Labor rent

If we consider ground-rent in its simplest form, that of *labor rent,* where the direct producer, using instruments of labor (plough, cattle, etc.) which actually or legally belong to him, cultivates soil actually owned by him during part of the week, and works during the remaining days upon the estate of the feudal lord without any compensation from the feudal lord, the situation here is still quite clear, for in this case rent and surplus-value are identical. Rent, not profit, is the form here through which unpaid surplus-labor expresses itself. To what extent the laborer (a self-sustaining serf) can secure in

this case a surplus above his indispensable necessities of life, i.e., a surplus above that which we would call wages under the capitalist mode of production, depends, other circumstances remaining unchanged, upon the proportion in which his labor-time is divided into labor-time for himself and enforced labor-time for his feudal lord. This surplus above the indispensable requirements of life, the germ of what appears as profit under the capitalist mode of production, is therefore wholly determined by the amount of ground-rent, which in this case is not only directly unpaid surplus-labor, but also appears as such. It is unpaid surplus-labor for the "owner" of the means of production, which here coincide with the land, and so far, as they differ from it, are mere accessories to it. That the product of the serf must here suffice to reproduce his conditions of labor, in addition to his subsistence, is a circumstance which remains the same under all modes of production. For it is not the result of their specific form, but a natural requisite of all continuous and reproductive labor in general, of any continuing production, which is always simultaneously reproduction, i.e., including reproduction of its own operating conditions. It is furthermore evident that in all forms in which the direct laborer remains the "possessor" of the means of production and labor conditions necessary for the production of his own means of subsistence, the property relationship must simultaneously appear as a direct relation of lordship and servitude, so that the direct producer is not free; a lack of freedom which may be reduced from serfdom with enforced labor to a mere tributary relationship. The direct producer, according to our assumption, is to be found here in possession of his own means of production, the necessary material labor conditions required for the realization of his labor and the production of his means of subsistence. He conducts his agricultural activity and the rural home industries connected with it independently. This independence is not undermined by the circumstance that the small peasants may form among themselves a more or less natural production community, as they do in India, since it is here merely a question of independence from the nominal lord of the manor. Under such conditions the surplus-labor for the nominal owner of the land can only be extorted from them by other than economic pressure, whatever the form assumed may be. [373] This differs from slave or plantation economy in that the slave works under alien conditions of production and not independently. Thus, conditions of personal dependence are requisite, a lack of personal freedom, no matter to what extent, and being tied to the soil as its accessory, bondage in the true sense of the word. Should the direct producers not be confronted by a private landowner, but rather, as in Asia, under direct subordination to a state which stands over them as their landlord and simultaneously as sovereign, then rent and taxes coincide, or rather, there exists no tax which differs from this form of ground-rent. Under such circumstances, there need exist no stronger political or economic pressure than that common to all subjection to that state. The state is then the supreme lord. Sovereignty here consists in the ownership of land concentrated on a national scale. But, on the other hand, no private ownership of land exists, although there is both private and common possession and use of land.

[373] Following the conquest of a country, the immediate aim of a conqueror was also to convert its people to his own use. Cf. Linguet [Théorie des loi civiles, ou Principes fondamentaux de la société, Tomes I-II, Londres, 1767. — Ed.]. See also Möser [Osnabrükische Geschichte, 1. Theil, Berlin und Stettin, S. 178. — Ed.].

The specific economic form, in which unpaid surplus-labor is pumped out of direct producers, determines the relationship of rulers and ruled, as it grows directly out of production itself and, in turn, reacts upon it as a determining element. Upon this, however, is founded the entire formation of the economic community which grows up out of the production relations themselves, thereby simultaneously its specific political form. It is always the direct relationship of the owners of the conditions of production to the direct producers — a relation always naturally corresponding to a definite stage in the development of the methods of labor and thereby its social productivity — which reveals the innermost secret, the hidden basis of the entire social structure and with it the political form of the relation of sovereignty and dependence, in short, the corresponding specific form of the state. This does not prevent the same economic basis — the same from the standpoint of its main conditions — due to innumerable different empirical circumstances, natural environment, racial relations, external historical influences, etc. from showing infinite variations and gradations in appearance, which can be ascertained only by analysis of the empirically given circumstances.

So much is evident with respect to labor rent, the simplest and most primitive form of rent: Rent is here the primeval form of surplus-labor and coincides with it. But this identity of surplus-value with unpaid labor of others need not be analyzed here because it still exists in its visible, palpable form, since the labor of the direct producer for himself is still separated in space and time from his labor for the landlord and the latter appears directly in the brutal form of enforced labor for a third person. In the same way the "attribute" possessed by the soil to produce rent is here reduced to a tangibly open secret, for the disposition to furnish rent here also includes human labor-power bound to the soil, and the property relation which compels the owner of labor-power to drive it on and activate it beyond such measure as is required to satisfy his own indispensable needs. Rent consists directly in the appropriation of this surplus expenditure of labor-power by the landlord; for the direct producer pays him no additional rent. Here, where surplus-value and rent are not only identical but where surplus-value has the tangible form of surplus-labor, the natural conditions or limits of rent, being those of surplus-value in general, are plainly clear. The direct producer must 1) possess enough labor-power, and 2) the natural conditions of his labor, above all the soil cultivated by him, must be productive enough, in a word, the natural productivity of his labor must be big enough to give him the possibility of retaining some surplus-labor over and above that required for the satisfaction of his own indispensable needs. It is not this possibility which creates the rent, but rather compulsion which turns this possibility into reality. But the possibility itself is conditioned by subjective and objective natural circumstances. And here too lies nothing at all mysterious. Should labor-power be minute, and the natural conditions of labor scanty, then the surplus-labor is small, but in such a case so are the wants of the producers on the one hand and the relative number of exploiters of surplus-labor on the other, and finally so is the surplus-product, whereby this barely productive surplus-labor is realized for those few exploiting landowners.

Finally, labor rent in itself implies that, all other circumstances remaining equal, it will depend wholly upon the relative amount of surplus-labor, or enforced labor, to what extent the direct producer shall be enabled to improve his own condition, to acquire wealth, to produce an excess over and above

his indispensable means of subsistence, or, if we wish to anticipate the capitalist mode of expression, whether he shall be able to produce a profit for himself, and how much of a profit, i.e., an excess over his wages which have been produced by himself. Rent here is the normal, all-absorbing, so to say legitimate form of surplus-labor, and far from being excess over profit, which means in this case being above any other excess over wages, it is rather that the amount of such profit, and even its very existence, depends, other circumstances being equal, upon the amount of rent, i.e., the enforced surplus-labor to be surrendered to the landowners.

Since the direct producer is not the owner, but only a possessor, and since all his surplus-labor *de jure* actually belongs to the landlord, some historians have expressed astonishment that it should be at all possible for those subject to enforced labor, or serfs, to acquire any independent property, or relatively speaking, wealth, under such circumstances. However, it is evident that tradition must play a dominant role in the primitive and undeveloped circumstances on which these social production relations and the corresponding mode of production are based. It is furthermore clear that here as always it is in the interest of the ruling section of society to sanction the existing order as law and to legally establish its limits given through usage and tradition. Apart from all else, this, by the way, comes about of itself as soon as the constant reproduction of the basis of the existing order and its fundamental relations assumes a regulated and orderly form in the course of time. And such regulation and order are themselves indispensable elements of any mode of production, if it is to assume social stability and independence from mere chance and arbitrariness. These are precisely the form of its social stability and therefore its relative freedom from mere arbitrariness and mere chance. Under backward conditions of the production process as well as the corresponding social relations, it achieves this form by mere repetition of their very reproduction. If this has continued on for some time, it entrenches itself as custom and tradition and is finally sanctioned as an explicit law. However, since the form of this surplus-labor, enforced labor, is based upon the imperfect development of all social productive powers and the crudeness of the methods of labor itself, it will naturally absorb a relatively much smaller portion of the direct producer's total labor than under developed modes of production, particularly the capitalist mode of production. Take it, for instance, that the enforced labor for the landlord originally amounted to two days per week. These two days of enforced labor per week are thereby fixed, are a constant magnitude, legally regulated by prescriptive or written law. But the productivity of the remaining days of the week, which are at the disposal of the direct producer himself, is a variable magnitude, which must develop in the course of his experience, just as the new wants he acquires, and just as the expansion of the market for his product and the increasing assurance with which he disposes of this portion of his labor-power will spur him on to a greater exertion of his labor-power, whereby it should not be forgotten that the employment of his labor-power is by no means confined to agriculture, but includes rural home industry. The possibility is here presented for definite economic development taking place, depending, of course, upon favorable circumstances, inborn racial characteristics, etc.

The transformation of labor rent into rent in kind changes nothing from the economic standpoint in the nature of ground-rent. The latter consists, in the forms considered here, in that rent is the sole prevailing and normal form of surplus-value, or surplus-labor. This is further expressed in the fact that it is the only surplus-labor, or the only surplus-product, which the direct producer, who is in *possession* of the labor conditions needed for his own reproduction, must give up to the *owner* of the land, which in this situation is the all-embracing condition of labor. And, furthermore, that land is the only condition of labor which confronts the direct producer as alien property, independent of him, and personified by the landlord. To whatever extent rent in kind is the prevailing and dominant form of ground-rent, it is further-more always more or less accompanied by survivals of the earlier form, i.e., of rent paid directly in labor, corvée-labor, no matter whether the landlord be a private person or the state. Rent in kind presupposes a higher stage of civilization for the direct producer, i.e., a higher level of development of his labor and of society in general. And it is distinct from the preceding form in that surplus-labor needs no longer be performed in its natural form, thus no longer under the direct supervision and compulsion of the landlord or his representatives: the direct producer is driven rather by force of circumstances than by direct coercion, through legal enactment rather than the whip, to perform it on his own responsibility. Surplus-production, in the sense of production beyond the indispensable needs of the direct producer, and within the field of production actually belonging to him, upon the land exploited by himself instead of, as earlier, upon the nearby lord's estate beyond his own land, has already become a self-understood rule here. In this relation the direct producer more or less disposes of his entire labor-time, although, as previously, a part of this labor-time, at first practically the entire surplus portion of it, belongs to the landlord without compensation; except that the landlord no longer directly receives this surplus-labor in its natural form, but rather in the products' natural form in which it is realized. The burdensome, and according to the way in which enforced labor is regulated, more or less disturbing interruption by work for the landlord (see Buch I, Kap. VIII, 2) [English edition Ch X, 2 — *Ed*] ("Manufacturer and Boyard") stops wherever rent in kind appears in pure form, or at least it is reduced to a few short intervals during the year, when a continuation of some corvée-labor side by side with rent in kind takes place. The labor of the producer for himself and his labor for the landlord are no longer palpably separated by time and space. This rent in kind, in its pure form, while it may drag fragments along into more highly developed modes of production and production relations, still presupposes for its existence a natural economy, i.e., that the conditions of the economy are either wholly or for the overwhelming part produced by the economy itself, directly replaced and reproduced out of its gross product. It furthermore presupposes the combination of rural home industry with agriculture. The surplus-product, which forms the rent, is the product of this combined agricultural and industrial family labor, no matter whether rent in kind contains more or less of the industrial product, as is often the case in the Middle Ages, or whether it is paid only in the form of actual products of the land. In this form of rent it is by no means necessary for rent in kind, which represents the surplus-labor, to fully exhaust the entire surplus-labor of the rural family. Compared with labor rent, the producer rather has more room for action to gain time for surplus-labor whose product shall belong to himself, as well as the product of his labor which satisfies

his indispensable needs. Similarly, this form will give rise to greater differences in the economic position of the individual direct producers. At least the possibility for such a differentiation exists, and the possibility for the direct producer to have in turn acquired the means to exploit other laborers directly. This, however, does not concern us here, since we are dealing with rent in kind in its pure form; just as in general we cannot enter into the endless variety of combinations wherein the various forms of rent may be united, adulterated and amalgamated. The form of rent in kind, by being bound to a definite type of product and production itself and through its indispensable combination of agriculture and domestic industry, through its almost complete self-sufficiency whereby the peasant family supports itself through its independence from the market and the movement of production and history of that section of society lying outside of its sphere, in short owing to the character of natural economy in general, this form is quite adapted to furnishing the basis for stationary social conditions as we see, e.g., in Asia. Here, as in the earlier form of labor rent, ground-rent is the normal form of surplus-value, and thus of surplus-labor, i.e., of the entire excess labor which the direct producer must perform gratis, hence actually under compulsion although this compulsion no longer confronts him in the old brutal form — for the benefit of the owner of his essential condition of labor, the land. The profit, if by erroneously anticipating we may thus call that portion of the direct producer's labor excess over his necessary labor, which he retains for himself, has so little to do with determining rent in kind, that this profit, on the contrary, grows up behind the back of rent and finds its natural limit in the size of rent in kind. The latter may assume dimensions which seriously imperil reproduction of the conditions of labor, the means of production themselves, rendering the expansion of production more or less impossible and reducing the direct producers to the physical minimum of means of subsistence. This is particularly the case, when this form is met with and exploited by a conquering commercial nation, e.g., the English in India.

IV. Money-Rent

By money-rent — as distinct from industrial and commercial ground-rent based upon the capitalist mode of production, which is but an excess over average profit — we here mean the ground-rent which arises from a mere change in form of rent in kind, just as the latter in turn is but a modification of labor rent. The direct producer here turns over instead of the product, its price to the landlord (who may be either the state or a private individual). An excess of products in their natural form no longer suffices; it must be converted from its natural form into money-form. Although the direct producer still continues to produce at least the greater part of his means of subsistence himself, a certain portion of this product must now be converted into commodities, must be produced as commodities. The character of the entire mode of production is thus more or less changed. It loses its independence, its detachment from social connection. The ratio of cost of production, which now comprises greater or lesser expenditures of money, becomes decisive; at any rate, the excess of that portion of gross product to be converted into money over that portion which must serve, on the one hand, as means of reproduction again, and, on the other, as means of direct subsistence, assumes a determining role. However, the basis of this type of rent, although approaching its dissolution, remains the same as that of rent in kind, which constitutes its point of departure. The direct producer as before

is still possessor of the land either through inheritance or some other traditional right, and must perform for his lord, as owner of his most essential condition of production, excess corvée-labor, that is, unpaid labor for which no equivalent is returned, in the form of a surplus-product transformed into money. Ownership of the conditions of labor as distinct from land, such as agricultural implements and other goods and chattels, is transformed into the property of the direct producer even under the earlier forms of rent, first in fact, and then also legally, and even more so is this the precondition for the form of money-rent. The transformation of rent in kind into money-rent, taking place first sporadically and then on a more or less national scale, presupposes a considerable development of commerce, of urban industry, of commodity-production in general, and thereby of money circulation. It furthermore assumes a market-price for products, and that they be sold at prices roughly approximating their values, which need not at all be the case under earlier forms. In Eastern Europe we may still partly observe this transformation taking place under our very eyes. How unfeasible it can be without a certain development of social labor productivity is proved by various unsuccessful attempts to carry it through under the Roman Empire, and by relapses into rent in kind after seeking to convert at least the state tax portion of this rent into money-rent. The same transitional difficulties are evidenced, e.g., in pre-revolutionary France, when money-rent was combined with and adulterated by, survivals of its earlier forms.

Money-rent, as a transmuted form of rent in kind, and in antithesis to it, is, nevertheless, the final form, and simultaneously the form of dissolution of the type of ground-rent which we have heretofore considered, namely ground-rent as the normal form of surplus-value and of the unpaid surplus-labor to be performed for the owner of the conditions of production. In its pure form, this rent, like labor rent and rent in kind, represents no excess over profit. It absorbs the profit, as it is understood. In so far as profit arises beside it practically as a separate portion of excess labor, money-rent like rent in its earlier forms still constitutes the normal limit of such embryonic profit, which can only develop in relation to the possibilities of exploitation, be it of one's own excess labor or that of another, which remains after the performance of the surplus-labor represented by money-rent. Should any profit actually arise along with this rent, then this profit does not constitute the limit of rent, but rather conversely, the rent is the limit of the profit. However, as already indicated, money-rent is simultaneously the form of dissolution of the ground-rent considered thus far, coinciding *prima facie* with surplus-value and surplus-labor, i.e., ground-rent as the normal and dominant form of surplus-value.

In its further development money-rent must lead — aside from all intermediate forms, e.g., the small peasant tenant farmer — either to the transformation of land into peasants' freehold, or to the form corresponding to the capitalist mode of production, that is, to rent paid by the capitalist tenant farmer.

With money-rent prevailing, the traditional and customary legal relationship between landlord and subjects who possess and cultivate a part of the land, is necessarily turned into a pure money relationship fixed contractually in accordance with the rules of positive law. The possessor engaged in cultivation thus becomes virtually a mere tenant. This transformation serves on the one hand, provided

other general production relations permit, to expropriate more and more the old peasant possessors and to substitute capitalist tenants in their stead. On the other hand, it leads to the former possessor buying himself free from his rent obligation and to his transformation into an independent peasant with complete ownership of the land he tills. The transformation of rent in kind into money-rent is furthermore not only inevitably accompanied, but even anticipated, by the formation of a class of propertyless day-laborers, who hire themselves out for money. During their genesis, when this new class appears but sporadically, the custom necessarily develops among the more prosperous peasants subject to rent payments of exploiting agricultural wage-laborers for their own account, much as in feudal times, when the more well-to-do peasant serfs themselves also held serfs. In this way, they gradually acquire the possibility of accumulating a certain amount of wealth and themselves becoming transformed into future capitalists. The old self-employed possessors of land themselves thus give rise to a nursery school for capitalist tenants, whose development is conditioned by the general development of capitalist production beyond the bounds of the country-side. This class shoots up very rapidly when particularly favorable circumstances come to its aid, as in England in the 16th century, where the then progressive depreciation of money enriched them under the customary long leases at the expense of the landlords.

Furthermore: as soon as rent assumes the form of money-rent, and thereby the relationship between rent-paying peasant and landlord becomes a relationship fixed by contract — a development which is only possible generally when the world-market, commerce and manufacture have reached a certain relatively high level — the leasing of land to capitalists inevitably also makes its appearance. The latter hitherto stood beyond the rural limits and now carry over to the countryside and agriculture the capital acquired in the cities and with it the capitalist mode of operation developed — i.e., creating a product as a mere commodity and solely as a means of appropriating surplus-value. This form can become the general rule only in those countries which dominate the world-market in the period of transition from the feudal to the capitalist mode of production. When the capitalist tenant farmer steps in between landlord and actual tiller of the soil, all relations which arose out of the old rural mode of production are torn asunder. The farmer becomes the actual commander of these agricultural laborers and the actual exploiter of their surplus-labor, whereas the landlord maintains a direct relationship, and indeed simply a money and contractual relationship, solely with this capitalist tenant. Thus, the nature of rent is also transformed, not merely in fact and by chance, as occurred in part even under earlier forms, but normally, in its recognized and prevailing form. From the normal form of surplus-value and surplus-labor, it descends to a mere excess of this surplus-labor over that portion of it appropriated by the exploiting capitalist in the form of profit; just as the total surplus-labor, profit and excess over profit, is extracted directly by him, collected in the form of the total surplus-product, and turned into cash. It is only the excess portion of this surplus-value which is extracted by him from the agricultural laborer by direct exploitation, by means of his capital, which he turns over to the landlord as rent. How much or how little he turns over to the latter depends, on the average, upon the limits set by the average profit which is realized by capital in the non-agricultural spheres of production, and by the prices of non-agricultural production regulated by this average profit. From a normal form of

surplus-value and surplus-labor, rent has now become transformed into an excess over that portion of the surplus-labor claimed in advance by capital as its legitimate and normal share, and characteristic of this particular sphere of production, the agricultural sphere of production. Profit, instead of rent, has now become the normal form of surplus-value and rent still exists solely as a form, not of surplus-value in general, but of one of its offshoots, surplus-profit, which assumes an independent form under particular circumstances. It is not necessary to elaborate the manner in which a gradual transformation in the mode of production itself corresponds to this transformation. This already follows from the fact that it is normal for the capitalist tenant farmer to produce agricultural products as commodities, and that, while formerly only the excess over his means of subsistence was converted into commodities, now but a relatively insignificant part of these commodities is directly used by him as means of subsistence. It is no longer the land, but rather capital, which has now brought even agricultural labor under its direct sway and productiveness.

The average profit and the price of production regulated thereby are formed outside of relations in the country-side and within the sphere of urban trade and manufacture. The profit of the rent-paying peasant does not enter into it as an equalizing factor, for his relation to the landlord is not a capitalist one. In so far as he makes profit, i.e., realizes an excess above his necessary means of subsistence, either by his own labor or through exploiting other people's labor, it is done behind the back of the normal relationship, and other circumstances being equal, the size of this profit does not determine rent, but on the contrary, it is determined by the rent as its limit. The high rate of profit in the Middle Ages is not entirely due to the low composition of capital, in which the variable component invested in wages predominates. It is due to swindling on the land, the appropriation of a portion of the landlord's rent and of the income of his vassals. If the country-side exploits the town politically in the Middle Ages, wherever feudalism has not been broken down by exceptional urban development — as in Italy, the town, on the other hand, exploits the land economically everywhere and without exception, through its monopoly prices, its system of taxation, its guild organisation, its direct commercial fraudulence and its usury.

One might imagine that the mere appearance of the capitalist farmer in agricultural production would prove that the price of agricultural products, which from time immemorial have paid rent in one form or another, must be higher, at least at the time of this appearance, than the prices of production of manufacture whether it be because the price of such agricultural products has reached a monopoly price level, or has risen as high as the value of the agricultural products, and their value actually is above the price of production regulated by the average profit. For were this not so, the capitalist farmer could not at all realize, at the existing prices of agricultural produce, first the average profit out of the price of these products, and then pay out of the same price an excess above this profit in the form of rent. One might conclude from this that the general rate of profit, which guides the capitalist farmer in his contract with the landlord, has been formed without including rent, and, therefore, as soon as it assumes a regulating role in agricultural production, it finds this excess at hand and pays it to the landlord. It is in this traditional manner that, for instance, Herr Rodbertus explains the matter. [J. Rodbertus, *Sociale Briefe an von Kirchmann, Dritter Brief: Widerlegung der Ricardo'schen Lehre von der*

Grundrente und Begründung einer neuen Rententheorie. See also K. Marx, *Theorien über den Mehrwert*. 2. Teil, *1957, pp*. 3-106, 142-54. — *Ed*.] But:

First. This appearance of capital as an independent and leading force in agriculture does not take place all at once and generally, but gradually and in particular lines of production. It encompasses at first, not agriculture proper, but such branches of production as cattle-breeding, especially sheep-raising, whose principal product, wool, offers at the early stages a constant excess of market-price over price of production during the rise of industry, and this does not level out until later. Thus, in England during the 16th century.

Secondly. Since this capitalist production appears at first but sporadically, the assumption cannot be disputed that it first extends only to such land categories as are able, through their particular fertility, or their exceptionally favorable location, to generally pay a differential rent.

Thirdly. Let us even assume that at the time this mode of production appeared — and this indeed presupposes an increasing preponderance of urban demand — the prices of agricultural products were higher than the price of production, as was doubtless the case in England during the last third of the 17th century. Nevertheless, as soon as this mode of production has somewhat extricated itself from the mere subordination of agriculture to capital, and as soon as agricultural improvement and the reduction of production costs, which necessarily accompany its development, have taken place, the balance will be restored by a reaction, a fall in the price of agricultural produce, as happened in England in the first half of the 18th century.

Rent, thus as an excess over the average profit cannot be explained in this traditional way. Whatever may be the existing historical circumstances at the time rent first appears, once it has struck root it cannot exist except under the modern conditions earlier described.

Finally, it should be noted in the transformation of rent in kind into money-rent that along with it capitalized rent, or the price of land, and thus its alienability and alienation become essential factors, and that thereby not only can the former peasant subject to payment of rent be transformed into an independent peasant proprietor, but also urban and other moneyed people can buy real estate in order to lease it either to peasants or capitalists and thus enjoy rent as a form of interest on their capital so invested; that, therefore, this circumstance likewise facilitates the transformation of the former mode of exploitation, the relation between owner and actual cultivator of the land, and of rent itself.

V. Métayage And Peasant Proprietorship of Land Parcels

We have now arrived at the end of our elaboration of ground-rent.

In all these forms of ground-rent, whether labor rent, rent in kind, or money-rent (as merely a changed form of rent in kind), the one paying rent is always supposed to be the actual cultivator and possessor of the land, whose unpaid surplus-labor passes directly into the hands of the landlord. Even in the last form, money-rent in so far as it is "pure," i.e., merely a changed form of rent in kind — this is not only possible, but actually takes place.

As a transitory form from the original form of rent to capitalist rent, we may consider the Metayer system, or share-cropping, under which the manager (farmer) furnishes labor (his own or another's), and also a portion of working capital, and the landlord furnishes, aside from land, another portion of working capital (e.g., cattle), and the product is divided between tenant and landlord in definite proportions which vary from country to country. On the one hand, the farmer here lacks sufficient capital required for complete capitalist management. On the other hand, the share here appropriated by the landlord does not bear the pure form of rent. It may actually include interest on the capital advanced by him and an excess rent. It may also absorb practically the entire surplus-labor of the farmer, or leave him a greater or smaller portion of this surplus-labor. But, essentially, rent no longer appears here as the normal form of surplus-value in general. On the one hand, the sharecropper, whether he employs his own or another's labor, is to lay claim to a portion of the product not in his capacity as laborer, but as possessor of part of the instruments of labor, as his own capitalist. On the other hand, the landlord claims his share not exclusively on the basis of his land-ownership, but also as lender of capital. [374]

A survival of the old communal ownership of land, which had endured after the transition to independent peasant farming, e.g., in Poland and Rumania, served there as a subterfuge for effecting a transition to the lower forms of ground-rent. A portion of the land belongs to the individual peasant and is tilled independently by him. Another portion is tilled in common and creates a surplus-product, which serves partly to cover community expenses, partly as a reserve in cases of crop failure, etc. These last two parts of the surplus-product, and ultimately the entire surplus-product including the land upon which it has been grown, are more and more usurped by state officials and private individuals, and thus the originally free peasant proprietors, whose obligation to till this land in common is maintained, are transformed into vassals subject either to corvée-labor or rent in kind; while the usurpers of common land are transformed into owners, not only of the usurped common lands, but even the very lands of the peasants themselves.

We need not further investigate slave economy proper (which likewise passes through a metamorphosis from the patriarchal system mainly for home use to the plantation system for the world-market) nor the management of estates under which the landlords themselves are independent cultivators, possessing all instruments of production, and exploiting the labor of free or unfree bondsmen, who are paid either in kind or money. Landlord and owner of the instruments of production, and thus the direct exploiter of laborers included among these elements of production, are in this case one and the same person. Rent and profit likewise coincide then, there occurring no separation of the different forms of surplus-value. The entire surplus-labor of the laborers, which is manifested here in the surplus-product, is extracted from them directly by the owner of all instruments of production, to which belong the land and, under the original form of slavery, the immediate producers themselves. Where the capitalist outlook prevails, as on American plantations, this entire

[374] Cf Buvet [Cours d'économie politique, Bruxelles, 1842. — Ed.] Tocqueville [L'ancien régime et la révolution, Paris, 1856. — Ed.], Sismondi [Nouveaux principes d'économie politique. — Seconde édition, Tome I, Paris, 1827. — Ed.]

surplus-value is regarded as profit; where neither the capitalist mode of production itself exists, nor the corresponding outlook has been transferred from capitalist countries, it appears as rent. At any rate, this form presents no difficulties. The income of the landlord, whatever it may be called, the available surplus-product appropriated by him, is here the normal and prevailing form, whereby the entire unpaid surplus-labor is directly appropriated, and landed property forms the basis of such appropriation.

Further, *proprietorship of land parcels.* The peasant here is simultaneously the free owner of his land, which appears as his principal instrument of production, the indispensable field of employment for his labor and his capital. No lease money is paid under this form. Rent, therefore, does not appear as a separate form of surplus-value, although in countries in which otherwise the capitalist mode of production is developed, it appears as a surplus-profit compared with other lines of production; but as surplus-profit which, like all proceeds of his labor in general, accrues to the peasant.

This form of landed property presupposes, as in the earlier older forms, that the rural population greatly predominates numerically over the town population, so that, even if the capitalist mode of production otherwise prevails, it is but relatively little developed, and thus also in the other lines of production the concentration of capital is restricted to narrow limits and a fragmentation of capital predominates. In the nature of things, the greater portion of agricultural produce must be consumed as direct means of subsistence by the producers themselves, the peasants, and only the excess above that will find its way as commodities into urban commerce. No matter how the average market-price of agricultural products may here be regulated, differential rent, an excess portion of commodity-prices from superior or more favorably located land, must evidently exist here much as under the capitalist mode of production. This differential rent exists, even where this form appears under social conditions, under which no general market-price has as yet been developed; it appears then in the excess surplus-product. Only then it flows into the pockets of the peasant whose labor is realized under more favorable natural conditions. The assumption here is generally to be made that no absolute rent exists, i.e., that the worst soil does not pay any rent — precisely under this form where the price of land enters as a factor in the peasant's actual cost of production whether because in the course of this form's further development either the price of land has been computed at a certain money-value, in dividing up an inheritance, or, during the constant change in ownership of an entire estate, or of its component parts, the land has been bought by the cultivator himself, largely by raising money on mortgage; and, therefore, where the price of land, representing nothing more than capitalized rent, is a factor assumed in advance, and where rent thus seems to exist independently of any differentiation in fertility and location of the land. For, absolute rent presupposes either realized excess in product value above its price of production, or a monopoly price exceeding the value of the product. But since agriculture here is carried on largely as cultivation for direct subsistence, and the land exists as an indispensable field of employment for the labor and capital of the majority of the population, the regulating market-price of the product will reach its value only under extraordinary circumstances. But this value will, generally, be higher than its price of production owing to the preponderant element of living labor, although this excess of value over price of production will in turn be limited by the low composition even of non-

agricultural capital in countries with an economy composed predominantly of land parcels. For the peasant owning a parcel, the limit of exploitation is not set by the average profit of capital, in so far as he is a small capitalist; nor, on the other hand, by the necessity of rent, in so far as he is a landowner. The absolute limit for him as a small capitalist is no more than the wages, he pays to himself, after deducting his actual costs. So long as the price of the product covers these wages, he will cultivate his land, and often at wages down to a physical minimum. As for his capacity as land proprietor, the barrier of ownership is eliminated for him, since it can make itself felt only *vis-à-vis* a capital (including labor) separated from land-ownership, by erecting an obstacle to the investment of capital. It is true, to be sure, that interest on the price of land — which generally has to be paid to still another individual, the mortgage creditor — is a barrier. But this interest can be paid precisely out of that portion of surplus-labor which would constitute profit under capitalist conditions. The rent anticipated in the price of land and in the interest paid for it can therefore be nothing but a portion of the peasant's capitalized surplus-labor over and above the labor indispensable for his subsistence, without this surplus-labor being realized in a part of the commodity-value equal to the entire average profit, and still less in an excess above the surplus-labor realized in the average profit, i.e., in a surplus-profit. The rent may be a deduction from the average profit, or even the only portion of it which is realized. For the peasant parcel holder to cultivate his land, or to buy land for cultivation, it is therefore not necessary, as under the normal capitalist mode of production, that the market-price of the agricultural products rise high enough to afford him the average profit, and still less a fixed excess above this average profit in the form of rent. It is not necessary, therefore, that the market-price rise, either up to the value or the price of production of his product. This is one of the reasons why grain prices are lower in countries with predominant small peasant land proprietorship than in countries with a capitalist mode of production. One portion of the surplus-labor of the peasants, who work under the least favorable conditions, is bestowed gratis upon society and does not at all enter into the regulation of price of production or into the creation of value in general. This lower price is consequently a result of the producers' poverty and by no means of their labor productivity.

This form of free self-managing peasant proprietorship of land parcels as the prevailing, normal form constitutes, on the one hand, the economic foundation of society during the best periods of classical antiquity, and on the other hand, it is found among modern nations as one of the forms arising from the dissolution of feudal land ownership. Thus, the yeomanry in England, the peasantry in Sweden, the French and West German peasants. We do not include colonies here, since the independent peasant there develops under different conditions.

The free ownership of the self-managing peasant is evidently the most normal form of landed property for small-scale operation, i.e., for a mode of production, in which possession of the land is a prerequisite for the laborer's ownership of the product of his own labor, and in which the cultivator, be he free owner or vassal, always must produce his own means of subsistence independently, as an isolated laborer with his family. Ownership of the land is as necessary for full development of this mode of production as ownership of tools is for free development of handicraft production. Here is the basis for the development of personal independence. It is a necessary transitional stage for the

development of agriculture itself. The causes which bring about its downfall show its limitations. These are: Destruction of rural domestic industry, which forms its normal supplement as a result of the development of large-scale industry; a gradual impoverishment and exhaustion of the soil subjected to this cultivation; usurpation by big landowners of the common lands, which constitute the second supplement of the management of land parcels everywhere and which alone enable it to raise cattle; competition, either of the plantation system or large-scale capitalist agriculture. Improvements in agriculture, which on the one hand cause a fall in agricultural prices and, on the other, require greater outlays and more extensive material conditions of production, also contribute towards this, as in England during the first half of the 18th century.

Proprietorship of land parcels by its very nature excludes the development of social productive forces of labor, social forms of labor, social concentration of capital, large-scale cattle-raising, and the progressive application of science.

Usury and a taxation system must impoverish it everywhere. The expenditure of capital in the price of the land withdraws this capital from cultivation. An infinite fragmentation of means of production, and isolation of the producers themselves. Monstrous waste of human energy. Progressive deterioration of conditions of production and increased prices of means of production — an inevitable law of proprietorship of parcels. Calamity of seasonal abundance for this mode of production. [375]

One of the specific evils of small-scale agriculture where it is combined with free land-ownership arises from the cultivator's investing capital in the purchase of land. (The same applies also to the transitory form, in which the big landowner invests capital, first, to buy land, and second, to manage it as his own tenant farmer.) Owing to the changeable nature which the land here assumes as a mere commodity, the changes of ownership increase, [376] so that the land, from the peasant's viewpoint, enters anew as an investment of capital with each successive generation and division of estates, i.e., it becomes land purchased by him. The price of land here forms a weighty element of the individual unproductive costs of production or cost-price of the product for the individual producer.

The price of land is nothing but capitalized and therefore anticipated rent. If capitalist methods are employed by agriculture, so that the landlord receives only rent, and the farmer pays nothing for land except this annual rent, then it is evident that the capital invested by the landowner himself in purchasing the land constitutes indeed an interest-bearing investment of capital for him, but has absolutely nothing to do with capital invested in agriculture itself. It forms neither a part of the fixed, nor of the circulating, capital employed here; [377] it merely secures for the buyer a claim to receive

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[375] See the speech from the throne of the King of France in Tooke. [New-march, A History of Prices, and of the State of the Circulation, during the nine years 1848-56, Vol. VI, London. 1857, pp. 29-30. — Ed.]

[376] See Mounier [De l'agriculture en France, Paris, 1846. — Ed.] and Rubichon [Du méchanisme de la société en France et en Angleterre, Paris. 1837. — Ed.].

[377] Dr. H. Maron (Extensiv oder Intensiv?) [no further information given about this pamphlet] starts from the false assumption of the adversaries he opposes. He assumes that capital invested in the purchase of land is "investment capital," and then engages in a controversy about the respective definitions of investment capital and working capital, that is, fixed and circulating capital. His wholly amateurish conceptions of capital in general, which may be excused incidentally in one

annual rent, but has absolutely nothing to do with the production of the rent itself. The buyer of land just pays his capital out to the one who sells the land, and the seller in return relinquishes his ownership of the land. Thus, this capital no longer exists as the capital of the purchaser; he no longer has it; therefore, it does not belong to the capital which he can invest in any way in the land itself. Whether he bought the land dear or cheap, or whether he received it for nothing, alters nothing in the capital invested by the farmer in his establishment, and changes nothing in the rent, but merely alters the question whether it appears to him as interest or not, or as higher or lower interest respectively.

Take, for instance, the slave economy. The price paid for a slave is nothing but the anticipated and capitalized surplus-value or profit to be wrung out of the slave. But the capital paid for the purchase of a slave does not belong to the capital by means of which profit, surplus-labor, is extracted from him. On the contrary. It is capital which the slave-holder has parted with, it is a deduction from the capital which he has available for actual production. It has ceased to exist for him, just as capital invested in purchasing land has ceased to exist for agriculture. The best proof of this is that it does not reappear for the slave-holder or the landowner except when he, in turn, sells his slaves or land. But then the same situation prevails for the buyer. The fact that he has bought the slave does not enable him to exploit the slave without further ado. He is only able to do so when he invests some additional capital in the slave economy itself.

The same capital does not exist twice, once in the hands of the seller, and a second time in the hands of the buyer of the land. It passes from the hands of the buyer to those of the seller, and there the matter ends. The buyer now no longer has capital, but in its stead a piece of land. The circumstance that the rent produced by a real investment of capital in this land is calculated by the new landowner as interest on capital which he has not invested in the land, but given away to acquire the land, does not in the least alter the economic nature of the land factor, any more than the circumstance that someone has paid £1,000 for 3% consols has anything to do with the capital out of whose revenue the interest on the national debt is paid.

In fact, the money expended in purchasing land, like that in purchasing government bonds, is merely capital *in itself,* just as any value sum is capital in itself, potential capital, on the basis of the capitalist mode of production. What is paid for land, like that for government bonds or any other purchased commodity, is a sum of money. This is capital in itself, because it can be converted into capital. It depends upon the use put to it by the seller whether the money obtained by him is really transformed into capital or not. For the buyer, it can never again function as such, no more than any other money which he has definitely paid out. It figures in his accounts as interest-bearing capital, because he considers the income, received as rent from the land or as interest on state indebtedness, as interest on the money which the purchase of the claim to this revenue has cost him. He can only realize

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who is not an economist in view of the state of German political economy, conceal from him that this capital is neither investment nor working capital, any more than the capital which someone invests at the Stock Exchange in purchasing stocks or government securities, and which, for him, represents a personal investment of capital, is "invested" in any branch of production.

it as capital through resale. But then another, the new buyer, enters the same relationship maintained by the former, and the money thus expended cannot be transformed into actual capital for the expender through any change of hands.

In the case of small landed property, the illusion is fostered still more that land itself possesses value and thus enters as capital into the price of production of the product, much as machines or raw materials. But we have seen that rent, and therefore capitalized rent, the price of land, can enter as a determining factor into the price of agricultural products in only two cases. First, when as a consequence of the composition of agricultural capital — a capital which has nothing to do with the capital invested in purchasing land — the value of the products of the soil is higher than their price of production, and market conditions enable the landlord to realize this difference. Second, when there is a monopoly price. And both are least of all the case under the management of land parcels and small land-ownership because precisely here production to a large extent satisfies the producers' own wants and is carried on independently of regulation by the average rate of profit. Even where cultivation of land parcels is conducted upon leased land, the lease money comprises, far more so than under any other conditions, a portion of the profit and even a deduction from wages; this money is then only a nominal rent, not rent as an independent category as opposed to wages and profit.

The expenditure of money-capital for the purchase of land, then, is not an investment of agricultural capital. It is a decrease *pro tanto* in the capital which small peasants can employ in their own sphere of production. It reduces *pro tanto* the size of their means of production and thereby narrows the economic basis of reproduction. It subjects the small peasant to the money-lender, since credit proper occurs but rarely in this sphere in general. It is a hindrance to agriculture, even where such purchase takes place in the case of large estates. It contradicts in fact the capitalist mode of production, which is on the whole indifferent to whether the landowner is in debt, no matter whether he has inherited or purchased his estate. The nature of management of the leased estate itself is not altered whether the landowner pockets the rent himself or whether he must pay it out to the holder of his mortgage.

We have seen that, in the case of a given ground-rent, the price of land is regulated by the interest rate. If the rate is low, then the price of land is high, and vice versa. Normally, then, a high price of land and a low interest rate should go hand in hand, so that if the peasant paid a high price for the land in consequence of a low interest rate, the same low rate of interest should also secure his working capital for him on easy credit terms. But in reality, things turn out differently when peasant proprietorship of land parcels is the prevailing form. In the first place, the general laws of credit are not adapted to the farmer, since these laws presuppose a capitalist as the producer. Secondly, where proprietorship of land parcels predominates — we are not referring to colonies here — and the small peasant constitutes the backbone of the nation, the formation of capital, i.e., social reproduction, is relatively weak, and still weaker is the formation of loanable money-capital, in the sense previously elaborated. This presupposes the concentration and existence of a class of idle rich capitalists (Massie). [[Massie] *An Essay on the Governing Causes of the Natural Rate of Interest,* London, 1750, pp 23-24. — *Ed*] Thirdly, here

where the ownership of the land is a necessary condition for the existence of most producers, and an indispensable field of investment for their capital, the price of land is raised independently of the interest rate, and often in inverse ratio to it, through the preponderance of the demand for landed property over its supply. Land sold in parcels brings a far higher price in such a case than when sold in large tracts, because here the number of small buyers is large and that of large buyers is small (Bandes Noires, [Associations of profiteers. — *Ed.*] Rubichon; Newman [Newman, *Lectures on Political Economy*, London, 1851, pp. 180-81. — *Ed.*]). For all these reasons, the price of land rises here with a relatively high rate of interest. The relatively low interest, which the peasant derives here from the outlay of capital for the purchase of land (Mounier), corresponds here, on the other side, to the high usurious interest rate which he himself has to pay to his mortgage creditors. The Irish system bears out the same thing, only in another form.

The price of land, this element foreign to production in itself, may therefore rise here to such a point that it makes production impossible (Dombasle).

The fact that the price of land plays such a role, that purchase and sale, the circulation of land as a commodity, develops to this degree, is practically a result of the development of the capitalist mode of production in so far as a commodity is here the general form of all products and all instruments of production. On the other hand, this development takes place only where the capitalist mode of production has a limited development and does not unfold all of its peculiarities, because this rests precisely upon the fact that agriculture is no longer, or not yet, subject to the capitalist mode of production, but rather to one handed down from extinct forms of society. The disadvantages of the capitalist mode of production, with its dependence of the producer upon the money-price of his product, coincide here therefore with the disadvantages occasioned by the imperfect development of the capitalist mode of production. The peasant turns merchant and industrialist without the conditions enabling him to produce his products as commodities.

The conflict between the price of land as an element in the producers' cost-price and no element in the price of production (even though the rent enters as a determining factor into the price of the agricultural product, the capitalized rent, which is advanced for 20 years or more, by no means enters as a determinant) is but one of the forms manifesting the general contradiction between private land-ownership and a rational agriculture, the normal social utilization of the soil. But on the other hand, private land ownership, and thereby expropriation of the direct producers from the land — private land-ownership by the one, which implies lack of ownership by others — is the basis of the capitalist mode of production.

Here, in small-scale agriculture, the price of land, a form and result of private land-ownership, appears as a barrier to production itself. In large-scale agriculture, and large estates operating on a capitalist basis, ownership likewise acts as a barrier, because it limits the tenant farmer in his productive investment of capital, which in the final analysis benefits not him, but the landlord. In both forms, exploitation and squandering of the vitality of the soil (apart from making exploitation dependent upon the accidental and unequal circumstances of individual producers rather than the

attained level of social development) takes the place of conscious rational cultivation of the soil as eternal communal property, an inalienable condition for the existence and reproduction of a chain of successive generations of the human race. In the case of small property, this results from the lack of means and knowledge of applying the social labor productivity. In the case of large property, it results from the exploitation of such means for the most rapid enrichment of farmer and proprietor. In the case of both through dependence on the market-price.

All critique of small landed property resolves itself in the final analysis into a criticism of private ownership as a barrier and hindrance to agriculture. And similarly, all counter-criticism of large landed property. In either case, of course, we leave aside all secondary political considerations. This barrier and hindrance, which are erected by all private landed property vis-à-vis agricultural production and the rational cultivation, maintenance and improvement of the soil itself, develop on both sides merely in different forms, and in wrangling over the specific forms of this evil its ultimate cause is forgotten.

Small landed property presupposes that the overwhelming majority of the population is rural, and that not social, but isolated labor predominates; and that, therefore, under such conditions wealth and development of reproduction, both of its material and spiritual prerequisites, are out of the question, and thereby also the prerequisites for rational cultivation. On the other hand, large landed property reduces the agricultural population to a constantly falling minimum, and confronts it with a constantly growing industrial population crowded together in large cities. It thereby creates conditions which cause an irreparable break in the coherence of social interchange prescribed by the natural laws of life. As a result, the vitality of the soil is squandered, and this prodigality is carried by commerce far beyond the borders of a particular state (Liebig). [Liebig, *Die Chemie in ihrer Anwendung auf Agricultur und Physiologie,* Braunschweig, 1862. — *Ed.*]

While small landed property creates a class of barbarians standing halfway outside of society, a class combining all the crudeness of primitive forms of society with the anguish and misery of civilized countries, large landed property undermines labor-power in the last region, where its prime energy seeks refuge and stores up its strength as a reserve fund for the regeneration of the vital force of nations — on the land itself. Large-scale industry and large-scale mechanized agriculture work together. If originally distinguished by the fact that the former lays waste and destroys principally labor-power, hence the natural force of human beings, whereas the latter more directly exhausts the natural vitality of the soil, they join hands in the further course of development in that the industrial system in the countryside also enervates the laborers, and industry and commerce on their part supply agriculture with the means for exhausting the soil.

Chapter 12

Unit 5. Imperialism.

Topics Covered:

I. Evolution of pre-monopoly capitalism.
II. Economic crisis.
III. Economic characters of imperialism.
IV. Imperialism, historically and politically.

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Selection:

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CHAPTER 15: THE NATIONAL INCOME

Aggregate Social Product and National Income

The entire mass of material wealth produced in society over a definite period, e.g., a year, constitutes the aggregate social product (or gross product).

Part of the aggregate social product, equivalent to the value of the constant capital which has been used up; in the course of the process of reproduction goes to replace the expended means of production. The cotton which has been worked up in the mill is replaced by an equivalent amount of cotton from the current year's harvest. Fresh masses of coal and oil take the place of the fuel which has been burnt up. Machines which have become obsolete are replaced by new ones. The remaining part of the aggregate social product embodies new value created by the working class in the process of production.

That part of the aggregate social product in which newly-created value is incorporated is the national income. The national income in capitalist society is consequently equivalent to the value of the entire aggregate social product less the value of the means of production expended during the year, or, in other words, it is equal to the sum of the variable capital and the surplus-value. As it exists in kind, the national income comprises the whole mass of consumer goods which have been produced together with that part of the means of production produced which goes to extend production. Thus, the national income means, on the one hand, the total value newly created during the year, and on the

other, a mass of material wealth of various kinds, part of the aggregate social product in which this newly created value is embodied.

If, for example, in the course of a year commodities are manufactured in a particular country to the value of go milliard dollars or marks, and of this value 60 milliards go to replace the means of production used up during the year, then the national income created during the year will be 30 milliards.

Under capitalism there are a mass of small producers (peasants and artisans), whose labor also creates a definite part of the aggregate social product. For this reason, a country's national income includes also the value newly created in the given period by the peasants and artisans.

The aggregate social product, and therefore also the national income, are created by workers employed in the various branches of material production. This means all those branches in which material wealth is produced: industry, agriculture, building, transport, etc.

The, national income is not created in the non-productive branches, to which belong the machinery of State, credit, trade (except for those operations in this branch which are a continuation of the process of production into the sphere circulation), medical institutions, places of entertainment, etc.

In capitalist countries a quite considerable part of the able-bodied population not only does not take part in producing the social product and national income, but is not in any way engaged in socially-useful labor.

To this category of persons belong first and foremost the exploiting classes and their numerous parasitic hangers-on, together with the huge police, bureaucratic and militaristic apparatus which upholds the system of capitalist wage-slavery. A great deal of labor-power is expended without any benefit to society. Thus, enormous unproductive expenditures of labor are connected with competition and with the unrestrained speculation and incredibly extravagant advertising which go on.

The anarchy of capitalist production, the devastating economic crises, and the working of enterprises substantially below capacity sharply restrict the utilization of labor-power. Very great masses of the working people are deprived under capitalism of the opportunity to work. The number of fully unemployed registered in the towns of the bourgeois countries in the period 1930 to 1938 was never less than 14 million.

As capitalism develops, the State apparatus becomes more and more inflated; the number of persons in attendance upon the bourgeoisie grows, and while the portion of the population engaged in the sphere of material production is reduced, the proportion of persons engaged in circulation increases. The army of unemployed grows in size and agrarian surplus-population becomes more intense. The effect of all this is to limit very much the growth of the aggregate social product and the national income in bourgeois society.

In the U.S.A. the proportion of the able-bodied population engaged in branches of material production was in 1910 43.9 per cent, in 1920 41.5 per cent, in 1930 35.5 per cent and in 1940 about 34 per cent.

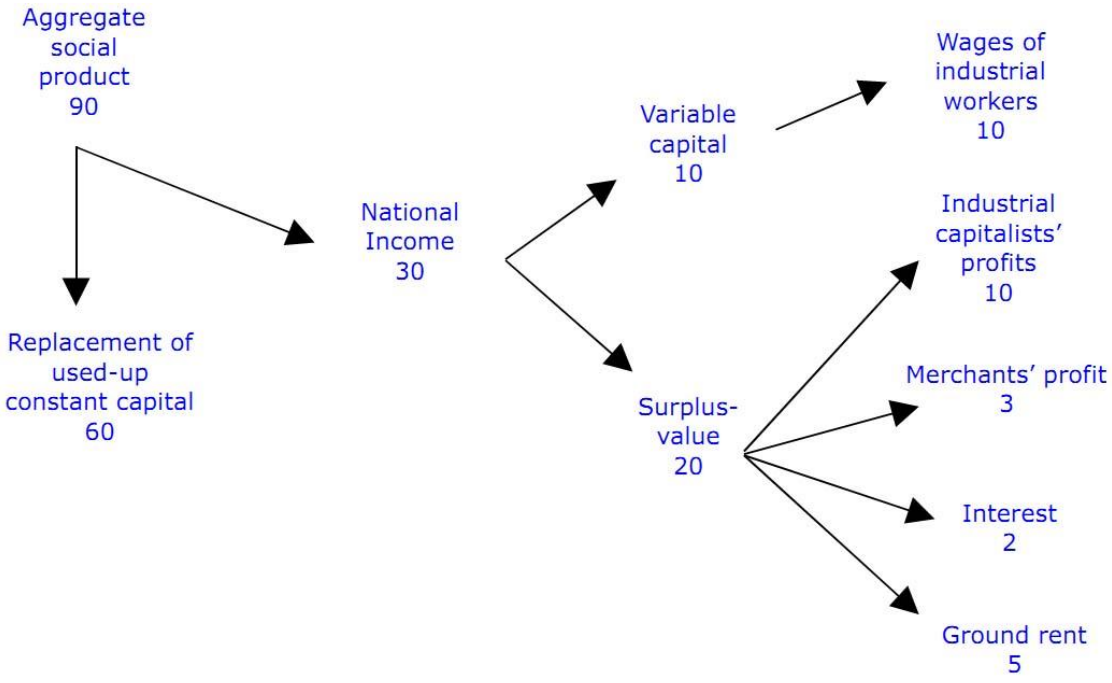
In the U.S.A. the average annual growth of the national income during the last thirty years of the nineteenth century amounted to 4.7 per cent, in 1900-1919 to 2.8 per cent, in 1920-38 to 1 per cent and in the years since the Second World War, 1945-54, to 0.7 per cent.

Distribution of the National Income

Each mode of production has its own historically determined forms of distribution. The distribution of the national income under capitalism is determined by the fact that ownership of the means of production is concentrated in the hands of the capitalists and landlords, who exploit the proletariat and peasantry. The consequence of this is that the national income is distributed not in the interests of the working people but in those of the exploiting classes.

Under capitalism the national income created by the workers' labor falls to the disposal, first of all, of the industrial capitalists (including capitalist entrepreneurs in agriculture). The industrial capitalists, when they realize the commodities produced, receive the full amount of their value, including the sum of variable capital and surplus-value. Variable capital is transformed into the wages which the industrial capitalists pay to the workers engaged in production. The surplus-value remains in the hands of the industrial capitalists; from it come the incomes of all the groups which constitute the exploiting classes. Part of the surplus-value is transformed into industrial capitalists' profit. A certain portion of the surplus-value is handed over by the industrial capitalists to the merchant capitalists in the form of merchants' profit and to the bankers as interest. Part of the surplus-value is handed over by the industrial capitalists to the landowners as ground-rent.

This distribution of the national income between the different classes of capitalist society can be depicted in the form of a diagram like this (the figures stand for milliards of dollars or marks, etc.):



Involved in this distribution is also that portion of the national income which is created in the given period by the labor of the peasants and artisans: part of this is taken by the peasants and artisans

themselves, another part goes to the capitalists, (kulaks, purchasing agents, merchants, bankers, etc.) and a third part goes to the landlords.

The incomes of the working people are based on their personal labor and are earned incomes. The source of the incomes received by Aggregate social product the exploiting classes is the labor of the workers, together with that of the peasants and artisans. The incomes of the capitalists and landlords are based upon the labor of and are unearned incomes.

The unearned incomes of the exploiting classes are increased still more in the process of the further distribution of the national income. Part of the income received by the population, and in the first place of the working people, is redistributed through the State budget and used in the interests of the exploiting classes. Thus, part of the income of the workers and peasants, which finds its way through tax-payments into the State budget, is then transformed into additional income for the capitalists and into the income of officials. The burden taxation imposed by the exploiting classes on the working people grows rapidly.

In Britain at the end of the nineteenth century taxes amounted to 6-7 to 23 per cent, in 1950 to 38 percent; in France at the end of the nineteenth century taxes were 10 per cent of the national income, in 1913 13 per cent, in 1924 21 per cent and in 1950 29 per cent.

Furthermore, part of the national income is transferred, by way of payments for, what are called services, to the non-productive branches (e.g., for use of municipal services, medical aid, places of entertainment, etc.). As already pointed out, no social product is created in these branches, nor, consequently, any national income; but the capitalists who exploit the workers employed in these branches receive part of the national income created in the branches of material production. From this income the capitalists who own businesses in the non-productive branches pay the wages of their workers, meet the material outlay which they have to find (for premises, equipment, heating, etc.) and take their profit.

Thus, the payment made for services must replace the costs incurred by these concerns and ensure the average rate of profit, since otherwise the capitalists will not employ their capital in these branches. In their hunt for high profits the capitalists endeavor to inflate payments for services, which leads to a further fall in the real wages of the workers and the real incomes of the peasants.

The re-distribution of the national income which takes place through the budget and also through high payments for services intensifies the impoverishment of the working people.

As the outcome of this entire process of distribution, the national income is divided into two parts: (1) the income of the exploiting classes, and (2) the income of the working people, both those engaged in the material-production branches and those in the non-productive branches.

The share of the national income taken by the workers and other working people of town and country who do not exploit the labor of others amounted in the U.S.A. in 1923 to 54 per cent, while the share taken by the capitalists was 46 per cent; in Britain in 1924 the share of the wage-earners was 45

per cent; in Germany in 1929 the working people's share was 55 per cent and that of the capitalists 45 per cent. At the present time in the capitalist countries the working people, who make up nine-tenths of the population, receive considerably less than half of the national income, while the exploiters receive considerably more than half.

The working people's share of the national income steadily falls, while that taken by the exploiting classes grows. In the U.S.A., for example, the working people's share of the national income amounted in 1870 to 58 per cent, in 1890 to 56 per cent, in 1923 to 54 per cent, in 1951 to approximately 40 per cent.

The national income is used, in the last analysis, for consumption and accumulation. The way the national income is used in bourgeois countries is determined by the class nature of capitalism and expresses the ever-growing parasitism of the exploiting classes.

The share of the national income which goes toward the personal consumption of the working people, who are the principal productive force of society, is so low that, as a rule, it does not guarantee them even the minimum needed for subsistence. A very great number of workers and working peasants are obliged to deny themselves and their families necessities, to live wretchedly in hovels and to deprive their children of education.

A very substantial part of the national income goes toward parasitic consumption by the capitalists and landowners. Colossal sums are spent by the capitalists and landowners on buying luxury articles and on maintaining a numerous crowd of hangers-on.

Under capitalism the share of the national income which goes toward the extension of production is quite small in comparison with the possibilities and needs of society. Thus, in the U.S.A. the share of the national income going to accumulation amounted in the period 1919-28 to approximately 10 per cent; but in the decade 1929 to 1938 accumulation amounted on the average only to 2 per cent of the national income, while during the years of crisis a certain eating away of fixed capital took place.

The comparatively small size of accumulation under capitalism is due to the fact that a considerable part of the national income goes to the parasitic consumption of the capitalists, to unproductive expenditure.

Thus, the net costs of circulation which are incurred in the upkeep of the commercial and credit apparatus, the storing of surplus stocks, advertising, stock exchange speculation, etc., come to huge amounts. In the U.S.A., during the period between the first and second world wars, the net costs of circulation absorbed 17- 19 per cent of the national income.

A continually growing part of the national income under capitalism goes on war expenditure, the armaments race and the upkeep of the State apparatus.

On the surface of things in capitalist society, incomes and their sources appear in distorted, fetishistic form. A misleading appearance comes about, as though capital itself gave birth to profit and land to rent, while the workers created only the value of their own wages.

These fetishistic notions underlie the bourgeois theories about the national income. By means of theories of this kind bourgeois economists endeavor to muddle the question of the national income in a way which benefits the bourgeoisie. They try to show that not only the workers and peasants but also the capitalists and landowners, and such persons as officials, policemen, stockbrokers, clergymen, etc. all have a share in creating the national income.

Furthermore, bourgeois economists show in a false light the distribution of the national income. They understate the share of this income which is taken by the capitalists and landowners. Thus, for example, the incomes of the exploiting classes are given on the basis of the returns made by the taxpayers themselves, which markedly understate these incomes; they do not take into account the enormous salaries drawn by many of the capitalists as directors of joint-stock companies; they do not take into account the incomes of the rural bourgeoisie, etc. At the same time the incomes of the working people are artificially exaggerated through including in their ranks the high-salaried upper officials, managers of businesses, banks, commercial concerns, etc.

Finally, the bourgeois economists distort the real picture of the distribution of national income by omitting to separate off the expenditure on consumption by the exploiting classes and the net costs of circulation, by understating the share which goes to military expenditure and in every possible way concealing the unproductive spending of a large part of the national income.

The State Budget

The bourgeois State is an organ of the exploiting classes which has for its purpose to hold the exploited majority of society in subjection and to assure the interests of the exploiting minority in all spheres of internal and external policy.

The bourgeois State possesses a ramified apparatus for the fulfilment of its tasks: army, police, punitive and judicial bodies, intelligence service, and various instruments for administrative control and ideological influence over the masses. This machinery is kept up out of the State Budget. Taxes and loans provide the sources of the money for the State Budget.

The State Budget is an instrument for the redistribution of part of the national income in the interests of the exploiting classes. It takes the form of an annual estimate of State income and expenditure. Marx wrote that the Budget of the capitalist State is nothing but "a class Budget-a middle class Budget" (Marx, "L.S.D. or Class Budgets, and Who's Relieved by Them", in The People's Paper, No. 51, April 23, 1853).

The expenditure of the capitalist State is to an overwhelming degree unproductive.

A very great portion of the resources of the State Budget under capitalism goes on war and war preparation. With this should be grouped also expenditure on scientific research in the field of the

production and perfection of new weapons of mass annihilation, and on subversive activity in other countries. Another large portion of the expenditure of capitalist States is connected with the maintenance of an apparatus for holding down the working people.

"Contemporary militarism is the result of capitalism; it is the 'living manifestation' of capitalism in both its forms: as a military force used by the capitalist States in their external conflicts... and as a weapon in the hands of the ruling class for the suppression of all movements (economic and political) of the proletariat." (Lenin, "Militant Militarism and the Anti-militarist Tactics of the Social Democrats", Selected Works, 12-vol. edition, vol. IV, p. 325.), Very considerable sums are spent by the State, especially during wars and crises, on direct subsidizing of capitalist businesses and guaranteeing them high profits. Frequently the subsidies paid out to banks and manufacturers have the purpose of saving them from bankruptcy during crises. By means of State purchases paid for out of the Budget, milliards of additional profit are pumped into the pockets of the big capitalists. Expenditure on culture and science, education and public health takes an insignificant share of the State Budgets of the capitalist countries. In the U.S.A., for example, more than two-thirds-of the total Federal Budget has in recent years been spent on war purposes, while public health, education and housing took less than 4 per cent, of which less than 1 per cent went on education.

The capitalist State obtains the bulk of its revenue by way of taxes.

In Britain, for example, taxes made up 89 per cent of the total amount of the Budget in 1938.

Taxes serve, in capitalist conditions, as a form of additional exploitation of the working people by way of redistribution through the Budget of part of their incomes for the benefit of the bourgeoisie. Taxes are called direct if they are assessed on the incomes of particular persons, and indirect if they are charged on goods sold (chiefly mass consumption goods) or on services (e.g., cinema and theatre tickets, tickets for travel on municipal transport, etc.). Indirect taxes raise the prices of goods and the charges for services. Indirect taxes are in fact paid by the consumers. The capitalists also transfer to the consumers part of their direct taxes, if they succeed in raising the price of goods or services.

The policy of the bourgeois State is directed towards reducing as much as possible the rate of taxation falling on the exploiting classes. The capitalists evade paying their taxes by concealing the true amount of their incomes. The policy of indirect taxation is particularly advantageous for the propertied classes.

"Indirect taxation charged upon articles consumed by the masses is distinguished by its very great injustice. It casts all its weight upon the poor, creating a privileged situation for the rich. The poorer a person is, the larger the share of his income that he pays to the State in the form of indirect taxes. The masses who own little or no property make up nine-tenths of the whole population, consume nine-tenths of all the taxed articles and pay nine-:tenths of the total amount of indirect taxes." Lenin, "Apropos of the Public Estimates", Works, Russian edition, vol. v, p. 309.)

Consequently, the main burden of taxation falls on the working masses: the manual and clerical workers and the peasants. As mentioned above, at the present time in the bourgeois countries about a third of the wages of the manual and clerical workers is drawn into the State Budget through taxation. High taxes are exacted. from the peasants and intensify their impoverishment.

Besides taxes, an important item on the revenue side of the Budget in capitalist States is loans. Most often the bourgeois State resorts to loans to cover exceptional expenditure, in the first-place war expenditure.

A considerable part of the resources which are gathered by way of loans are spent on State purchases of arms and supplies for the armed forces, which bring large profit to the manufacturers. In the long run loans lead to further increases in taxation of the working people, to pay interest on the loans and to pay off the loans themselves. The size of the State debt grows rapidly in bourgeois countries.

The total amount of State indebtedness throughout, the world grew from 38 milliard francs in 1825 to 250 milliards in 1900, i.e., it was multiplied by 6.6. In the twentieth century it grew still faster. In the U.S.A. in 1914 the State debt amounted to 1.2 milliard dollars, and in 1938 to 37.2 milliard, i.e., to thirty-one times as much. In Britain in 1890 £24,100,000 was paid out in interest on loans, and in 1953-4 £570,400,000. In the U.S.A. in 1940 milliard dollars were paid in loan interest, and in 1953-46.5 milliard.

One of the sources of revenue for the State Budget under capitalism is the issue of paper money. Bringing inflation and, rising prices in its train, the issue of paper money transfers part of the national income to the bourgeois State at the cost of a lowered standard of living for the masses.

Thus, the State Budget under capitalism serves as an instrument in the hands of the bourgeois State for additional robbery of the working people and enrichment of the capitalist class, and enhances the tendency to unproductiveness and parasitism in the way the national income is used.

BRIEF CONCLUSIONS

(1) The national income in capitalist society is that part of the aggregate social product in which newly created value is embodied. The national income is created in the branches of the economy where material production takes place, by the labor of the working class together with that of the peasants and artisans. As it exists in kind, the national income consists of the whole mass of consumer goods produced and that part of the means of production which is set aside for extending production. Under capitalism a considerable section of the able-bodied population not only does not create national income but does not even take part in socially-useful work.

(2) The distribution of the national income under capitalism is affected in the interests of the enrichment of the exploiting classes. The share taken by the working people in the national income falls while that taken by the exploiting classes increases.

(3) Under capitalism the national income, created by the working class, is distributed in the form of wages to the workers, profits to the capitalists (manufacturers, merchants and owners of loan-capital)

and ground-rent to the landowners. A considerable part of what results from the labors of the peasants and artisans is also appropriated by the capitalists and landowners. Through the State Budget and by way of high charges for services a redistribution of the national income is carried out which still further impoverishes the working people.

(4) A huge and ever-increasing part of the national income under capitalism is used unproductively: it is spent on parasitic consumption by the bourgeoisie, on covering the excessively inflated costs of circulation, on the upkeep of the State apparatus for holding down the masses and on the preparation and conduct of predatory wars.

CHAPTER 17: ECONOMIC CRISES

The Basis of Capitalist Crises of Overproduction

Starting from the beginning of the nineteenth century, from the time when large-scale machine industry first arose, the course of capitalist extended reproduction has been periodically interrupted by economic crises.

Capitalist crises are crises of *overproduction.* A crisis shows itself first of all in the' fact that commodities cannot be sold, since they have been produced in quantities greater than can be bought by the main consumers--the mass of the people--whose purchasing power is confined under capitalist relations of production within extremely narrow limits. "Surplus" goods encumber the warehouses. The capitalists curtail production and dismiss workers. Hundreds and thousands of enterprises are closed down. Unemployment increases sharply. A great number of petty producers are ruined, in both town and country. The lack of outlet for the goods produced leads to disorganization of trade. Credit connections are broken. The capitalists experience an acute shortage of money for payments. The exchanges crash-the prices of shares, bonds and other securities fall headlong. A wave of bankruptcies of industrial, commercial and banking concerns sweeps forward.

Overproduction of commodities during crises is not absolute but relative. This means that an excess of commodities exists only in relation to demand effective in terms of money, but not at all in relation to the actual requirements of society. During crises the working masses suffer extreme want in respect of elementary necessities, their requirements are satisfied worse than at any other time. Millions of people starve because "too much" grain has been produced, people suffer from cold because "too much" coal has been produced. The working people are deprived of means of livelihood just because they have produced these means in too great a quantity. Such is the crying contradiction of the capitalist mode of production, under which, in the words of the French Utopian Socialist Fourier, "plenty becomes the source of poverty and want".

Upheavals in economic life often occurred under pre-capitalist modes of production, too. But they were called forth some extraordinary elemental or social calamity: flood, drought, wars or epidemics sometimes laid waste entire countries, dooming population to famine and extinction. The radical difference, however, between these economic upheavals and capitalist crises is that the hunger and want caused by these upheavals were an outcome of the low level of development of production,

the extreme shortage of products; whereas under capitalism crises are engendered by the growth of production alongside the wretched standard of living of the masses, by a relative "excess" of commodities produced.

As has been shown above (in Chapter IV), the possibility of crises is inherent even in simple commodity production and circulation. Only under capitalism, however, do crises become inevitable, for then production assumes a *social character* but the product of the socialized labor of many thousands and millions of workers passes into *private appropriation by the capitalists*. The contradiction between the social character of production and the private, capitalist form of appropriation of the results of production, which is the fundamental contradiction of capitalism, furnishes the basis for economic crises of overproduction. Thus, the inevitability of crises is rooted in the system of capitalist economy itself.

The basic contradiction of capitalism shows itself as an antithesis between the organisation of production in the individual enterprises and the anarchy of production in society as a whole. In each separate factory the workers' labor is organized and subordinated to the single will of the employer. But in society as a whole, owing to the supremacy of the private ownership of the means of production, anarchy of production reigns and excludes planned development of the economy. Therefore, the complex conditions which are necessary for the realization of the social product under capitalist extended reproduction are inevitably broken up. These violations gradually accumulate until the onset of a crisis, when the process of realization falls into complete disorder.

In their hunt for the highest possible profits the capitalists expand production; improve technique, introduce new machinery and throw vast masses of commodities on to the market. Acting in the same direction is the constant tendency of the rate of profit to fall, which arises from the growth in the organic composition of capital. The employers endeavor to make up for the fall in the rate of profit by increasing the amount of profit, through expansion of the scale of production and the quantity of commodities produced. Thus, capitalism has an inherent tendency to expand production, a tendency towards a huge growth in production potentialities. But as a result of the impoverishment of the working class and of the peasantry, the effective demand of the working people is relatively reduced. In consequence of this the expansion of capitalist production inevitably encounters the narrow limits of consumption by the bulk of the population. It ensues from the basic economic law of capitalism that the aim of capitalist production--the extraction of profit on an ever-increasing scale--inevitably comes into contradiction with the means for attaining this aim--the extension of production. Crisis is that moment in the course of capitalist extended reproduction when this contradiction appears in the acute form of overproduction of commodities, for which no outlet can be found.

> "The basis of the crisis lies in the contradiction between the social character of production and the capitalist form of appropriation of the results of production. An expression of this basic contradiction of capitalism is the contradiction between the colossal growth of capitalism's potentialities of production, calculated to yield the maximum of capitalist profit, and the relative reduction of the effective demand of the vast masses of the working people whose standard of

living the capitalist always try to keep at the minimum level" (Stalin, "Political Report of the Central Committee to the XVIth Congress of the CPSU(B)", Works, vol. XII, pp. 250-1.)

The basic contradiction of capitalism comes to light in the class antagonism between proletariat and bourgeoisie. Characteristic of capitalism is the split between the two most important conditions of production: between the means of production, concentrated in the hands of the capitalists, and the direct producers, who are deprived of everything except their labor-power. This split is vividly revealed in the crises of over-production, when a vicious circle is formed: on the one hand a surplus of means of production and products, and on the other a surplus of labor-power, masses of unemployed who are without the means of existence.,

Crises are the inescapable companions of the capitalist mode of production. To abolish crises, one must abolish capitalism.

Cyclic Character of Capitalist Reproduction

Capitalist crises of overproduction recur at definite intervals of time, every eight to twelve years. The inevitability of crises is determined by the general economic laws of the capitalist mode of production, which operate in all counties taking the capitalist path of development. At the same time the course of each crisis, the form in which it appears and its special features, depend also on the concrete conditions of development of the particular country concerned. Partial crises of over-production, affecting particular branches of industry, occurred in Britain as far back as the end of the eighteenth century and the beginning of the nineteenth. The first industrial crisis which embraced a country's economy as a whole broke out in Britain in 1825. In 1836 a crisis began in Britain and then spread to the. U.S.A. as well. The crisis of 1847-8, which embraced Great Britain, a number of countries of the European continent and the U.S.A., was, in essence, a world crisis. The crisis of 1857 affected the principal countries of Europe and America. It was followed by the crises of 1866, 1873, 1882 and 1890. The most serious was that of 1873, which marked the beginning of the transition from pre-monopoly capitalism to monopoly capitalism. In the twentieth century crises occurred in 1900-3 (this crisis began in Russia, where it was felt much more strongly than in any other country), in 1907, 1920-1, 1929-33, 1937-8 and 19489 (in the U.S.A).

The period from the beginning of one crisis to the beginning of another crisis is called a cycle. A cycle is made up of four phases: crisis, depression, recovery and boom. The fundamental phase of a cycle is the crisis, which provides the starting point for a new cycle.

The *crisis* is that phase of a cycle in which the contradiction between the growth of the productive potentialities and the relative reduction of effective demand breaks out in an acute and, destructive form. This phase of a cycle is characterized by overproduction of commodities which cannot find outlets, by a sharp fall in prices, by an acute shortage of means of payment and by stock exchange crashes which bring in their train mass bankruptcy, a sharp curtailment of production, a growth in unemployment, and a fall in wages. The fall in the prices of commodities, unemployment, direct destruction of machinery, equipment and entire works--all this means a tremendous destruction of

society's productive forces. Through the ruin and collapse of a large number of concerns and the destruction of part of the productive forces the crisis forcibly adapts, and that within a very short time, the magnitude of production to the magnitude of effective demand. "The crises are always but momentary and forcible solutions of the existing contradictions, violent eruptions, which restore the disturbed equilibrium for a while." (Marx, *Capital*, Kerr edition, vol. III, p. 292.)

The *depression* is the phase of the cycle which comes immediately after the crisis. This phase of the cycle is characterized by the fact that industrial production stagnates, prices of commodities are low, trade proceeds sluggishly, and there is an abundance of spare money capital. In the depression period the prerequisites are created for the ensuing recovery and boom. The accumulated stocks of commodities are partly destroyed and partly sold off at reduced prices. The capitalists endeavor to find a way out from the stagnant condition of production by reducing the costs of production. They seek this objective, first, by intensifying in every way the exploitation of the workers, further reducing wages and heightening the intensity of labor; second, by re-equipping their works, renewing their fixed capital, introducing technical improvements, all with the aim of making production profitable at the low prices which prevail owing to the crisis. The renewal of fixed capital gives a fillip to the growth of production in a number of branches. Enterprises which manufacture equipment receive orders and, in their turn, create a demand for all kinds of raw material and other materials. Thus, there opens a way out of the crisis and depression and for transition to recovery.

Recovery is that phase of the cycle during which enterprises revive from their disturbed condition and proceed to an extension of production. Gradually the level of production attains Its former height, prices rise, profits grow. Recovery passes into boom.

The *boom* is that phase of the cycle in which production rises above the highest point attained in the previous cycle, before the crisis. During a boom new industrial enterprises, railways, etc., are built. Prices rise; merchants try to buy as many commodities as possible in the expectation of a further rise in prices, and by so doing stimulate manufacturers to expand production still further. The banks readily grant advances to manufacturers and traders. All this makes it possible to extend' the" scale of production and trade far beyond the limits of effective demand. In this way the conditions for the next crisis of overproduction are created.

Before the onset of a crisis production attains its highest level, but selling possibilities seem to be even greater. Over-production already exists, but in a hidden form. Speculation pushes up prices and inflates the demand for commodities to an excessive degree. Goods surpluses pile up. Credit still further conceals the fact of overproduction: the banks go on financing industry and trade, artificially sustaining the expansion of production. When overproduction attains its highest point, the crisis breaks out. Then the whole cycle is repeated.

Each crisis gives a stimulus to mass renewal of fixed capital. Endeavoring to restore the profitability of their enterprises by means of a sharp reduction of prices, the capitalists, besides intensifying the exploitation of the workers, are obliged to introduce new machinery and machine-

tools, new methods of production. At the expense of intensified exploitation of the working class, ruin of the small producers, absorption of many enterprises by their competitors, the large capitalists bring about new investments of capital. Thus, the way out of the crisis is affected by the internal forces of the capitalist mode production. But with the transition to recovery and boom, violations of the conditions of reproduction, disproportions, contradictions between the growth of production and the narrow limits of effective demand, inevitably begin to pile up once more. In consequence, a new crisis of overproduction inevitably breaks out within a more or less definite space of time. "It is true that the periods in which capital is invested are different in time and place. But a crisis is always the starting-point of a large amount of new investment. Therefore, it also constitutes, from the point of view of society, more or less of a new material basis for the next cycle of turnover." (K. Marx, *Capital*, Kerr edition, vol. II, p. 211.) In the decisive branches of large-scale industry, the longevity of the basic means of production, taking into account not only physical but also moral depreciation, amounts on the average to about ten years. The inevitability of periodical mass renewal of fixed capital serves as the *material basis for the periodicity of crises,* which recur regularly throughout the history of capitalism.

Every crisis prepares the ground for fresh and still deeper crises, so that as capitalism develops their destructive force and acuteness becomes greater and greater.

Agrarian Crises

Capitalist crises of overproduction, which bring in their train unemployment, a fall in wages, and reduction in the effective demand for agricultural produce, inevitably give rise to partial or general, overproduction in the sphere of agriculture. Crises of overproduction in agriculture are called *agrarian crises.*

Behind the inevitability of agrarian crises is the same fundamental contradiction of capitalism which constitutes the basis of industrial crises. At the same time, agrarian crises have certain special features: they are usually more prolonged than industrial crises.

The agrarian crisis of the last quarter of the nineteenth century, which involved the West-European countries, Russia and eventually also the U$A., began in the first half of the 1870'S and continued in one form or another down to the middle of the 1890's. It arose because the development of maritime transport and the extension of the network of railways began to bring to the markets of Europe large quantities of cheaper grain from America, Russia and India. The production of grain was less costly in America owing to the opening-up of new and fertile lands there and the availability of free land which bore no charge of absolute rent. Russia and India could export grain to Western Europe at low prices because the Russian and Indian peasants, crushed by unbearable taxes, were obliged to sell their grain very cheaply. The European capitalist tenant-farmers and peasants could not stand up to this competition, owing to the high rents exacted from them by the landlords. After the first world war, in the spring of 1920, owing to the great reduction in the effective demand of the population, an acute agrarian crisis broke out; it affected the non-European countries (U.S.A., Canada, Argentina, Australia) with particular violence. Agriculture had not yet recovered from this crisis when, at the end of 1928, clear signs of a new one made their appearance in Canada, U.S.A., Brazil and Australia. This

crisis embraced the principal countries of the capitalist world exporting raw materials and foodstuffs. The crisis involved all branches of agriculture; it became interwoven with the industrial crisis of 1929-33 and continued down to the beginning of the second world war. After the second world war an agrarian crisis again broke out in the largest countries exporting agricultural produce--the U.S.A., Canada, Argentina-and in a number branches of agriculture in the Western European Countries.

The protracted nature of agrarian crises is due to the following main causes.

First, the landlords by virtue of the monopoly of private property in land compel the tenants to go on paying during agrarian crises the same ground-rent which they agreed to in their tenancy agreement. When the prices of agriculture commodities fall, the ground-rent is paid at the cost of a further reduction of the wages of agricultural workers, and also at cost of the profits of the tenants, sometimes even by drawing the capital advanced by them. Consequently, it becomes extremely hard for them to emerge from the crisis by introducing technical improvements and reductions in the costs of production.

Secondly, agriculture under capitalism is a backward branch of the economy compared with industry. Private ownership of land, survivals of feudal relations, the necessity of paying absolute and differential rent to the landlords--all these so many obstacles in the way of a free influx of capital into agriculture, and hindrances to the development of the productive forces. The organic composition of capital is lower agriculture than in industry; fixed capital, the mass-scale renewal of which is the material basis, of the periodicity industrial crises, plays a very much smaller role in agriculture than in industry.

Thirdly, the petty producers (the peasants) strive during crises to keep up their former level of production, so as at costs to hang on to their bit of land, whether it be their own property or leased; this they do at the price of exhausting labor, underfeeding and destructive use of the soil and cattle. This still further increases the overproduction of agricultural produce.

Thus, the common basis for the protracted character of agrarian crises is the monopoly of private property in land, the, feudal survivals connected with this and the extreme backwardness of agriculture in capitalist countries. The main burden of agrarian crises falls on the bulk of the peasantry. An agrarian crisis ruins a mass of petty common producers; breaking up established property relations, it hastens the differentiation of the peasantry and the development of capitalist relations in agriculture. At the same time agrarian crises have a devastating effect on agriculture in the capitalist countries, causing a diminution in the sown area, a fall in the level agricultural technique, and a lowering of agricultural crops and of the productivity of stockbreeding.

Crises and the Sharpening of the Contradictions of Capitalism

Economic crises in which all the contradictions of the capitalist mode of production violently explode, inevitably lead to a further deepening and sharpening of these contradictions.

As a rule, capitalist crises of overproduction are *universal in character.* Beginning in a particular branch of production, they rapidly embrace the entire national economy. Arising first in one country or a few countries, they spread over the whole capitalist world.

Every crisis leads to a sharp decline in production, a fall in the wholesale prices of commodities and in the price of shares on the exchanges a decline in the volume of both domestic and external trade. The scale of production falls to a level which prevailed a number of years previously. In the nineteenth century the level of the economic life of capitalist countries was thrown back during crises by three to five years, in the twentieth century by decades.

The output of coal in the U.S.A. fell during the crisis of 1873 by 9.1 per cent, during that of 1882 by 7.5 per cent, during that of 1893 by 6.4 per cent, during that of 1907 by 13.4 per cent, during that of 1920-1 by 27.5 per cent and during that of 192933 by 40.9 per cent. The production of pig-iron in the U.S.A. fell by the following amounts during the crises indicated: 1873--27 per cent, 1882--12.5 per cent, 1893-- 27.3 per cent, 1907--38.2 per cent, 1920-1--54.8 per cent, 1929-33--79.4 per cent.

In Germany the total volume of industrial production fell during the crisis of 1873 by 6.1 per cent, 1890--3.4 per cent, 1907--6.5 per cent, and 1929-33--40.1 per cent.

In Russia during the crisis of 1900-03 the smelting of iron declined by 17 per cent the output of oil by 10 per cent, the rolling of rails by 30 per cent, and the production of sugar by 19 per cent.

The crisis of 1857 threw the U.S.A. back two years in output of coal, four years in production of pig-iron, two years in exports and three years in imports. The crisis of 1929 threw the U.S.A, back 28 years in output of coal, 36 years in output of pig-iron, 31 years in outputs of steel, 35 years in exports and 31 years in imports. Britain was thrown back by the 1929 crisis 35 years in coal output, 76 years in pig-iron output, 23 years in steel output and 36 years in external trade.

Economic crises vividly reveal the predatory character of capitalism. During every crisis, while millions of people are in extreme want, doomed to poverty and hunger, vast quantities of commodities are destroyed because they cannot find a market--wheat, potatoes, milk, cattle, cotton. Whole factories, shipyards, blast-furnaces are closed down or sold for scrap, grain crops and technical crops are destroyed and plantations of fruit trees are cut down.

During three years of the 1929-33 crisis 92 blast-furnaces were pulled down in the U.S.A., 72 in Britain, 28 in Germany and 10 in France. The tonnage of sea-going vessels **destroyed in those years amounted to more than 6V2 million registered tons.**

The destructive effect of agrarian crises is clear from the following figures. In the U.S.A. between 1926 and 1937 more than two million farms were compulsorily sold for debt. The revenue from agriculture shrank from 6.8 milliard dollars in 1929 to 2.4 milliard dollars in 1932. During the same period sales of agricultural machinery and equipment were reduced from 458 million dollars a year to 65 million (one-seventh), and the demand for artificial fertilizers fell by nearly a half The U.S. Government took all kinds of steps to reduce agricultural production. In 1933 10.4 million acres of

cotton crop were destroyed by ploughing over, 6.4 million pigs were bought and destroyed by the State, and wheat was burned in the fire-boxes of locomotives. In Brazil about 22 million sacks of coffee were destroyed, and in Denmark 117 thousand head of cattle.

Crises cause incalculable sufferings to the working class, the bulk of the peasantry and the working people as a whole. They bring about *mass unemployment,* which condemns hundreds of thousands and millions of people to enforced idleness, poverty and hunger. The capitalists make use of unemployment to intensify in every way the exploitation of the working class, and sharply to reduce the standard of living of all the working people.

The number of workers employed in manufacturing industry in the U.S.A. fell by 11.8 per cent at the time of the 1907 crisis. During the 1929-33 crisis the number of workers in America's manufacturing industry decreased by 38.8 per cent, and the total wages bill fell by 57.7 per cent. According to American statisticians, 43 million man-years were lost between 1929 and 1938 as a result of unemployment.

Crises enormously increase the insecurity of the working people's lives, their fear of the morrow. Through spending years out of work, workers lose their skill, and after the crisis has ended many of them cannot return to industry any more. The housing conditions of the working people are greatly worsened; the number of homeless people wandering about the country in search of work increases. During crises the number of suicides caused by desperation rises markedly, and destitution and crime increase.

Crises led to a sharpening of *class contradictions* between the proletariat and the bourgeoisie, between the bulk of the peasantry and the landlords, usurers and kulaks who exploit them. During a crisis the working class is deprived of many of the achievements which it has won through long and hard struggle against the exploiters and the bourgeois State. This shows the workers that the only way to salvation from want and hunger lies through abolishing capitalist wage slavery. The broadest masses of the proletariat, doomed by crises to tremendous privations, acquire class consciousness and revolutionary determination. The inability of the bourgeoisie to control the productive forces of society undermines the faith of the petty-bourgeois strata of the population in the enduring nature of the capitalist order. All this leads to a sharpening of the class struggle in capitalist society.

The bourgeois State renders aid to the capitalists during crises in the form of subsidies, the cost of which is paid in the long run by the working masses. Using its apparatus of coercion and compulsion, the State helps the capitalists to wage an offensive against the standard of living of the working class and the peasantry. All this intensifies the impoverishment of the working masses. At the same time, crises reveal the complete incapacity of the bourgeois State to curb to any degree the elemental laws of capitalism. In capitalist countries it is not the State that controls the economy but, on the contrary, the State itself is in the power of capitalist economy, in subjection to big capital.

Crises are the clearest indication that the productive forces brought into being by capitalism have outgrown the framework of bourgeois production relations, so that the latter have become a brake on the further growth of the productive forces.

"The crisis shows that present-day society could produce an incomparably greater quantity of products, which could go to improve the lives of all the working people, if only the land, the factories, the machines, etc., were not in the grip of a handful of private owners who draw millions from die poverty of the people." (Lenin, "Lessons of the Crisis", Works, Russian edition, vol. v, p. 76.).

Every crisis brings nearer the downfall of the capitalist mode of production.

Inasmuch as crises exhibit with particular clarity and sharpness the insoluble contradictions of capitalism, testifying to the inevitability of its doom, bourgeois economists try in every way possible to conceal the true nature and causes of crises. Endeavoring to gloss over the inevitability of crises under capitalism, they usually explain crises as resulting from accidental causes which they claim could be eliminated while maintaining the capitalist system of economy intact.

With this purpose, the economists of the bourgeoisie proclaim the ultimate, cause of crises to be either a violation in the proportionality between branches of production or the lagging of consumption behind production, and they propose as a means of curing capitalism of crises that such types of "consumption" be guaranteed as armaments drives and wars. In fact, neither disproportionality of production nor the contradiction between production and consumption are accidental defects of the capitalist mode of production, but inevitable ways in which the basic contradiction of capitalism manifests itself, the contradiction which cannot be eliminated while capitalism exists. Certain bourgeois economists have gone so far as to declare that crises are caused by sunspots, on the grounds that these exert an influence on the harvest and so on the whole of economic life.

In the intervals between crises the defenders of the bourgeoisie usually come out with sweeping statements to the effect that crises are no more and capitalism has taken the road of crisis-free development; the very next crisis shows up the mistakenness of such statements. Life invariably reveals the complete bankruptcy of such prescriptions for curing capitalism of crises.

The Historical Tendency of Capitalist Development. The Proletariat as the Grave-digger of Capitalism

After capitalism had become the dominant system, the concentration of property in a few hands advanced with giant strides. The development of capitalism leads to the run of the petty producers, who fall into the ranks of the army of wage-workers. Along with this, the competitive struggle among the capitalists becomes acute, as a result of which one capitalist lay low many others. The concentration of capital means concentration of enormous wealth in the hands of an ever-narrower circle of persons.

In developing large-scale production, capitalism gives birth to its own grave-digger in the person of the working class, which comes forward to assume the role of guide and leader of all the working and exploited masses. The development of industry is accompanied by the growth of the proletariat, in numbers, solidarity, consciousness and degree of organisation. The proletariat advances ever more

resolutely in struggle against capital. The development of capitalist society, which is accompanied by a sharpening of the. antagonistic contradictions inherent within it and by an intensification of class struggle, prepares the conditions necessary for the victory of the proletariat over the bourgeoisie.

The theoretical expression of the fundamental interests of the working class is Marxism--scientific socialism--which is an integral, harmonious outlook on the world. Scientific socialism teaches the proletariat to unite for class struggle against the bourgeoisie. The class interests of the proletariat coincide with the interests of the progressive development of human society, they merge with the interests of the overwhelming majority of society, for the revolution of the proletariat means the abolition not of this or that form of exploitation but of all exploitation in general.

While at the dawn of capitalism a few usurpers in the shape of the capitalists and landlords expropriated the masses of the people, the development of capitalism leads inevitably to the expropriation of the usurpers by the masses of the people. This task is carried out by the socialist revolution, which socializes the means of production and sweeps away capitalism along with its crises, unemployment and poverty of the masses.

> "The monopoly of capital becomes a fetter upon the mode of production which has sprung up and flourished along with and under it. Centralization of the means of production and socialization of labor at last reach a point where they become incompatible with their capitalist integument. This integument is burst asunder. The knell of capitalist property sounds. The expropriators are expropriated." (Marx, *Capital,* Kerr edition, vol. I, p. 837.)

Such is the historical tendency of development of the capitalist mode of production.

BRIEF CONCLUSIONS

(1) Economic crises are crises of overproduction. Underlying crises is the contradiction between the social character of production and the private capitalist form of appropriation of the products of labor. The forms in which this contradiction is expressed are, first, the antithesis between the organisation of production within the individual capitalist enterprises and the anarchy of production in society as a whole, and, second, the contradiction between the huge growth in the productive potentialities of capitalism and the relative reduction in the purchasing capacity of the working masses. The basic contradiction of capitalism shows itself in the class antagonism between the proletariat and the bourgeoisie.

(2) The period from the beginning of one crisis to the beginning of another is called a cycle. A cycle consists of the following phases: crises, depression, recovery, boom. The material foundation of the periodicity of capitalist crises is the necessity for periodical renewal of fixed capital. Interwoven with industrial crises are agrarian crises, which are distinguished by their protracted character owing to the monopoly of private property in land, the existence of feudal survivals and the backwardness of agriculture under capitalism.

(3) Capitalist crises mean destruction of the productive forces on a gigantic scale. They bring with them incalculable sufferings for the working masses. It is in crises that there is most clearly revealed the historically-limited character of the bourgeois system, the inability of capitalism to control any further the productive forces which have matured within its womb. In order to abolish crises, it is necessary abolish capitalism.

(4) The historical tendency of capitalist development is, on the one hand, that it develops the productive forces and socializes production, thus creating the material prerequisites for Socialism, and, on the other hand, that i gives birth to its own grave-digger in the person of the proletariat, which organizes and heads the revolutionary struggle of all the working people for liberation from the yoke of capital.

Frederick Engels: Socialism: Utopian and Scientific

Chapter 3: Historical Materialism

The materialist conception of history starts from the proposition that the production of the means to support human life and, next to production, the exchange of things produced, is the basis of all social structure; that in every society that has appeared in history, the manner in which wealth is distributed and society divided into classes or orders is dependent upon what is produced, how it is produced, and how the products are exchanged. From this point of view, the final causes of all social changes and political revolutions are to be sought, not in men's brains, not in men's better insights into eternal truth and justice, but in changes in the modes of production and exchange. They are to be sought, not in the *philosophy*, but in the *economics* of each particular epoch. The growing perception that existing social institutions are unreasonable and unjust, that reason has become unreason, and right wrong, [378] is only proof that in the modes of production and exchange changes have silently taken place with which the social order, adapted to earlier economic conditions, is no longer in keeping. From this it also follows that the means of getting rid of the incongruities that have been brought to light must also be present, in a more or less developed condition, within the changed modes of production themselves. These means are not to be invented by deduction from fundamental principles, but are to be discovered in the stubborn facts of the existing system of production.

What is, then, the position of modern Socialism in this connection?

The present situation of society — this is now pretty generally conceded — is the creation of the ruling class of today, of the bourgeoisie. The mode of production peculiar to the bourgeoisie, known, since Marx, as the capitalist mode of production, was incompatible with the feudal system, with the privileges it conferred upon individuals, entire social ranks and local corporations, as well as with the hereditary ties of subordination which constituted the framework of its social organization. The bourgeoisie broke up the feudal system and built upon its ruins the capitalist order of society, the kingdom of free competition, of personal liberty, of the equality, before the law, of all commodity owners, of all the rest of the capitalist blessings. Thenceforward, the capitalist mode of production

[378] Mephistopheles in Goethe's Faust

could develop in freedom. Since steam, machinery, and the making of machines by machinery transformed the older manufacture into modern industry, the productive forces, evolved under the guidance of the bourgeoisie, developed with a rapidity and in a degree unheard of before. But just as the older manufacture, in its time, and handicraft, becoming more developed under its influence, had come into collision with the feudal trammels of the guilds, so now modern industry, in its complete development, comes into collision with the bounds within which the capitalist mode of production holds it confined. The new productive forces have already outgrown the capitalistic mode of using them. And this conflict between productive forces and modes of production is not a conflict engendered in the mind of man, like that between original sin and divine justice. It exists, in fact, objectively, outside us, independently of the will and actions even of the men that have brought it on. Modern Socialism is nothing but the reflex, in thought, of this conflict in fact; its ideal reflection in the minds, first, of the class directly suffering under it, the working class.

Now, in what does this conflict consist?

Before capitalist production — i.e., in the Middle Ages — the system of petty industry obtained generally, based upon the private property of the laborers in their means of production; in the country, the agriculture of the small peasant, freeman, or serf; in the towns, the handicrafts organized in guilds. The instruments of labor — land, agricultural implements, the workshop, the tool — were the instruments of labor of single individuals, adapted for the use of one worker, and, therefore, of necessity, small, dwarfish, circumscribed. But, for this very reason, they belonged as a rule to the producer himself. To concentrate these scattered, limited means of production, to enlarge them, to turn them into the powerful levers of production of the present day — this was precisely the historic role of capitalist production and of its upholder, the bourgeoisie. In the fourth section of *Capital*, Marx has explained in detail how since the 15th century this has been historically worked out through the three phases of simple co-operation, manufacture, and modern industry. But the bourgeoisie, as is shown there, could not transform these puny means of production into mighty productive forces without transforming them, at the same time, from means of production of the individual into *social* means of production only workable by a collectivity of men. The spinning wheel, the handloom, the blacksmith's hammer, were replaced by the spinning-machine, the power-loom, the steam-hammer; the individual workshop, by the factory implying the co-operation of hundreds and thousands of workmen. In like manner, production itself changed from a series of individual into a series of social acts, and the production from individual to social products. The yarn, the cloth, the metal articles that now come out of the factory were the joint product of many workers, through whose hands they had successively to pass before they were ready. No one person could say of them: "I made that; this is *my* product."

But where, in a given society, the fundamental form of production is that spontaneous division of labor which creeps in gradually and not upon any preconceived plan, there the products take on the form of *commodities*, whose mutual exchange, buying and selling, enable the individual producers to satisfy their manifold wants. And this was the case in the Middle Ages. The peasant, e.g., sold to the artisan agricultural products and bought from him the products of handicraft. Into this society of

individual producers, of commodity producers, the new mode of production thrust itself. In the midst of the old division of labor, grown up spontaneously and upon *no definite plan*, which had governed the whole of society, now arose division of labor upon *a definite plan*, as organized in the factory; side by side with *individual* production appeared *social* production. The products of both were sold in the same market, and, therefore, at prices at least approximately equal. But organization upon a definite plan was stronger than spontaneous division of labor. The factories working with the combined social forces of a collectivity of individuals produced their commodities far more cheaply than the individual small producers. Individual producers succumbed in one department after another. Socialized production revolutionized all the old methods of production. But its revolutionary character was, at the same time, so little recognized that it was, on the contrary, introduced as a means of increasing and developing the production of commodities. When it arose, it found ready-made, and made liberal use of, certain machinery for the production and exchange of commodities: merchants' capital, handicraft, wage-labor. Socialized production thus introducing itself as a new form of the production of commodities, it was a matter of course that under it the old forms of appropriation remained in full swing, and were applied to its products as well.

In the medieval stage of evolution of the production of commodities, the question as to the owner of the product of labor could not arise. The individual producer, as a rule, had, from raw material belonging to himself, and generally his own handiwork, produced it with his own tools, by the labor of his own hands or of his family. There was no need for him to appropriate the new product. It belonged wholly to him, as a matter of course. His property in the product was, therefore, based *upon his own labor*. Even where external help was used, this was, as a rule, of little importance, and very generally was compensated by something other than wages. The apprentices and journeymen of the guilds worked less for board and wages than for education, in order that they might become master craftsmen themselves.

Then came the concentration of the means of production and of the producers in large workshops and manufactories, their transformation into actual socialized means of production and socialized producers. But the socialized producers and means of production and their products were still treated, after this change, just as they had been before — i.e., as the means of production and the products of individuals. Hitherto, the owner of the instruments of labor had himself appropriated the product, because, as a rule, it was his own product and the assistance of others was the exception. Now, the owner of the instruments of labor always appropriated to himself the product, although it was no longer *his* product but exclusively the product of the *labor of others*. Thus, the products now produced socially were not appropriated by those who had actually set in motion the means of production and actually produced the commodities, but by the *capitalists*. The means of production, and production itself, had become in essence socialized. But they were subjected to a form of appropriation which presupposes the private production of individuals, under which, therefore, every one owns his own

product and brings it to market. The mode of production is subjected to this form of appropriation, although it abolishes the conditions upon which the latter rests. [379]

This contradiction, which gives to the new mode of production its capitalistic character, *contains the germ of the whole of the social antagonisms of today*. The greater the mastery obtained by the new mode of production over all important fields of production and in all manufacturing countries, the more it reduced individual production to an insignificant residuum, *the more clearly was brought out the incompatibility of socialized production with capitalistic appropriation*.

The first capitalists found, as we have said, alongside of other forms of labor, wage-labor ready-made for them on the market. But it was exceptional, complementary, accessory, transitory wage-labor. The agricultural laborer, though, upon occasion, he hired himself out by the day, had a few acres of his own land on which he could at all events live at a pinch. The guilds were so organized that the journeyman of today became the master of tomorrow. But all this changed, as soon as the means of production became socialized and concentrated in the hands of capitalists. The means of production, as well as the product, of the individual producer became more and more worthless; there was nothing left for him but to turn wage-worker under the capitalist. Wage-labor, aforetime the exception and accessory, now became the rule and basis of all production; aforetime complementary, it now became the sole remaining function of the worker. The wage-worker for a time became a wage-worker for life. The number of this permanent was further enormously increased by the breaking-up of the feudal system that occurred at the same time, by the disbanding of the retainers of the feudal lords, the eviction of the peasants from their homesteads, etc. The separation was made complete between the means of production concentrated in the hands of the capitalists, on the one side, and the producers, possessing nothing but their labor-power, on the other. *The contradiction between socialized production and capitalistic appropriation manifested itself as the antagonism of proletariat and bourgeoisie.*

We have seen that the capitalistic mode of production thrust its way into a society of commodity-producers, of individual producers, whose social bond was the exchange of their products. But every society based upon the production of commodities has this peculiarity: that the producers have lost control over their own social inter-relations. Each man produces for himself with such means of production as he may happen to have, and for such exchange as he may require to satisfy his remaining wants. No one knows how much of his particular article is coming on the market, nor how much of it will be wanted. No one knows whether his individual product will meet an actual demand, whether he will be able to make good his costs of production or even to sell his commodity at all. Anarchy reigns in socialized production.

[379] It is hardly necessary in this connection to point out that, even if the form of appropriation remains the same, the character of the appropriation is just as much revolutionized as production is by the changes described above. It is, of course, a very different matter whether I appropriate to myself my own product or that of another. Note in passing that wage-labor, which contains the whole capitalist mode of production in embryo, is very ancient; in a sporadic, scattered form, it existed for centuries alongside slave-labor. But the embryo could duly develop into the capitalistic mode of production only when the necessary historical pre-conditions had been furnished.

But the production of commodities, like every other form of production, has it peculiar, inherent laws inseparable from it; and these laws work, despite anarchy, in and through anarchy. They reveal themselves in the only persistent form of social inter-relations — i.e., in exchange — and here they affect the individual producers as compulsory laws of competition. They are, at first, unknown to these producers themselves, and have to be discovered by them gradually and as the result of experience. They work themselves out, therefore, independently of the producers, and in antagonism to them, as inexorable natural laws of their particular form of production. The product governs the producers.

In mediaeval society, especially in the earlier centuries, production was essentially directed toward satisfying the wants of the individual. It satisfied, in the main, only the wants of the producer and his family. Where relations of personal dependence existed, as in the country, it also helped to satisfy the wants of the feudal lord. In all this there was, therefore, no exchange; the products, consequently, did not assume the character of commodities. The family of the peasant produced almost everything they wanted: clothes and furniture, as well as the means of subsistence. Only when it began to produce more than was sufficient to supply its own wants and the payments in kind to the feudal lords, only then did it also produce commodities. This surplus, thrown into socialized exchange and offered for sale, became commodities.

The artisan in the towns, it is true, had from the first to produce for exchange. But they, also, themselves supplied the greatest part of their individual wants. They had gardens and plots of land. They turned their cattle out into the communal forest, which, also, yielded them timber and firing. The women spun flax, wool, and so forth. Production for the purpose of exchange, production of commodities, was only in its infancy. Hence, exchange was restricted, the market narrow, the methods of production stable; there was local exclusiveness without, local unity within; the mark in the country; in the town, the guild.

But with the extension of the production of commodities, and especially with the introduction of the capitalist mode of production, the laws of commodity-production, hitherto latent, came into action more openly and with greater force. The old bonds were loosened, the old exclusive limits broken through, the producers were more and more turned into independent, isolated producers of commodities. It became apparent that the production of society at large was ruled by absence of plan, by accident, by anarchy; and this anarchy grew to greater and greater height. But the chief means by aid of which the capitalist mode of production intensified this anarchy of socialized production was the exact opposite of anarchy. It was the increasing organization of production, upon a social basis, in every individual productive establishment. By this, the old, peaceful, stable condition of things was ended. Wherever this organization of production was introduced into a branch of industry, it brooked no other method of production by its side. The field of labor became a battle-ground. The great geographical discoveries, and the colonization following them, multiplied markets and quickened the transformation of handicraft into manufacture. The war did not simply break out between the individual producers of particular localities. The local struggles begat, in their turn, national conflicts, the commercial wars of the 17th and 18th centuries.

Finally, modern industry and the opening of the world-market made the struggle universal, and at the same time gave it an unheard-of virulence. Advantages in natural or artificial conditions of production now decide the existence or non-existence of individual capitalists, as well as of whole industries and countries. He that falls is remorselessly cast aside. It is the Darwinian struggle of the individual for existence transferred from Nature to society with intensified violence. The conditions of existence natural to the animal appear as the final term of human development. The contradiction between socialized production and capitalistic appropriation now presents itself as *an antagonism between the organization of production in the individual workshop and the anarchy of production in society generally.*

The capitalistic mode of production moves in these two forms of the antagonism immanent to it from its very origin. It is never able to get out of that "vicious circle" which Fourier had already discovered. What Fourier could not, indeed, see in his time is that this circle is gradually narrowing; that the movement becomes more and more a spiral, and must come to an end, like the movement of planets, by collision with the centre. It is the compelling force of anarchy in the production of society at large that more and more completely turns the great majority of men into proletarians; and it is the masses of the proletariat again who will finally put an end to anarchy in production. It is the compelling force of anarchy in social production that turns the limitless perfectibility of machinery under modern industry into a compulsory law by which every individual industrial capitalist must perfect his machinery more and more, under penalty of ruin.

But the perfecting of machinery is making human labor superfluous. If the introduction and increase of machinery means the displacement of millions of manuals by a few machine-workers, improvement in machinery means the displacement of more and more of the machine-workers themselves. It means, in the last instance, the production of a number of available wage workers in excess of the average needs of capital, the formation of a complete industrial reserve army, as I called it in 1845, [380] available at the times when industry is working at high pressure, to be cast out upon the street when the inevitable crash comes, a constant dead weight upon the limbs of the working-class in its struggle for existence with capital, a regulator for keeping of wages down to the low level that suits the interests of capital.

Thus, it comes about, to quote Marx, that machinery becomes the most powerful weapon in the war of capital against the working-class; that the instruments of labor constantly tear the means of subsistence out of the hands of the laborer; that the very product of the worker is turned into an instrument for his subjugation.

Thus, it comes about that the economizing of the instruments of labor becomes at the same time, from the outset, the most reckless waste of labor-power, and robbery based upon the normal conditions under which labor functions; that machinery,

[380] "The Conditions of the Working-Class in England" — Sonnenschein & Co., p.84.

> "The most powerful instrument for shortening labor time, becomes the most unfailing means for placing every moment of the laborer's time and that of his family at the disposal of the capitalist for the purpose of expanding the value of his capital." (*Capital*, English edition, p. 406)

Thus, it comes about that the overwork of some becomes the preliminary condition for the idleness of others, and that modern industry, which hunts after new consumers over the whole world, forces the consumption of the masses at home down to a starvation minimum, and in doing thus destroys its own home market.

> "The law that always equilibrates the relative surplus-population, or industrial reserve army, to the extent and energy of accumulation, this law rivets the laborer to capital more firmly than the wedges of Vulcan did Prometheus to the rock. It establishes an accumulation of misery, corresponding with the accumulation of capital. Accumulation of wealth at one pole is, therefore, at the same time accumulation of misery, agony of toil, slavery, ignorance, brutality, mental degradation, at the opposite pole, i.e., on the side of the class that produces *its own product in the form of capital* (Marx's *Capital*, p. 661)

And to expect any other division of the products from the capitalist mode of production is the same as expecting the electrodes of a battery not to decompose acidulated water, not to liberate oxygen at the positive, hydrogen at the negative pole, so long as they are connected with the battery.

We have seen that the ever-increasing perfectibility of modern machinery is, by the anarchy of social production, turned into a compulsory law that forces the individual industrial capitalist always to improve his machinery, always to increase its productive force. The bare possibility of extending the field of production is transformed for him into a similarly compulsory law. The enormous expansive force of modern industry, compared with which that of gases is mere child's play, appears to us now as a *necessity* for expansion, both qualitative and quantative, that laughs at all resistance. Such resistance is offered by consumption, by sales, by the markets for the products of modern industry. But the capacity for extension, extensive and intensive, of the markets is primarily governed by quite different laws that work much less energetically. The extension of the markets cannot keep pace with the extension of production. The collision becomes inevitable, and as this cannot produce any real solution so long as it does not break in pieces the capitalist mode of production, the collisions become periodic. Capitalist production has begotten another "vicious circle".

As a matter of fact, since 1825, when the first general crisis broke out, the whole industrial and commercial world, production and exchange among all civilized peoples and their more or less barbaric hangers-on, are thrown out of joint about once every 10 years. Commerce is at a stand-still, the markets are glutted, products accumulate, as multitudinous as they are unsaleable, hard cash disappears, credit vanishes, factories are closed, the mass of the workers is in want of the means of subsistence, because they have produced too much of the means of subsistence; bankruptcy follows upon bankruptcy, execution upon execution. The stagnation lasts for years; productive forces and products are wasted and destroyed wholesale, until the accumulated mass of commodities finally

filters off, more or less depreciated in value, until production and exchange gradually begin to move again. Little by little, the pace quickens. It becomes a trot. The industrial trot breaks into a canter, the canter in turn grows into the headlong gallop of a perfect steeplechase of industry, commercial credit, and speculation, which finally, after breakneck leaps, ends where it began — in the ditch of a crisis. And so over and over again. We have now, since the year 1825, gone through this five times, and at the present moment (1877), we are going through it for the sixth time. And the character of these crises is so clearly defined that Fourier hit all of them off when he described the first "crise plethorique", a crisis from plethora.

In these crises, the contradiction between socialized production and capitalist appropriation ends in a violent explosion. The circulation of commodities is, for the time being, stopped. Money, the means of circulation, becomes a hindrance to circulation. All the laws of production and circulation of commodities are turned upside down. The economic collision has reached its apogee. *The mode of production is in rebellion against the mode of exchange.*

The fact that the socialized organization of production within the factory has developed so far that it has become incompatible with the anarchy of production in society, which exists side by side with and dominates it, is brought home to the capitalist themselves by the violent concentration of capital that occurs during crises, through the ruin of many large, and a still greater number of small, capitalists. The whole mechanism of the capitalist mode of production breaks down under the pressure of the productive forces, its own creations. It is no longer able to turn all this mass of means of production into capital. They lie fallow, and for that very reason the industrial reserve army must also lie fallow. Means of production, means of subsistence, available laborers, all the elements of production and of general wealth, are present in abundance. But "abundance becomes the source of distress and want" (Fourier), because it is the very thing that prevents the transformation of the means of production and subsistence into capital. For in capitalistic society, the means of production can only function when they have undergone a preliminary transformation into capital, into the means of exploiting human labor-power. The necessity of this transformation into capital of the means of production and subsistence stands like a ghost between these and the workers. It alone prevents the coming together of the material and personal levers of production; it alone forbids the means of production to function, the workers to work and live. On the one hand, therefore, the capitalistic mode of production stands convicted of its own incapacity to further direct these productive forces. On the other, these productive forces themselves, with increasing energy, press forward to the removal of the existing contradiction, to the abolition of their quality as capital, to the *practical recognition of their character as social production forces.*

This rebellion of the productive forces, as they grow more and more powerful, against their quality as capital, this stronger and stronger command that their social character shall be recognized, forces the capital class itself to treat them more and more as social productive forces, so far as this is possible under capitalist conditions. The period of industrial high pressure, with its unbounded inflation of credit, not less than the crash itself, by the collapse of great capitalist establishments, tends

to bring about that form of the socialization of great masses of the means of production which we meet with in the different kinds of joint-stock companies. Many of these means of production and of distribution are, from the outset, so colossal that, like the railways, they exclude all other forms of capitalistic expansion. At a further stage of evolution, this form also becomes insufficient. The producers on a large scale in a particular branch of an industry in a particular country unite in a "Trust", a union for the purpose of regulating production. They determine the total amount to be produced, parcel it out among themselves, and thus enforce the selling price fixed beforehand. But trusts of this kind, as soon as business becomes bad, are generally liable to break up, and on this very account compel a yet greater concentration of association. The whole of a particular industry is turned into one gigantic joint-stock company; internal competition gives place to the internal monopoly of this one company. This has happened in 1890 with the English alkali production, which is now, after the fusion of 48 large works, in the hands of one company, conducted upon a single plan, and with a capital of 6,000,000 pounds.

In the trusts, freedom of competition changes into its very opposite — into monopoly; and the production without any definite plan of capitalistic society capitulates to the production upon a definite plan of the invading socialistic society. Certainly, this is so far still to the benefit and advantage of the capitalists. But, in this case, the exploitation is so palpable, that it must break down. No nation will put up with production conducted by trusts, with so barefaced an exploitation of the community by a small band of dividend-mongers.

In any case, with trusts or without, the official representative of capitalist society — the state — will ultimately have to undertake the direction of production. [381] This necessity for conversion into State property is felt first in the great institutions for intercourse and communication — the post office, the telegraphs, the railways.

If the crises demonstrate the incapacity of the bourgeoisie for managing any longer modern productive forces, the transformation of the great establishments for production and distribution into joint-stock companies, trusts, and State property, show how unnecessary the bourgeoisie are for that

[381] I say "have to". For only when the means of production and distribution have actually outgrown the form of management by joint-stock companies, and when, therefore, the taking them over by the State has become economically inevitable, only then — even if it is the State of today that effects this — is there an economic advance, the attainment of another step preliminary to the taking over of all productive forces by society itself. But of late, since Bismarck went in for State-ownership of industrial establishments, a kind of spurious Socialism has arisen, degenerating, now and again, into something of flunkeyism, that without more ado declares all State-ownership, even of the Bismarckian sort, to be socialistic. Certainly, if the taking over by the State of the tobacco industry is socialistic, then Napoleon and Metternich must be numbered among the founders of Socialism.

If the Belgian State, for quite ordinary political and financial reasons, itself constructed its chief railway lines; if Bismarck, not under any economic compulsion, took over for the State the chief Prussian lines, simply to be the better able to have them in hand in case of war, to bring up the railway employees as voting cattle for the Government, and especially to create for himself a new source of income independent of parliamentary votes — this was, in no sense, a socialistic measure, directly or indirectly, consciously or unconsciously. Otherwise, the Royal Maritime Company, the Royal porcelain manufacture, and even the regimental tailor of the army would also be socialistic institutions, or even, as was seriously proposed by a sly dog in Frederick William III's reign, the taking over by the State of the brothels.

purpose. All the social functions of the capitalist have no further social function than that of pocketing dividends, tearing off coupons, and gambling on the Stock Exchange, where the different capitalists despoil one another of their capital. At first, the capitalistic mode of production forces out the workers. Now, it forces out the capitalists, and reduces them, just as it reduced the workers, to the ranks of the surplus-population, although not immediately into those of the industrial reserve army.

But, the transformation — either into joint-stock companies and trusts, or into State-ownership — does not do away with the capitalistic nature of the productive forces. In the joint-stock companies and trusts, this is obvious. And the modern State, again, is only the organization that bourgeois society takes on in order to support the external conditions of the capitalist mode of production against the encroachments as well of the workers as of individual capitalists. The modern state, no matter what its form, is essentially a capitalist machine — the state of the capitalists, the ideal personification of the total national capital. The more it proceeds to the taking over of productive forces, the more does it actually become the national capitalist, the more citizens does it exploit. The workers remain wage-workers — proletarians. The capitalist relation is not done away with. It is, rather, brought to a head. But, brought to a head, it topples over. State-ownership of the productive forces is not the solution of the conflict, but concealed within it are the technical conditions that form the elements of that solution.

This solution can only consist in the practical recognition of the social nature of the modern forces of production, and therefore in the harmonizing with the socialized character of the means of production. And this can only come about by society openly and directly taking possession of the productive forces which have outgrown all control, except that of society as a whole. The social character of the means of production and of the products today reacts against the producers, periodically disrupts all production and exchange, acts only like a law of Nature working blindly, forcibly, destructively. But, with the taking over by society of the productive forces, the social character of the means of production and of the products will be utilized by the producers with a perfect understanding of its nature, and instead of being a source of disturbance and periodical collapse, will become the most powerful lever of production itself.

Active social forces work exactly like natural forces: blindly, forcibly, destructively, so long as we do not understand, and reckon with, them. But, when once we understand them, when once we grasp their action, their direction, their effects, it depends only upon ourselves to subject them more and more to our own will, and, by means of them, to reach our own ends. And this holds quite especially of the mighty productive forces of today. As long as we obstinately refuse to understand the nature and the character of these social means of action — and this understanding goes against the grain of the capitalist mode of production, and its defenders — so long these forces are at work in spite of us, in opposition to us, so long they master us, as we have shown above in detail.

But when once their nature is understood, they can, in the hands of the producers working together, be transformed from master demons into willing servants. The difference is as that between the destructive force of electricity in the lightning in the storm, and electricity under command in the telegraph and the voltaic arc; the difference between a conflagration, and fire working in the service of

man. With this recognition, at last, of the real nature of the productive forces of today, the social anarchy of production gives place to a social regulation of production upon a definite plan, according to the needs of the community and of each individual. Then the capitalist mode of appropriation, in which the product enslaves first the producer, and then the appropriator, is replaced by the mode of appropriation of the products that is based upon the nature of the modern means of production; upon the one hand, direct social appropriation, as means to the maintenance and extension of production — on the other, direct individual appropriation, as means of subsistence and of enjoyment.

Whilst the capitalist mode of production more and more completely transforms the great majority of the population into proletarians, it creates the power which, under penalty of its own destruction, is forced to accomplish this revolution. Whilst it forces on more and more of the transformation of the vast means of production, already socialized, into State property, it shows itself the way to accomplishing this revolution. *The proletariat seizes political power and turns the means of production into State property.*

But, in doing this, it abolishes itself as proletariat, abolishes all class distinction and class antagonisms, abolishes also the State as State. Society, thus far, based upon class antagonisms, had need of the State. That is, of an organization of the particular class which was, pro tempore, the exploiting class, an organization for the purpose of preventing any interference from without with the existing conditions of production, and, therefore, especially, for the purpose of forcibly keeping the exploited classes in the condition of oppression corresponding with the given mode of production (slavery, serfdom, wage-labor). The State was the official representative of society as a whole; the gathering of it together into a visible embodiment. But it was this only in so far as it was the State of that class which itself represented, for the time being, society as a whole:

in ancient times, the State of slave owning citizens;
in the Middle Ages, the feudal lords;
in our own times, the bourgeoisie.

When, at last, it becomes the real representative of the whole of society, it renders itself unnecessary. As soon as there is no longer any social class to be held in subjection; as soon as class rule, and the individual struggle for existence based upon our present anarchy in production, with the collisions and excesses arising from these, are removed, nothing more remains to be repressed, and a special repressive force, a State, is no longer necessary. The first act by virtue of which the State really constitutes itself the representative of the whole of society — the taking possession of the means of production in the name of society — this is, at the same time, its last independent act as a State. State interference in social relations becomes, in one domain after another, superfluous, and then dies out of itself; the government of persons is replaced by the administration of things, and by the conduct of processes of production. The State is not "abolished". *It dies out.* This gives the measure of the value of the phrase: "a free State", both as to its justifiable use at times by agitators, and as to its ultimate scientific insufficiency; and also, of the demands of the so-called anarchists for the abolition of the State out of hand.

Since the historical appearance of the capitalist mode of production, the appropriation by society of all the means of production has often been dreamed of, more or less vaguely, by individuals, as well as by sects, as the ideal of the future. But it could become possible, could become a historical necessity, only when the actual conditions for its realization were there. Like every other social advance, it becomes practicable, not by men understanding that the existence of classes is in contradiction to justice, equality, etc., not by the mere willingness to abolish these classes, but by virtue of certain new economic conditions. The separation of society into an exploiting and an exploited class, a ruling and an oppressed class, was the necessary consequences of the deficient and restricted development of production in former times. So long as the total social labor only yields a produce which but slightly exceeds that barely necessary for the existence of all; so long, therefore, as labor engages all or almost all the time of the great majority of the members of society — so long, of necessity, this society is divided into classes. Side by side with the great majority, exclusively bond slaves to labor, arises a class freed from directly productive labor, which looks after the general affairs of society: the direction of labor, State business, law, science, art, etc. It is, therefore, the law of division of labor that lies at the basis of the division into classes. But this does not prevent this division into classes from being carried out by means of violence and robbery, trickery and fraud. It does not prevent the ruling class, once having the upper hand, from consolidating its power at the expense of the working-class, from turning its social leadership into an intensified exploitation of the masses.

But if, upon this showing, division into classes has a certain historical justification, it has this only for a given period, only under given social conditions. It was based upon the insufficiency of production. It will be swept away by the complete development of modern productive forces. And, in fact, the abolition of classes in society presupposes a degree of historical evolution at which the existence, not simply of this or that particular ruling class, but of any ruling class at all, and, therefore, the existence of class distinction itself, has become an obsolete anachronism. It presupposes; therefore, the development of production carried out to a degree at which appropriation of the means of production and of the products, and, with this, of political domination, of the monopoly of culture, and of intellectual leadership by a particular class of society, has become not only superfluous but economically, politically, intellectually, a hindrance to development.

This point is now reached. Their political and intellectual bankruptcy is scarcely any longer a secret to the bourgeoisie themselves. Their economic bankruptcy recurs regularly every 10 years. In every crisis, society is suffocated beneath the weight of its own productive forces and products, which it cannot use, and stands helpless, face-to-face with the absurd contradiction that the producers have nothing to consume, because consumers are wanting. The expansive force of the means of production bursts the bonds that the capitalist mode of production had imposed upon them. Their deliverance from these bonds is the one precondition for an unbroken, constantly-accelerated development of the productive forces, and therewith for a practically unlimited increase of production itself. Nor is this all. The socialized appropriation of the means of production does away, not only with the present artificial restrictions upon production, but also with the positive waste and devastation of productive forces and products that are at the present time the inevitable concomitants of production, and that reach their

height in the crises. Further, it sets free for the community at large a mass of means of production and of products, by doing away with the senseless extravagance of the ruling classes of today, and their political representatives. The possibility of securing for every member of society, by means of socialized production, an existence not only fully sufficient materially, and becoming day-by-day fuller, but an existence guaranteeing to all the free development and exercise of their physical and mental faculties — this possibility is now, for the first time, here, but *it is here*. [382]

With the seizing of the means of production by society, production of commodities is done away with, and, simultaneously, the mastery of the product over the producer. Anarchy in social production is replaced by systematic, definite organization. The struggle for individual existence disappears. Then, for the first time, man, in a certain sense, is finally marked off from the rest of the animal kingdom, and emerges from mere animal conditions of existence into really human ones. The whole sphere of the conditions of life which environ man, and which have hitherto ruled man, now comes under the dominion and control of man, who for the first time becomes the real, conscious lord of nature, because he has now become master of his own social organization. The laws of his own social action, hitherto standing face-to-face with man as laws of Nature foreign to, and dominating him, will then be used with full understanding, and so mastered by him. Man's own social organization, hitherto confronting him as a necessity imposed by Nature and history, now becomes the result of his own free action. The extraneous objective forces that have, hitherto, governed history, pass under the control of man himself. Only from that time will man himself, more and more consciously, make his own history — only from that time will the social causes set in movement by him have, in the main and in a constantly growing measure, the results intended by him. It is the ascent of man from the kingdom of necessity to the kingdom of freedom.

Let us briefly sum up our sketch of historical evolution.

I. Mediaeval Society — Individual production on a small scale. Means of production adapted for individual use; hence primitive, ungainly, petty, dwarfed in action. Production for immediate consumption, either of the producer himself or his feudal lord. Only where an excess of production over this consumption occurs is such excess offered for sale, enters into exchange. Production of commodities, therefore, only in its infancy. But already it contains within itself, in embryo, anarchy in the production of society at large.

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[382] A few figures may serve to give an approximate idea of the enormous expansive force of the modern means of production, even under capitalist pressure. According to Mr. Giffen, the total wealth of Great Britain and Ireland amounted, in round numbers in

1814 to £ 2,200,000,000,
1865 to £ 6,100,000,000,
1875 to £ 8,500,000,000.

As an instance of the squandering of means of production and of products during a crisis, the total loss in the German iron industry alone, in the crisis of 1873-78, was given at the second German Industrial Congress (Berlin, February 21, 1878), as 22,750,000 pounds.

II. Capitalist Revolution — transformation of industry, at first be means of simple cooperation and manufacture. Concentration of the means of production, hitherto scattered, into great workshops. As a consequence, their transformation from individual to social means of production — a transformation which does not, on the whole, affect the form of exchange. The old forms of appropriation remain in force. The capitalist appears. In his capacity as owner of the means of production, he also appropriates the products and turns them into commodities. Production has become a *social* act. Exchange and appropriation continue to be *individual* acts, the acts of individuals. The social product is appropriated by the individual capitalist. Fundamental contradiction, whence arise all the contradictions in which our present-day society moves, and which modern industry brings to light.

A. Severance of the producer from the means of production. Condemnation of the worker to wage-labor for life. *Antagonism between the proletariat and the bourgeoisie*.

B. Growing predominance and increasing effectiveness of the laws governing the production of commodities. Unbridled competition. *Contradiction between socialized organization in the individual factory and social anarchy in the production as a whole*.

C. On the one hand, perfecting of machinery, made by competition compulsory for each individual manufacturer, and complemented by a constantly growing displacement of laborers. *Industrial reserve-army*. On the other hand, unlimited extension of production, also compulsory under competition, for every manufacturer. On both sides, unheard-of development of productive forces, excess of supply over demand, over-production and products — excess there, of laborers, without employment and without means of existence. But these two levers of production and of social well-being are unable to work together, because the capitalist form of production prevents the productive forces from working and the products from circulating, unless they are first turned into capital — which their very superabundance prevents. The contradiction has grown into an absurdity. *The mode of production rises in rebellion against the form of exchange*.

D. Partial recognition of the social character of the productive forces forced upon the capitalists themselves. Taking over of the great institutions for production and communication, first by joint-stock companies, later in by trusts, then by the State. The bourgeoisie demonstrated to be a superfluous class. All its social functions are now performed by salaried employees.

III. Proletarian Revolution — Solution of the contradictions. The proletariat seizes the public power, and by means of this transforms the socialized means of production, slipping from the hands of the bourgeoisie, into public property. By this act, the proletariat frees the means of production from the character of capital they have thus far borne, and gives their socialized character complete freedom to work itself out. Socialized production upon a predetermined plan becomes henceforth possible. The development of production makes the existence of different classes of society thenceforth an anachronism. In proportion as anarchy in social production vanishes, the political authority of the State

dies out. Man, at last the master of his own form of social organization, becomes at the same time the lord over Nature, his own master — free.

To accomplish this act of universal emancipation is the historical mission of the modern proletariat. To thoroughly comprehend the historical conditions and thus the very nature of this act, to impart to the now oppressed proletarian class a full knowledge of the conditions and of the meaning of the momentous act it is called upon to accomplish, this is the task of the theoretical expression of the proletarian movement, scientific Socialism.

V. I. Lenin: Imperialism, the Highest Stage of Capitalism.

PREFACE

The pamphlet here presented to the reader was written in the spring of 1916, in Zurich. In the conditions in which I was obliged to work there I naturally suffered somewhat from a shortage of French and English literature and from a serious dearth of Russian literature. However, I made use of the principal English work on imperialism, the book by J. A. Hobson, with all the care that, in my opinion, that work deserves.

This pamphlet was written with an eye to the tsarist censorship. Hence, I was not only forced to confine myself strictly to an exclusively theoretical, specifically economic analysis of facts, but to formulate the few necessary observations on politics with extreme caution, by hints, in an allegorical language—in that accursed Aesopian language—to which tsarism compelled all revolutionaries to have recourse whenever they took up the pen to write a "legal" work.

It is painful, in these days of liberty, to re-read the passages of the pamphlet which have been distorted, cramped, compressed in an iron vice on account of the censor. That the period of imperialism is the eve of the socialist revolution; that social-chauvinism (socialism in words, chauvinism in deeds) is the utter betrayal of socialism, complete desertion to the side of the bourgeoisie; that this split in the working-class movement is bound up with the objective conditions of imperialism, etc.—on these matters I had to speak in a "slavish" tongue, and I must refer the reader who is interested in the subject to the articles I wrote abroad in 1914-17, a new edition of which is soon to appear. In order to show the reader, in a guise acceptable to the censors, how shamelessly untruthful the capitalists and the social-chauvinists who have deserted to their side (and whom Kautsky opposes so inconsistently) are on the question of annexations; in order to show how shamelessly they *screen* the annexations of *their* capitalists, I was forced to quote as an example—Japan! The careful reader will easily substitute Russia for Japan, and Finland, Poland, Courland, the Ukraine, Khiva, Bokhara, Estonia or other regions peopled by non-Great Russians, for Korea.

I trust that this pamphlet will help the reader to understand the fundamental economic question, that of the economic essence of imperialism, for unless this is studied, it will be impossible to understand and appraise modern war and modern politics.

Author

Petrograd, April 26, 1917

PREFACE TO THE FRENCH AND GERMAN EDITIONS

I

As was indicated in the preface to the Russian edition, this pamphlet was written in 1916, with an eye to the tsarist censorship. I am unable to revise the whole text at the present time, nor, perhaps, would this be advisable, since the main purpose of the book was, and remains, to present, on the basis of the summarized returns of irrefutable bourgeois statistics, and the admissions of bourgeois scholars of all countries, *a composite picture* of the world capitalist system in its international relationships at the beginning of the twentieth century—on the eve of the first world imperialist war.

To a certain extent it will even be useful for many Communists in advanced capitalist countries to convince themselves by the example of this pamphlet, legal from the standpoint of the tsarist censor, of the possibility, and necessity, of making use of even the slight remnants of legality which still remain at the disposal of the Communists, say, in contemporary America or France, after the recent almost wholesale arrests of Communists, in order to explain the utter falsity of social-pacifist views and hopes for "world democracy". The most essential of what should be added to this censored pamphlet I shall try to present in this preface.

II

It is proved in the pamphlet that the war of 1914-18 was imperialist (that is, an annexationist, predatory war of plunder) on the part of both sides; it was a war for the division of the world, for the partition and repartition of colonies and spheres of influence of finance capital, etc.

Proof of what was the true social, or rather, the true class character of the war is naturally to be found, not in the diplomatic history of the war, but in an analysis of the *objective* position of the ruling *classes* in *all* the belligerent countries. In order to depict this objective position, one must not take examples or isolated data (in view of the extreme complexity of the phenomena of social life it is always possible to select any number of examples or separate data to prove any proposition), but *all* the data on the *basis* of economic life in *all* the belligerent countries and the whole world.

It is precisely irrefutable summarized data of this kind that I quoted in describing the *partition of the world* in 1876 and 1914 (in Chapter VI) and the division of the world's *railways* in 1890 and 1913 (in Chapter VII). Railways are a summation of the basic capitalist industries, coal, iron and steel; a summation and the most striking index of the development of world trade and bourgeois-democratic civilization. How the railways are linked up with large-scale industry, with monopolies, syndicates, cartels, trusts, banks and the financial oligarchy is shown in the preceding chapters of the book. The uneven distribution of the railways, their uneven development—sums up, as it were, modern monopolist capitalism on a world-wide scale. And this summary proves that imperialist wars are absolutely inevitable under *such* an economic system, *as long as* private property in the means of production exists.

The building of railways seems to be a simple, natural, democratic, cultural and civilizing enterprise; that is what it is in the opinion of the bourgeois professors who are paid to depict capitalist slavery in bright colors, and in the opinion of petty-bourgeois philistines. But as a matter of fact the capitalist threads, which in thousands of different inter-crossings bind these enterprises with private property in the means of production in general, have converted this railway construction into an instrument for oppressing *a thousand million* people (in the colonies and semi-colonies), that is, more than half the population of the globe that inhabits the dependent countries, as well as the wage-slaves of capital in the "civilized" countries.

Private property based on the labor of the small proprietor, free competition, democracy, all the catchwords with which the capitalists and their press deceive the workers and the peasants are things of the distant past. Capitalism has grown into a world system of colonial oppression and of the financial strangulation of the overwhelming majority of the population of the world by a handful of "advanced" countries. And this "booty" is shared between two or three powerful world plunderers armed to the teeth (America, Great Britain, Japan), who are drawing the whole world into *their* war over the division of *their* booty.

III

The Treaty of Brest-Litovsk dictated by monarchist Germany, and the subsequent much more brutal and despicable Treaty of Versailles dictated by the "democratic" republics of America and France and also by "free" Britain, have rendered a most useful service to humanity by exposing both imperialism's hired coolies of the pen and petty-bourgeois reactionaries who, although they call themselves pacifists and socialists, sang praises to "Wilsonism," and insisted that peace and reforms were possible under imperialism.

The tens of millions of dead and maimed left by the war—a war to decide whether the British or German group of financial plunderers is to receive the most booty—and those two "peace treaties," are with unprecedented rapidity opening the eyes of the millions and tens of millions of people who are downtrodden, oppressed, deceived and duped by the bourgeoisie. Thus, out of the universal ruin caused by the war a world-wide revolutionary crisis is arising which, however prolonged and arduous its stages may be, cannot end otherwise than in a proletarian revolution and in its victory.

The Basle Manifesto of the Second International, which in 1912 gave an appraisal of the very war that broke out in 1914 and not of war in general (there are different kinds of wars, including revolutionary wars)—this Manifesto is now a monument exposing to the full the shameful bankruptcy and treachery of the heroes of the Second International.

That is why I reproduce this Manifesto (This Manifesto is not given as an appendix to this edition—Ed) as a supplement to the present edition, and again and again I urge the reader to note that the heroes of the Second International are as assiduously avoiding the passages of this Manifesto which speak precisely, clearly and definitely of the connection between that impending war and the proletarian revolution, as a thief avoids the scene of his crime.

IV

Special attention has been devoted in this pamphlet to a criticism of Kautskyism, the international ideological trend represented in all countries of the world by the "most prominent theoreticians," the leaders of the Second International (Otto Bauer and Co. in Austria, Ramsay MacDonald and others in Britain, Albert Thomas in France, etc., etc.) and a multitude of socialists, reformists, pacifists, bourgeois democrats and parsons.

This ideological trend is, on the one hand, a product of the disintegration and decay of the Second International, and, on the other hand, the inevitable fruit of the ideology of the petty bourgeoisie, whose entire way of life holds them captive to bourgeois and democratic prejudices.

The views held by Kautsky and his like are a complete renunciation of those same revolutionary principles of Marxism that writer has championed for decades, especially, by the way, in his struggle against socialist opportunism (of Bernstein, Millerand, Hyndman, Gompers, etc.). It is not a mere accident, therefore, that Kautsky's followers all over the world have now united in practical politics with the extreme opportunists (through the Second, or Yellow International) and with the bourgeois governments (through bourgeois coalition governments in which socialists take part).

The growing world proletarian revolutionary movement in general, and the communist movement in particular, cannot dispense with an analysis and exposure of the theoretical errors of Kautskyism. The more so since pacifism and "democracy" in general, which lay no claim to Marxism whatever, but which, like Kautsky and Co., are obscuring the profundity of the contradictions of imperialism and the inevitable revolutionary crisis to which it gives rise, are still very widespread all over the world. To combat these tendencies is the bounden duty of the party of the proletariat, which must win away from the bourgeoisie the small proprietors who are duped by them, and the millions of working people who enjoy more or less petty-bourgeois conditions of life.

V

A few words must be said about Chapter VIII, "Parasitism and Decay of Capitalism." As already pointed out in the text, Hilferding, ex-"Marxist," and now a comrade-in-arms of Kautsky and one of the chief exponents of bourgeois, reformist policy in the Independent Social-Democratic Party of Germany, has taken a step backward on this question compared with the *frankly* pacifist and reformist Englishman, Hobson. The international split of the entire working-class movement is now quite evident (the Second and the Third Internationals). The fact that armed struggle and civil war is now raging between the two trends is also evident—the support given to Kolchak and Denikin in Russia by the Mensheviks and Socialist-Revolutionaries against the Bolsheviks; the fight the Scheidemanns and Noskes have conducted in conjunction with the bourgeoisie against the Spartacists in Germany; the same thing in Finland, Poland, Hungary, etc. What is the economic basis of this world-historical phenomenon?

It is precisely the parasitism and decay of capitalism, characteristic of its highest historical stage of development, i.e., imperialism. As this pamphlet shows, capitalism has now singled out a *handful*

(less than one-tenth of the inhabitants of the globe; less than one-fifth at a most "generous" and liberal calculation) of exceptionally rich and powerful states which plunder the whole world simply by "clipping coupons." Capital exports yield an income of eight to ten thousand million francs per annum, at pre-war prices and according to pre-war bourgeois statistics. Now, of course, they yield much more.

Obviously, out of such enormous *super profits* (since they are obtained over and above the profits which capitalists squeeze out of the workers of their "own" country) it is *possible to bribe* the labor leaders and the upper stratum of the labor aristocracy. And that is just what the capitalists of the "advanced" countries are doing: they are bribing them in a thousand different ways, direct and indirect, overt and covert.

This stratum of workers-turned-bourgeois, or the labor aristocracy, who are quite philistine in their mode of life, in the size of their earnings and in their entire outlook, is the principal prop of the Second International, and in our days, the principal *social* (not military) *prop of the bourgeoisie*. For they are the real *agents of the bourgeoisie in the working-class* movement, the labor lieutenants of the capitalist class, real vehicles of reformism and chauvinism. In the civil war between the proletariat and the bourgeoisie they inevitably, and in no small numbers, take the side of the bourgeoisie, the "Versaillese" against the "Communards."

Unless the economic roots of this phenomenon are understood and its political and social significance is appreciated, not a step can be taken toward the solution of the practical problem of the communist movement and of the impending social revolution.

Imperialism is the eve of the social revolution of the proletariat. This has been confirmed since 1917 on a world-wide scale.

N. Lenin

July 6, 1920

During the last fifteen to twenty years, especially since the Spanish-American War (1898) and the Anglo-Boer War (1899–1902), the economic and also the political literature of the two hemispheres has more and more often adopted the term "imperialism" in order to describe the present era. In 1902, a book by the English economist J. A. Hobson, *Imperialism,* was published in London and New York. This author, whose point of view is that of bourgeois social-reformism and pacifism which, in essence, is identical with the present point of view of the ex-Marxist, Karl Kautsky, gives a very good and comprehensive description of the principal specific economic and political features of imperialism. In 1910, there appeared in Vienna the work of the Austrian Marxist, Rudolf Hilferding, *Finance Capital* (Russian edition, Moscow, 1912). In spite of the mistake the author makes on the theory of money, and in spite of a certain inclination on his part to reconcile Marxism with opportunism, this work gives a very valuable theoretical analysis of "the latest phase of capitalist development," as the subtitle runs. Indeed, what has been said of imperialism during the last few years, especially in an enormous number of magazine and newspaper articles, and also in the resolutions, for example, of the Chemnitz and Basle

congresses which took place in the autumn of 1912, has scarcely gone beyond the ideas expounded, or more exactly, summed up by the two writers mentioned above...

Later on, I shall try to show briefly, and as simply as possible, the connection and relationships between the *principal* economic features of imperialism. I shall not be able to deal with the non-economic aspects of the question, however much they deserve to be dealt with. References to literature and other notes which, perhaps, would not interest all readers, are to be found at the end of this pamphlet.

Chapter 1: CONCENTRATION OF PRODUCTION AND MONOPOLIES

The enormous growth of industry and the remarkably rapid concentration of production in ever-larger enterprises are one of the most characteristic features of capitalism. Modern production censuses give most complete and most exact data on this process.

In Germany, for example, out of every 1,000 industrial enterprises, large enterprises, i.e., those employing more than 50 workers, numbered three in 1882, six in 1895 and nine in 1907; and out of every 100 workers employed, this group of enterprises employed 22, 30 and 37, respectively. Concentration of production, however, is much more intense than the concentration of workers, since labor in the large enterprises is much more productive. This is shown by the figures on steam-engines and electric motors. If we take what in Germany is called industry in the broad sense of the term, that is, including commerce, transport, etc., we get the following picture. Large-scale enterprises, 30,588 out of a total of 3,265,623, that is to say, 0.9 per cent. These enterprises employ 5,700,000 workers out of a total of 14,400,000, i.e., 39.4 per cent; they use 6,600,000 steam horse power out of a total of 8,800,000, i.e., 75.3 per cent, and 1,200,000 kilowatts of electricity out of a total of 1,500,000, i.e., 77.2 per cent.

Less than one-hundredth of the total number of enterprises utilize *more than three-fourths* of the total amount of steam and electric power! Two million nine hundred and seventy thousand small enterprises (employing up to five workers), constituting 91 per cent of the total, utilize only 7 per cent of the total amount of steam and electric power! Tens of thousands of huge enterprises are everything; millions of small ones are nothing.

In 1907, there were in Germany 586 establishments employing one thousand and more workers, nearly *one-tenth* (1,380,000) of the total number of workers employed in industry, and they consumed *almost one-third* (32 per cent) of the total amount of steam and electric power. [383] As we shall see, money capital and the banks make this superiority of a handful of the largest enterprises still more overwhelming, in the most literal sense of the word, i.e., millions of small, medium and even some big "proprietors" are in fact in complete subjection to some hundreds of millionaire financiers.

In another advanced country of modern capitalism, the United States of America, the growth of the concentration of production is still greater. Here statistics single out industry in the narrow sense of the word and classify enterprises according to the value of their annual output. In 1904 large-scale enterprises with an output valued at one million dollars and over, numbered 1,900 (out of 216,180, i.e.,

[383] Figures taken from Annalen des deutschen Reichs, 1911, Zahn —Lenin

0.9 per cent). These employed 1,400,000 workers (out of 5,500,000, i.e., 25.6 per cent) and the value of their output amounted to $5,600,000,000 (out of $14,800,000,000, i.e., 38 per cent). Five years later, in 1909, the corresponding figures were: 3,060 enterprises (out of 268,491, i.e., 1.1 per cent) employing 2,000,000 workers (out of 6,600,000, i.e., 30.5 per cent) with an output valued at $9,000,000,000 (out of $20,700,000,000, i.e., 43.8 per cent). [384]

Almost half the total production of all the enterprises of the country was carried on by *one-hundredth part* of these enterprises! These 3,000 giant enterprises embrace 258 branches of industry. From this it can be seen that at a certain stage of its development concentration itself, as it were, leads straight to monopoly, for a score or so of giant enterprises can easily arrive at an agreement, and on the other hand, the hindrance to competition, the tendency towards monopoly, arises from the huge size of the enterprises. This transformation of competition into monopoly is one of the most important—if not the most important—phenomena of modern capitalist economy, and we must deal with it in greater detail. But first we must clear up one possible misunderstanding.

American statistics speak of 3,000 giant enterprises in 250 branches of industry, as if there were only a dozen enterprises of the largest scale for each branch of industry.

But this is not the case. Not in every branch of industry are there large-scale enterprises; and moreover, a very important feature of capitalism in its highest stage of development is so-called *combination* of production, that is to say, the grouping in a single enterprise of different branches of industry, which either represent the consecutive stages in the processing of raw materials (for example, the smelting of iron ore into pig-iron, the conversion of pig-iron into steel, and then, perhaps, the manufacture of steel goods)—or are auxiliary to one another (for example, the utilization of scrap, or of by-products, the manufacture of packing materials, etc.).

"Combination," writes Hilferding, "levels out the fluctuations of trade and therefore assures to the combined enterprises a more stable rate of profit. Secondly, combination has the effect of eliminating trade. Thirdly, it has the effect of rendering possible technical improvements, and, consequently, the acquisition of super profits over and above those obtained by the 'pure' (i.e., non-combined) enterprises. Fourthly, it strengthens the position of the combined enterprises relative to the 'pure' enterprises, strengthens them in the competitive struggle in periods of serious depression, when the fall in prices of raw materials does not keep pace with the fall in prices of manufactured goods." [385]

The German bourgeois economist, Heymann, who has written a book especially on "mixed," that is, combined, enterprises in the German iron industry, says: "Pure enterprises perish, they are crushed between the high price of raw material and the low price of the finished product." thus we get the following picture: "There remain, on the one hand, the big coal companies, producing millions of tons yearly, strongly organized in their coal syndicate, and on the other, the big steel plants, closely allied to the coal mines, having their own steel syndicate. These giant enterprises, producing 400,000 tons of steel

[384] Statistical Abstract of the United States, 1912, p. 202 —Lenin
[385] Finance Capital, Russ. ed., pp. 286-87 —Lenin

per annum, with a tremendous output of ore and coal and producing finished steel goods, employing 10,000 workers quartered in company houses, and sometimes owning their own railways and ports, are the typical representatives of the German iron and steel industry. And concentration goes on further and further. Individual enterprises are becoming larger and larger. An ever-increasing number of enterprises in one, or in several different industries, join together in giant enterprises, backed up and directed by half a dozen big Berlin banks. In relation to the German mining industry, the truth of the teachings of Karl Marx on concentration is definitely proved; true, this applies to a country where industry is protected by tariffs and freight rates. The German mining industry is ripe for expropriation." [386]

Such is the conclusion which a bourgeois economist who, by way of exception, is conscientious, had to arrive at. It must be noted that he seems to place Germany in a special category because her industries are protected by higher tariffs. But this is a circumstance which only accelerates concentration and the formation of monopolist manufacturers' associations, cartels, syndicates, etc. It is extremely important to note that in free-trade Britain, concentration also leads to monopoly, although somewhat later and perhaps in another form. Professor Hermann Levy, in his special work of research entitled *Monopolies, Cartels and Trusts,* based on data on British economic development, writes as follows:

"In Great Britain it is the size of the enterprise and its high technical level which harbor a monopolist tendency. This, for one thing, is due to the great investment of capital per enterprise, which gives rise to increasing demands for new capital for the new enterprises and thereby renders their launching more difficult. Moreover (and this seems to us to be the more important point), every new enterprise that wants to keep pace with the gigantic enterprises that have been formed by concentration would here produce such an enormous quantity of surplus goods that it could dispose of them only by being able to sell them profitably as a result of an enormous increase in demand; otherwise, this surplus would force prices down to a level that would be unprofitable both for the new enterprise and for the monopoly combines." Britain differs from other countries where protective tariffs facilitate the formation of cartels in that monopolist manufacturers' associations, cartels and trusts arise in the majority of cases only when the number of the chief competing enterprises has been reduced to "a couple of dozen or so." "Here the influence of concentration on the formation of large industrial monopolies in a whole sphere of industry stands out with crystal clarity." [387]

Half a century ago, when Marx was writing *Capital,* free competition appeared to the overwhelming majority of economists to be a "natural law". Official science tried, by a conspiracy of silence, to kill the works of Marx, who by a theoretical and historical analysis of capitalism had proved that free competition gives rise to the concentration of production, which, in turn, at a certain stage of development, leads to monopoly. Today, monopoly has become a fact. Economists are writing mountains of books in which they describe the diverse manifestations of monopoly, and continue to declare in chorus that "Marxism is refuted." But facts are stubborn things, as the English proverb says,

[386] Hans Gideon Heymann, Die gemischten Werke im deutschen Grosseiseugewerbe, Stuttgart, 1904, (S. 256, 278). —Lenin
[387] Hermann Levy, Monopole, Kartelle und Trusts, Jena, 1909, S. 286, 290, —Lenin

and they have to be reckoned with, whether we like it or not. The facts show that differences between capitalist countries, e.g., in the matter of protection or free trade, only give rise to insignificant variations in the form of monopolies or in the moment of their appearance; and that the rise of monopolies, as the result of the concentration of production, is a general and fundamental law of the present stage of development of capitalism.

For Europe, the time when the new capitalism *definitely* superseded the old can be established with fair precision; it was the beginning of the twentieth century. In one of the latest compilations on the history of the "formation of monopolies", we read:

"Isolated examples of capitalist monopoly could be cited from the period preceding 1860; in these could be discerned the embryo of the forms that are so common today; but all this undoubtedly represents the prehistory of the cartels. The real beginning of modern monopoly goes back, at the earliest, to the sixties. The first important period of development of monopoly commenced with the international industrial depression of the seventies and lasted until the beginning of the nineties." "If we examine the question on a European scale, we will find that the development of free competition reached its apex in the sixties and seventies. It was then that Britain completed the construction of her old-style capitalist organisation. In Germany, this organisation had entered into a fierce struggle with handicraft and domestic industry, and had begun to create for itself its own forms of existence."

"The great revolution commenced with the crash of 1873, or rather, the depression which followed it and which, with hardly discernible interruptions in the early eighties, and the unusually violent, but short-lived boom round about 1889, marks twenty-two years of European economic history ... During the short boom of 1889-90, the system of cartels was widely resorted to in order to take advantage of favorable business conditions. An ill-considered policy drove prices up still more rapidly and still higher than would have been the case if there had been no cartels, and nearly all these cartels perished ingloriously in the smash. Another five-year period of bad trade and low prices followed, but a new spirit reigned in industry; the depression was no longer regarded as something to be taken for granted: it was regarded as nothing more than a pause before another boom.

"The cartel movement entered its second epoch: instead of being a transitory phenomenon, the cartels have become one of the foundations of economic life. They are winning one field of industry after another, primarily, the raw materials industry. At the beginning of the nineties the cartel system had already acquired in the organisation of the coke syndicate on the model of which the coal syndicate was later formed—a cartel technique which has hardly been improved on. For the first time the great boom at the close of the nineteenth century and the crisis of 1900-03 occurred entirely—in the mining and iron industries at least—under the aegis of the cartels. And while at that time it appeared to be something

novel, now the general public takes it for granted that large spheres of economic life have been, as a general rule, removed from the realm of free competition." [388]

Thus, the principal stages in the history of monopolies are the following: (1) 1860-70, the highest stage, the apex of development of free competition; monopoly is in the barely discernible, embryonic stage. (2) After the crisis of 1873, a lengthy period of development of cartels; but they are still the exception. They are not yet durable. They are still a transitory phenomenon. (3) The boom at the end of the nineteenth century and the crisis of 1900-03. Cartels become one of the foundations of the whole of economic life. Capitalism has been transformed into imperialism.

Cartels come to an agreement on the terms of sale, dates of payment, etc. They divide the markets among themselves. They fix the quantity of goods to be produced. They fix prices. They divide the profits among the various enterprises, etc.

The number of cartels in Germany was estimated at about 250 in 1896 and at 385 in 1905, with about 12,000 firms participating. [389] But it is generally recognized that these figures are underestimations. From the statistics of German industry for 1907 we quoted above, it is evident that even these 12,000 very big enterprises probably consume more than half the steam and electric power used in the country. In the United States of America, the number of trusts in 1900 was estimated at 185 and in 1907, 250. American statistics divide all industrial enterprises into those belonging to individuals, to private firms or to corporations. The latter in 1904 comprised 23.6 per cent, and in 1909, 25.9 per cent, i.e., more than one-fourth of the total industrial enterprises in the country. These employed in 1904, 70.6 per cent, and in 1909, 75.6 per cent, i.e., more than three-fourths of the total wage-earners. Their output at these two dates was valued at $10,900,000,000 and $16,300,000,000, i.e., 73.7 per cent and 79.0 per cent of the total, respectively.

At times cartels and trusts concentrate in their hands seven- or eight-tenths of the total output of a given branch of industry. The Rhine-Westphalian Coal Syndicate, at its foundation in 1893, concentrated 86.7 per cent of the total coal output of the area, and in 1910 it already concentrated 95.4 per cent. [390] The monopoly so created assures enormous profits, and leads to the formation of technical production units of formidable magnitude. The famous Standard Oil Company in the United States was founded in 1900: "It has an authorized capital of $150,000,000. It issued $100,000,000 common and $106,000,000 preferred stock. From 1900 to 1907 the following dividends were paid on the latter: 48, 48, 45, 44, 36, 40, 40, 40 per cent in the respective years, i.e., in all, $367,000,000. From 1882 to 1907, out of total net profits amounting to $889,000,000, $606,000,000 were distributed in dividends, and the rest

[388] Th. Vogelstein, "Die finanzielle Organisation der kapitalistischen Industrie und die Monopolbildungen" in Grundriss der Sozialökonomik, VI. Abt., Tubingen, 1914. Cf., also by the same author: Organisationsformen der Eisenindustrie und Textilindustrie in England und Amerika, Bd. 1, Lpz., 1910. —Lenin

[389] Dr. Riesser, Die deutschen Grossbanken und ihre Konzentration im Zusammenhange mit der Entwicklung der Gesamtwirtschaft in Deutschland, 4. Aufl., 1912, S. 149; Robert Liefmann, Kartelle und Trusts und die Weiterbildung der volkswirtschaftlichen Organisation, 2. Aufl., 1910, S. 25. —Lenin

[390] R. Liefmann, Beteiligungs- und Finanziertingsgesellschaften. Eine Studie über den modernen Kapitalismus und das Effektenwesen, 1. Aufl., Jena, 1909, S. 212. —Lenin

went to reserve capital. [391] "In 1907 the various works of the United States Steel Corporation employed no less than 210,180 people. The largest enterprise in the German mining industry, Gelsenkirchener Bergwerksgesellschaft, in 1908 had a staff of 46,048 workers and office employees." [392] In 1902, the United States Steel Corporation already produced 9,000,000 tons of steel. [393] Its output constituted in 1901, 66.3 per cent, and in 1908, 56.1 per cent of the total output of steel in the United States. [394] The output of ore was 43.9 per cent and 46.3 per cent, respectively.

The report of the American Government Commission on Trusts states: "Their superiority over competitors is due to the magnitude of their enterprises and their excellent technical equipment. Since its inception, the Tobacco Trust has devoted all its efforts to the universal substitution of mechanical for manual labor. With this end in view, it has bought up all patents that have anything to do with the manufacture of tobacco and has spent enormous sums for this purpose. Many of these patents at first proved to be of no use, and had to be modified by the engineers employed by the trust. At the end of 1906, two subsidiary companies were formed solely to acquire patents. With the same object in view, the trust has built its own foundries, machine shops and repair shops. One of these establishments, that in Brooklyn, employs on the average 300 workers; here experiments are carried out on inventions concerning the manufacture of cigarettes, cheroots, snuff, tinfoil for packing, boxes, etc. Here, also, inventions are perfected." [395] "Other trusts also employ what are called development engineers whose business it is to devise new methods of production and to test technical improvements. The United States Steel Corporation grants big bonuses to its workers and engineers for all inventions that raise technical efficiency, or reduce cost of production." [396]

In German large-scale industry, e.g., in the chemical industry, which has developed so enormously during these last few decades, the promotion of technical improvement is organized in the same way. By 1908 the process of concentration of production had already given rise to two main "groups" which, in their way, were also in the nature of monopolies. At first these groups constituted "dual alliances" of two pairs of big factories, each having a capital of from twenty to twenty-one million marks on the one hand, the former Meister Factory in Hochst and the Casella Factory in Frankfurt am Main; and on the other hand, the aniline and soda factory at Ludwigshafen and the former Bayer Factory at Elberfeld. Then, in 1905, one of these groups, and in 1908 the other group, each concluded an agreement with yet another big factory. The result was the formation of two "triple alliances," each with

[391] Ibid., S. 218. —Lenin
[392] Ibid., S. 218. —Lenin
[393] Dr. S. Tschierschky, Kartell und Trust, Göttingen, 1903, S. 13. —Lenin
[394] Tr. Vogelstein, Organisationsformen, S. 275. —Lenin
[395] Report of the Commissioner of Corporations on the Tobacco Industry, Washington, 1909, p. 266, cited according to Dr. Paul Tafel, Die nordamerikanischen Trusts und ihre Wirkungen auf den Fortschritt der Technik, Stuttgart, 1913, S. 48. —Lenin
[396] Dr. P. Tafel, ibid., S. 49. —Lenin

a capital of from forty to fifty million marks. And these "alliances" have already begun to "approach" each other, to reach "an understanding" about prices, etc. [397]

Competition becomes transformed into monopoly. The result is immense progress in the socialization of production. In particular, the process of technical invention and improvement becomes socialized.

This is something quite different from the old free competition between manufacturers, scattered and out of touch with one another, and producing for an unknown market. Concentration has reached the point at which it is possible to make an approximate estimate of all sources of raw materials (for example, the iron ore deposits) of a country and even, as we shall see, of several countries, or of the whole world. Not only are such estimates made, but these sources are captured by gigantic monopolist associations. An approximate estimate of the capacity of markets is also made, and the associations "divide" them up amongst themselves by agreement. Skilled labor is monopolized, the best engineers are engaged; the means of transport are captured—railways in America, shipping companies in Europe and America. Capitalism in its imperialist stage leads directly to the most comprehensive socialization of production; it, so to speak, drags the capitalists, against their will and consciousness, into some sort of a new social order, a transitional one from complete free competition to complete socialization.

Production becomes social, but appropriation remains private. The social means of production remain the private property of a few. The general framework of formally recognized free competition remains, and the yoke of a few monopolists on the rest of the population becomes a hundred times heavier, more burdensome and intolerable.

The German economist, Kestner, has written a book especially devoted to "the struggle between the cartels and outsiders", i.e., the capitalists outside the cartels. He entitled his work *Compulsory Organisation*, although, in order to present capitalism in its true light, he should, of course, have written about compulsory submission to monopolist associations. It is instructive to glance at least at the list of the methods the monopolist associations resort to in the present-day, the latest, the civilized struggle for "organisation": (1) stopping supplies of raw materials ... ("one of the most important methods of compelling adherence to the cartel"); (2) stopping the supply of labor by means of "alliances" (i.e., of agreements between the capitalists and the trade unions by which the latter permit their members to work only in cartelized enterprises); (3) stopping deliveries; (4) closing trade outlets; (5) agreements with the buyers, by which the latter undertake to trade only with the cartels; (6) systematic price cutting (to ruin "outside" firms, i.e., those which refuse to submit to the monopolists. Millions are spent in order to sell goods for a certain time below their cost price; there were instances when the price of petrol was thus reduced from 40 to 22 marks, i.e., almost by half!); (7) stopping credits; (8) boycott.

[397] Riesser, op. cit., third edition, p. 547 et seq. The newspapers (June 1916) report the formation of a new gigantic trust which combines the chemical industry of Germany. —Lenin

Here we no longer have competition between small and large, between technically developed and backward enterprises. We see here the monopolists throttling those who do not submit to them, to their yoke, to their dictation. This is how this process is reflected in the mind of a bourgeois economist:

"Even in the purely economic sphere," writes Kestner, "a certain change is taking place from commercial activity in the old sense of the word towards organisational-speculative activity. The greatest success no longer goes to the merchant whose technical and commercial experience enables him best of all to estimate the needs of the buyer, and who is able to discover and, so to speak, 'awaken' a latent demand; it goes to the speculative genius [?!] who knows how to estimate, or even only to sense in advance, the organisational development and the possibilities of certain connections between individual enterprises and the banks. . . ."

Translated into ordinary human language this means that the development of capitalism has arrived at a stage when, although commodity production still "reigns" and continues to be regarded as the basis of economic life, it has in reality been undermined and the bulk of the profits go to the "geniuses" of financial manipulation. At the basis of these manipulations and swindles lies socialized production; but the immense progress of mankind, which achieved this socialization, goes to benefit . . . the speculators. We shall see later how "on these grounds" reactionary, petty-bourgeois critics of capitalist imperialism dream of going *back* to "free," "peaceful" and "honest" competition.

"The prolonged raising of prices which results from the formation of cartels," says Kestner, "has hitherto been observed only in respect of the most important means of production, particularly coal, iron and potassium, but never in respect of manufactured goods. Similarly, the increase in profits resulting from this raising of prices has been limited only to the industries which produce means of production. To this observation we must add that the industries which process raw materials (and not semi-manufactures) not only secure advantages from the cartel formation in the shape of high profits, to the detriment of the finished goods industry, but have also secured a *dominating position* over the latter, which did not exist under free competition." [398]

The words which I have italicized reveal the essence of the case which the bourgeois economists admit so reluctantly and so rarely, and which the present-day defenders of opportunism, led by Kautsky, so zealously try to evade and brush aside. Domination, and the violence that is associated with it, such are the relationships that are typical of the "latest phase of capitalist development"; this is what inevitably had to result, and has resulted, from the formation of all-powerful economic monopolies.

I shall give one more example of the methods employed by the cartels. Where it is possible to capture all or the chief sources of raw materials, the rise of cartels and formation of monopolies is particularly easy. It would be wrong, however, to assume that monopolies do not arise in other industries in which it is impossible to corner the sources of raw materials. The cement industry, for instance, can find its raw materials everywhere. Yet in Germany this industry too is strongly cartelized. The cement manufacturers have formed regional syndicates: South German, Rhine-Westphalian, etc.

[398] Kestner, op.cit., S. 254 —Lenin

The prices fixed are monopoly prices: 230 to 280 marks a car-load, when the cost price is 180 marks! The enterprises pay a dividend of from 12 to 16 per cent—and it must not be forgotten that the "geniuses" of modern speculation know how to pocket big profits besides what they draw in dividends. In order to prevent competition in such a profitable industry, the monopolists even resort to various stratagems: they spread false rumors about the bad situation in their industry; anonymous warnings are published in the newspapers, like the following: "Capitalists, don't invest your capital in the cement industry!"; lastly, they buy up "outsiders" (those outside the syndicates) and pay them compensation of 60,000, 80,000 and even 150,000 marks. [399] Monopoly hews a path for itself everywhere without scruple as to the means, from paying a "modest" sum to buy off competitors, to the American device of employing dynamite against them.

The statement that cartels can abolish crises is a fable spread by bourgeois economists who at all costs desire to place capitalism in a favorable light. On the contrary, the monopoly created in *certain* branches of industry increases and intensifies the anarchy inherent in capitalist production *as a whole.* The disparity between the development of agriculture and that of industry, which is characteristic of capitalism in general, is increased. The privileged position of the most highly cartelized, so-called *heavy* industry, especially coal and iron, causes "a still greater lack of co-ordination" in other branches of industry—as Jeidels, the author of one of the best works on "the relationship of the German big banks to industry," admits. [400]

"The more developed an economic system is," writes Liefmann, an unblushing apologist of capitalism, "the more it resorts to risky enterprises, or enterprises in other countries, to those which need a great deal of time to develop, or finally, to those which are only of local importance." [401] The increased risk is connected in the long run with a prodigious increase of capital, which, as it were, overflows the brim, flows abroad, etc. At the same time the extremely rapid rate of technical progress gives rise to increasing elements of disparity between the various spheres of national economy, to anarchy and crises. Liefmann is obliged to admit that: "In all probability mankind will see further important technical revolutions in the near future which will also affect the organisation of the economic system"... electricity and aviation.... "As a general rule, in such periods of radical economic change, speculation develops on a large scale."... [402]

Crises of every kind—economic crises most frequently, but not only these—in their turn increase very considerably the tendency towards concentration and towards monopoly. In this connection, the following reflections of Jeidels on the significance of the crisis of 1900, which, as we have already seen, marked the turning-point in the history of modern monopoly, are exceedingly instructive:

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[399] L. Eschwege, "Zement" in Die Bank, 1909, S. 115 et. seq. —Lenin

[400] Jeidels, Das Verhältnis der deutschen Grossbanken zur Industrie mit besonderer Berüchsichtigung der Eisenindustrie, Leipzig, 1905, S. 271 —Lenin

[401] Liefmann, Beteiligungs- und Finanzierungsgesellschaften, S, 434. —Lenin

[402] Ibid, S. 465-66 —Lenin

"Side by side with the gigantic plants in the basic industries, the crisis of 1900 still found many plants organized on lines that today would be considered obsolete, the 'pure' (non-combined) plants, which were brought into being at the height of the industrial boom. The fall in prices and the falling off in demand put these 'pure' enterprises in a precarious position, which did not affect the gigantic combined enterprises at all or only affected them for a very short time. As a consequence of this the crisis of 1900 resulted in a far greater concentration of industry than the crisis of 1873: the latter crisis also produced a sort of selection of the best-equipped enterprises, but owing to the level of technical development at that time, this selection could not place the firms which successfully emerged from the crisis in a position of monopoly. Such a durable monopoly exists to a high degree in the gigantic enterprises in the modern iron and steel and electrical industries owing to their very complicated technique, far-reaching organisation and magnitude of capital, and, to a lesser degree, in the engineering industry, certain branches of the metallurgical industry, transport, etc." [403]

Monopoly! This is the last word in the "latest phase of capitalist development." But we shall only have a very insufficient, incomplete, and poor notion of the real power and the significance of modern monopolies if we do not take into consideration the part played by the banks.

Chapter 2: BANKS AND THEIR NEW ROLE

The principal and primary function of banks is to serve as middlemen in the making of payments. In so doing they transform inactive money capital into active, that is, into capital yielding a profit; they collect all kinds of money revenues and place them at the disposal of the capitalist class.

As banking develops and becomes concentrated in a small number of establishments, the banks grow from modest middlemen into powerful monopolies having at their command almost the whole of the money capital of all the capitalists and small businessmen and also the larger part of the means of production and sources of raw materials in any one country and in a number of countries. This transformation of numerous modest middlemen into a handful of monopolists is one of the fundamental processes in the growth of capitalism into capitalist imperialism; for this reason, we must first of all examine the concentration of banking.

In 1907-08, the combined deposits of the German joint-stock banks, each having a capital of more than a million marks, amounted to 7,000 million marks; in 1912-13, these deposits already amounted to 9,800 million marks, an increase of 40 per cent in five years; and of the 2,800 million increase, 2,750 million was divided among 57 banks, each having a capital of more than 10 million marks. The distribution of the deposits between big and small banks was as follows: [404]

PERCENTAGE OF TOTAL DEPOSITS				
	In 9 big Berlin banks	In the other 48 banks with a capital	In 115 banks with a capital	In small banks (with a capital

[403] Jeidels, op. cit., S. 108. —Lenin

[404] Alfred Lansburgh, "Fünf Jahre deutsches Bankwesen" in Die Bank, 1913, No. 8. —Lenin

		of more than 10 million marks	of 1-10 million marks	of less than a million marks)
1907-08....	47	32.5	16.5	4
1912-13.....	49	36	12	3

The small banks are being squeezed out by the big banks, of which only nine concentrates in their hands almost half the total deposits. But we have left out of account many important details, for instance, the transformation of numerous small banks into actual branches of the big banks, etc. Of this I shall speak later on.

At the end of 1913, Schulze-Gaevernitz estimated the deposits in the nine big Berlin banks at 5,100 million marks, out of a total of about 10,000 million marks. Taking into account not only the deposits, but the total bank capital, this author wrote: "At the end of 1909, the nine big Berlin banks, *together with their affiliated banks*, controlled 11,300 million marks, that is, about 83 per cent of the total German bank capital. The Deutsche Bank, which *together with its affiliated banks* controls nearly 3,000 million marks, represents, parallel to the Prussian State Railway Administration, the biggest and also the most decentralized accumulation of capital in the Old World." [405]

I have emphasized the reference to the "affiliated" banks because it is one of the most important distinguishing features of modern capitalist concentration. The big enterprises, and the banks in particular, not only completely absorb the small ones, but also "annex" them, subordinate them, bring them into their "own" group or "concern" (to use the technical term) by acquiring "holdings" in their capital, by purchasing or exchanging shares, by a system of credits, etc., etc. Professor Liefmann has written a voluminous "work" of about 500 pages describing modern "holding and finance companies," [406] unfortunately adding very dubious "theoretical" reflections to what is frequently undigested raw material. To what results this "holding" system leads in respect of concentration is best illustrated in the book written on the big German banks by Riesser, himself a banker. But before examining his data, let us quote a concrete example of the "holding" system.

The Deutsche Bank "group" is one of the biggest, if not the biggest, of the big banking groups. In order to trace the main threads which, connect all the banks in this group, a distinction must be made between holdings of the first and second and third degree, or what amounts to the same thing, between dependence (of the lesser banks on the Deutsche Bank) in the first, second and third degree. We then obtain the following picture: [407]

[405] Schulze-Gaevernitz, "Die deutsche Kreditbank" in "Grundriss der Sozialökonomik", Tübingen, 1915, 137. —Lenin
[406] R. Liefmann, Beteilgungs- und Finanzierungsgesellschaften. Eine Studie über den modernen Kapitalismus und das Effektenwesen, I., Jena, 1909, 212. —Lenin
[407] Eugen Kaufmann, Das französische Bankwesen, Tübingen, 1911, 356 and 362 —Lenin

The Deutsche Bank has holdings:	Direct or 1st degree dependence	2nd degree dependence	3rd degree dependence
Permanently	in 17 other banks	9 of the 17 have holdings in 34 other banks	4 of the 9 have holdings in 7 other banks
For an indefinite period....	in 5 other banks	—	—
Occasionally....	in 8 other banks	5 of the 8 have holdings in 14 other banks	2 of the 5 have holdings in 2 other banks
Totals.....	in 30 other banks	14 of the 30 have holdings in 48 other banks	6 of the 14 have holdings in 9 other banks

Included in the eight banks "occasionally" dependent on the Deutsche Bank in the "first degree", are three foreign banks: one Austrian (the Wiener Bankverein) and two Russian (the Siberian Commercial Bank and the Russian Bank for Foreign Trade). Altogether, the Deutsche Bank group comprises, directly and indirectly, partially and totally, 87 banks; and the total capital—its own and that of others which it controls—is estimated at between two and three thousand million marks.

It is obvious that a bank which stands at the head of such a group, and which enters into agreement with half a dozen other banks only slightly smaller than itself for the purpose of conducting exceptionally big and profitable financial operations like floating state loans, has already outgrown the part of "middleman" and has become an association of a handful of monopolists.

The rapidity with which the concentration of banking proceeded in Germany at the turn of the twentieth century is shown by the following data which we quote in an abbreviated form from Riesser:

SIX BIG BERLIN BANKS				
Year	Branches in Germany	Deposit banks and exchange offices	Constant holdings in German joint-stock banks	Total establishments
1895...	16	14	1	42

1900...	21	40	8	80
1911...	104	276	63	450

We see the rapid expansion of a close network of channels which cover the whole country, centralizing all capital and all revenues, transforming thousands and thousands of scattered economic enterprises into a single national capitalist, and then into a world capitalist economy. The "decentralization" that SchuIze-Gaevernitz, as an exponent of present-day bourgeois political economy, speaks of in the passage previously quoted, really means the subordination to a single centre of an increasing number of formerly relatively "independent," or rather, strictly local economic units. In reality it is *centralization*, the enhancement of the role, importance and power of monopolist giants.

In the older capitalist countries this "banking network" is still more close. In Great Britain and Ireland, in 1910, there were in all 7,151 branches of banks. Four big banks had more than 400 branches each (from 447 to 689); four had more than 200 branches each, and eleven more than 100 each.

In France, *three* very big banks, Crédit Lyonnais, the Comptoir National and the Société Générale extended their operations and their network of branches in the following manner. [408]

Number of branches and offices				Capital (000,000 francs)	
Year	In the provinces	In Paris	Total	Own Capital	Deposits used as capital
1870	47	17	64	200	427
1890	192	66	258	265	1,245
1909	1,033	196	1,229	887	4,363

In order to show the "connections" of a big modern bank, Riesser gives the following figures of the number of letters dispatched and received by the Disconto-Gesellschaft, one of the biggest banks in Germany and in the world (its capital in 1914 amounted to 300 million marks):

Year	Letters received	Letters dispatched
1852...	6,135	6,292
1870...	85,800	87,513
1900...	533,102	626,043

[408] Eugen Kaufmann, Das französische Bankwesen, Tübingen, 1911, 356 and 362 —Lenin

The number of accounts of the big Paris bank, the Crédit Lyonnais, increased from 28,535 in 1875 to 633,539 in 1912. [409]

These simple figures show perhaps better than lengthy disquisitions how the concentration of capital and the growth of bank turnover are radically changing the significance of the banks. Scattered capitalists are transformed into a single collective capitalist. When carrying the current accounts of a few capitalists, a bank, as it were, transacts a purely technical and exclusively auxiliary operation. When, however, this operation grows to enormous dimensions we find that a handful of monopolists subordinate to their will all the operations, both commercial and industrial, of the whole of capitalist society; for they are enabled by means of their banking connections, their current accounts and other financial operations—first, to *ascertain exactly* the financial position of the various capitalists, then to *control* them, to influence them by restricting or enlarging, facilitating or hindering credits, and finally to *entirely determine* their fate, determine their income, deprive them of capital, or permit them to increase their capital rapidly and to enormous dimensions, etc.

We have just mentioned the 300 million marks capital of the Disconto-Gesellschaft of Berlin. This increase of the capital of the bank was one of the incidents in the struggle for hegemony between two of the biggest Berlin banks - the Deutsche Bank and the Disconto. In 1870, the first was still a novice and had a capital of only 15 million marks, while the second had a capital of 30 million marks. In 1908, the first had a capital of 200 million, while the second had 170 million. In 1914, the first increased its capital to 250 million and the second, by merging with another first-class big bank, the Schaaffhausenscher Bankverein, increased its capital to 300 million. And, of course, this struggle for hegemony went hand in hand with the more and more frequent conclusion of "agreements" of an increasingly durable character between the two banks. The following are the conclusions that this development forces upon banking specialists who regard economic questions from a standpoint which does not in the least exceed the bounds of the most moderate and cautious bourgeois reformism.

Commenting on the increase of the capital of the Disconto Gesellschaft to 300 million marks, the German review, *Die Bank*, wrote: "Other banks will follow this same path and in time the three hundred men, who today govern Germany economically, will gradually be reduced to fifty, twenty-five or still fewer. It cannot be expected that this latest move towards concentration will be confined to banking. The close relations that exist between individual banks naturally lead to the bringing together of the industrial syndicates which these banks favor.... One fine morning we shall wake up in surprise to see nothing but trusts before our eyes, and to find ourselves faced with the necessity of substituting state monopolies for private monopolies. However, we have nothing to reproach ourselves with, except that we have allowed things to follow their own course, slightly accelerated by the manipulation of stocks." [410]

[409] Jean Lescure, L'épargne en France, Paris, 1914, p. 52. —Lenin
[410] A. Lansburgh, "Die Bank mit den 300 Millionen" in Die Bank, 1914, p. 426 —Lenin

This is an example of the impotence of bourgeois journalism which differs from bourgeois science only in that the latter is less sincere and strives to obscure the essence of the matter, to hide the forest behind the trees. To be "surprised" at the results of concentration, to "reproach" the government of capitalist Germany, or capitalist "society" ("ourselves"), to fear that the introduction of stocks and shares might "accelerate" concentration in the same way as the German "cartel" specialist Tschierschky fears the American trusts and "prefers" the German cartels on the grounds that they "may not, like the trusts, excessively accelerate technical and economic progress" [411] —is not all this a sign of impotence?

But facts remain facts. There are no trusts in Germany; there are "only" cartels—but Germany is *governed* by not more than three hundred magnates of capital, and the number of these is constantly diminishing. At all events, banks greatly intensify and accelerate the process of concentration of capital and the formation of monopolies in all capitalist countries, notwithstanding all the differences in their banking laws.

The banking system "possesses, indeed, the form of universal book-keeping and distribution of means of production on a social scale, but solely the form," wrote Marx in *Capital* half a century ago (Russ. trans., Vol. III, part II, p. 144.) The figures we have quoted on the growth of bank capital, on the increase in the number of the branches and offices of the biggest banks, the increase in the number of their accounts, etc., present a concrete picture of this "universal book-keeping" of the *whole* capitalist class; and not only of the capitalists, for the banks collect, even though temporarily, all kinds of money revenues—of small businessmen, office clerks, and of a tiny upper stratum of the working class. "Universal distribution of means of production"—that, from the formal aspect, is what grows out of the modern banks, which, numbering some three to six of the biggest in France, and six to eight in Germany, control millions and millions. In *substance*, however, the distribution of means of production is not at all "universal," but private, i.e., it conforms to the interests of big capital, and primarily, of huge, monopoly capital, which operates under conditions in which the masses live in want, in which the whole development of agriculture hopelessly lags behind the development of industry, while within industry itself the "heavy industries" exact tribute from all other branches of industry.

In the matter of socializing capitalist economy, the savings-banks and post-offices are beginning to compete with the banks; they are more "decentralized," i.e., their influence extends to a greater number of localities, to more remote places, to wider sections of the population. Here is the data collected by an American commission on the comparative growth of deposits in banks and savings-banks: [412]

DEPOSITS (000,000,000 marks)			
Year	Britain	France	Germany

[411] S. Tschierschky, op. cit., 128. —Lenin

[412] *Statistics of the National Monetary Commission, quoted in Die Bank, 1910, S. 1200. —Lenin*

	Banks	Savings-banks	Banks	Savings-banks	Banks	Credit Societies	Savings-banks
1880...	8.4	1.6	?	0.9	0.5	0.4	2.6
1888...	12.4	2.0	1.5	2.1	1.1	0.4	4.5
1908...	23.2	4.2	3.7	4.2	7.1	2.2	13.9

They pay interest at the rate of 4 per cent and 4 1/4 per cent on deposits, the savings-banks must seek "profitable" investments for their capital, they must deal in bills, mortgages, etc. The boundaries between the banks and the savings-banks "become more and more obliterated." The Chambers of Commerce of Bochum and Erfurt, for example, demand that savings-banks be "prohibited" from engaging in "purely" banking business, such as discounting bills; they demand the limitation of the "banking" operations of the post-office.[413] The banking magnates seem to be afraid that state monopoly will steal upon them from an unexpected quarter. It goes without saying, however, that this fear is no more than an expression of the rivalry, so to speak, between two department managers in the same office; for, on the one hand, the millions entrusted to the savings-banks are in the final analysis actually controlled by *these very same* bank capital magnates, while, on the other hand, state monopoly in capitalist society is merely a means of increasing and guaranteeing the income of millionaires in some branch of industry who are on the verge of bankruptcy.

The change from the old type of capitalism, in which free competition predominated, to the new capitalism, in which monopoly reigns, is expressed, among other things, by a decline in the importance of the Stock Exchange. The review, *Die Bank*, writes: "The Stock Exchange has long ceased to be the indispensable medium of circulation that it formerly was when the banks were not yet able to place the bulk of new issues with their clients."[414]

"'Every bank is a Stock Exchange,' and the bigger the bank, and the more successful the concentration of banking, the truer does this modern aphorism ring."[415] "While formerly, in the seventies, the Stock Exchange, flushed with the exuberance of youth" (a "subtle" allusion to the Stock Exchange crash of 1873, the company promotion scandals, etc.), "opened the era of the industrialization of Germany, nowadays the banks and industry are able to 'manage it alone.' The domination of our big banks over the Stock Exchange ... is nothing else than the expression of the completely organized German industrial state. If the domain of the automatically functioning economic laws is thus restricted, and if the domain of conscious regulation by the banks is considerably enlarged, the national economic responsibility of a few guiding heads is immensely increased," so writes the German Professor Schulze-Gaevernitz,[416] an apologist of German imperialism, who is regarded as an authority by the imperialists of all countries, and who tries to gloss over the "mere detail" that the "conscious regulation" of economic life by the

[413] Die Bank, 1913, S 811. —Lenin
[414] Die Bank, 1914, S 316. —Lenin
[415] Dr. Oscar Stillich, Geld- und Bankwesen, Berlin, 1907, S. 169. —Lenin
[416] Schulze-Gaevernitz, "Die deutsche Kreditbank" in Grundriss der Sozialökonomik, Tübingen, 1915, S. 101 —Lenin

banks consists in the fleecing of the public by a handful of "completely organized" monopolists. The task of a bourgeois professor is not to lay bare the entire mechanism, or to expose all the machinations of the bank monopolists, but rather to present them in a favorable light.

In the same way, Riesser, a still more authoritative economist and himself a banker, makes shift with meaningless phrases in order to explain away undeniable facts: "... the Stock Exchange is steadily losing the feature which is absolutely essential for national economy as a whole and for the circulation of securities in particular—that of being not only a most exact measuring-rod, but also an almost automatic regulator of the economic movements which converge on it." [417]

In other words, the old capitalism, the capitalism of free competition with its indispensable regulator, the Stock Exchange, is passing away. A new capitalism has come to take its place, bearing obvious features of something transient, a mixture of free competition and monopoly. The question naturally arises: into what is this new capitalism "developing"? But the bourgeois scholars are afraid to raise this question.

"Thirty years ago, businessmen, freely competing against one another, performed nine-tenths of the work connected with their business other than manual labor. At the present time, nine-tenths of this 'brain work' is performed by *employees*. Banking is in the forefront of this evolution." [418] This admission by Schulze-Gaevernitz brings us once again to the question: into what is this new capitalism, capitalism in its imperialist stage, developing?

Among the few banks which remain at the head of all capitalist economy as a result of the process of concentration, there is naturally to be observed an increasingly marked tendency towards monopolist agreements, towards a *bank trust*. In America, not nine, but *two* very big banks, those of the multimillionaires Rockefeller and Morgan, control a capital of eleven thousand million marks. [419] In Germany the absorption of the Schaaffhausenscher Bankverein by the Disconto-Gesellschaft to which I referred above, was commented on in the following terms by the *Frankfurter Zeitung*, an organ of Stock Exchange interests:

"The concentration movement of the banks is narrowing the circle of establishments from which it is possible to obtain credits, and is consequently increasing the dependence of big industry upon a small number of banking groups. In view of the close connection between industry and the financial world, the freedom of movement of industrial companies which need banking capital is restricted. For this reason, big industry is watching the growing trustification of the banks with mixed feelings. Indeed, we have repeatedly seen the beginnings of certain agreements between the individual big banking concerns, which aim at restricting competition." [420]

Again and again, the final word in the development of banking is monopoly.

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[417] Riesser, op. cit., 4th ed., S 629. —Lenin
[418] Schulze-Gaevernitz, "Die deutsche Kreditbank" in Grundriss der Sozialökonomik, Tübingen, 1915, S. 151 —Lenin
[419] Die Bank, 1912, S. 435. —Lenin
[420] Quoted by Schulze-Gaevernitz, op. cit., S 155 —Lenin

As regards the close connection between the banks and industry, it is precisely in this sphere that the new role of the banks is, perhaps, most strikingly felt. When a bank discounts a bill for a firm, opens a current account for it, etc., these operations, taken separately, do not in the least diminish its independence, and the bank plays no other part than that of a modest middleman. But when such operations are multiplied and become an established practice, when the bank "collects" in its own hands enormous amounts of capital, when the running of a current account for a given firm enables the bank—and this is what happens—to obtain fuller and more detailed information about the economic position of its client, the result is that the industrial capitalist becomes more completely dependent on the bank.

At the same time a personal link-up, so to speak, is established between the banks and the biggest industrial and commercial enterprises, the merging of one with another through the acquisition of shares, through the appointment of bank directors to the Supervisory Boards (or Boards of Directors) of industrial and commercial enterprises, and vice versa. The German economist, Jeidels, has compiled most detailed data on this form of concentration of capital and of enterprises. Six of the biggest Berlin banks were represented by their directors in 344 industrial companies; and by their board members in 407 others, making a total of 751 companies. In 289 of these companies, they either had two of their representatives on each of the respective Supervisory Boards, or held the posts of chairmen. We find these industrial and commercial companies in the most diverse branches of industry: insurance, transport, restaurants, theatres, art industry, etc. On the other hand, on the Supervisory Boards of these six banks (in 1910) were fifty-one of the biggest industrialists, including the director of Krupp, of the powerful "Hapag" (Hamburg-Amerika Line), etc., etc. From 1895 to 1910, each of these six banks participated in the share and bond issues of many hundreds of industrial companies (the number ranging from 281 to 419). [421]

The "personal link-up" between the banks and industry is supplemented by the "personal link-up" between both of them and the government. "Seats on Supervisory Boards," writes Jeidels, "are freely offered to persons of title, also to ex-civil servants, who are able to do a great deal to facilitate (!!) relations with the authorities." . . . "Usually, on the Supervisory Board of a big bank, there is a member of parliament or a Berlin city councilor."

The building and development, so to speak, of the big capitalist monopolies is therefore going on full steam ahead in all "natural" and "supernatural" ways. A sort of division of labor is being systematically developed amongst the several hundred kings of finance who reign over modern capitalist society:

"Simultaneously with this widening of the sphere of activity of certain big industrialists (joining the boards of banks, etc.) and with the assignment of provincial bank managers to definite industrial regions, there is a growth of specialization among the directors of the big banks. Generally speaking, this specialization is only conceivable when banking is conducted on a large scale, and particularly

[421] eidels, op. cit., S 156-57 —Lenin

when it has widespread connections with industry. This division of labor proceeds along two lines: on the one hand, relations with industry as a whole are entrusted to one director, as his special function; on the other, each director assumes the supervision of several separate enterprises, or of a group of enterprises in the same branch of industry or having similar interests.... (Capitalism has already reached the stage of organized supervision of individual enterprises.) One specializes in German industry, sometimes even in West German industry alone (the West is the most industrialized part of Germany), others specialize in relations with foreign states and foreign industry, in information on the characters of industrialists and others, in Stock Exchange questions, etc. Besides, each bank director is often assigned a special locality or a special branch of industry; one works chiefly on Supervisory Boards of electric companies, another, on chemical, brewing, or beet sugar plants, a third, in a few isolated industrial enterprises, but at the same time works on the Supervisory Boards of insurance companies.... In short, there can be no doubt that the growth in the dimensions and diversity of the big banks' operations is accompanied by an increase in the division of labor among their directors with the object (and result) of, so to speak, lifting them somewhat out of pure banking and making them better experts, better judges of the general problems of industry and the special problems of each branch of industry, thus making them more capable of acting within the respective bank's industrial sphere of influence. This system is supplemented by the banks' endeavors to elect to their Supervisory Boards men who are experts in industrial affairs, such as industrialists, former officials, especially those formerly in the railway service or in mining," etc. [422]

We find the same system only in a slightly different form in French banking. For instance, one of the three biggest French banks, the Crédit Lyonnais, has organized a financial research service (*service des études financières*), which permanently employs over fifty engineers, statisticians, economists, lawyers, etc. This costs from six to seven hundred thousand francs annually. The service is in turn divided into eight departments: one specializes in collecting information on industrial establishments, another studies general statistics, a third, railway and steamship companies, a fourth, securities, a fifth, financial reports, etc. [423]

The result is, on the one hand, the ever-growing merger, or, as N. I. Bukharin aptly calls it, coalescence, of bank and industrial capital and, on the other hand, the growth of the banks into institutions of a truly "universal character". On this question I find it necessary to quote the exact terms used by Jeidels, who has best studied the subject:

"An examination of the sum total of industrial relationships reveals the universal *character* of the financial establishments working on behalf of industry. Unlike other kinds of banks, and contrary to the demand sometimes expressed in the literature that banks should specialize in one kind of business or in one branch of industry in order to prevent the ground from slipping from under their feet—the big banks are striving to make their connections with industrial enterprises as varied as possible in respect of the locality or branches of industry and are striving to eliminate the unevenness in the distribution of

[422] Jeidels, op. cit., S 156-57 —Lenin
[423] An article by Eug. Kaufmann on French banks in Die Bank, 1909, 2, S 851 et. seq. —Lenin

capital among localities and branches of industry resulting from the historical development of individual enterprises." "One tendency is to make the connections with industry general; another tendency is to make them durable and close. In the six big banks both these tendencies are realized, not in full, but to a considerable extent and to an equal degree."

Quite often industrial and commercial circles complain of the "terrorism" of the banks. And it is not surprising that such complaints are heard, for the big banks "command," as will be seen from the following example. On November 19, 1901, one of the big, so-called Berlin "D" banks (the names of the four biggest banks begin with the letter D) wrote to the Board of Directors of the German Central Northwest Cement Syndicate in the following terms: "As we learn from the notice you published in a certain newspaper of the 18th inst., we must reckon with the possibility that the next general meeting of your syndicate, to be held on the 30th of this month, may decide on measures which are likely to effect changes in your enterprise which are unacceptable to us. We deeply regret that, for these reasons, we are obliged henceforth to withdraw the credit which had hitherto been allowed you.... But if the said next general meeting does not decide upon measures which are unacceptable to us, and if we receive suitable guarantees on this matter for the future, we shall be quite willing to open negotiations with you on the grant of a new credit." [424]

As a matter of fact, this is small capital's old complaint about being oppressed by big capital, but in this case, it was a whole syndicate that fell into the category of "small" capital! The old struggle between small and big capital is being resumed at a new and immeasurably higher stage of development. It stands to reason that the big banks' enterprises, worth many millions, can accelerate technical progress with means that cannot possibly be compared with those of the past. The banks, for example, set up special technical research societies, and, of course, only "friendly" industrial enterprises benefit from their work. To this category belong the Electric Railway Research Association, the Central Bureau of Scientific and Technical Research, etc.

The directors of the big banks themselves cannot fail to see that new conditions of national economy are being created; but they are powerless in the face of these phenomena.

"Anyone who has watched, in recent years," writes Jeidels, "the changes of incumbents of directorships and seats on the Supervisory Boards of the big banks, cannot fail to have noticed that power is gradually passing into the hands of men who consider the active intervention of the big banks in the general development of industry to be necessary and of increasing importance. Between these new men and the old bank directors, disagreements on this subject of a business and often of a personal nature are growing. The issue is whether or not the banks, as credit institutions, will suffer from this intervention in industry, whether they are sacrificing tried principles and an assured profit to engage in a field of activity which has nothing in common with their role as middlemen in providing credit, and which is leading the banks into a field where they are more than ever before exposed to the blind forces of trade fluctuations. This is the opinion of many of the older bank directors, while most of the young men

[424] Dr. Oscar Stillich, Geld- und Bankwesen, Berlin, 1907, S. 147. —Lenin

consider active intervention in industry to be a necessity as great as that which gave rise, simultaneously with big modern industry, to the big banks and modern industrial banking. The two parties are agreed only on one point: that there are neither firm principles nor a concrete aim in the new activities of the big banks." [425]

The old capitalism has had its day. The new capitalism represents a transition towards something. It is hopeless, of course, to seek for "firm principles and a concrete aim" for the purpose of "reconciling" monopoly with free competition. The admission of the practical men has quite a different ring from the official praises of the charms of "organized" capitalism sung by its apologists, Schulze-Gaevernitz, Liefmann and similar "theoreticians."

At precisely what period were the "new activities" of the big banks finally established? Jeidels gives us a fairly exact answer to this important question:

"The connections between the banks and industrial enterprises, with their new content, their new forms and their new organs, namely, the big banks which are organized on both a centralized and a decentralized basis, were scarcely a characteristic economic phenomenon before the nineties; in one sense, indeed, this initial date may be advanced to the year 1897, when the important mergers took place and when, for the first time, the new form of decentralized organisation was introduced to suit the industrial policy of the banks. This starting-point could perhaps be placed at an even later date, for it was the crisis of 1900 that enormously accelerated and intensified the process of concentration of industry and of banking, consolidated that process, for the first time transformed the connection with industry into the actual monopoly of the big banks, and made this connection much closer and more active."[426]

Thus, the twentieth century marks the turning-point from the old capitalism to the new, from the domination of capital in general to the domination of finance capital.

Chapter 3: FINANCE CAPITAL AND THE FINANCIAL OLIGARCHY

"A steadily increasing proportion of capital in industry," writes Hilferding, "ceases to belong to the industrialists who employ it. They obtain the use of it only through the medium of the banks which, in relation to them, represent the owners of the capital. On the other hand, the bank is forced to sink an increasing share of its funds in industry. Thus, to an ever-greater degree the banker is being transformed into an industrial capitalist. This bank capital, i.e., capital in money form, which is thus actually transformed into industrial capital, I call 'finance capital'." "Finance capital is capital controlled by banks and employed by industrialists." [427]

This definition is incomplete insofar as it is silent on one extremely important fact—on the increase of concentration of production and of capital to such an extent that concentration is leading, and has led, to monopoly. But throughout the whole of his work, and particularly in the two chapters

[425] ibid, S. 181. —Lenin
[426] ibid, S. 181. —Lenin
[427] R. Liefmann, op. cit., S. 476. —Lenin

preceding the one from which this definition is taken, Hilferding stresses the part played by *capitalist monopolies.*

The concentration of production; the monopolies arising therefrom; the merging or coalescence of the banks with industry—such is the history of the rise of finance capital and such is the content of that concept.

We now have to describe how, under the general conditions of commodity production and private property, the "business operations" of capitalist monopolies inevitably lead to the domination of a financial oligarchy. It should be noted that German—and not only German—bourgeois scholars, like Riesser, Schulze-Gaevernitz, Liefmann and others, are all apologists of imperialism and of finance capital. Instead of revealing the "mechanics" of the formation of an oligarchy, its methods, the size of its revenues "impeccable and peccable," its connections with parliaments etc., etc., they obscure or gloss over them. They evade these "vexed questions" by pompous and vague phrases, appeals to the "sense of responsibility" of bank directors, by praising "the sense of duty" of Prussian officials, giving serious study to the petty details of absolutely ridiculous parliamentary bills for the "supervision" and "regulation" of monopolies, playing spillikins with theories, like, for example, the following "scholarly" definition, arrived at by Professor Liefmann: **"*Commerce is an occupation having for its object the collection, storage and supply of goods*."** [428] (The Professor's bold-face italics.) . . . From this it would follow that commerce existed in the time of primitive man, who knew nothing about exchange, and that it will exist under socialism!

But the monstrous facts concerning the monstrous rule of the financial oligarchy are so glaring that in all capitalist countries, in America, France and Germany, a whole literature has sprung up, written from the *bourgeois* point of view, but which, nevertheless, gives a fairly truthful picture and criticism—petty-bourgeois, naturally—of this oligarchy.

Paramount importance attaches to the "holding system," already briefly referred to above. The German economist, Heymann, probably the first to call attention to this matter, describes the essence of it in this way:

"The head of the concern controls the principal company (literally: the "mother company"); the latter reigns over the subsidiary companies ("daughter companies") which in their turn control still other subsidiaries ("grandchild companies"), etc. In this way, it is possible with a comparatively small capital to dominate immense spheres of production. Indeed, if holding 50 per cent of the capital is always sufficient to control a company, the head of the concern needs only one million to control eight million in the second subsidiaries. And if this 'interlocking' is extended, it is possible with one million to control sixteen million, thirty-two million, etc." [429]

[428] R. Liefmann, op. cit., S. 476. —Lenin

[429] Hans Gideon Heymann, Die gemischten Werke im deutschen Grosseisengewerbe Stuttgart, 1904, S. 268-69. —Lenin

As a matter of fact, experience shows that it is sufficient to own 40 per cent of the shares of a company in order to direct its affairs, [430] since in practice a certain number of small, scattered shareholders find it impossible to attend general meetings, etc. The "democratization" of the ownership of shares, from which the bourgeois sophists and opportunist so-called "Social-Democrats" expect (or say that they expect) the "democratization of capital," the strengthening of the role and significance of small-scale production, etc., is, in fact, one of the ways of increasing the power of the financial oligarchy. Incidentally, this is why, in the more advanced, or in the older and more "experienced" capitalist countries, the law allows the issue of shares of smaller denomination. In Germany, the law does not permit the issue of shares of less than one thousand marks denomination, and the magnates of German finance look with an envious eye at Britain, where the issue of one-pound shares (= 20 marks, about 10 rubles) is permitted. Siemens, one of the biggest industrialists and "financial kings" in Germany, told the Reichstag on June 7, 1900, that "the one-pound share is the basis of British imperialism." [431] This merchant has a much deeper and more "Marxist" understanding of imperialism than a certain disreputable writer who is held to be one of the founders of Russian Marxism and believes that imperialism is a bad habit of a certain nation....

But the "holding system" not only serves enormously to increase the power of the monopolists; it also enables them to resort with impunity to all sorts of shady and dirty tricks to cheat the public, because formally the directors of the "mother company" are not legally responsible for the "daughter company", which is supposed to be "independent", and *through the medium* of which they can "pull off" *anything*. Here is an example taken from the German review, *Die Bank*, for May 1914:

"The Spring Steel Company of Kassel was regarded some years ago as being one of the most profitable enterprises in Germany. Through bad management its dividends fell from 15 per cent to nil. It appears that the Board, without consulting the shareholders, had loaned *six million marks* to one of its 'daughter companies', the Hassia Company, which had a nominal capital of only some hundreds of thousands of marks. This commitment, amounting to nearly treble the capital of the 'mother company', was never mentioned in its balance-sheets. This omission was quite legal and could be hushed up for two whole years because it did not violate any point of company law. The chairman of the Supervisory Board, who as the responsible head had signed the false balance-sheets, was, and still is, the president of the Kassel Chamber of Commerce. The shareholders only heard of the loan to the Hassia Company long afterwards, when it had been proved to be a mistake"... (the writer should put this word in inverted commas) ... "and when Spring Steel shares dropped nearly 100 per cent, because those in the know were getting rid of them....

"*This typical example of balance-sheet jugglery, quite common* in joint-stock companies, explains why their Boards of Directors are willing to undertake risky transactions with a far lighter heart than individual businessmen. Modern methods of drawing up balance-sheets not only make it possible to conceal doubtful undertakings from the ordinary shareholder, but also allow the people most concerned to

[430] Liefmann, Beteiligungsgesellschaften, etc., S. 258 of the first edition. —Lenin
[431] Schulze-Gaevernitz in *Grundriss der Sozialökonomik*, V, 2, S. 110. —*Lenin*

escape the consequence of unsuccessful speculation by selling their shares in time when the individual businessman risks his own skin in everything he does....

"The balance-sheets of many joint-stock companies put us in mind of the palimpsests of the Middle Ages from which the visible inscription had first to be erased in order to discover beneath it another inscription giving the real meaning of the document. [Palimpsests are parchment documents from which the original inscription has been erased and another inscription imposed.]

"The simplest and, therefore, most common procedure for making balance-sheets indecipherable is to divide a single business into several parts by setting up 'daughter companies'—or by annexing them. The advantages of this system for various purposes—legal and illegal—are so evident that big companies which do not employ it are quite the exception." [432]

As an example of a huge monopolist company that extensively employs this system, the author quotes the famous General Electric Company (the A.E.G., to which I shall refer again later on). In 1912, it was calculated that this company held shares in 175 to 200 other companies, dominating them, of course, and thus controlling a total capital of about *1,500 million marks*. [433]

None of the rules of control, the publication of balance-sheets, the drawing up of balance-sheets according to a definite form, the public auditing of accounts, etc., the things about which well-intentioned professors and officials—that is, those imbued with the good intention of defending and prettifying capitalism—discourse to the public, are of any avail; for private property is sacred, and no one can be prohibited from buying, selling, exchanging or hypothecating shares, etc.

The extent to which this "holding system" has developed in the big Russian banks may be judged by the figures given by E. Agalid, who for fifteen years was an official of the Russo-Chinese Bank and who, in May 1914, published a book, not altogether correctly entitled *Big Banks and the World Market.* [434] The author divides the big Russian banks into two main groups: (a) banks that come under the "holding system," and (b) "independent" banks—"independence" however, being arbitrarily taken to mean independence of *foreign* banks. The author divides the first group into three subgroups: (1) German holdings, (2) British holdings, and (3) French holdings, having in view the "holdings" and domination of the big foreign banks of the particular country mentioned. The author divides the capital of the banks into "productively" invested capital (industrial and commercial undertakings), and "speculatively" invested capital (in Stock Exchange and financial operations), assuming, from his petty-bourgeois reformist point of view, that it is possible, under capitalism, to separate the first form of investment from the second and to abolish the second form.

Here are the figures he supplies:

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[432] L. Eschwege, "Tochtergesellschaften" in *Die Bank*, 1914, S.545 —*Lenin*

[433] Kurt Heinig, "Der Weg des Elecktrotrusts" in Die Neue Zeit, 1912, 30. S. 484 —Lenin

[434] Lysis, Contre l'oligarchie financière en France, 5 ed. Paris, 1908, pp. 11, 12, 26, 39, 40, 48. —Lenin

BANK ASSETS (According to Reports for October-November 1912) 000,000 rubles				
		Capital Invested		
Groups of Russian banks		Productively	Speculatively	Total
a 1)	Four banks: Siberian Commercial, Russian , International, and Discount Bank....	413.7	859.1	1,272.8
a 2)	Two banks: Commercial and Industrial, and Russo-British	239.3	169.1	408.4
a 3)	Five banks: Russian-Asiatic, St. Petersburg Private, Azov-Don, Union Moscow, Russo-French Commercial	711.8	661.2	1,373.0
	(11 banks) *Total*.....a) =	1,364.8	1,689.4	3,054.2
b)	Eight banks: Moscow Merchants, Volga-Kama, Junker and Co., St. Petersburg Commercial (formerly Wawelberg), Bank of Moscow (formerly Ryabushinsky), Moscow Discount, Moscow Commercial, Moscow Private.....	504.2	391.1	895.3
	(10 banks) *Total*	1,869.0	2,080.5	3,949.5

According to these figures, of the approximately 4,000 million rubles making up the "working" capital of the big banks, *more than three-fourths*, more than 3,000 million, belonged to banks which in reality were only "daughter companies" of foreign banks, and chiefly of Paris banks (the famous trio: Union Parisienne, Paris et Pays-Bas and Société Générale), and of Berlin banks (particularly the Deutsche Bank and Disconto-Gesellschaft). Two of the biggest Russian banks, the Russian (Russian Bank for Foreign Trade) and the International (St. Petersburg International Commercial Bank), between 1906 and 1912 increased their capital from 44 to 98 million rubles, and their reserves from 15 million to 39 million "employing three-fourths German capital." The first bank belongs to the Berlin Deutsche Bank "concern" and the second to the Berlin Disconto-Gesellschaft. The worthy Agahd is deeply indignant at the majority of the shares being held by the Berlin banks, so that the Russian shareholders are, therefore, powerless. Naturally, the country which exports capital skims the cream; for example, the Berlin Deutsche Bank, before placing the shares of the Siberian Commercial Bank on the Berlin market, kept them in its portfolio for a whole year, and then sold them at the rate of 193 for 100, that is, at nearly twice their nominal value, "earning" a profit of nearly six million rubles, which Hilferding calls "promoter's profits."

Our author puts the total "capacity" of the principal St. Petersburg banks at 8,235 million rubles, well over 8,000 million, and the "holdings," or rather, the extent to which foreign banks dominated

them, he estimates as follows: French banks, 55 per cent; British, 10 per cent; German, 35 per cent. The author calculates that of the total of 8,235 million rubles of functioning capital, 3,687 million rubles, or over 40 per cent, fall to the share of the Produgol and Prodamet syndicates and the syndicates in the oil, metallurgical and cement industries. Thus, owing to the formation of capitalist monopolies, the merging of bank and industrial capital has also made enormous strides in Russia.

Finance capital, concentrated in a few hands and exercising a virtual monopoly, exacts enormous and ever-increasing profits from the floating of companies, issue of stock, state loans, etc., strengthens the domination of the financial oligarchy and levies tribute upon the whole of society for the benefit of monopolists. Here is an example, taken from a multitude of others, of the "business" methods of the American trusts, quoted by Hilferding. In 1887, Havemeyer founded the Sugar Trust by amalgamating fifteen small firms, whose total capital amounted to 6,500,000 dollars. Suitably "watered," as the Americans say, the capital of the trust was declared to be 50 million dollars. This "overcapitalization" anticipated the monopoly profits, in the same way as the United States Steel Corporation anticipates its monopoly profits in buying up as many iron ore fields as possible. In fact, the Sugar Trust set up monopoly prices, which secured it such profits that it could pay 10 per cent dividend on capital "watered" *sevenfold, or about 70 per cent on the capital actually invested at the time the trust was formed!* In 1909, the capital of the Sugar Trust amounted to 90 million dollars. In twenty-two years, it had increased its capital more than tenfold.

In France the domination of the "financial oligarchy" (*Against the Financial Oligarchy* in France, the title of the well-known book by Lysis, the fifth edition of which was published in 1908) assumed a form that was only slightly different. Four of the most powerful banks enjoy, not a relative, but an "absolute monopoly" in the issue of bonds. In reality, this is a "trust of big banks." And monopoly ensures monopoly profits from bond issues. Usually, a borrowing country does not get more than 90 per cent of the sum of the loan, the remaining 10 per cent goes to the banks and other middlemen. The profit made by the banks out of the Russo-Chinese loan of 400 million francs amounted to 8 per cent; out of the Russian (1904) loan of 800 million francs the profit amounted to 10 per cent; and out of the Moroccan (1904) loan of 62,500,000 francs it amounted to 18.75 per cent. Capitalism, which began its development with petty usury capital, is ending its development with gigantic usury capital. "The French," says Lysis, "are the usurers of Europe." All the conditions of economic life are being profoundly modified by this transformation of capitalism. With a stationary population, and stagnant industry, commerce and shipping, the "country" can grow rich by usury. "Fifty persons, representing a capital of eight million francs, can control *2,000 million* francs deposited in four banks." The "holding system," with which we are already familiar, leads to the same result. One of the biggest banks, the Société Générale for instance, issues 64,000 bonds for its "daughter company," the Egyptian Sugar Refineries. The bonds are issued at 150 per cent, i.e., the bank gains 50 centimes on the franc. The dividends of the new company were found to be fictitious, the "public" lost from 90 to 100 million francs. "One of the directors of the Société Générale was a member of the board of directors of the Sugar Refineries." It is not surprising that the

author is driven to the conclusion that "the French Republic is a financial monarchy"; "it is the complete domination of the financial oligarchy; the latter dominates over the press and the government." [435]

The extraordinarily high rate of profit obtained from the issue of bonds, which is one of the principal functions of finance capital, plays a very important part in the development and consolidation of the financial oligarchy. "There is not a single business of this type within the country that brings in profits even approximately equal to those obtained from the floatation of foreign loans," says *Die Bank*. [436]

"No banking operation brings in profits comparable with those obtained from the issue of securities!" According to the *German Economist*, the average annual profits made on the issue of industrial stock were as follows:

	Per Cent
1895.....	38.6
1896.....	36.1
1897.....	66.7
1898.....	67.7
1899.....	66.9
1900.....	55.2

"In the ten years from 1891 to 1900, more than a thousand million marks were 'earned' by issuing German industrial stock." [437]

During periods of industrial boom, the profits of finance capital are immense, but during periods of depression, small and unsound businesses go out of existence, and the big banks acquire "holdings" in them by buying them up for a mere song, or participate in profitable schemes for their "reconstruction" and "reorganization." In the "reconstruction" of undertakings which have been running at a loss, "the share capital is written down, that is, profits are distributed on a smaller capital and continue to be calculated on this smaller basis. Or, if the income has fallen to zero, new capital is called in, which, combined with the old and less remunerative capital, will bring in an adequate return." "Incidentally," adds Hilferding, "all these reorganizations and reconstructions have a twofold significance for the banks: first, as profitable transactions; and secondly, as opportunities for securing control of the companies in difficulties." [438]

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[435] Die Bank, 1913, No. 7, S. 630. —Lenin

[436] Stillich, op. cit., S. 143, also W. Sombart, Die deutsche Volkswirtschaft im 19. jahrhundert, 2. Aufl., 1909, S. 526, Anlage 8. —Lenin

[437] Finance Capital, p. 172. —Lenin

[438] Stillich, op. cit., S. 138 and Liefmann, op. cit., S. 51. —Lenin

Here is an instance. The Union Mining Company of Dortmund was founded in 1872. Share capital was issued to the amount of nearly 40 million marks and the market price of the shares rose to 170 after it had paid a 12 per cent dividend for its first year. Finance capital skimmed the cream and earned a trifle of something like 28 million marks. The principal sponsor of this company was that very big German Disconto-Gesellschaft which so successfully attained a capital of 300 million marks. Later, the dividends of the Union declined to nil; the shareholders had to consent to a "writing down" of capital, that is, to losing some of it in order not to lose it all. By a series of "reconstructions," more than 73 million marks were written off the books of the Union in the course of thirty years. "At the present time, the original shareholders of the company possess only 5 per cent of the nominal value of their shares" [439] but the banks "earned something" out of every "reconstruction."

Speculation in land situated in the suburbs of rapidly growing big towns is a particularly profitable operation for finance capital. The monopoly of the banks merges here with the monopoly of ground-rent and with monopoly of the means of communication, since the rise in the price of land and the possibility of selling it profitably in lots, etc., is mainly dependent on good means of communication with the centre of the town; and these means of communication are in the hands of large companies which are connected with these same banks through the holding system and the distribution of seats on the boards. As a result, we get what the German writer, L. Eschwege, a contributor to *Die Bank* who has made a special study of real estate business and mortgages, etc., calls a "bog." Frantic speculation in suburban building lots; collapse of building enterprises like the Berlin firm of Boswau and Knauer, which acquired as much as 100 million marks with the help of the "sound and solid" Deutsche Bank—the latter, of course, acting through the holding system, i.e., secretly, behind the scenes—and got out of it with a loss of "only" 12 million marks, then the ruin of small proprietors and of workers who get nothing from the fictitious building firms, fraudulent deals with the "honest" Berlin police and administration for the purpose of gaining control of the issue of cadastral certificates, building licenses, etc., etc. [440]

"American ethics," which the European professors and well-meaning bourgeois so hypocritically deplore, have, in the age of finance capital, become the ethics of literally every large city in any country.

At the beginning of 1914, there was talk in Berlin of the formation of a "transport trust," i.e., of establishing "community of interests" between the three Berlin transport undertakings: the city electric railway, the tramway company and the omnibus company. "We have been aware," wrote *Die Bank*, "that this plan was contemplated ever since it became known that the majority of the shares in the bus company had been acquired by the other two transport companies.... We may fully believe those who are pursuing this aim when they say that by uniting the transport services, they will secure economies, part of which will in time benefit the public. But the question is complicated by the fact that behind the transport trust that is being formed are the banks, which, if they desire, can subordinate the means of transportation, which they have monopolized, to the interests of their real estate business. To be

[439] *Finance Capital*, p. 172. —*Lenin*
[440] Stillich, op. cit., S. 138 and Liefmann, op. cit., S. 51. —*Lenin*

convinced of the reasonableness of such a conjecture, we need only recall that the interests of the big banks that encouraged the formation of the Electric Railway Company were already involved in it at the time the company was formed. That is to say: the interests of this transport undertaking were interlocked with the real estate interests. The point is that the eastern line of this railway was to run across land which this bank sold at an enormous profit for itself and for several partners in the transactions when it became certain the line was to be laid down." [441]

A monopoly, once it is formed and controls thousands of millions, inevitably penetrates into *every* sphere of public life, regardless of the form of government and all other "details." In German economic literature one usually comes across obsequious praise of the integrity of the Prussian bureaucracy, and allusions to the French Panama scandal and to political corruption in America. But the fact is that even bourgeois literature devoted to German banking matters constantly has to go far beyond the field of purely banking operations; it speaks, for instance, about "the attraction of the banks" in reference to the increasing frequency with which public officials take employment with the banks, as follows: "How about the integrity of a state official who in his innermost heart is aspiring to a soft job in the Behrenstrasse?" [442] (The Berlin Street where the head office of the Deutsche Bank is situated.) In 1909, the publisher of *Die Bank*, Alfred Lansburgh, wrote an article entitled "The Economic Significance of Byzantinism," in which he incidentally referred to Wilhelm II's tour of Palestine, and to "the immediate result of this journey, the construction of the Baghdad railway, that fatal 'great product of German enterprise', which is more responsible for the 'encirclement' than all our political blunders put together". [443] (By encirclement is meant the policy of Edward VII to isolate Germany and surround her with an imperialist anti-German alliance.) In 1911, Eschwege, the contributor to this same magazine to whom I have already referred, wrote an article entitled "Plutocracy and Bureaucracy," in which he exposed, for example, the case of a German official named Völker, who was a zealous member of the Cartel Committee and who, it turned out some time later, obtained a lucrative post in the biggest cartel, the Steel Syndicate. Similar cases, by no means casual, forced this bourgeois author to admit that "the economic liberty guaranteed by the German Constitution has become in many departments of economic life, a meaningless phrase" and that under the existing rule of the plutocracy, "even the widest political liberty cannot save us from being converted into a nation of unfree people." [444]

As for Russia, I shall confine myself to one example. Some years ago, all the newspapers announced that Davydov, the director of the Credit Department of the Treasury, had resigned his post to take employment with a certain big bank at a salary which, according to the contract, would total over one million rubles in the course of several years. The Credit Department is an institution, the function of which is to "co-ordinate the activities of all the credit institutions of the country" and which

[441] Verkehrstrust" in Die Bank, 1914, 1, S. 89. —Lenin
[442] ibid., S. 301. —Lenin
[443] ibid., 1911, 2, S. 825; 1913, 2, S. 962. —Lenin
[444] E. Agahd, op. cit., S. 202. —Lenin

grants subsidies to banks in St. Petersburg and Moscow amounting to between 800 and 1,000 million rubles." [445]

It is characteristic of capitalism in general that the ownership of capital is separated from the application of capital to production, that money capital is separated from industrial or productive capital, and that the rentier who lives entirely on income obtained from money capital, is separated from the entrepreneur and from all who are directly concerned in the management of capital. Imperialism, or the domination of finance capital, is that highest stage of capitalism in which this separation reaches vast proportions. The supremacy of finance capital over all other forms of capital means the predominance of the rentier and of the financial oligarchy; it means that a small number of financially "powerful" states stand out among all the rest. The extent to which this process is going on may be judged from the statistics on emissions, i.e., the issue of all kinds of securities.

In the *Bulletin of the International Statistical Institute*, A. Neymarck [446] has published very comprehensive, complete and comparative figures covering the issue of securities all over the world, which have been repeatedly quoted in part in economic literature. The following are the totals he gives for four decades:

TOTAL ISSUES IN FRANCS PER DECADE (000,000,000)	
1871-80.....	76.1
1881-90.....	64.5
1891-1900.....	100.4
1901-10.....	197.8

In the 1870s the total amount of issues for the whole world was high, owing particularly to the loans floated in connection with the Franco-Prussian War, and the company-promotion boom which set in in Germany after the war. On the whole, the increase was relatively not very rapid during the three last decades of the nineteenth century, and only in the first ten years of the twentieth century is an enormous increase of almost 100 per cent to be observed. Thus, the beginning of the twentieth century marks the turning-point, not only in the growth of monopolies (cartels, syndicates, trusts), of which we have already spoken, but also in the growth of finance capital.

Neymarck estimates the total amount of issued securities current in the world in 1910 at about 815,000 million francs. Deducting from this sum amounts which might have been duplicated, he reduces

[445] E. Agahd, op. cit., S. 202. —Lenin

[446] Bulletin de l'institut international de statistique, t. XIX, livr. II, La Haye, 1912. Data concerning small states, second column, are estimated by adding 20 per cent to the 1902 figures. —Lenin

the total to 575,000-600,000 million, which is distributed among the various countries as follows (I take 600,000 million):

FINANCIAL SECURITIES CURRENT IN 1910 (000,000,000 francs)			
Great Britain	142	Holland	12.5
United States	132	Belgium	7.5
France	110	Spain	7.5
Germany	95	Switzerland	6.25
Russia	31	Denmark	3.75
Austria-Hungary	24	Sweden, Norway, Rumania, etc.	2.5
Italy	14		
Japan	12		

From these figures we at once see standing out in sharp relief four of the richest capitalist countries, each of which holds securities to amounts ranging approximately from 100,000 to 150,000 million francs. Of these four countries, two, Britain and France, are the oldest capitalist countries, and, as we shall see, possess the most colonies; the other two, the United States and Germany, are capitalist countries leading in the rapidity of development and the degree of extension of capitalist monopolies in industry. Together, these four countries own 479,000 million francs, that is, nearly 80 per cent of the world's finance capital. In one way or another, nearly the whole of the rest of the world is more or less the debtor to and tributary of these international banker countries, these four "pillars" of world finance capital.

It is particularly important to examine the part which the export of capital plays in creating the international network of dependence on and connections of finance capital.

Chapter 4: EXPORT OF CAPITAL

Typical of the old capitalism, when free competition held undivided sway, was the export of goods. Typical of the latest stage of capitalism, when monopolies rule, is the export of capital.

Capitalism is commodity production at its highest stage of development, when labor-power itself becomes a commodity. The growth of internal exchange, and, particularly, of international exchange, is a characteristic feature of capitalism. The uneven and spasmodic development of individual enterprises, individual branches of industry and individual countries is inevitable under the capitalist system. England became a capitalist country before any other, and by the middle of the nineteenth century, having adopted free trade, claimed to be the "workshop of the world," the supplier of manufactured goods to all countries, which in exchange were to keep her provided with raw materials. But in the last

quarter of the nineteenth century, this monopoly was already undermined; for other countries, sheltering themselves with "protective" tariffs, developed into independent capitalist states. On the threshold of the twentieth century, we see the formation of a new type of monopoly: firstly, monopolist associations of capitalists in all capitalistically developed countries; secondly, the monopolist position of a few very rich countries, in which the accumulation of capital has reached gigantic proportions. An enormous "surplus of capital" has arisen in the advanced countries.

It goes without saying that if capitalism could develop agriculture, which today is everywhere lagging terribly behind industry, if it could raise the living standards of the masses, who in spite of the amazing technical progress are everywhere still half-starved and poverty-stricken, there could be no question of a surplus of capital. This "argument" is very often advanced by the petty-bourgeois critics of capitalism. But if capitalism did these things, it would not be capitalism; for both uneven development and a semi-starvation level of existence of the masses are fundamental and inevitable conditions and constitute premises of this mode of production. As long as capitalism remains what it is, surplus capital will be utilized not for the purpose of raising the standard of living of the masses in a given country, for this would mean a decline in profits for the capitalists, but for the purpose of increasing profits by exporting capital abroad to the backward countries. In these backward countries profits are usually high, for capital is scarce, the price of land is relatively low, wages are low, raw materials are cheap. The export of capital is made possible by a number of backward countries having already been drawn into world capitalist intercourse; main railways have either been or are being built in those countries, elementary conditions for industrial development have been created, etc. The need to export capital arises from the fact that in a few countries capitalism has become "overripe" and (owing to the backward state of agriculture and the poverty of the masses) capital cannot find a field for "profitable" investment.

Here are approximate figures showing the amount of capital invested abroad by the three principal countries: [447]

CAPITAL INVESTED ABROAD (000,000,000 francs)			
Year	Great Britain	France	Germany
1862....	3.6	—	—
1872....	15.0	10 (1869)	—

[447] Hobson, Imperialism, London, 1902, p. 58; Riesser, op. cit., S. 395 und 404; P. Arndt in Weltwirtschaftliches Archiv, Bd. 7, 1916, S. 35; Neymarck in Bulletin; Hilferding, Finance Capital, p. 492; Lloyd George, Speech in the House of Commons, May 4, 1915. reported in the Daily Telegraph, May 5, 1915; B. Harms, Probleme der Weltwirtschaft , Jena, 1912, S. 235 et seq.; Dr. Siegmund Schilder, Entwicklungstendenzen der Weltwirtschaft, Berlin, 1912, Band 1, S. 150; George Paish, "Great Britain's Capital Investments, etc.", in Journal of the Royal Statistical Society, Vol. LXXIV, 1910-11, P. 167 et seq.; Georges Diouritch, L'Expansion des banques allemandes a l'ètranger, ses rapports avec le développement économique de l'Allemagne, Paris, 1909, p. 84. —Lenin

1882....	22.0	15(1880)	?
1893....	42.0	20(1890)	?
1902....	62.0	27-37	12.5
1914....	75-100.0	00	44.0

This table shows that the export of capital reached enormous dimensions only at the beginning of the twentieth century. Before the war the capital invested abroad by the three principal countries amounted to between 175,000 million and 200,000 million francs. At the modest rate of 5 per cent, the income from this sum should reach from 8,000 to 10,000 million francs a year—a sound basis for the imperialist oppression and exploitation of most of the countries and nations of the world, for the capitalist parasitism of a handful of wealthy states!

How is this capital invested abroad distributed among the various countries? *Where* is it invested? Only an approximate answer can be given to these questions, but it is one sufficient to throw light on certain general relations and connections of modern imperialism.

DISTRIBUTION (APPROXIMATE) OF FOREIGN CAPITAL IN DIFFERENT PARTS OF THE GLOBE (circa 1910)				
	Great Britain	France	Germany	Total
		(000,000,000 marks)		
Europe.....	4	23	18	45
America.....	37	4	10	51
Asia, Africa, and Australia.....	29	8	7	44
Total.....	70	35	35	140

The principal spheres of investment of British capital are the British colonies, which are very large also in America (for example, Canada), not to mention Asia, etc. In this case, enormous exports of capital are bound up most closely with vast colonies, of the importance of which for imperialism I shall speak later. In the case of France, the situation is different. French capital exports are invested mainly in Europe, primarily in Russia (at least ten thousand million francs). This is mainly loan capital, government loans, and not capital invested in industrial undertakings. Unlike British colonial imperialism, French imperialism might be termed usury imperialism. In the case of Germany, we have a third type; colonies are inconsiderable, and German capital invested abroad is divided most evenly between Europe and America.

The export of capital influences and greatly accelerates the development of capitalism in those countries to which it is exported. While, therefore, the export of capital may tend to a certain extent to

arrest development in the capital-exporting countries, it can only do so by expanding and deepening the further development of capitalism throughout the world.

The capital-exporting countries are nearly always able to obtain certain "advantages," the character of which throws light on the peculiarity of the epoch of finance capital and monopoly. The following passage, for instance, appeared in the Berlin review, *Die Bank*, for October 1913:

"A comedy worthy of the pen of Aristophanes is lately being played on the international capital market. Numerous foreign countries, from Spain to the Balkan states, from Russia to Argentina, Brazil and China, are openly or secretly coming into the big money market with demands, sometimes very persistent, for loans. The money markets are not very bright at the moment and the political outlook is not promising. But not a single money market dares to refuse a loan for fear that its neighbor may forestall it, consent to grant a loan and so secure some reciprocal service. In these international transactions the creditor nearly always manages to secure some extra benefit: a favorable clause in a commercial treaty, a coating station, a contract to construct a harbor, a fat concession, or an order for guns." [448]

Finance capital has created the epoch of monopolies, and monopolies introduce everywhere monopolist principles: the utilization of "connections" for profitable transactions takes the place of competition on the open market. The most usual thing is to stipulate that part of the loan granted shall be spent on purchases in the creditor country, particularly on orders for war materials, or for ships, etc. In the course of the last two decades (1890-1910), France has very often resorted to this method. The export of capital thus becomes a means of encouraging the export of commodities. In this connection, transactions between particularly big firms assume a form which, as Schilder [449] "mildly" puts it, "borders on corruption." Krupp in Germany, Schneider in France, Armstrong in Britain are instances of firms which have close connections with powerful banks and governments and which cannot easily be "ignored" when a loan is being arranged.

France, when granting loans to Russia, "squeezed" her in the commercial treaty of September 16, 1905, stipulating for certain concessions to run till 1917. She did the same in the commercial treaty with Japan of August 19, 1911. The tariff war between Austria and Serbia, which lasted, with a seven months' interval, from 1906 to 1911, was partly caused by Austria and France competing to supply Serbia with war materials. In January 1912, Paul Deschanel stated in the Chamber of Deputies that from 1908 to 1911 French firms had supplied war materials to Serbia to the value of 45 million francs.

A report from the Austro-Hungarian Consul at San-Paulo (Brazil) states: "The Brazilian railways are being built chiefly by French, Belgian, British and German capital. In the financial operations connected with the construction of these railways the countries involved stipulate for orders for the necessary railway materials."

[448] Die Bank, 1913, 2, S. 1024-25. —Lenin
[449] Riesser, op. cit., 4th ed., S. 375; Diouritch, p. 283. —Lenin

Thus, finance capital, literally, one might say, spreads its net over all countries of the world. An important role in this is played by banks founded in the colonies and by their branches. German imperialists look with envy at the "old" colonial countries which have been particularly "successful" in providing for themselves in this respect. In 1904, Great Britain had 50 colonial banks with 2,279 branches (in 1910 there were 72 banks with 5,449 branches), France had 20 with 136 branches; Holland, 16 with 68 branches; and Germany had "only" 13 with 70 branches. [450] The American capitalists, in their turn, are jealous of the English and German: "In South America," they complained in 1915, "five German banks have forty branches and five British banks have seventy branches.... Britain and Germany have invested in Argentina, Brazil, and Uruguay in the last twenty-five years approximately four thousand million dollars, and as a result together enjoy 46 per cent of the total trade of these three countries." [451]

The capital-exporting countries have divided the world among themselves in the figurative sense of the term. But finance capital has led to the *actual* division of the world.

Chapter 5: DIVISION OF THE WORLD AMONG CAPITALIST ASSOCIATIONS

Monopolist capitalist associations, cartels, syndicates and trusts first divided the home market among themselves and obtained more or less complete possession of the industry of their own country. But under capitalism the home market is inevitably bound up with the foreign market. Capitalism long ago created a world market. As the export of capital increased, and as the foreign and colonial connections and "spheres of influence" of the big monopolist associations expanded in all ways, things "naturally" gravitated towards an international agreement among these associations, and towards the formation of international cartels.

This is a new stage of world concentration of capital and production, incomparably higher than the preceding stages. Let us see how this super monopoly develops.

The electrical industry is highly typical of the latest technical achievements and is most typical of capitalism at the end of the nineteenth and the beginning of the twentieth centuries. This industry has developed most in the two leaders of the new capitalist countries, the United States and Germany. In Germany, the crisis of 1900 gave a particularly strong impetus to its concentration. During the crisis, the banks, which by that time had become fairly well merged with industry, enormously accelerated and intensified the ruin of relatively small firms and their absorption by the large ones. "The banks," writes Jeidels, "refused a helping hand to the very firms in greatest need of capital, and brought on first a

[450] The Annals of the American Academy of Political and Social Science, Vol. LIX, May 1915, p. 301. In the same volume on p. 3.31, we read that the well-known statistician Paish, in the last issue of the financial magazine The Statist, estimated the amount of capital exported by Britain, Germany, France, Belgium and Holland at $40,000 million, i.e., 200,000 million francs. —Lenin

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frenzied boom and then the hopeless failure of the companies which had not been connected with them closely enough." [452]

As a result, after 1900, concentration in Germany progressed with giant strides. Up to 1900 there had been seven or eight "groups" in the electrical industry. Each consisted of several companies (altogether there were 28) and each was backed by from 2 to 11 banks. Between 1908 and 1912 all these groups were merged into two, or one. The following diagram shows the process:

<table>
<tr><td colspan="5">GROUPS IN THE ELECTRICAL INDUSTRY</td></tr>
<tr><td>Prior to 1900: Felten & Lahmeyer;
Guillaume
|
|</td><td>Union A.E.G.
|
|</td><td>Siemens
Schuckert
& Halske & Co.
|</td><td>Bergmann
|</td><td>Kummer
|</td></tr>
<tr><td>|
 Felten & Lahmeyer 	_-_-_-_-_-_-_-_-_-_-_-_</td><td>	 A.E.G. (G.E.C.) _-_-_-_-_-_-_- 	</td><td>
 Siemens & Halske- Schuckert 	_-_-_-_-_-_-_-_</td><td>
 Berg- man _-_-_-_-_- 	</td><td>
 Failed in 1900</td></tr>
<tr><td>By 1912:</td><td colspan="4">A.E.G. (G.E.C.) Siemens & Halske Schuckert</td></tr>
<tr><td></td><td colspan="4">(in close "co-operation" since 1908)</td></tr>
</table>

The famous A.E.G. (General Electric Company), which grew up in this way, controls 175 to 200 companies (through the "holding" system), and a total capital of approximately *1,500 million* marks. Of direct agencies abroad alone, it has thirty-four, of which twelve are joint-stock companies, in more than ten countries. As early as 1904 the amount of capital invested abroad by the German electrical industry was estimated at 233 million marks. Of this sum, 62 million were invested in Russia. Needless to say, the A.E.G. is a huge "combine"—its manufacturing companies alone number no less than sixteen—producing the most diverse articles, from cables and insulators to motor-cars and flying machines.

But concentration in Europe was also a component part of the process of concentration in America, which developed in the following way:

<table>
<tr><td></td><td colspan="2">General Electric Company</td></tr>
<tr><td>United States:</td><td>Thomas-Houston Co. establishes a firm in Europe</td><td>Edison Co. establishes in Europe the French Edison Co. which transfers its patents to the German firm</td></tr>
</table>

[452] Riesser, op. cit.; Diouritch, op. cit., p. 239; Kurt Heinig, op. cit. —Lenin

Germany:	Union Electric Co.	General Electric Co. (A.E.G.)

Thus, *two* electrical "great powers" were formed: "there are no other electrical companies in the world *completely* independent of them," wrote Heinig in his article "The Path of the Electric Trust." An idea, although far from complete, of the turnover and the size of the enterprises of the two "trusts" can be obtained from the following figures:

	Turnover (000,000 marks)	Number of employees	Net profits (000,000 marks)
America: General Electric Co: (G.E.C)			
1907 1910	252 298	28,000 32,000	35.4 45.6
Germany: General Electric Co: (A.E.G.)			
1907 1911	216 362	30,700 60,800	14.5 21.7

And then, in 1907, the German and American trusts concluded an agreement by which they divided the world between them. Competition between them ceased. The American General Electric Company (G.E.C.) "got" the United States and Canada. The German General Electric Company (A.E.G.) "got" Germany, Austria, Russia, Holland, Denmark, Switzerland, Turkey and the Balkans. Special agreements, naturally secret, were concluded regarding the penetration of "daughter companies" into new branches of industry, into "new" countries formally not yet allotted. The two trusts were to exchange inventions and experiments. [453]

The difficulty of competing against this trust, actually a single world-wide trust controlling a capital of several thousand million, with "branches", agencies, representatives, connections, etc., in every corner of the world, is self-evident. But the division of the world between two powerful trusts does not preclude redivision if the relation of forces changes as a result of uneven development, war, bankruptcy, etc.

An instructive example of an attempt at such a redivision, of the struggle for redivision, is provided by the oil industry.

"The world oil market," wrote Jeidels in 1905, "is even today still divided between two great financial groups—Rockefeller's American Standard Oil Co., and Rothschild and Nobel, the controlling interests of the Russian oilfields in Baku. The two groups are closely connected. But for several years five enemies

[453] Jeidels, op. cit., S. 192-93. —Lenin

have been threatening their monopoly": [454] (1) the exhaustion of the American oilfields; (2) the competition of the firm of Mantashev of Baku; (3) the Austrian oilfields; (4) the Rumanian oilfields; (5) the overseas oilfields, particularly in the Dutch colonies (the extremely rich firms, Samuel and Shell, also connected with British capital). The three last groups are connected with the big German banks, headed by the huge Deutsche Bank. These banks independently and systematically developed the oil industry in Rumania, for example, in order to have a foothold of their "own." In 1907, the foreign capital invested in the Rumanian oil industry was estimated at 185 million francs, of which 74 million was German capital. [455]

A struggle began for the "division of the world", as, in fact, it is called in economic literature. On the one hand, the Rockefeller "oil trust" wanted to lay its hands on *everything*; it formed a "daughter company" *right in* Holland, and bought up oilfields in the Dutch Indies, in order to strike at its principal enemy, the Anglo-Dutch Shell trust. On the other hand, the Deutsche Bank and the other German banks aimed at "retaining" Rumania "for themselves" and at uniting her with Russia against Rockefeller. The latter possessed far more capital and an excellent system of oil transportation and distribution. The struggle had to end, and did end in 1907, with the utter defeat of the Deutsche Bank, which was confronted with the alternative: either to liquidate its "oil interests" and lose millions, or submit. It chose to submit, and concluded a very disadvantageous agreement with the "oil trust." The Deutsche Bank agreed "not to attempt anything which might injure American interests." Provision was made, however, for the annulment of the agreement in the event of Germany establishing a state oil monopoly.

Then the "comedy of oil" began. One of the German finance kings, von Gwinner, a director of the Deutsche Bank, through his private secretary, Stauss, launched a campaign *for* a state oil monopoly. The gigantic machine of the huge German bank and all its wide "connections" were set in motion. The press bubbled over with "patriotic" indignation against the "yoke" of the American trust, and, on March 15, 1911, the Reichstag, by an almost unanimous vote, adopted a motion asking the government to introduce a bill for the establishment of an oil monopoly. The government seized upon this "popular" idea, and the game of the Deutsche Bank, which hoped to cheat its American counterpart and improve its business by a state monopoly, appeared to have been won. The German oil magnates already saw visions of enormous profits, which would not be less than those of the Russian sugar refiners.... But firstly, the big German banks quarreled among themselves over the division of the spoils. The Disconto-Gesellschaft exposed the covetous aims of the Deutsche Bank; secondly, the government took fright at the prospect of a struggle with Rockefeller, for it was very doubtful whether Germany could be sure of obtaining oil from other sources (the Rumanian output was small); thirdly, just at that time the 1913 credits of a thousand million marks were voted for Germany's war preparations. The oil monopoly project was postponed. The Rockefeller "oil trust" came out of the struggle, for the time being, victorious.

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[455] Diouritch, op. cit., pp. 245-46. —Lenin

The Berlin review, *Die Bank*, wrote in this connection that Germany could fight the oil trust only by establishing an electricity monopoly and by converting water-power into cheap electricity. "But," the author added, "the electricity monopoly will come when the producers need it, that is to say, when the next great crash in the electrical industry is imminent, and when the gigantic, expensive power stations now being put up at great cost everywhere by private electrical concerns, which are already obtaining certain franchises from towns, from states, etc., can no longer work at a profit. Water-power will then have to be used. But it will be impossible to convert it into cheap electricity at state expense; it will also have to be handed over to a 'private monopoly controlled by the state', because private industry has already concluded a number of contracts and has stipulated for heavy compensation.... So, it was with the nitrate monopoly, so it is with the oil monopoly, so it will be with the electric power monopoly. It is time our state socialists, who allow themselves to be blinded by a beautiful principle, understood, at last, that in Germany the monopolies have never pursued the aim, nor have they had the result, of benefiting the consumer, or even of handing over to the state part of the promoter's profits; they have served only to facilitate, at the expense of the state, the recovery of private industries which were on the verge of bankruptcy. [456]

Such are the valuable admissions which the German bourgeois economists are forced to make. We see plainly here how private and state monopolies are interwoven in the epoch of finance capital; how both are but separate links in the imperialist struggle between the big monopolists for the division of the world.

In merchant shipping, the tremendous development of concentration has ended also in the division of the world. In Germany two powerful companies have come to the fore: the Hamburg-Amerika and the Norddeutscher Lloyd, each having a capital of 200 million marks (in stocks and bonds) and possessing shipping tonnage to the value of 185 to 189 million marks. On the other hand, in America, on January 1, 1903, the International Mercantile Marine Co., known as the Morgan trust, was formed; it united nine American and British steamship companies, and possessed a capital of 120 million dollars (480 million marks). As early as 1903, the German giants and this American-British trust concluded an agreement to divide the world with a consequent division of profits. The German companies undertook not to compete in the Anglo-American traffic. Which ports were to be "allotted" to each was precisely stipulated; a joint committee of control was set up, etc. This agreement was concluded for twenty years, with the prudent provision for its annulment in the event of war. [457]

Extremely instructive also is the story of the formation of the International Rail Cartel. The first attempt of the British, Belgian and German rail manufacturers to form such a cartel was made as early as 1884, during a severe industrial depression. The manufacturers agreed not to compete with one another in the home markets of the countries involved, and they divided the foreign markets in the following quotas: Great Britain, 66 per cent; Germany, 27 per cent; Belgium, 7 per cent. India was reserved entirely for Great Britain. Joint war was declared against a British firm which remained outside

[456] Die Bank, 1912, 1, S. 1036; 1912, 2, S. 629; 1913, 1, S. 388. —Lenin
[457] Riesser, op. cit., S. 125. —*Lenin*

the cartel, the cost of which was met by a percentage levy on all sales. But in 1886 the cartel collapsed when two British firms retired from it. It is characteristic that agreement could not be achieved during subsequent boom periods.

At the beginning of 1904, the German steel syndicate was formed. In November 1904, the International Rail Cartel was revived, with the following quotas: Britain, 53.5 per cent; Germany, 28.83 per cent; Belgium, 17.67 per cent. France came in later and received 4.8 per cent, 5.8 per cent and 6.4 per cent in the first, second and third year respectively, over and above the 100 per cent limit, i.e., out of a total of 104.8 per cent, etc. In 1905, the United States Steel Corporation entered the cartel; then Austria and Spain. "At the present time," wrote Vogelstein in 1910, "the division of the world is complete, and the big consumers, primarily the state railways—since the world has been parceled out without consideration for their interests—can now dwell like the poet in the heavens of Jupiter." [458]

Let me also mention the International Zinc Syndicate which was established in 1909 and which precisely apportioned output among five groups of factories: German, Belgian, French, Spanish and British; and also the International Dynamite Trust, which, Liefmann says, is "quite a modern, close alliance of all the German explosives manufacturers who, with the French and American dynamite manufacturers, organized in a similar manner, have divided the whole world among themselves, so to speak." [459]

Liefmann calculated that in 1897 there were altogether about forty international cartels in which Germany had a share, while in 1910 there were about a hundred.

Certain bourgeois writers (now joined by Karl Kautsky, who has completely abandoned the Marxist position he had held, for example, in 1909) have expressed the opinion that international cartels, being one of the most striking expressions of the internationalization of capital, give the hope of peace among nations under capitalism. Theoretically, this opinion is absolutely absurd, while in practice it is sophistry and a dishonest defense of the worst opportunism. International cartels show to what point capitalist monopolies have developed, and *the object* of the struggle between the various capitalist associations. This last circumstance is the most important; it alone shows us the historic-economic meaning of what is taking place; for the *forms* of the struggle may and do constantly change in accordance with varying, relatively specific and temporary causes, but the *substance* of the struggle, its class *content*, positively *cannot* change while classes exist. Naturally, it is in the interests of, for example, the German bourgeoisie, to whose side Kautsky has in effect gone over in his theoretical arguments (I shall deal with this later), to obscure the *substance* of the present economic struggle (the division of the world) and to emphasize now this and now another *form* of the struggle. Kautsky makes the same mistake. Of course, we have in mind not only the German bourgeoisie, but the bourgeoisie all over the world. The capitalists divide the world, not out of any particular malice, but because the degree of concentration which has been reached forces them to adopt this method in order to obtain profits. And

[458] Vogelstein, *Organisationsformen*, S. 100. —*Lenin*
[459] Liefmann, *Kartelle und Trusts*, 2. A., S. 161. —*Lenin*

they divide it "in proportion to capital", "in proportion to strength," because there cannot be any other method of division under commodity production and capitalism. But strength varies with the degree of economic and political development. In order to understand what is taking place, it is necessary to know what questions are settled by the changes in strength. The question as to whether these changes are "purely" economic or non-economic (e.g., military) is a secondary one, which cannot in the least effect fundamental views on the latest epoch of capitalism. To substitute the question of the form of the struggle and agreements (today peaceful, tomorrow warlike, the next day warlike again) for the question of the substance of the struggle and agreements between capitalist associations is to sink to the role of a sophist.

The epoch of the latest stage of capitalism shows us that certain relations between capitalist associations grow up, *based* on the economic division of the world; while parallel to and in connection with it, certain relations grow up between political alliances, between states, on the basis of the territorial division of the world, of the struggle for colonies, of the "struggle for spheres of influence."

Chapter 6: DIVISION OF THE WORLD AMONG THE GREAT POWERS

In his book, on "the territorial development of the European colonies," A. Supan, [460] the geographer, gives the following brief summary of this development at the end of the nineteenth century:

PERCENTAGE OF TERRITORY BELONGING TO THE EUROPEAN COLONIAL POWERS (Including the United States)			
	1876	1900	Increase or decrease
Africa.....	10.8	90.4	+79.6
Polynesia....	56.8	98.9	+42.1
Asia.....	51.5	56.6	+5.1
Australia....	100.0	100.0	—
America.....	27.5	27.2	-0.3

"The characteristic feature of this period," he concludes, "is, therefore, the division of Africa and Polynesia." As there are no unoccupied territories—that is, territories that do not belong to any state in Asia and America, it is necessary to amplify Supan's conclusion and say that the characteristic feature of the period under review is the final partitioning of the globe—final, not in the sense that *repartition* is impossible; on the contrary, repartitions are possible and inevitable—but in the sense that the colonial policy of the capitalist countries has *completed* the seizure of the unoccupied territories on our planet. For the first time the world is completely divided up, so that in the future *only* redivision is possible, i.e.,

[460] Henry C. Morris, The History of Colonisation, New York, 1900, Vol. II, p. 88; Vol. 1, p. 419; Vol. 11, p. 304. —Lenin

territories can only pass from one "owner" to another, instead of passing as ownerless territory to an owner

Hence, we are living in a peculiar epoch of world colonial policy, which is most closely connected with the "latest stage in the development of capitalism," with finance capital. For this reason, it is essential first of all to deal in greater detail with the facts, in order to ascertain as exactly as possible what distinguishes this epoch from those preceding it, and what the present situation is. In the first place, two questions of fact arise here: is an intensification of colonial policy, a sharpening of the struggle for colonies, observed precisely in the epoch of finance capital? And how, in this respect, is the world divided at the present time?

The American writer, Morris, in his book on the history of colonization, made an attempt to sum up the data on the colonial possessions of Great Britain, France and Germany during different periods of the nineteenth century. The following is a brief summary of the results he has obtained:

COLONIAL POSSESSIONS						
Year	Great Britain		France		Germany	
	Area (000,000 sq. m.)	Pop. (000,000)	Area (000,000 sq. m.)	Pop. (000,000)	Area (000,000 sq. m.)	Pop. (000,000)
1815-30	?	126.4	0.02	0.5	—	—
1860	2.5	145.1	0.2	3.4	—	—
1880	7.7	267.9	0.7	7.5	—	—
1899	9.3	309.0	3.7	56.4	1.0	14.7

For Great Britain, the period of the enormous expansion of colonial conquests was that between 1860 and 1880, and it was also very considerable in the last twenty years of the nineteenth century. For France and Germany this period falls precisely in these twenty years. We saw above that the development of pre-monopoly capitalism, of capitalism in which free competition was predominant, reached its limit in the 1860s and 1870s. We now see that it is *precisely after that period* that the tremendous "boom" in colonial conquests begins, and that the struggle for the territorial division of the world becomes extraordinarily sharp. It is beyond doubt, therefore, that capitalism's transition to the stage of monopoly capitalism, to finance capital, *is connected* with the intensification of the struggle for the partitioning of the world.

Hobson, in his work on imperialism, marks the years 1884-1900 as the epoch of intensified "expansion" of the chief European states. According to his estimate, Great Britain during these years acquired 3,700,000 square miles of territory with 57,000,000 inhabitants; France, 3,600,000 square miles with 36,500,000; Germany, 1,000,000 square miles with 14,700,000; Belgium, 900,000 square miles with

30,000,000; Portugal, 800,000 square miles with 9,000,000 inhabitants. The scramble for colonies by all the capitalist states at the end of the nineteenth century and particularly since the 1880s is a commonly known fact in the history of diplomacy and of foreign policy.

In the most flourishing period of free competition in Great Britain, i.e., between 1840 and 1860, the leading British bourgeois politicians were *opposed* to colonial policy and were of the opinion that the liberation of the colonies, their complete separation from Britain, was inevitable and desirable. M. Beer, in an article, "Modern British Imperialism," [461] published in 1898, shows that in 1852, Disraeli, a statesman who was generally inclined towards imperialism, declared: "The colonies are millstones round our necks." But at the end of the nineteenth century the British heroes of the hour were Cecil Rhodes and Joseph Chamberlain, who openly advocated imperialism and applied the imperialist policy in the most cynical manner!

It is not without interest to observe that even then these leading British bourgeois politicians saw the connection between what might be called the purely economic and the socio-political roots of modern imperialism. Chamberlain advocated imperialism as a "true, wise and economic policy," and pointed particularly to the German, American and Belgian competition which Great Britain was encountering in the world market. Salvation lies in monopoly, said the capitalists as they formed cartels, syndicates and trusts. Salvation lies in monopoly, echoed the political leaders of the bourgeoisie, hastening to appropriate the parts of the world not yet shared out. And Cecil Rhodes, we are informed by his intimate friend, the journalist Stead, expressed his imperialist views to him in 1895 in the following terms: "I was in the East End of London (a working-class quarter) yesterday and attended a meeting of the unemployed. I listened to the wild speeches, which were just a cry for 'bread! bread!' and on my way home I pondered over the scene and I became more than ever convinced of the importance of imperialism.... My cherished idea is a solution for the social problem, i.e., in order to save the 40,000,000 inhabitants of the United Kingdom from a bloody civil war, we colonial statesmen must acquire new lands to settle the surplus population, to provide new markets for the goods produced in the factories and mines. The Empire, as I have always said, is a bread-and-butter question. If you want to avoid civil war, you must become imperialists. [462]

That was said in 1895 by Cecil Rhodes, millionaire, a king of finance, the man who was mainly responsible for the Anglo-Boer War. True, his defense of imperialism is crude and cynical, but in substance it does not differ from the "theory" advocated by Messrs. Maslov, Südekum, Potresov, David, the founder of Russian Marxism and others. Cecil Rhodes was a somewhat more honest social-chauvinist....

To present as precise a picture as possible of the territorial division of the world and of the changes which have occurred during the last decades in this respect, I shall utilize the data furnished by Supan in the work already quoted on the colonial possessions of all the powers of the world. Supan

[461] *Die Neue Zeit*, XVI, 1, 1898, S. 302. —*Lenin*
[462] Ibid., S. 304. —Lenin

takes the years 1876 and 1900; I shall take the year 1876—a year very aptly selected, for it is precisely by that time that the pre-monopolist stage of development of West-European capitalism can be said to have been, in the main, completed—and the year 1914, and instead of Supan's figures I shall quote the more recent statistics of Hübner's *Geographical and Statistical Tables*. Supan gives figures only for colonies; I think it useful, in order to present a complete picture of the division of the world, to add brief data on non-colonial and semi-colonial countries, in which category I place Persia, China and Turkey: the first of these countries is already almost completely a colony, the second and third are becoming such.

We thus get the following result:

COLONIAL POSSESSIONS OF THE GREAT POWERS
(000,000 square kilometers and 000,000 inhabitants)

	Colonies				Metropolitan countries		Total	
	1876		1914		1914		1914	
	Area	Pop.	Area	Pop.	Area	Pop.	Area	Pop.
Great Britain	22.5	251.9	33.5	393.5	0.3	46.5	33.8	444.0
Russia	17.0	15.9	17.4	33.2	5.4	136.2	22.8	169.4
France	0.9	6.0	10.6	55.5	0.5	39.6	11.1	95.1
Germany	—	—	2.9	12.3	0.5	64.9	3.4	77.2
United States	—	—	0.3	9.7	9.4	97.0	9.7	106.7
Japan	—	—	0.3	19.2	0.4	53.0	0.7	72.2
Total for 6 Great Powers	40.4	273.8	65.0	523.4	16.5	437.2	81.5	960.6
Colonies of other powers (Belgium, Holland, etc.)			9.9	45.3				
Semi-colonial countries (Persia, China, Turkey)			14.5	361.2				
Other countries			28.0	289.9				
Total for the world			133.9	1,657.0				

We clearly see from these figures how "complete" was the partition of the world at the turn of the twentieth century. After 1876 colonial possessions increased to enormous dimensions, by more than fifty per cent, from 40,000,000 to 65,000,000 square kilometers for the six biggest powers; the increase amounts to 25,000,000 square kilometers, fifty per cent more than the area of the metropolitan countries (16,500,000 square kilometers). In 1876 three powers had no colonies, and a fourth, France, had scarcely any. By 1914 these four powers had acquired colonies with an area of 14,100,000 square kilometers, i.e., about half as much again as the area of Europe, with a population of nearly 100,000,000. The unevenness in the rate of expansion of colonial possessions is very great. If, for instance, we compare France, Germany and Japan, which do not differ very much in area and population, we see that the first has acquired almost three times as much colonial territory as the other two combined. In regard to finance capital, France, at the beginning of the period we are considering, was also, perhaps, several times richer than Germany and Japan put together. In addition to, and on the basis of, purely economic conditions, geographical and other conditions also affect the dimensions of colonial possessions. However strong the process of levelling the world, of levelling the economic and living conditions in different countries, may have been in the past decades as a result of the pressure of large-scale industry, exchange and finance capital, considerable differences still remain; and among the six countries mentioned we see, firstly, young capitalist countries (America, Germany, Japan) whose progress has been extraordinarily rapid; secondly, countries with an old capitalist development (France and Great Britain), whose progress lately has been much slower than that of the previously mentioned countries, and thirdly, a country most backward economically (Russia), where modern capitalist imperialism is enmeshed, so to speak, in a particularly close network of pre-capitalist relations.

Alongside the colonial possessions of the Great Powers, we have placed the small colonies of the small states, which are, so to speak, the next objects of a possible and probable "redivision" of colonies. These small states mostly retain their colonies only because the big powers are torn by conflicting interests, friction, etc., which prevent them from coming to an agreement on the division of the spoils. As to the "semi-colonial" states, they provide an example of the transitional forms which are to be found in all spheres of nature and society. Finance capital is such a great, such a decisive, you might say, force in all economic and in all international relations, that it is capable of subjecting, and actually does subject, to itself even states enjoying the fullest political independence; we shall shortly see examples of this. Of course, finance capital finds most "convenient," and derives the greatest profit from, a *form* of subjection which involves the loss of the political independence of the subjected countries and peoples. In this respect, the semi-colonial countries provide a typical example of the "middle stage." It is natural that the struggle for these semi-dependent countries should have become particularly bitter in the epoch of finance capital, when the rest of the world has already been divided up.

Colonial policy and imperialism existed before the latest stage of capitalism, and even before capitalism. Rome, founded on slavery, pursued a colonial policy and practiced imperialism. But "general" disquisitions on imperialism, which ignore, or put into the background, the fundamental difference between socio-economic formations, inevitably turn into the vapidest banality or bragging,

like the comparison: "Greater Rome and Greater Britain." [463] Even the capitalist colonial policy of *previous* stages of capitalism is essentially different from the colonial policy of finance capital.

The principal feature of the latest stage of capitalism is the domination of monopolist associations of big employers. These monopolies are most firmly established when *all* the sources of raw materials are captured by one group, and we have seen with what zeal the international capitalist associations exert every effort to deprive their rivals of all opportunity of competing, to buy up, for example, iron fields, oilfields, etc. Colonial possession alone gives the monopolies complete guarantee against all contingencies in the struggle against competitors, including the case of the adversary wanting to be protected by a law establishing a state monopoly. The more capitalism is developed, the more strongly the shortage of raw materials is felt, the more intense the competition and the hunt for sources of raw materials throughout the whole world, the more desperate the struggle for the acquisition of colonies.

"It may be asserted," writes Schilder, "although it may sound paradoxical to some, that in the more or less foreseeable future the growth of the urban and industrial population is more likely to be hindered by a shortage of raw materials for industry than by a shortage of food." For example, there is a growing shortage of timber—the price of which is steadily rising—of leather, and of raw materials for the textile industry. "Associations of manufacturers are making efforts to create an equilibrium between agriculture and industry in the whole of world economy; as an example of this we might mention the International Federation of Cotton Spinners' Associations in several of the most important industrial countries, founded in 1904, and the European Federation of Flax Spinners' Associations, founded on the same model in 1910." [464]

Of course, the bourgeois reformists, and among them particularly the present-day adherents of Kautsky, try to belittle the importance of facts of this kind by arguing that raw materials "could be" obtained in the open market without a "costly and dangerous" colonial policy; and that the supply of raw materials "could be" increased enormously by "simply" improving conditions in agriculture in general. But such arguments become an apology for imperialism, an attempt to paint it in bright colors, because they ignore the principal feature of the latest stage of capitalism: monopolies. The free market is becoming more and more a thing of the past; monopolist syndicates and trusts are restricting it with every passing day, and "simply" improving conditions in agriculture means improving the conditions of the masses, raising wages and reducing profits. Where, except in the imagination of sentimental reformists, are there any trusts capable of concerning themselves with the condition of the masses instead of the conquest of colonies?

Finance capital is interested not only in the already discovered sources of raw materials but also in potential sources, because present-day technical development is extremely rapid, and land which is useless today may be improved tomorrow if new methods are devised (to this end a big bank can equip a special expedition of engineers, agricultural experts, etc.), and if large amounts of capital are invested.

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[463] C. P. Lucas, *Greater Rome and Greater Britain*, Oxford, 1912, or the Earl of Cromer's *Ancient and Modern Imperialism*, London, 1910. —*Lenin*

[464] Schilder, op. cit., S. 38-42. —Lenin

This also applies to prospecting for minerals, to new methods of processing up and utilizing raw materials, etc., etc. Hence, the inevitable striving of finance capital to enlarge its spheres of influence and even its actual territory. In the same way that the trusts capitalize their property at two or three times its value, taking into account its "potential" (and not actual) profits and the further results of monopoly, so finance capital in general strives to seize the largest possible amount of land of all kinds in all places, and by every means, taking into account potential sources of raw materials and fearing to be left behind in the fierce struggle for the last remnants of independent territory, or for the repartition of those territories that have been already divided.

The British capitalists are exerting every effort to develop cotton growing in *their* colony, Egypt (in 1904, out of 2,300,000 hectares of land under cultivation, 600,000, or more than one-fourth, were under cotton); the Russians are doing the same in *their* colony, Turkestan, because in this way they will be in a better position to defeat their foreign competitors, to monopolize the sources of raw materials and form a more economical and profitable textile trust in which *all* the processes of cotton production and manufacturing will be "combined" and concentrated in the hands of one set of owners.

The interests pursued in exporting capital also give an impetus to the conquest of colonies, for in the colonial market it is easier to employ monopoly methods (and sometimes they are the only methods that can be employed) to eliminate competition, to ensure supplies, to secure the necessary "connections," etc.

The non-economic superstructure which grows up on the basis of finance capital, its politics and its ideology, stimulates the striving for colonial conquest. "Finance capital does not want liberty, it wants domination," as Hilferding very truly says. And a French bourgeois writer, developing and supplementing, as it were, the ideas of Cecil Rhodes quoted above, [465] writes that social causes should be added to the economic causes of modern colonial policy: "Owing to the growing complexities of life and the difficulties which weigh not only on the masses of the workers, but also on the middle classes, 'impatience, irritation and hatred are accumulating in all the countries of the old civilization and are becoming a menace to public order; the energy which is being hurled out of the definite class channel must be given employment abroad in order to avert an explosion at home'." [466]

Since we are speaking of colonial policy in the epoch of capitalist imperialism, it must be observed that finance capital and its foreign policy, which is the struggle of the great powers for the economic and political division of the world, give rise to a number of *transitional* forms of state dependence. Not only are the two main groups of countries, those owning colonies, and the colonies themselves, but also the diverse forms of dependent countries which, politically, are formally independent, but in fact, are enmeshed in the net of financial and diplomatic dependence, typical of this epoch. We have already referred to one form of dependence—the semi-colony. An example of another is provided by Argentina.

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[465] See pp. 256–57 of this volume.—Ed.

[466] Wahl, La France aux colonies quoted by Henri Russier, Le Partage de l'Océanie, Paris, 1905, p. 165. —Lenin

"South America, and especially Argentina," writes Schulze-Gaevernitz in his work on British imperialism, "is so dependent financially on London that it ought to be described as almost a British commercial colony." [467] Basing himself on the reports of the Austro-Hungarian Consul at Buenos Aires for 1909, Schilder estimated the amount of British capital invested in Argentina at 8,750 million francs. It is not difficult to imagine what strong connections British finance capital (and its faithful "friend", diplomacy) thereby acquires with the Argentine bourgeoisie, with the circles that control the whole of that country's economic and political life.

A somewhat different form of financial and diplomatic dependence, accompanied by political independence, is presented by Portugal. Portugal is an independent sovereign state, but actually, for more than two hundred years, since the war of the Spanish Succession (1701-14), it has been a British protectorate. Great Britain has protected Portugal and her colonies in order to fortify her own positions in the fight against her rivals, Spain and France. In return Great Britain has received commercial privileges, preferential conditions for importing goods and especially capital into Portugal and the Portuguese colonies, the right to use the ports and islands of Portugal, her telegraph cables, etc., etc. [468] Relations of this kind have always existed between big and little states, but in the epoch of capitalist imperialism they become a general system, they form part of the sum total of "divide the world" relations and become links in the chain of operations of world finance capital.

In order to finish with the question of the division of the world, I must make the following additional observation. This question was raised quite openly and definitely not only in American literature after the Spanish-American War, and in English literature after the Anglo-Boer War, at the very end of the nineteenth century and the beginning of the twentieth; not only has German literature, which has "most jealously" watched "British imperialism," systematically given its appraisal of this fact. This question has also been raised in French bourgeois literature as definitely and broadly as is thinkable from the bourgeois point of view. Let me quote Driault, the historian, who, in his book, *Political and Social Problems at the End of the Nineteenth Century*, in the chapter "The Great Powers and the Division of the World," wrote the following: "During the past few years, all the free territory of the globe, with the exception of China, has been occupied by the powers of Europe and North America. This has already brought about several conflicts and shifts of spheres of influence, and these foreshadow more terrible upheavals in the near future. For it is necessary to make haste. The nations which have not yet made provision for themselves run the risk of never receiving their share and never participating in the tremendous exploitation of the globe which will be one of the most essential features of the next century (i.e., the twentieth). That is why all Europe and America have lately been afflicted with the fever of colonial expansion, of 'imperialism', that most noteworthy feature of the end of the nineteenth century." And the author added: "In this partition of the world, in this furious hunt for the treasures and the big markets of the globe, the relative strength of the empires founded in this nineteenth century

[467] Schulze-Gaevernitz, Britischer Imperialismus und englischer Freihandel zu Beginn des 20-ten Jahrhunderts, Leipzig, 1906, S. 318. Sartorius v. Waltershausen says the same in Das volkswirtschaftliche System der Kapitalanlage im Auslande, Berlin, 1907, S. 46. —Lenin

[468] Schilder, op. cit., Vol. I, S. 160-61. —Lenin

is totally out of proportion to the place occupied in Europe by the nations which founded them. The dominant powers in Europe, the arbiters of her destiny, are *not* equally preponderant in the whole world. And, as colonial might, the hope of controlling as yet unassessed wealth, will evidently react upon the relative strength of the European powers, the colonial question—"imperialism," if you will—which has already modified the political conditions of Europe itself, will modify them more and more."[469]

Chapter 7: IMPERIALISM AS A SPECIAL STAGE OF CAPITALISM

We must now try to sum up, to draw together the threads of what has been said above on the subject of imperialism. Imperialism emerged as the development and direct continuation of the fundamental characteristics of capitalism in general. But capitalism only became capitalist imperialism at a definite and very high stage of its development, when certain of its fundamental characteristics began to change into their opposites, when the features of the epoch of transition from capitalism to a higher social and economic system had taken shape and revealed themselves in all spheres. Economically, the main thing in this process is the displacement of capitalist free competition by capitalist monopoly. Free competition is the basic feature of capitalism, and of commodity production generally; monopoly is the exact opposite of free competition, but we have seen the latter being transformed into monopoly before our eyes, creating large-scale industry and forcing out small industry, replacing large-scale by still larger-scale industry, and carrying concentration of production and capital to the point where out of it has grown and is growing monopoly: cartels, syndicates and trusts, and merging with them, the capital of a dozen or so banks, which manipulate thousands of millions. At the same time the monopolies, which have grown out of free competition, do not eliminate the latter, but exist above it and alongside it, and thereby give rise to a number of very acute, intense antagonisms, frictions and conflicts. Monopoly is the transition from capitalism to a higher system.

If it were necessary to give the briefest possible definition of imperialism, we should have to say that imperialism is the monopoly stage of capitalism. Such a definition would include what is most important, for, on the one hand, finance capital is the bank capital of a few very big monopolist banks, merged with the capital of the monopolist associations of industrialists; and, on the other hand, the division of the world is the transition from a colonial policy which has extended without hindrance to territories unseized by any capitalist power, to a colonial policy of monopolist possession of the territory of the world, which has been completely divided up.

But very brief definitions, although convenient, for they sum up the main points, are nevertheless inadequate, since we have to deduce from them some especially important features of the phenomenon that has to be defined. And so, without forgetting the conditional and relative value of all definitions in general, which can never embrace all the concatenations of a phenomenon in its full development, we must give a definition of imperialism that will include the following five of its basic features:

[469] J. E. Driault, Problèmes politiques et sociaux, Paris, 1900, p. 299. —Lenin

(1) the concentration of production and capital has developed to such a high stage that it has created monopolies which play a decisive role in economic life; (2) the merging of bank capital with industrial capital, and the creation, on the basis of this "finance capital," of a financial oligarchy; (3) the export of capital as distinguished from the export of commodities acquires exceptional importance; (4) the formation of international monopolist capitalist associations which share the world among themselves and (5) the territorial division of the whole world among the biggest capitalist powers is completed. Imperialism is capitalism at that stage of development at which the dominance of monopolies and finance capital is established; in which the export of capital has acquired pronounced importance; in which the division of the world among the international trusts has begun, in which the division of all territories of the globe among the biggest capitalist powers has been completed.

We shall see later that imperialism can and must be defined differently if we bear in mind not only the basic, purely economic concepts—to which the above definition is limited—but also the historical place of this stage of capitalism in relation to capitalism in general, or the relation between imperialism and the two main trends in the working-class movement. The thing to be noted at this point is that imperialism, as interpreted above, undoubtedly represents a special stage in the development of capitalism. To enable the reader to obtain the most well-grounded idea of imperialism, I deliberately tried to quote as extensively as possible *bourgeois* economists who have to admit the particularly incontrovertible facts concerning the latest stage of capitalist economy. With the same object in view, I have quoted detailed statistics which enable one to see to what degree bank capital, etc., has grown, in what precisely the transformation of quantity into quality, of developed capitalism into imperialism, was expressed. Needless to say, of course, all boundaries in nature and in society are conventional and changeable, and it would be absurd to argue, for example, about the particular year or decade in which imperialism "definitely" became established.

In the matter of defining imperialism, however, we have to enter into controversy, primarily, with Karl Kautsky, the principal Marxist theoretician of the epoch of the so-called Second International—that is, of the twenty-five years between 1889 and 1914. The fundamental ideas expressed in our definition of imperialism were very resolutely attacked by Kautsky in 1915, and even in November 1914, when he said that imperialism must not be regarded as a "phase" or stage of economy, but as a policy, a definite policy "preferred" by finance capital; that imperialism must not be "identified" with "present-day capitalism"; that if imperialism is to be understood to mean "all the phenomena of present-day capitalism"—cartels, protection, the domination of the financiers, and colonial policy—then the question as to whether imperialism is necessary to capitalism becomes reduced to the "flattest tautology", because, in that case, "imperialism is naturally a vital necessity for capitalism", and so on. The best way to present Kautsky's idea is to quote his own definition of imperialism, which is diametrically opposed to the substance of the ideas which I have set forth (for the objections coming from the camp of the German Marxists, who have been advocating similar ideas for many years already, have been long known to Kautsky as the objections of a definite trend in Marxism).

Kautsky's definition is as follows:

"Imperialism is a product of highly developed industrial capitalism. It consists in the striving of every industrial capitalist nation to bring under its control or to annex all large areas of *agrarian* [Kautsky's italics] territory, irrespective of what nations inhabit it." [470]

This definition is of no use at all because it one-sidedly, i.e., arbitrarily, singles out only the national question (although the latter is extremely important in itself as well as in its relation to imperialism), it arbitrarily and *inaccurately* connects this question *only* with industrial capital in the countries which annex other nations, and in an equally arbitrary and inaccurate manner pushes into the forefront the annexation of agrarian regions.

Imperialism is a striving for annexations—this is what the *political* part of Kautsky's definition amounts to. It is correct, but very incomplete, for politically, imperialism is, in general, a striving towards violence and reaction. For the moment, however, we are interested in the *economic* aspect of the question, which Kautsky *himself* introduced into his definition. The inaccuracies in Kautsky's definition are glaring. The characteristic feature of imperialism is not industrial *but* finance capital. It is not an accident that in France it was precisely the extraordinarily rapid development of *finance* capital, and the weakening of industrial capital, that from the eighties onwards gave rise to the extreme intensification of annexationist (colonial) policy. The characteristic feature of imperialism is precisely that it strives to annex *not only* agrarian territories, but even most highly industrialized regions (German appetite for Belgium; French appetite for Lorraine), because (1) the fact that the world is already partitioned obliges those contemplating a *redivision* to reach out for *every kind* of territory, and (2) an essential feature of imperialism is the rivalry between several great powers in the striving for hegemony, i.e., for the conquest of territory, not so much directly for themselves as to weaken the adversary and undermine *his* hegemony. (Belgium is particularly important for Germany as a base for operations against Britain; Britain needs Baghdad as a base for operations against Germany, etc.)

Kautsky refers especially—and repeatedly—to English writers who, he alleges, have given a purely political meaning to the word "imperialism" in the sense that he, Kautsky, understands it. We take up the work by the English writer Hobson, *Imperialism*, which appeared in 1902, and there we read:

"The new imperialism differs from the older, first, in substituting for the ambition of a single growing empire the theory and the practice of competing empires, each motivated by similar lusts of political aggrandizement and commercial gain; secondly, in the dominance of financial or investing over mercantile interests." [471]

We see that Kautsky is absolutely wrong in referring to English writers generally (unless he meant the vulgar English imperialists, or the avowed apologists for imperialism). We see that Kautsky, while claiming that he continues to advocate Marxism, as a matter of fact takes a step backward compared with the *social-liberal* Hobson, who *more correctly* takes into account two "historically concrete" (Kautsky's definition is a mockery of historical concreteness!) features of modern imperialism:

[470] Die Neue Zeit, 1914, 2 (B. 32), S. 909, Sept. 11, 1914; cf. 1915, 2, S. 107 et seq. —Lenin
[471] Hobson, *Imperialism*, London, 1902, p. 324. —*Lenin*

(1) the competition between *several* imperialisms, and (2) the predominance of the financier over the merchant. If it is chiefly a question of the annexation of agrarian countries by industrial countries, then the role of the merchant is put in the forefront.

Kautsky's definition is not only wrong and un-Marxist. It serves as a basis for a whole system of views which signify a rupture with Marxist theory and Marxist practice all along the line. I shall refer to this later. The argument about words which Kautsky raises as to whether the latest stage of capitalism should be called imperialism or the stage of finance capital is not worth serious attention. Call it what you will, it makes no difference. The essence of the matter is that Kautsky detaches the politics of imperialism from its economics, speaks of annexations as being a policy "preferred" by finance capital, and opposes to it another bourgeois policy which, he alleges, is possible on this very same basis of finance capital. It follows, then, that monopolies in the economy are compatible with non-monopolistic, non-violent, non-annexationist methods in politics. It follows, then, that the territorial division of the world, which was completed during this very epoch of finance capital, and which constitutes the basis of the present peculiar forms of rivalry between the biggest capitalist states, is compatible with a non-imperialist policy. The result is a slurring-over and a blunting of the most profound contradictions of the latest stage of capitalism, instead of an exposure of their depth; the result is bourgeois reformism instead of Marxism.

Kautsky enters into controversy with the German apologist of imperialism and annexations, Cunow, who clumsily and cynically argues that imperialism is present-day capitalism; the development of capitalism is inevitable and progressive; therefore, imperialism is progressive; therefore, we should grovel before it and glorify it! This is something like the caricature of the Russian Marxists which the Narodniks drew in 1894-95. They argued: if the Marxists believe that capitalism is inevitable in Russia, that it is progressive, then they ought to open a tavern and begin to implant capitalism! Kautsky's reply to Cunow is as follows: imperialism is not present-day capitalism; it is only one of the forms of the policy of present-day capitalism. This policy we can and should fight, fight imperialism, annexations, etc.

The reply seems quite plausible, but in effect it is a more subtle and more disguised (and therefore more dangerous) advocacy of conciliation with imperialism, because a "fight" against the policy of the trusts and banks that does not affect the economic basis of the trusts and banks is mere bourgeois reformism and pacifism, the benevolent and innocent expression of pious wishes. Evasion of existing contradictions, forgetting the most important of them, instead of revealing their full depth—such is Kautsky's theory, which has nothing in common with Marxism. Naturally, such a "theory" can only serve the purpose of advocating unity with the Cunows!

"From the purely economic point of view," writes Kautsky, "it is not impossible that capitalism will yet go through a new phase, that of the extension of the policy of the cartels to foreign policy, the phase of ultra-imperialism," [472] i.e., of a super imperialism, of a union of the imperialisms of the whole world and

[472] Die Neue Zeit, 1914, 2 (B. 32), S. 921, Sept. 11, 1914. Cf. 1915, 2, S. 107 et seq. —Lenin

not struggles among them, a phase when wars shall cease under capitalism, a phase of "the joint exploitation of the world by internationally united finance capital." [473]

We shall have to deal with this "theory of ultra-imperialism" later on in order to show in detail how decisively and completely it breaks with Marxism. At present, in keeping with the general plan of the present work, we must examine the exact economic data on this question. "From the purely economic point of view," is "ultra-imperialism" possible, or is it ultra-nonsense?

If the purely economic point of view is meant to be a "pure" abstraction, then all that can be said reduces itself to the following proposition: development is proceeding towards monopolies, hence, towards a single world monopoly, towards a single world trust. This is indisputable, but it is also as completely meaningless as is the statement that "development is proceeding" towards the manufacture of foodstuffs in laboratories. In this sense the "theory" of ultra-imperialism is no less absurd than a "theory of ultra-agriculture" would be.

If, however, we are discussing the "purely economic" conditions of the epoch of finance capital as a historically concrete epoch which began at the turn of the twentieth century, then the best reply that one can make to the lifeless abstractions of "ultra-imperialism" (which serve exclusively a most reactionary aim: that of diverting attention from the depth of *existing* antagonisms) is to contrast them with the concrete economic realities of the present-day world economy. Kautsky's utterly meaningless talk about ultra-imperialism encourages, among other things, that profoundly mistaken idea which only brings grist to the mill of the apologists of imperialism, i.e., that the rule of finance capital *lessens* the unevenness and contradictions inherent in the world economy, whereas in reality it increases them.

R. Calwer, in his little book, *An Introduction to the World Economy*, [474] made an attempt to summarize the main, purely economic, data that enable one to obtain a concrete picture of the internal relations of the world economy at the turn of the twentieth century. He divides the world into five "main economic areas", as follows: (1) Central Europe (the whole of Europe with the exception of Russia and Great Britain); (2) Great Britain; (3) Russia; (4) Eastern Asia; (5) America; he includes the colonies in the "areas" of the states to which they belong and "leaves aside" a few countries not distributed according to areas, such as Persia, Afghanistan, and Arabia in Asia, Morocco and Abyssinia in Africa, etc.

Here is a brief summary of the economic data he quotes on these regions.

	Area	Pop.	Transport		Trade	Industry	
		Millions				Output	

[473] Ibid., 1915, 1, S. 144, April 30, 1915. —Lenin
[474] R. Calwer, Einfü hrung in die Weltwirtschaft, Berlin, 1906. —Lenin

Principal economic areas	Million sq. miles		Railways (thou. km)	Mercantile fleet (mill-ions tons)	Imports, exports (thousand-million marks)	Of coal (mill. tons)	Of pig iron (mill. tons)	Number of cotton spindles (millions)
1) Central Europe	27.6 (23.6)	388 (146)	204	8	41	251	15	26
2) Britain	28.9 (28.6)	398 (355)	140	11	25	249	9	51
3) Russia	22	131	63	1	3	16	3	7
4) Eastern Asia	12	389	8	1	2	8	0.02	2
5) America	30	148	379	6	14	245	14	19

NOTE: The figures in parentheses show the area and population of the colonies.

We see three areas of highly developed capitalism (high development of means of transport, of trade and of industry): the Central European, the British and the American areas. Among these are three states which dominate the world: Germany, Great Britain, and the United States. Imperialist rivalry and the struggle between these countries have become extremely keen because Germany has only an insignificant area and few colonies; the creation of "Central Europe" is still a matter for the future; it is being born in the midst of a desperate struggle. For the moment the distinctive feature of the whole of Europe is political disunity. In the British and American areas, on the other hand, political concentration is very highly developed, but there is a vast disparity between the immense colonies of the one and the insignificant colonies of the other. In the colonies, however, capitalism is only beginning to develop. The struggle for South America is becoming more and more acute.

There are two areas where capitalism is little developed: Russia and Eastern Asia. In the former, the population is extremely sparse, in the latter it is extremely dense; in the former political concentration is high, in the latter it does not exist. The partitioning of China is only just beginning, and the struggle for it between Japan, the U.S., etc., is continually gaining in intensity.

Compare this reality—the vast diversity of economic and political conditions, the extreme disparity in the rate of development of the various countries, etc., and the violent struggles among the imperialist states—with Kautsky's silly little fable about "peaceful" ultra-imperialism. Is this not the reactionary attempt of a frightened philistine to hide from stern reality? Are not the international cartels

which Kautsky imagines are the embryos of "ultra-imperialism" (in the same way as one "can" describe the manufacture of tablets in a laboratory as ultra-agriculture in embryo) an example of the division *and the redivision* of the world, the transition from peaceful division to non-peaceful division and vice versa? Is not American and other finance capital, which divided the whole world peacefully with Germany's participation in, for example, the international rail syndicate, or in the international mercantile shipping trust, now engaged in *redividing* the world on the basis of a new relation of forces that is being changed by methods *anything but* peaceful?

Finance capital and the trusts do not diminish but increase the differences in the rate of growth of the various parts of the world economy. Once the relation of forces is changed, what other solution of the contradictions can be found *under capitalism* than that of *force*? Railway statistics [475] provide remarkably exact data on the different rates of growth of capitalism and finance capital in world economy. In the last decades of imperialist development, the total length of railways has changed as follows:

	Railways (000 kilometers)					
	1890		1913		+	
Europe	224		346		+122	
U.S.	268		411		+143	
All colonies	*82*	*125*	*210*	*347*	*+128*	*+222*
Independent and semi-independent states of Asia and America	*43*		*137*		*+94*	
Total	617		1,104			

Thus, the development of railways has been most rapid in the colonies and in the independent (and semi-independent) states of Asia and America. Here, as we know, the finance capital of the four or five biggest capitalist states holds undisputed sway. Two hundred thousand kilometers of new railways in the colonies and in the other countries of Asia and America represent a capital of more than 40,000 million marks newly invested on particularly advantageous terms, with special guarantees of a good return and with profitable orders for steel works, etc., etc.

Capitalism is growing with the greatest rapidity in the colonies and in overseas countries. Among the latter, new imperialist powers are emerging (e.g., Japan). The struggle among the world imperialisms is becoming more acute. The tribute levied by finance capital on the most profitable colonial and overseas enterprises is increasing. In the division of this "booty," an exceptionally large part goes to countries which do not always stand at the top of the list in the rapidity of the development

[475] Statistisches Jahrbuch für das deutsche Reich, 1915; Archiv für Eisenbahnwesen, 1892. Minor details for the distribution of railways among the colonies of the various countries in 1890 had to be estimated approximately. —Lenin

of their productive forces. In the case of the biggest countries, together with their colonies, the total length of railways was as follows:

	(000 kilometers)		
	1890	1913	
U.S.	268	413	+145
British Empire	107	208	+101
Russia	32	78	+46
Germany	43	68	+25
France	41	63	+22
Total	491	830	+339

thus about 80 per cent of the total existing railways are concentrated in the hands of the five biggest powers. But the concentration of the *ownership* of these railways, the concentration of finance capital, is immeasurably greater since the French and British millionaires, for example, own an enormous number of shares and bonds in American, Russian and other railways.

Thanks to her colonies, Great Britain has increased the length of "her" railways by 100,000 kilometers, four times as much as Germany. And yet, it is well known that the development of productive forces in Germany, and especially the development of the coal and iron industries, has been incomparably more rapid during this period than in Britain—not to speak of France and Russia. In 1892, Germany produced 4,900,000 tons of pig-iron and Great Britain produced 6,800,000 tons; in 1912, Germany produced 17,600,000 tons and Great Britain, 9,000,000 tons. Germany, therefore, had an overwhelming superiority over Britain in this respect. [476] The question is: what means other than war could there be *under capitalism* to overcome the disparity between the development of productive forces and the accumulation of capital on the one side, and the division of colonies and spheres of influence for finance capital on the other?

Chapter 8: PARASITISM AND DECAY OF CAPITALISM

We now have to examine yet another significant aspect of imperialism to which most of the discussions on the subject usually attach insufficient importance. One of the shortcomings of the Marxist Hilferding is that on this point he has taken a step backward compared with the non-Marxist Hobson. I refer to parasitism, which is characteristic of imperialism.

As we have seen, the deepest economic foundation of imperialism is monopoly. This is capitalist monopoly, i.e., monopoly which has grown out of capitalism and which exists in the general

[476] Cf. also Edgar Crammond, "The Economic Relations of the British and German Empires" in The Journal of the Royal Statistical Society, July 1914, p. 777 et seq. —Lenin

environment of capitalism, commodity production and competition, in permanent and insoluble contradiction to this general environment. Nevertheless, like all monopoly, it inevitably engenders a tendency of stagnation and decay. Since monopoly prices are established, even temporarily, the motive cause of technical and, consequently, of all other progress disappears to a certain extent and, further, the economic possibility arises of deliberately retarding technical progress. For instance, in America, a certain Owens invented a machine which revolutionized the manufacture of bottles. The German bottle-manufacturing cartel purchased Owens's patent, but pigeon-holed it, refrained from utilizing it. Certainly, monopoly under capitalism can never completely, and for a very long period of time, eliminate competition in the world market (and this, by the by, is one of the reasons why the theory of ultra-imperialism is so absurd). Certainly, the possibility of reducing the cost of production and increasing profits by introducing technical improvements operates in the direction of change. But the tendency to stagnation and decay, which is characteristic of monopoly, continues to operate, and in some branches of industry, in some countries, for certain periods of time, it gains the upper hand.

The monopoly ownership of very extensive, rich or well-situated colonies operates in the same direction.

Further, imperialism is an immense accumulation of money capital in a few countries, amounting, as we have seen, to 100,000-150,000 million francs in securities. Hence the extraordinary growth of a class, or rather, of a stratum of rentiers, i.e., people who live by "clipping coupons," who take no part in any enterprise whatever, whose profession is idleness. The export of capital, one of the most essential economic bases of imperialism, still more completely isolates the rentiers from production and sets the seal of parasitism on the whole country that lives by exploiting the labor of several overseas countries and colonies.

"In 1893," writes Hobson, "the British capital invested abroad represented about 15 per cent of the total wealth of the United Kingdom." [477] Let me remind the reader that by 1915 this capital had increased about two and a half times. "Aggressive imperialism," says Hobson further on, "which costs the tax-payer so dear, which is of so little value to the manufacturer and trader ... is a source of great gain to the investor.... The annual income Great Britain derives from commissions in her whole foreign and colonial trade, import and export, is estimated by Sir R. Giffen at £18,000,000 (nearly 170 million rubles) for 1899, taken at 2 1/2 per cent, upon a turnover of £800,000,000." Great as this sum is, it cannot explain the aggressive imperialism of Great Britain, which is explained by the income of £90 million to £100 million from "invested" capital, the income of the rentiers.

The income of the rentiers is five *times* greater than the income obtained from the foreign trade of the biggest "trading" country in the world! This is the essence of imperialism and imperialist parasitism.

For that reason, the term "rentier state" (Rentnerstaat), or usurer state, is coming into common use in the economic literature that deals with imperialism. The world has become divided into a handful of usurer states and a vast majority of debtor states. "At the top of the list of foreign investments," says

[477] Hobson, op. cit., pp. 59, 62. —Lenin

Schulze-Gaevernitz, "are those placed in politically dependent or allied countries: Great Britain grants loans to Egypt, Japan, China and South America. Her navy plays here the part of bailiff in case of necessity. Great Britain's political power protects her from the indignation of her debtors." [478] Sartorius von Waltershausen in his book, *The National Economic System of Capital Investments Abroad,* cites Holland as the model "rentier state" and points out that Great Britain and France are now becoming such. [479] Schilder is of the opinion that five industrial states have become "definitely pronounced creditor countries": Great Britain, France, Germany, Belgium and Switzerland. He does not include Holland in this list simply because she is "industrially little developed." [480] The United States is a creditor only of the American countries.

"Great Britain," says Schulze-Gaevernitz, "is gradually becoming transformed from an industrial into a creditor state. Notwithstanding the absolute increase in industrial output and the export of manufactured goods, there is an increase in the relative importance of income from interest and dividends, issues of securities, commissions and speculation in the whole of the national economy. In my opinion it is precisely this that forms the economic basis of imperialist ascendancy. The creditor is more firmly attached to the debtor than the seller is to the buyer. [481] In regard to Germany, A. Lansburgh, the publisher of the Berlin *Die Bank,* in 1911, in an article entitled "Germany—a Rentier State", wrote the following: "People in Germany are ready to sneer at the yearning to become rentiers that is observed in France. But they forget that as far as the bourgeoisie is concerned the situation in Germany is becoming more and more like that in France." [482]

The rentier state is a state of parasitic, decaying capitalism, and this circumstance cannot fail to influence all the socio-political conditions of the countries concerned, in general, and the two fundamental trends in the working-class movement, in particular. To demonstrate this in the clearest possible manner let me quote Hobson, who is a most reliable witness, since he cannot be suspected of leaning towards Marxist orthodoxy; on the other hand, he is an Englishman who is very well acquainted with the situation in the country which is richest in colonies, in finance capital, and in imperialist experience.

With the Anglo-Boer War fresh in his mind, Hobson describes the connection between imperialism and the interests of the "financiers," their growing profits from contracts, supplies, etc., and writes: "While the directors of this definitely parasitic policy are capitalists, the same motives appeal to special classes of the workers. In many towns most important trades are dependent upon government employment or contracts; the imperialism of the metal and shipbuilding centers is attributable in no small degree to this fact." Two sets of circumstances, in this writer's opinion, have weakened the old empires: (1) "economic parasitism," and (2) the formation of armies recruited from subject peoples.

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[478] Schulze-Gaevernitz, Britischer Imperialismus, S. 320 et seq. —Lenin

[479] Schilder, op. cit., S. 393. —Lenin

[480] Schulze-Gaevernitz, op. cit., S. 122. —Lenin

[481] Schulze-Gaevernitz, op. cit., S. 122. —Lenin

[482] *Die Bank*, 1911, 1, S. 10-11. —*Lenin*

"There is first the habit of economic parasitism, by which the ruling state has used its provinces, colonies, and dependencies in order to enrich its ruling class and to bribe its lower classes into acquiescence." And I shall add that the economic possibility of such bribery, whatever its form may be, requires high monopolist profits.

As for the second circumstance, Hobson writes: "One of the strangest symptoms of the blindness of imperialism is the reckless indifference with which Great Britain, France and other imperial nations are embarking on this perilous dependence. Great Britain has gone farthest. Most of the fighting by which we have won our Indian Empire has been done by natives; in India, as more recently in Egypt, great standing armies are placed under British commanders; almost all the fighting associated with our African dominions, except in the southern part, has been done for us by natives."

Hobson gives the following economic appraisal of the prospect of the partitioning of China: "The greater part of Western Europe might then assume the appearance and character already exhibited by tracts of country in the South of England, in the Riviera and in the tourist-ridden or residential parts of Italy and Switzerland, little clusters of wealthy aristocrats drawing dividends and pensions from the Far East, with a somewhat larger group of professional retainers and tradesmen and a larger body of personal servants and workers in the transport trade and in the final stages of production of the more perishable goods; all the main arterial industries would have disappeared, the staple foods and manufactures flowing in as tribute from Asia and Africa. . . . We have foreshadowed the possibility of even a larger alliance of Western states, a European federation of great powers which, so far from forwarding the cause of world civilization, might introduce the gigantic peril of a Western parasitism, a group of advanced industrial nations, whose upper classes drew vast tribute from Asia and Africa, with which they supported great tame masses of retainers, no longer engaged in the staple industries of agriculture and manufacture, but kept in the performance of personal or minor industrial services under the control of a new financial aristocracy. Let those who would scout such a theory (it would be better to say: prospect) as undeserving of consideration examine the economic and social condition of districts in Southern England today which are already reduced to this condition, and reflect upon the vast extension of such a system which might be rendered feasible by the subjection of China to the economic control of similar groups of financiers, investors, and political and business officials, draining the greatest potential reservoir of profit the world has ever known, in order to consume it in Europe. The situation is far too complex, the play of world forces far too incalculable, to render this or any other single interpretation of the future very probable; but the influences which govern the imperialism of Western Europe today are moving in this direction, and, unless counteracted or diverted, make towards some such consummation." [483]

The author is quite right: if the forces of imperialism had not been counteracted, they would have led precisely to what he has described. The significance of a "United States of Europe" in the present imperialist situation is correctly appraised. He should have added, however, that, also *within* the working-class movement, the opportunists, who are for the moment victorious in most countries, are

[483] Hobson, op. cit., pp. 103, 205, 144, 335, 386. —Lenin

"working" systematically and undeviatingly in this very direction. Imperialism, which means the partitioning of the world, and the exploitation of other countries besides China, which means high monopoly profits for a handful of very rich countries, makes it economically possible to bribe the upper strata of the proletariat, and thereby fosters, gives shape to, and strengthens opportunism. We must not, however, lose sight of the forces which counteract imperialism in general, and opportunism in particular, and which, naturally, the social-liberal Hobson is unable to perceive.

The German opportunist, Gerhard Hildebrand, who was once expelled from the Party for defending imperialism, and who could today be a leader of the so-called "Social-Democratic" Party of Germany, supplements Hobson well by his advocacy of a "United States of Western Europe" (without Russia) for the purpose of "joint" action ... against the African Negroes, against the "great Islamic movement," for the maintenance of a "powerful army and navy", against a "Sino-Japanese coalition," [484] etc.

The description of "British imperialism" in Schulze-Gaevernitz's book reveals the same parasitical traits. The national income of Great Britain approximately doubled from 1865 to 1898, while the income "from abroad" increased *nine-fold* in the same period. While the "merit" of imperialism is that it "trains the Negro to habits of industry" (you cannot manage without coercion ...), the "danger" of imperialism lies in that "Europe will shift the burden of physical toil—first agricultural and mining, then the rougher work in industry—on to the colored races, and itself be content with the role of rentier, and in this way, perhaps, pave the way for the economic, and later, the political emancipation of the colored races."

An increasing proportion of land in England is being taken out of cultivation and used for sport, for the diversion of the rich. As far as Scotland—the most aristocratic place for hunting and other sports—is concerned, it is said that "it lives on its past and on Mr. Carnegie" (the American multimillionaire). On horse racing and fox hunting alone England annually spends £14,000,000 (nearly 130 million rubles). The number of rentiers in England is about one million. The percentage of the productively employed population to the total population is declining:

	Population England and Wales (000,000)	Workers in basic industries (000,000)	Per cent of total population
1851....	17.9	4.1	23
1901....	32.5	4.9	15

And in speaking of the British working class the bourgeois student of "British imperialism at the beginning of the twentieth century" is obliged to distinguish systematically between the "*upper stratum*" of the workers and the "*lower stratum of the proletariat proper*." The upper stratum furnishes the bulk of the membership of co-operatives, of trade unions, of sporting clubs and of numerous religious sects. To

[484] Gerhard Hildebrand, Die Erschütterung der Industrieherrschaft und des Industriesozialismus, 1910, S. 229 et seq. —Lenin

this level is adapted the electoral system, which in Great Britain is still "*sufficiently restricted to exclude the lower stratum of the proletariat proper*"! In order to present the condition of the British working class in a rosy light, only this upper stratum—which constitutes a *minority of* the proletariat—is usually spoken of. For instance, "the problem of unemployment is mainly a London problem and that of the lower proletarian stratum, *to which the politicians attach little importance*..." [485] He should have said: to which the bourgeois politicians and the "socialist" opportunists attach little importance.

One of the special features of imperialism connected with the facts I am describing, is the decline in emigration from imperialist countries and the increase in immigration into these countries from the more backward countries where lower wages are paid. As Hobson observes, emigration from Great Britain has been declining since 1884. In that year the number of emigrants was 242,000, while in 1900, the number was 169,000. Emigration from Germany reached the highest point between 1881 and 1890, with a total of 1,453,000 emigrants. In the course of the following two decades, it fell to 544,000 and to 341,000. On the other hand, there was an increase in the number of workers entering Germany from Austria, Italy, Russia and other countries. According to the 1907 census, there were 1,342,294 foreigners in Germany, of whom 440,800 were industrial workers and 257,329 agricultural workers. [486] In France, the workers employed in the mining industry are, "in great part," foreigners: Poles, Italians and Spaniards. [487] In the United States, immigrants from Eastern and Southern Europe are engaged in the most poorly paid jobs, while American workers provide the highest percentage of overseers or of the better-paid workers. [488] Imperialism has the tendency to create privileged sections also among the workers, and to detach them from the broad masses of the proletariat.

It must be observed that in Great Britain the tendency of imperialism to split the workers, to strengthen opportunism among them and to cause temporary decay in the working-class movement, revealed itself much earlier than the end of the nineteenth and the beginning of the twentieth centuries; for two important distinguishing features of imperialism were already observed in Great Britain in the middle of the nineteenth century—vast colonial possessions and a monopolist position in the world market. Marx and Engels traced this connection between opportunism in the working-class movement and the imperialist features of British capitalism systematically, during the course of several decades. For example, on October 7, 1858, Engels wrote to Marx: "The English proletariat is actually becoming more and more bourgeois, so that this most bourgeois of all nations are apparently aiming ultimately at the possession of a bourgeois aristocracy and a bourgeois proletariat *alongside* the bourgeoisie. For a nation which exploits the whole world this is of course to a certain extent justifiable." Almost a quarter of a century later, in a letter dated August 11, 1881, Engels speaks of the "worst English trade unions which allow themselves to be led by men sold to, or at least paid by, the middle class". In a letter to Kautsky, dated September 12, 1882, Engels wrote: "You ask me what the English workers think about colonial policy. Well, exactly the same as they think about politics in general. There is no workers' party

[485] Schulze-Gaevernitz, Britischer Imperialismus S. 301. —Lenin
[486] Statistik des Deutschen Reichs, Bd. 211. —Lenin
[487] Henger, Die Kapitalsanlage der Franzosen, Stuttgart, 1913. —Lenin
[488] Hourwich, Immigralion and Labor, New York, 1913. —Lenin

here, there are only Conservatives and Liberal-Radicals, and the workers gaily share the feast of England's monopoly of the world market and the colonies." [489] (Engels expressed similar ideas in the press in his preface to the second edition of *The Condition of the Working Class in England,* which appeared in 1892.)

This clearly shows the causes and effects. The causes are: (1) exploitation of the whole world by this country; (2) its monopolist position in the world market; (3) its colonial monopoly. The effects are: (1) a section of the British proletariat becomes bourgeois; (2) a section of the proletariat allows itself to be led by men bought by, or at least paid by, the bourgeoisie. The imperialism of the beginning of the twentieth century completed the division of the world among a handful of states, each of which today exploits (in the sense of drawing super profits from) a part of the "whole world" only a little smaller than that which England exploited in 1858; each of them occupies a monopolist position in the world market thanks to trusts, cartels, finance capital and creditor and debtor relations; each of them enjoys to some degree a colonial monopoly (we have seen that out of the total of *75,000,000* sq. km., which comprise the *whole* colonial world, *65,000,000* sq. km., or 86 per cent, belong to six powers; *61,000,000* sq. km., or 81 per cent, belong to three powers).

The distinctive feature of the present situation is the prevalence of such economic and political conditions that are bound to increase the irreconcilability between opportunism and the general and vital interests of the working-class movement: imperialism has grown from an embryo into the predominant system; capitalist monopolies occupy first place in economics and politics; the division of the world has been completed; on the other hand, instead of the undivided monopoly of Great Britain, we see a few imperialist powers contending for the right to share in this monopoly, and this struggle is characteristic of the whole period of the early twentieth century. Opportunism cannot now be completely triumphant in the working-class movement of one country for decades as it was in Britain in the second half of the nineteenth century; but in a number of countries, it has grown ripe, overripe, and rotten, and has become completely merged with bourgeois policy in the form of "social-chauvinism". [490]

Chapter 9: CRITIQUE OF IMPERIALISM

By the critique of imperialism, in the broad sense of the term, we mean the attitude of the different classes of society towards imperialist policy in connection with their general ideology.

The enormous dimensions of finance capital concentrated in a few hands and creating an extraordinarily dense and widespread network of relationships and connections which subordinates not only the small and medium, but also the very small capitalists and small masters, on the one hand, and the increasingly intense struggle waged against other national state groups of financiers for the division of the world and domination over other countries, on the other hand, cause the propertied classes to go

[489] Briefwechsel von Marx und Engels, Bd. II, S. 290; 1V, 433—Karl Kautsky, Sozialismus und Kolonialpolitik, Berlin, 1907, S. 79; this pamphlet was written by Kautsky in those infinitely distant days when he was still a Marxist. —Lenin

[490] Russian social-chauvinism in its overt form, represented by the Potresovs, Chkenkelis, Maslovs, etc., and its covert form (Chkeidze, Skobelev, Axelrod, Martov, etc.) also emerged from the Russian variety of opportunism, namely, liquidationism. —Lenin

over entirely to the side of imperialism. "General" enthusiasm over the prospects of imperialism, furious defense of it and painting it in the brightest colors—such are the signs of the times. Imperialist ideology also penetrates the working class. No Chinese Wall separates it from the other classes. The leaders of the present-day, so-called, "Social-Democratic" Party of Germany are justly called "social-imperialists," that is, socialists in words and imperialists in deeds; but as early as 1902, Hobson noted the existence in Britain of "Fabian imperialists" who belonged to the opportunist Fabian Society.

Bourgeois scholars and publicists usually come out in defense of imperialism in a somewhat veiled form; they obscure its complete domination and its deep-going roots, strive to push specific and secondary details into the forefront and do their very best to distract attention from essentials by means of absolutely ridiculous schemes for "reform," such as police supervision of the trusts or banks, etc. Cynical and frank imperialists who are bold enough to admit the absurdity of the idea of reforming the fundamental characteristics of imperialism are a rarer phenomenon.

Here is an example. The German imperialists attempt, in the magazine *Archives of World Economy*, to follow the national emancipation movements in the colonies, particularly, of course, in colonies other than those belonging to Germany. They note the unrest and the protest movements in India, the movement in Natal (South Africa), in the Dutch East Indies, etc. One of them, commenting on an English report of a conference held on June 28-30, 1910, of representatives of various subject nations and races, of peoples of Asia, Africa and Europe who are under foreign rule, writes as follows in appraising the speeches delivered at this conference: "We are told that we must fight imperialism; that the ruling states should recognize the right of subject peoples to independence; that an international tribunal should supervise the fulfilment of treaties concluded between the great powers and weak peoples. Further than the expression of these pious wishes they do not go. We see no trace of understanding of the fact that imperialism is inseparably bound up with capitalism in its present form and that, therefore [!!], an open struggle against imperialism would be hopeless, unless, perhaps, the fight was to be confined to protests against certain of its especially abhorrent excesses." [491]Since the reform of the basis of imperialism is a deception, a "pious wish", since the bourgeois representatives of the oppressed nations go no "further" forward, the bourgeois representative of an oppressing nation goes "further" *backward*, to servility towards imperialism under cover of the claim to be "scientific." That is also "logic"!

The questions as to whether it is possible to reform the basis of imperialism, whether to go forward to the further intensification and deepening of the antagonisms which it engenders, or backward, towards allaying these antagonisms, are fundamental questions in the critique of imperialism. Since the specific political features of imperialism are reaction everywhere and increased national oppression due to the oppression of the financial oligarchy and the elimination of free competition, a petty-bourgeois-democratic opposition to imperialism arose at the beginning of the twentieth century in nearly all imperialist countries. Kautsky not only did not trouble to oppose, was not only unable to oppose this petty-bourgeois reformist opposition, which is really reactionary in its

[491] Weltwirtschaffliches Archiv, Bd. II, S. 193. —Lenin

economic basis, but became merged with it in practice, and this is precisely where Kautsky and the broad international Kautskian trend deserted Marxism.

In the United States, the imperialist war waged against Spain in 1898 stirred up the opposition of the "anti-imperialists," the last of the Mohicans of bourgeois democracy who declared this war to be "criminal," regarded the annexation of foreign territories as a violation of the Constitution, declared that the treatment of Aguinaldo, leader of the Filipinos (the Americans promised him the independence of his country, but later landed troops and annexed it), was "jingo treachery", and quoted the words of Lincoln: "When the white man governs himself, that is self-government; but when he governs himself and also governs others, it is no longer self-government; it is despotism." [492] But as long as all this criticism shrank from recognizing the inseverable bond between imperialism and the trusts, and, therefore, between imperialism and the foundations of capitalism, while it shrank from joining the forces engendered by large-scale capitalism and its development, it remained a "pious wish".

This is also the main attitude taken by Hobson in his critique of imperialism. Hobson anticipated Kautsky in protesting against the "inevitability of imperialism" argument, and in urging the necessity of "increasing the consuming capacity" of the people (under capitalism!). The petty-bourgeois point of view in the critique of imperialism, the omnipotence of the banks, the financial oligarchy, etc., is adopted by the authors I have often quoted, such as Agahd, A. Lansburgh, L. Eschwege, and among the French writers Victor Berard, author of a superficial book entitled *England and Imperialism* which appeared in 1900. All these authors, who make no claim to be Marxists, contrast imperialism with free competition and democracy, condemn the Baghdad railway scheme, which is leading to conflicts and war, utter "pious wishes" for peace, etc. This applies also to the compiler of international stock and share issue statistics, A. Neymarck, who, after calculating the thousands of millions of francs representing "international" securities, exclaimed in 1912: "Is it possible to believe that peace may be disturbed ... that, in the face of these enormous figures, anyone would risk starting a war?" [493]

Such simple-mindedness on the part of the bourgeois economists is not surprising; moreover, *it is in their interest* to pretend to be so naive and to talk "seriously" about peace under imperialism. But what remains of Kautsky's Marxism, when, in 1914, 1915 and 1916, he takes up the same bourgeois-reformist point of view and affirms that "everybody is agreed" (imperialists, pseudo-socialists and social-pacifists) on the matter of peace? Instead of an analysis of imperialism and an exposure of the depths of its contradictions, we have nothing but a reformist "pious wish" to wave them aside, to evade them.

Here is a sample of Kautsky's economic criticism of imperialism. He takes the statistics of the British export and import trade with Egypt for 1872 and 1912; it seems that this export and import trade has grown more slowly than British foreign trade as a whole. From this Kautsky concludes that "we have no reason to suppose that without military occupation the growth of British trade with Egypt

[492] J. Patouillet, L'impérialisme américain, Dijon, 1904, p. 272. —Lenin
[493] Bulletin de l'Institut International de Statistique, T. XIX, Lvr. II, p. 225. —Lenin

would have been less, simply as a result of the mere operation of economic factors." "The urge of capital to expand ... can be best promoted, not by the violent methods of imperialism, but by peaceful democracy." [494]

This argument of Kautsky's, which is repeated in every key by his Russian armor-bearer (and Russian shielder of the social-chauvinists), Mr. Spectator, constitutes the basis of Kautskian critique of imperialism, and that is why we must deal with it in greater detail. We will begin with a quotation from Hilferding, whose conclusions Kautsky on many occasions, and notably in April 1915, has declared to have been "unanimously adopted by all socialist theoreticians."

"It is not the business of the proletariat," writes Hilferding "to contrast the more progressive capitalist policy with that of the now bygone era of free trade and of hostility towards the state. The reply of the proletariat to the economic policy of finance capital, to imperialism, cannot be free trade, but socialism. The aim of proletarian policy cannot today be the ideal of restoring free competition—which has now become a reactionary ideal—but the complete elimination of competition by the abolition of capitalism." [495]

Kautsky broke with Marxism by advocating in the epoch of finance capital a "reactionary ideal," "peaceful democracy," "the mere operation of economic factors," for *objectively* this ideal drags us back from monopoly to non-monopoly capitalism, and is a reformist swindle.

Trade with Egypt (or with any other colony or semi-colony) "would have grown more" *without* military occupation, without imperialism, and without finance capital. What does this mean? That capitalism would have developed more rapidly if free competition had not been restricted by monopolies in general, or by the "connections," yoke (i.e., also the monopoly) of finance capital, or by the monopolist possession of colonies by certain countries?

Kautsky's argument can have no other meaning; and *this* "meaning" is meaningless. Let us assume that free competition, without any sort of monopoly, would have developed capitalism and trade more rapidly. But the more rapidly trade and capitalism develop, the greater is the concentration of production and capital which *gives rise* to monopoly. And monopolies have *already* arisen—precisely out of free competition! Even if monopolies have now begun to retard progress, it is not an argument in favor of free competition, which has become impossible after it has given rise to monopoly.

Whichever way one turns Kautsky's argument, one will find nothing in it except reaction and bourgeois reformism.

Even if we correct this argument and say, as Spectator says, that the trade of the colonies with Britain is now developing more slowly than their trade with other countries, it does not save Kautsky; for it *is also* monopoly, *also* imperialism that is beating Great Britain, only it is the monopoly and imperialism of another country (America, Germany). It is known that the cartels have given rise to a

[494] Kautsky, Nationalstaat, imperialistischer Staat und Staatenbund, Nürnberg, 1915, S. 72, 70. —Lenin
[495] Finance Capital, p. 567. —Lenin

new and peculiar form of protective tariffs, i.e., goods suitable for export are protected (Engels noted this in Vol. III of *Capital*). It is known, too, that the cartels add finance capital have a system peculiar to themselves, that of "exporting goods at cut-rate prices", or "dumping," as the English call it: within a given country the cartel sells its goods at high monopoly prices, but sells them abroad at a much lower price to undercut the competitor, to enlarge its own production to the utmost, etc. If Germany's trade with the British colonies is developing more rapidly than Great Britain's, it only proves that German imperialism is younger, stronger and better organized than British imperialism, is superior to it; but it by no means proves the "superiority" of free trade, for it is not a fight between free trade and protection and colonial dependence, but between two rival imperialisms, two monopolies, two groups of finance capital. The superiority of German imperialism over British imperialism is more potent than the wall of colonial frontiers or of protective tariffs: to use this as an "argument" in *favor* of free trade and "peaceful democracy" is banal, it means forgetting the essential features and characteristics of imperialism, substituting petty-bourgeois reformism for Marxism.

It is interesting to note that even the bourgeois economist, A. Lansburgh, whose criticism of imperialism is as petty-bourgeois as Kautsky's, nevertheless got closer to a more scientific study of trade statistics. He did not compare one single country, chosen at random, and one single colony with the other countries; he examined the export trade of an imperialist country: (1) with countries which are financially dependent upon it, and borrow money from it; and (2) with countries which are financially independent. He obtained the following results:

EXPORT TRADE OF GERMANY (000,000 marks)			
To countries financially dependent on Germany	1889	1908	Per cent increase
Rumania	48.2	70.8	47
Portugal	19.0	32.8	73
Argentina	60.7	147.0	143
Brazil	48.7	84.5	73
Chile	28.3	64.0	114
Total	*234.8*	*451.5*	*92*
To countries financially independent of Germany			

Great Britain	651.8	997.4	53
France	210.2	437.9	108
Belgium	137.2	322.8	135
Switzerland	177.4	401.1	127
Australia	21.2	64.5	205
Dutch East Indies	8.8	40.7	363
Total	1,206.6	2,264.4	87

Lansburgh did not draw *conclusions* and therefore, strangely enough, failed to observe that if the figures prove anything at all, they prove that *he is wrong,* for the exports to countries financially dependent on Germany have grown *more rapidly,* if only slightly, than exports to the countries which are financially independent. (I emphasize the "if", for Lansburgh's figures are far from complete.)

Tracing the connection between exports and loans, Lansburgh writes:

"In 1890-91, a Rumanian loan was floated through the German banks, which had already in previous years made advances on this loan. It was used chiefly to purchase railway materials in Germany. In 1891, German exports to Rumania amounted to 55 million marks. The following year they dropped to 39.4 million marks and, with fluctuations, to 25.4 million in 1900. Only in very recent years have they regained the level of 1891, thanks to two new loans.

"German exports to Portugal rose, following the loans of 1888- to 21,100,000 (1890); then, in the two following years, they dropped to 16,200,000 and 7,400,000, and regained their former level only in 1903.

"The figures of German trade with Argentina are still more striking. Loans were floated in 1888 and 1890; German exports to Argentina reached 60,700,000 marks (1889). Two years later they amounted to only 18,600,000 marks, less than one-third of the previous figure. It was not until 1901 that they regained and surpassed the level of 1889, and then only as a result of new loans floated by the state and by municipalities, with advances to build power stations, and with other credit operations.

"Exports to Chile, as a consequence of the loan of 1889, rose to 45,200,000 marks (in 1892), and a year later dropped to 22,500,000 marks. A new Chilean loan floated by the German banks in 1906 was followed by a rise of exports to 84,700,000 marks in 1907, only to fall again to 52,400,000 marks in 1908." [496]

From these facts Lansburgh draws the amusing petty-bourgeois moral of how unstable and irregular export trade is when it is bound up with loans, how bad it is to invest capital abroad instead of

[496] Die Bank, 1909, 2, S. 819 et seq. —Lenin

"naturally" and "harmoniously" developing home industry, how "costly" are the millions in bakshish that Krupp has to pay in floating foreign loans, etc. But the facts tell us clearly: the increase in exports is connected with just *these* swindling tricks of finance capital, which is not concerned with bourgeois morality, but with skinning the ox twice—first, it pockets the profits from the loan; then it pockets other profits from the *same* loan which the borrower uses to make purchases from Krupp, or to purchase railway material from the Steel Syndicate, etc.

I repeat that I do not by any means consider Lansburgh's figures to be perfect; but I had to quote them because they are more scientific than Kautsky's and Spectator's and because Lansburgh showed the correct way to approach the question. In discussing the significance of finance capital in regard to exports, etc., one must be able to single out the connection of exports especially and solely with the tricks of the financiers, especially and solely with the sale of goods by cartels, etc. Simply to compare colonies with non-colonies, one imperialism with another imperialism, one semi-colony or colony (Egypt) with all other countries, is to evade and to obscure the very *essence* of the question.

Kautsky's theoretical critique of imperialism has nothing in common with Marxism and serves only as a preamble to propaganda for peace and unity with the opportunists and the social-chauvinists, precisely for the reason that it evades and obscures the very profound and fundamental contradictions of imperialism: the contradictions between monopoly and free competition which exists side by side with it, between the gigantic "operations" (and gigantic profits) of finance capital and "honest" trade in the free market, the contradiction between cartels and trusts, on the one hand, and non-cartelized industry, on the other, etc.

The notorious theory of "ultra-imperialism," invented by Kautsky, is just as reactionary. Compare his arguments on this subject in 1915, with Hobson's arguments in 1902.

Kautsky: "... Cannot the present imperialist policy be supplanted by a new, ultra-imperialist policy, which will introduce the joint exploitation of the world by internationally united finance capital in place of the mutual rivalries of national finance capitals? Such a new phase of capitalism is at any rate conceivable. Can it be achieved? Sufficient premises are still lacking to enable us to answer this question." [497]

Hobson: "Christendom thus laid out in a few great federal empires, each with a retinue of uncivilized dependencies, seems to many the most legitimate development of present tendencies, and one which would offer the best hope of permanent peace on an assured basis of inter-imperialism."

Kautsky called ultra-imperialism or super-imperialism what Hobson, thirteen years earlier, described as inter- imperialism. Except for coining a new and clever catchword, replacing one Latin prefix by another, the only progress Kautsky has made in the sphere of "scientific" thought is that he gave out as Marxism what Hobson, in effect, described as the cant of English parsons. After the Anglo-Boer War it was quite natural for this highly honorable caste to exert their main efforts to *console* the

[497] David Jayne Hill, History of the Diplomacy in the International Development of Europe, Vol. I, p. X. —Lenin

British middle class and the workers who had lost many of their relatives on the battlefields of South Africa and who were obliged to pay higher taxes in order to guarantee still higher profits for the British financiers. And what better consolation could there be than the theory that imperialism is not so bad; that it stands close to inter- (or ultra-) imperialism, which can ensure permanent peace? No matter what the good intentions of the English parsons, or of sentimental Kautsky, may have been, the only objective, i.e., real, social significance of Kautsky's "theory" is this: it is a most reactionary method of consoling the masses with hopes of permanent peace being possible under capitalism, by distracting their attention from the sharp antagonisms and acute problems of the present times, and directing it towards illusory prospects of an imaginary "ultra-imperialism" of the future. Deception of the masses—that is all there is in Kautsky's "Marxist" theory.

Indeed, it is enough to compare well-known and indisputable facts to become convinced of the utter falsity of the prospects which Kautsky tries to conjure up before the German workers (and the workers of all lands). Let us consider India, Indo-China and China. It is known that these three colonial and semi-colonial countries, with a population of six to seven hundred million, are subjected to the exploitation of the finance capital of several imperialist powers: Great Britain, France, Japan, the U.S.A., etc. Let us assume that these imperialist countries form alliances against one another in order to protect or enlarge their possessions, their interests and their spheres of influence in these Asiatic states; these alliances will be "inter-imperialist", or "ultra-imperialist" alliances. Let us assume that *all* the imperialist countries conclude an alliance for the "peaceful" division of these parts of Asia; this alliance would be an alliance of "internationally united finance capital." There are actual examples of alliances of this kind in the history of the twentieth century—the attitude of the powers to China, for instance. We ask, is it "conceivable," assuming that the capitalist system remains intact—and this is precisely the assumption that Kautsky does make—that such alliances would be more than temporary, that they would eliminate friction, conflicts and struggle in every possible form?

The question has only to be presented clearly for any other than a negative answer to be impossible. This is because the only conceivable basis under capitalism for the division of spheres of influence, interests, colonies, etc., is a calculation of the *strength* of those participating, their general economic, financial, military strength, etc. And the strength of these participants in the division does not change to an equal degree, for the *even* development of different undertakings, trusts, branches of industry, or countries is impossible under capitalism. Half a century ago Germany was a miserable, insignificant country, if her capitalist strength is compared with that of the Britain of that time; Japan compared with Russia in the same way. Is it "conceivable" that in ten- or twenty-years' time the relative strength of the imperialist powers will have remained unchanged? It is out of the question.

Therefore, in the realities of the capitalist system, and not in the banal philistine fantasies of English parsons, or of the German "Marxist," Kautsky, "inter-imperialist" or "ultra-imperialist" alliances, no matter what form they may assume, whether of one imperialist coalition against another, or of a general alliance embracing *all* the imperialist powers, are *inevitably nothing* more than a "truce" in periods between wars. Peaceful alliances prepare the ground for wars, and in their turn grow out of

wars; the one conditions the other, producing alternating forms of peaceful and non-peaceful struggle on *one and the same* basis of imperialist connections and relations within world economics and world politics. But in order to pacify the workers and reconcile them with the social-chauvinists who have deserted to the side of the bourgeoisie, over-wise Kautsky *separates* one link of a single chain from another, separates the present peaceful (and ultra-imperialist, nay, ultra-ultra-imperialist) alliance of *all* the powers for the "pacification" of China (remember the suppression of the Boxer Rebellion) from the non-peaceful conflict of tomorrow, which will prepare the ground for another "peaceful" general alliance for the partition, say, of Turkey, on the day after tomorrow, *etc., etc.* Instead of showing the living connection between periods of imperialist peace and periods of imperialist war, Kautsky presents the workers with a lifeless abstraction in order to reconcile them to their lifeless leaders.

An American writer, Hill, in his *A History of the Diplomacy in the International Development of Europe* refers in his preface to the following periods in the recent history of diplomacy: (1) the era of revolution; (2) the constitutional movement; (3) the present era of "commercial imperialism." [498] Another writer divides the history of Great Britain's "world policy" since 1870 into four periods: (1) the first Asiatic period (that of the struggle against Russia's advance in Central Asia towards India); (2) the African period (approximately 1885-1902): that of the struggle against France for the partition of Africa (the "Fashoda incident" of 1898 which brought her within a hair's breadth of war with France); (3) the second Asiatic period (alliance with Japan against Russia); and (4) the "European" period, chiefly anti-German. [499] "The political patrol clashes take place on the financial field," wrote the banker, Riesser, in 1905, in showing how French finance capital operating in Italy was preparing the way for a political alliance of these countries, and how a conflict was developing between Germany and Great Britain over Persia, between all the European capitalists over Chinese loans, etc. Behold, the living reality of peaceful "ultra-imperialist" alliances in their inseverable connection with ordinary imperialist conflicts!

Kautsky's obscuring of the deepest contradictions of imperialism, which inevitably boils down to painting imperialism in bright colors, leaves its traces in this writer's criticism of the political features of imperialism. Imperialism is the epoch of finance capital and of monopolies, which introduce everywhere the striving for domination, not for freedom. Whatever the political system, the result of these tendencies is everywhere reaction and an extreme intensification of antagonisms in this field. Particularly intensified become the yoke of national oppression and the striving for annexations, i.e., the violation of national independence (for annexation is nothing but the violation of the right of nations to self-determination). Hilferding rightly notes the connection between imperialism and the intensification of national oppression. "In the newly opened-up countries," he writes, "the capital imported into them intensifies antagonisms and excites against the intruders the constantly growing resistance of the peoples who are awakening to national consciousness; this resistance can easily develop into dangerous measures against foreign capital. The old social relations become completely revolutionized, the age-long agrarian isolation of 'nations without history' is destroyed and they are drawn into the capitalist

[498] David Jayne Hill, History of the Diplomacy in the International Development of Europe, Vol. I, p. X. —Lenin
[499] Finance Capital, p. 487. —Lenin

whirlpool. Capitalism itself gradually provides the subjugated with the means and resources for their emancipation and they set out to achieve the goal which once seemed highest to the European nations: the creation of a united national state as a means to economic and cultural freedom. This movement for national independence threatens European capital in its most valuable and most promising fields of exploitation, and European capital can maintain its domination only by continually increasing its military forces." [500]

To this must be added that it is not only in newly opened-up countries, but also in the old, that imperialism is leading to annexation, to increased national oppression, and, consequently, also to increasing resistance. While objecting to the intensification of political reaction by imperialism, Kautsky leaves in the shade a question that has become particularly urgent, viz., the impossibility of unity with the opportunists in the epoch of imperialism. While objecting to annexations, he presents his objections in a form that is most acceptable and least offensive to the opportunists. He addresses himself to a German audience, yet he obscures the most topical and important point, for instance, the annexation of Alsace-Lorraine by Germany. In order to appraise this "mental aberration" of Kautsky's I shall take the following example. Let us suppose that a Japanese condemns the annexation of the Philippines by the Americans. The question is: will many believe that he does so because he has a horror of annexations as such, and not because he himself has a desire to annex the Philippines? And shall we not be constrained to admit that the "fight" the Japanese is waging against annexations can be regarded as being sincere and politically honest only if he fights against the annexation of Korea by Japan, and urges freedom for Korea to secede from Japan?

Kautsky's theoretical analysis of imperialism, as well as his economic and political critique of imperialism, are permeated *through and through* with a spirit, absolutely irreconcilable with Marxism, of obscuring and glossing over the fundamental contradictions of imperialism and with a striving to preserve at all costs the crumbling unity with opportunism in the European working-class movement.

Chapter 10: THE PLACE OF IMPERIALISM IN HISTORY

We have seen that in its economic essence imperialism is monopoly capitalism. This in itself determines its place in history, for monopoly that grows out of the soil of free competition, and precisely out of free competition, is the transition from the capitalist system to a higher socio-economic order. We must take special note of the four principal types of monopoly, or principal manifestations of monopoly capitalism, which are characteristic of the epoch we are examining.

Firstly, monopoly arose out of the concentration of production at a very high stage. This refers to the monopolist capitalist associations, cartels, syndicates, and trusts. We have seen the important part these play in present-day economic life. At the beginning of the twentieth century, monopolies had acquired complete supremacy in the advanced countries, and although the first steps towards the formation of the cartels were taken by countries enjoying the protection of high tariffs (Germany,

[500] Finance Capital, p. 487. —Lenin

America), Great Britain, with her system of free trade, revealed the same basic phenomenon, only a little later, namely, the birth of monopoly out of the concentration of production.

Secondly, monopolies have stimulated the seizure of the most important sources of raw materials, especially for the basic and most highly cartelized industries in capitalist society: the coal and iron industries. The monopoly of the most important sources of raw materials has enormously increased the power of big capital, and has sharpened the antagonism between cartelized and non-cartelized industry.

Thirdly, monopoly has sprung from the banks. The banks have developed from modest middleman enterprises into the monopolists of finance capital. Some three to five of the biggest banks in each of the foremost capitalist countries have achieved the "personal link-up" between industrial and bank capital, and have concentrated in their hands the control of thousands upon thousands of millions which form the greater part of the capital and income of entire countries. A financial oligarchy, which throws a close network of dependence relationships over all the economic and political institutions of present-day bourgeois society without exception—such is the most striking manifestation of this monopoly.

Fourthly, monopoly has grown out of colonial policy. To the numerous "old" motives of colonial policy, finance capital has added the struggle for the sources of raw materials, for the export of capital, for spheres of influence, i.e., for spheres for profitable deals, concessions, monopoly profits and so on, economic territory in general. When the colonies of the European powers, for instance, comprised only one-tenth of the territory of Africa(as was the case in 1876), colonial policy was able to develop—by methods other than those of monopoly—by the "free grabbing" of territories, so to speak. But when nine-tenths of Africa had been seized (by 1900), when the whole world had been divided up, there was inevitably ushered in the era of monopoly possession of colonies and, consequently, of particularly intense struggle for the division and the redivision of the world.

The extent to which monopolist capital has intensified all the contradictions of capitalism is generally known. It is sufficient to mention the high cost of living and the tyranny of the cartels. This intensification of contradictions constitutes the most powerful driving force of the transitional period of history, which began from the time of the final victory of world finance capital.

Monopolies, oligarchy, the striving for domination and not for freedom, the exploitation of an increasing number of small or weak nations by a handful of the richest or most powerful nations—all these have given birth to those distinctive characteristics of imperialism which compel us to define it as parasitic or decaying capitalism. More and more prominently there emerges, as one of the tendencies of imperialism, the creation of the "rentier state", the usurer state, in which the bourgeoisie to an ever-increasing degree lives on the proceeds of capital exports and by "clipping coupons". It would be a mistake to believe that this tendency to decay precludes the rapid growth of capitalism. It does not. In the epoch of imperialism, certain branches of industry, certain strata of the bourgeoisie and certain countries betray, to a greater or lesser degree, now one and now another of these tendencies. On the

whole, capitalism is growing far more rapidly than before; but this growth is not only becoming more and more uneven in general, its unevenness also manifests itself, in particular, in the decay of the countries which are richest in capital (Britain).

In regard to the rapidity of Germany's economic development, Riesser, the author of the book on the big German banks, states: "The progress of the preceding period (1848-70), which had not been exactly slow, compares with the rapidity with which the whole of Germany's national economy, and with it German banking, progressed during this period (1870-1905) in about the same way as the speed of the mail coach in the good old days compares with the speed of the present-day automobile ... which is whizzing past so fast that it endangers not only innocent pedestrians in its path, but also the occupants of the car." In its turn, this finance capital which has grown with such extraordinary rapidity is not unwilling, precisely because it has grown so quickly, to pass on to a more "tranquil" possession of colonies which have to be seized—and not only by peaceful methods—from richer nations. In the United States, economic development in the last decades has been even more rapid than in Germany, *and for this very reason*, the parasitic features of modern American capitalism have stood out with particular prominence. On the other hand, a comparison of, say, the republican American bourgeoisie with the monarchist Japanese or German bourgeoisie shows that the most pronounced political distinction diminishes to an extreme degree in the epoch of imperialism—not because it is unimportant in general, but because in all these cases we are talking about a bourgeoisie which has definite features of parasitism.

The receipt of high monopoly profits by the capitalists in one of the numerous branches of industry, in one of the numerous countries, etc., makes it economically possible for them to bribe certain sections of the workers, and for a time a fairly considerable minority of them, and win them to the side of the bourgeoisie of a given industry or given nation against all the others. The intensification of antagonisms between imperialist nations for the division of the world increases this urge. And so there is created that bond between imperialism and opportunism, which revealed itself first and most clearly in Great Britain, owing to the fact that certain features of imperialist development were observable there much earlier than in other countries. Some writers, L. Martov, for example, are prone to wave aside the connection between imperialism and opportunism in the working-class movement—a particularly glaring fact at the present time—by resorting to "official optimism" (*à la* Kautsky and Huysmans) like the following: the cause of the opponents of capitalism would be hopeless if it were progressive capitalism that led to the increase of opportunism, or, if it were the best-paid workers who were inclined towards opportunism, etc. We must have no illusions about "optimism" of this kind. It is optimism in respect of opportunism; it is optimism which serves to conceal opportunism. As a matter of fact, the extraordinary rapidity and the particularly revolting character of the development of opportunism is by no means a guarantee that its victory will be durable: the rapid growth of a painful abscess on a healthy body can only cause it to burst more quickly and thus relieve the body of it. The most dangerous of all in this respect are those who do not wish to understand that the fight against imperialism is a sham and humbug unless it is inseparably bound up with the fight against opportunism.

From all that has been said in this book on the economic essence of imperialism, it follows that we must define it as capitalism in transition, or, more precisely, as moribund capitalism. It is very instructive in this respect to note that bourgeois economists, in describing modern capitalism, frequently employ catchwords and phrases like "interlocking", "absence of isolation", etc.; "in conformity with their functions and course of development", banks are "not purely private business enterprises: they are more and more outgrowing the sphere of purely private business regulation". And this very Riesser, whose words I have just quoted, declares with all seriousness that the "prophecy" of the Marxists concerning "socialization" has "not come true"!

What then does this catchword "interlocking" express? It merely expresses the most striking feature of the process going on before our eyes. It shows that the observer counts the separate trees, but cannot see the wood. It slavishly copies the superficial, the fortuitous, the chaotic. It reveals the observer as one who is overwhelmed by the mass of raw material and is utterly incapable of appreciating its meaning and importance. Ownership of shares, the relations between owners of private property "interlock in a haphazard way". But underlying this interlocking, its very base, are the changing social relations of production. When a big enterprise assumes gigantic proportions, and, on the basis of an exact computation of mass data, organizes according to plan the supply of primary raw materials to the extent of two-thirds, or three-fourths, of all that is necessary for tens of millions of people; when the raw materials are transported in a systematic and organized manner to the most suitable places of production, sometimes situated hundreds or thousands of miles from each other; when a single centre directs all the consecutive stages of processing the material right up to the manufacture of numerous varieties of finished articles; when these products are distributed according to a single plan among tens and hundreds of millions of consumers (the marketing of oil in America and Germany by the American oil trust)—then it becomes evident that we have socialization of production, and not mere "interlocking", that private economic and private property relations constitute a shell which no longer fits its contents, a shell which must inevitably decay if its removal is artificially delayed, a shell which may remain in a state of decay for a fairly long period (if, at the worst, the cure of the opportunist abscess is protracted), but which will inevitably be removed.

The enthusiastic admirer of German imperialism, Schulze-Gaevernitz, exclaims:

> "Once the supreme management of the German banks has been entrusted to the hands of a dozen persons, their activity is even today more significant for the public good than that of the majority of the Ministers of State... (The "interlocking" of bankers, ministers, magnates of industry and rentiers is here conveniently forgotten.) If we imagine the development of those tendencies we have noted carried to their logical conclusion we will have: the money capital of the nation united in the banks; the banks themselves combined into cartels; the investment capital of the nation cast in the shape of securities. Then the forecast of that genius Saint-Simon will be fulfilled: 'The present anarchy of production, which corresponds to the fact that economic relations are developing without uniform regulation, must make way for organisation in production. Production will no longer be directed by isolated manufacturers, independent of each other and

ignorant of man's economic needs; that will be done by a certain public institution. A central committee of management, being able to survey the large field of social economy from a more elevated point of view, will regulate it for the benefit of the whole of society, will put the means of production into suitable hands, and above all will take care that there be constant harmony between production and consumption. Institutions already exist which have assumed as part of their functions a certain organisation of economic labor, the banks.' We are still a long way from the fulfilment of Saint-Simon's forecast, but we are on the way towards it: Marxism, different from what Marx imagined, but different only in form." [501]

A crushing "refutation" of Marx indeed, which retreats a step from Marx's precise, scientific analysis to Saint-Simon's guess-work, the guess-work of a genius, but guess-work all the same.

Mao Zedong: Quotations from Mao Zedong

Chapter 6: Imperialism and All Reactionaries are Paper Tigers

All reactionaries are paper tigers. In appearance, the reactionaries are terrifying, but in reality, they are not so powerful. From a long-term point of view, it is not the reactionaries but the people who are powerful.

"Talk with the American Correspondent Anna Louise Strong" (August 1946), Selected Works, Vol. IV, p. 100.

Just as there is not a single thing in the world without a dual nature (this is the law of the unity of opposites), so imperialism and all reactionaries have a dual nature - they are real tigers and paper tigers at the same time. In past history, before they won state power and for some time afterwards, the slave-owning class, the feudal landlord class and the bourgeoisie were vigorous, revolutionary and progressive--they were real tigers. But with the lapse of time, because their opposites - the slave class, the peasant class and the proletariat - grew in strength step by step, struggled against them more and more fiercely, these ruling classes changed step by step into the reverse, changed into reactionaries, changed into backward people, changed into paper tigers. Moreover, eventually they were overthrown, or will be overthrown, by the people. The reactionary, backward, decaying classes retained this dual nature even in their last life-and-death struggles against the people. On the one hand, they were real tigers; they devoured people, devoured people by the millions and tens of millions. The cause of the people's struggle went through a period of difficulties and hardships, and along the path, there were many twists and turns. To destroy the rule of imperialism, feudalism and bureaucrat-capitalism in China took the Chinese people more than a hundred years and cost them tens of millions of lives before the victory in 1949. Look! Were these not living tigers, iron tigers, real tigers? Nevertheless, in the end they changed into paper tigers, dead tigers, and bean-curd tigers. These are historical facts. Have people not seen or heard about these facts? There have indeed been thousands and tens of thousands of them! Thousands and tens of thousands! Hence, imperialism and all reactionaries, looked at in essence, from a long-term point of view, from a strategic point of view, must be seen for what they are - paper tigers. On

[501] *Grundriss der Sozialökonomik*, S. 146. —*Lenin*

this, we should build our strategic thinking. On the other hand, they are also living tigers, iron tigers, real tigers that can devour people. On this, we should build our tactical thinking.

Speech at the Wuchang Meeting of the Political Bureau of the Central Committee of the Communist Party of China (December 1, 1958), quoted in the explanatory note to "Talk with the American Correspondent Anna Louise Strong", Selected Works, Vol. IV, pp. 98-99. *

I have said that all the reputedly powerful reactionaries are merely paper tigers. The reason is that they are divorced from the people. Look! Was not Hitler a paper tiger? Was Hitler not overthrown? I also said that the tsar of Russia, the emperor of China and Japanese imperialism were all paper tigers. As we know, they were all overthrown. U.S. imperialism has not yet been overthrown and it has the atom bomb. I believe it also will be overthrown. It, too, is a paper tiger.

Speech at the Moscow Meeting of Communist and Workers' Parties (November 18, 1957).

"Lifting a rock only to drop it on one's own feet" is a Chinese folk saying to describe the behavior of certain fools. The reactionaries in all countries are fools of this kind. In the final analysis, their persecution of the revolutionary people only serves to accelerate the people's revolutions on a broader and more intense scale. Did not the persecution of the revolutionary people by the tsar of Russia and by Chiang Kai-shek perform this function in the great Russian and Chinese revolutions?

"Speech at the Meeting of the Supreme Soviet of the USSR in Celebration of the 40th Anniversary of the Great October Socialist Revolution" (November 6, 1957).

U.S. imperialism invaded China's territory of Taiwan and has occupied it for the past nine years. A short while ago it sent its armed forces to invade and occupy Lebanon. The United States has set up hundreds of military bases in many countries all over the world. China's territory of Taiwan, Lebanon and all military bases of the United States on foreign soil are so many nooses round the neck of U.S. imperialism. The nooses have been fashioned by the Americans themselves and by nobody else, and it is they themselves who have put these nooses round their own necks, handing the ends of the ropes to the Chinese people, the peoples of the Arab countries and all the peoples of the world who love peace and oppose aggression. The longer the U.S. aggressors remain in those places, the tighter the nooses round their necks will become.

Speech at the Supreme State Conference (September 8, 1958).

Imperialism will not last long because it always does evil things. It persists in grooming and supporting reactionaries in all countries who are against the people, it has forcibly seized many colonies and semi-colonies and many military bases, and it threatens the peace with atomic war. Thus, forced by imperialism to do so, more than 90 per cent of the people of the world are rising or will rise in struggle against it. Yet, imperialism is still alive, still running amuck in Asia, Africa and Latin America. In the West imperialism is still oppressing the people at home. This situation must change. It is the task of the people of the whole world to put an end to the aggression and oppression perpetrated by imperialism, and chiefly by U.S. imperialism.

Interview with a Hsinhua News Agency correspondent (September 29, 1958).

Riding roughshod everywhere, U.S. imperialism has made itself the enemy of the people of the world and has increasingly isolated itself. The atom bombs and hydrogen bombs in the hands of the U.S. imperialists will never cow those who refuse to be enslaved. The raging tide of the people of the world against the U.S. aggressors is irresistible. Their struggle against U.S. imperialism and its lackeys will assuredly win still greater victories.

"Statement Supporting the Panamanian People's Just Patriotic Struggle Against U.S. Imperialism" (January 12, 1964), People of the World, Unite and Defeat the U.S. Aggressors and All Their Lackeys, 2nd ed., pp. 9-10.

If the U.S. monopoly capitalist groups persist in pushing their policies of aggression and war, the day is bound to come when the people of the whole world will hang them. The same fate awaits the accomplices of the United States.

Speech at the Supreme State Conference (September 8, 1958).

Over a long period, we have developed this concept for the struggle against the enemy: strategically we should despise all our enemies, but tactically we should take them all seriously. This also means that we must despise the enemy with respect to the whole, but that we must take him seriously with respect to each concrete question. If we do not despise the enemy with respect to the whole, we shall be committing the error of opportunism. Marx and Engels were only two individuals, and yet in those early days they already declared that capitalism would be overthrown throughout the world. However, in dealing with concrete problems and particular enemies we shall be committing the error of adventurism unless we take them seriously. In war, battles can only be fought one by one and the enemy forces can only be destroyed one by one. Factories can only be built one by one. The peasants can only plough the land plot by plot. The same is even true of eating a meal. Strategically, we take the eating of a meal lightly - we know we can finish it. Actually, we eat it mouthful by mouthful. It is impossible to swallow an entire banquet in one gulp. This is known as a piecemeal solution. In military parlance, it is called wiping out the enemy forces one by one.

Speech at the Moscow Meeting of Communist and Workers' Parties (November 18, 1957).

It is my opinion that the international situation has now reached a new turning point. There are two winds in the world today, the East Wind and the West Wind. There is a Chinese saying, "Either the East Wind prevails over the West Wind or the West Wind prevails over the East Wind." I believe it is characteristic of the situation today that the East Wind is prevailing over the West Wind. That is to say, the forces of socialism have become overwhelmingly superior to the forces of imperialism.

Ibid.

Segal: Principles of Political Economy.

Chapter 15

Chapter 17