

# ARCHIVE: MARX, CLASSICAL POLITICAL ECONOMY AND THE PROBLEM OF DYNAMICS PART I

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1

The dominant view of Marx is to regard him as a student of and successor to the Classical economists; as an economist who 'completed' that work.[1] The result is a precisely formulated conception: the labour theory of value, as expounded by Smith and Ricardo, in essence leads on to socialism — a consequence left unstated by the theory's founders. Marx was the first to think Ricardo's theory through to its conclusion, completing the latter's final unstated words, as it were.[2] However, this interpretation begins to look extremely questionable when it is viewed from the vantage point provided by the *critique* of political economy, which posits that 'the development of political economy and of the opposition to which it gives rise keeps pace with the *real* development of the social contradictions and class conflicts inherent in capitalist production'.[3]

Marx distinguishes four phases in the development of political economy: the first embraces the period of 'Classical political economy', and the remaining three the various stages of 'Vulgar Economics'. For Marx, the factor which unites the representatives of Classical political economy into one intellectual school is the basic similarity of their historical situation, despite their sometimes great individual differences, e.g. between Petty, Hume and the Physiocrats, and between the latter and Smith or Ricardo.[4] This period was that of the coming into being of modern capitalism, hence the modern working class, and consequently a time in which the 'class struggle ... was as yet undeveloped'.[5] Classical political economy is the expression of industrial capitalism during its rise and struggle for power; its theoretical and practical thrust is not directed against the proletariat, which is still weak, but against the representatives of the old society, the feudal landowners and out-moded usurers. The feudal forms of ground-rent and 'antediluvian' interest-bearing capital, 'must first be destroyed as independent forms and subordinated to industrial capital'.[6]

Ricardo's theory of ground-rent, as Hume's critique before it,[7] was aimed

directly at feudal land-ownership; at the same time Ricardo's theory of value did, in theory, announce the possibility of a struggle between capitalist and wage-labourers. The industrial bourgeoisie and its theory are still 'naive', and can afford to engage in the pursuit of truth without regard for the possible dangers and consequences, as yet unsuspected, which follow from its own principles. The Classical economists consequently expound the labour theory of value without any fear of theoretically raising the contradictions between the working class and the propertied class which can be derived from it,[8] or of establishing the distinction between productive and unproductive labour — which for them was chiefly meant to embrace the representatives of the feudal occupations.

According to Marx, 'Classical' is a term which applies to those authors who make up this 'battle-front', such as John Locke in his polemic against 'unproductive' feudal land-ownership and ground-rent, which in his view, 'does not differ at all from usury'. The position adopted by the Classical economists becomes particularly clear in their doctrine of 'productive' and 'unproductive' labour which serves to clarify the relationship of the rising bourgeoisie to the preceding classes and ideologies. The doctrine is in stark contradiction both to the view held in the ancient world, 'in which materially productive work bore the stigma of slavery and was regarded merely as a pedestal for the idle citizen'[9] and to that of the social classes and occupations of the feudal period, which were declared to be unproductive.

In Marx's view the language of Classical political economy is, 'the language of the still revolutionary bourgeoisie which has not yet subjected to itself the whole of society, the State etc. All these illustrious and time-honoured occupations — sovereign, judge, priest, officer etc. — with all the old ideological professions to which they give rise, their men of letters, their teachers and priests, are from an *economic standpoint* put on the same level as the swarm of their own lackeys and jesters maintained by the bourgeoisie and by idle wealth — the landed nobility and idle capitalists. They live on the produce of *other people's industry*'. [9] As long as the bourgeoisie has not yet confronted the 'really productive' workers in conscious and openly hostile antagonism, a class which could equally well claim that 'they (the bourgeoisie) live from the produce of other people's industry', it can still face the 'unproductive classes' of the feudal period as the 'representative of productive labour'.

When the bourgeoisie has consolidated its power in the course of economic development, partly assumed dominance over the state, and partly concluded a compromise with the feudal classes and the 'ideological professions', and in addition once the proletariat and its theoretical representatives arrive on the scene and deduce egalitarian and socialist conclusions from the Classics' labour theory of value (the right of the working class to the full fruits of its labour), 'things take a new turn', and political economy 'tries to justify "economically" from its own standpoint, what at an earlier stage it had criticised and fought against'. [10] At this point Classical political economy disappears from the historical stage, and the hour of Vulgar Economics is at hand; Chalmers, MacCulloch, J.B. Say and G. Harnier — the second phase of political economy. The Vulgar Economics of the 1820s and 1830s — the 'metaphysical period' of political economy[11] — was the expression of the victorious, and hence now conservative, bourgeoisie. Apologetically seeking to obscure the true nature of the prevailing order, this class

found its theoretical representative in England in Thomas Malthus. He opposed any tendency in Ricardo's work which was 'revolutionary against the old order'. [12] Like Ricardo, Malthus did indeed wish to have 'bourgeois production', but only as long as 'it is not revolutionary ... but merely creates a broader and more comfortable material basis for the "old society"', a society with which the bourgeoisie had negotiated a compromise. [13]

This was accompanied by an abandonment of the distinction between productive and unproductive labour — out of fear of a proletarian critique which had already made its demands known, — which was replaced in Say and Malthus, for example, by the view that all work is equally productive. The real meaning of Ricardo's theory of ground-rent, originally directed against the land-owners, was similarly turned into its direct opposite by Malthus, who introduced the problem of the disposal of the product under capitalism. Although Malthus does in fact point to the inevitability of generalised overproduction, affecting all branches of the economy, he only does so in order to prove the necessity of unproductive consumers and classes, i.e. 'buyers who are not sellers', so that the sellers can find a market where they can dispose of their supply of goods. Hence the necessity of waste and profligacy (including war). [14] Finally, Ricardo's labour theory of value is also abandoned. By conceiving of wages as a proportion of the total social product (relative wages), Ricardo simultaneously states the existence of the class relation which is inherent to capitalism. [15] The development of the *real* contradictions of capitalist production is accompanied by a polarisation of the *theoretical* class antagonism contained, in embryonic form, in Ricardo's labour theory of value. The theoretical opposition 'to political economy has (already) come into being in more or less economic, utopian critical and revolutionary forms.' [16]

Thompson (1824), Peroy Ravenstone (1824) and Hodgskin (1825, 1827), the theoretical representatives of the working class in England, used Ricardo's labour theory of value to derive egalitarian conclusions and demands. [17] In the face of such demands — as a text by Malthus from 1832 openly admits [18] — the classical labour theory of value was progressively abandoned, and transformed into a meaningless theory of costs of production: the specific value-creating role of labour was utterly obliterated. Land and capital were now attributed with their own productivity — creation of value! — and labour was recognised as simply another factor of production alongside them. This in turn led to the overthrow of Ricardo's conception of the wage as a relation expressing the share of the working class in the total social product which it itself has created — hence justifying the capitalists' profit as the result of the 'productivity' of their capital (not labour). In similar fashion ground-rent was justified as the fruit of the productivity of the land, which meant that the antagonism towards land-ownership which characterised Classical theory now became meaningless and irrelevant.

The third phase of political economy, the period following the July Revolution, in the 1830s and 1840s, was a time of sharpening class antagonisms, and an ever growing number of proletarian critiques of the prevailing social order in England (John Gray, 1831; Bray, 1839) and in France (Pecqueur). It was a period which also saw the first attempts by the working class at political organisation: the St. Simonists, Buchez, Louis Blanc (Organisation du travail, 1839), and Proudhon's struggle against interest-bearing capital.

The outcome was a strengthened phase in the vulgarisation and transformation of Classical political economy.[19] The last remaining vestiges of the original content of the theory were eradicated: those real contradictions of capital which were still admitted and pointed out by Malthus and Say (Malthus's theory of generalised crisis, Say's disproportionality theory) were now denied and disappeared from economic theory. In the works of F. Bastiat (1848) capitalism has been transformed into a system characterised by harmony.

The fourth phase of political economy, after 1848, falls into the period in which class antagonisms became fully developed, and unmistakably visible in the June battles in Paris, when, for the first time, the working class struggled for its own aims. The result was the complete dissolution of the Ricardian school and a departure from any real theory, which was abandoned and replaced by the historical description of phenomena (a school with W. Roscher at its head).[20] Alternatively, economic theory was degraded to the status of a pseudo-theory, by leaving the terrain of economic reality and taking flight to the higher regions of psychology. (First attempts at a subjective theory of value by Senior and Gossen, 1853.) Both these moves served to reach the desired end: a turning away from real class antagonisms and the granting of an equal role to capital and labour in the creation of value. The theory of costs of production, the equalisation of labour, land and capital as factors in the creation of value, was unsatisfactory as it represented a trivial circular argument. In attempting to explain the process of the creation of value, the value of products was reduced to the value of the factors jointly acting to produce the product, i.e. value is explained by value. (No such circular proof exists in Marx's labour theory of value, as it is labour which creates value, but is itself not value: it is the use-value of the commodity labour-power). The force of the critique made by the left Ricardians necessitated the abandonment of the theory of costs of production: however, since no one wished to return to the labour theory of value a way out was found in the transformation of economics into a branch of psychology. In principle Senior had already accomplished this change in his *Political Economy* (London, 1836). Basing himself on one of the two interpretations of labour provided by Smith, according to which labour is not seen as an objective expenditure of energy (measured by time) but rather the subjective effort employed in producing an article, Senior treated work as a psychological act of sacrifice. In order for capital to be granted an equal status with labour as a parallel factor in the creation of value, it must also be turned into a psychological variable. If the wage was seen as the reward for the effort of work, then the interest on capital became the reward for the subjective sacrifice of saving, and the renunciation of immediate consumption.

The 'development' of the individual phases of political economy, as sketched out above, forces us to the following observation. Can Marx, the theoretician of the proletariat in a progressive stage of capitalist development, take over and 'complete' the doctrines and categories of Classical political economy, in particular those of Ricardo, as the prevailing view maintains, if Ricardo, like Classical economy in general, expressed bourgeois interests at a much lower stage of capitalist development, a period of undeveloped class antagonisms? We must not only reject this view, but also the thesis which proposes that Marx's original achievement consists in a 'socialist critique' of capitalism — i.e. that Marx drew the socialist conclusions inherent in Ricardo's labour theory of value; that he was a

'Ricardo turned socialist'. Since pre-marxist socialists also made socialist criticisms of capitalism, such criticism cannot be taken as the specific differentiating feature of Marx's theory. In fact, Marx reproached the egalitarian, left Ricardians for the 'superficiality' of their critique: namely that they based themselves on Ricardo's theory and merely attacked 'particular results of the capitalist mode of production', instead of its 'manifold presuppositions'. In Marx's eyes an effective socialist critique could only be made from the basis of a new, and specific, theory, and with the assistance of new economic categories.

In his critique Marx proceeds from the mystifying character of the materialised forms of value, i.e. the fact that the relations between persons in the process of production appear as relations between objects, things, in which the material form of the real relations between people becomes obscured. Marx therefore speaks of the deceptive appearance of all forms of value. In contrast to the transparent, pre-capitalist forms, the relations between exploiter and exploited in the modern capitalist form of value are made opaque by the fact that the wage-relation, i.e. a form of value which regulates the 'exchange' between the worker and the employer, gives rise to the semblance that the worker is fully recompensed for all the work performed, and carries out no unpaid labour.[21]

According to the Classicals' theory all exchange transactions correspond strictly to the law of value, i.e. equal amounts of labour time always exchange for equal amounts of labour time: this principle also applies to exchange relations between workers and employers. However, for Marx it is quite evident that there is no exchange of equivalents between worker and employer. If the worker were to receive as much in wages (measured in labour) from the employer as he gives in labour then profit, surplus accruing to the employer, would be impossible, and hence too the capitalist economy which is based on this profit.[22] And since both profit and capitalism do in fact exist, no exchange of equivalents can have taken place. Marx's entire efforts were directed at showing that the transaction between the capitalist and the worker is as much an exchange of equivalents as of non-equivalents, depending on whether this transaction is regarded as being within the sphere of circulation (the market), or as taking place during the process of production. The exchange of equivalents between worker and capitalist on the market is merely a semblance arising from the form of exchange. Despite the apparent exchange of equivalents, 'the laws based on the production of commodities ... become changed into their direct opposite.... The relation of exchange between capitalist and worker becomes a mere semblance belonging only to the process of circulation; it becomes a mere form, which is alien to the content of the transaction itself, and merely mystifies it. The constant sale and purchase of labour-power is the form; the content is the constant appropriation by the capitalist, without equivalent, of a portion of the labour of others which has already been objectified, and his repeated exchange of this labour for a greater quantity of the living labour of others.'[23]

Marx considered that one of Smith's great merits was that he at least sensed that the exchange between capital and wage-labour represented a chink in the law of value; although he could not explain it he could see, 'that in the actual result the law is suspended.'[24] According to Marx it is precisely the form of exchange-value which mystifies the real content. 'The wage form thus extinguishes every trace of the division of the working day into necessary labour and surplus labour,

into paid labour and unpaid labour. [25] And just as with the wage-form, so all the other forms of value emerging in the process of exchange also serve to mystify the content of exchange. [26] The material forms of value (exchange-value, ground-rent, profit, interest, wages and prices etc.) disguise and invert the real relations between people, by making them appear as the 'fantastic form of a relation between things', 'a social hieroglyphic', 'a mystery'. [27]

In fact Classical political economy sought to reduce the mystifying categories of value to 'labour', and thought that in doing so they had grasped the essence behind the deceptive appearance of the phenomena. Marx wanted to demonstrate that this attempt at a solution leads to contradictions which could not be overcome from the standpoint adopted by the Classical economists. Any glance backwards at earlier economic epochs shows that mystifying forms of value first arose in the period of commodity production and exchange. [28] If these forms of value are reduced to 'labour', the consequence would be that their mystifying character would be a form of appearance which would permanently accompany all social processes, as 'labour' is itself a 'nature-imposed necessity' of human existence. [29] However, experience contradicts this view, and makes this contradiction insoluble from the standpoint of the Classical economists.

For Marx, who wanted to capture the 'concrete' in thought, the mystifying categories of value cannot simply be eliminated or ignored, to be replaced by other 'true' categories. Even though the phenomena of exchange-value are mystifying, they are still an important component of reality. The point is not to eliminate the mystifying factor and substitute another category for it, but rather to explain the necessary connection between the two, and hence what is deceptive in the phenomena of value. Because capitalist reality is a dual reality, possessing a mystifying and a non-mystifying side, which are bound together into a concrete unity, any theory which reflects this reality must likewise be a unity of opposites.

It has become almost banal to say that Marx taught that monetary processes should not be regarded as the primary elements in economic events, but simply as their characteristic reflexive forms, and that the real processes associated with the commodity should be sought behind the monetary veil, within the process of production. The polar opposition, which is acknowledged to exist between commodity and money, is repeated within the world of commodities itself as the opposition between the value of the commodity and its use-value: the reason being that it is not the metallic existence of money which is deceptive, but rather its character as value. [30] Marx sarcastically criticises the 'crude vision' of political economy which sees what is misleading in exchange-value solely in its 'completed' form as money, but not as already existing in the form of the values of commodities, to the extent that they appear as mutual equivalent forms for each other. [31] It is precisely this equivalent form which Marx regards as providing the mystery: the 'hidden contradiction of useful form and value' within the individual commodity becomes visible in the 'external opposition' of two commodities, in which one counts 'only as use-value' and the other commodity — money — 'only as exchange-value'. [32]

The illusion is not due merely to the money-form, but to the value-form as a whole. Consequently, one does not only have to search behind the veil of money to find the real economic processes, but also behind the veil thrown up by value in general.

## II

In the section of Volume I of *Capital* dealing with 'The Fetishism of the Commodity and its Secret'[33] Marx attempts to penetrate the mystifying nature of the form of exchange-value. Two different, but basically analogous methods are used to this end. The first is the method of historical comparison between the period of commodity production and earlier periods when there was no production or exchange of commodities, and consequently no exchange-values. Such periods did not therefore exhibit any of the later mystifications: personal relations of dependence appeared in undisguised form, and were not veiled by the process of exchange.[34] In order to illustrate this Marx takes three different non-commodity producing economic formations: Robinson Crusoe, the feudal lords with their serfs, and finally the patriarchal peasant family. In all these instances all that is produced are objects of use, for the satisfaction of immediate requirements. Since there are no exchange-values, 'all the relations between Robinson and these objects that form his self-created wealth are simple and transparent'.[35] What is mysterious and mystifying about the production of commodities clearly does not have its source in the use-value aspect of commodities, but solely in the process of exchange and in exchange-value.[36]

Marx obtains the same result by the method of comparing various aspects within the production of commodities itself — for instance, the aspect of value with that of use-value, the process of valorisation with the labour-process. In short, the means of getting behind the mystifying character of the categories of exchange-value are, in fact, use-values! The use-values of earlier historical periods are just as much the result of human labour as the products of the epoch of commodity production. But it is only in this latter period that products assume a mystifying character. The same source — labour — cannot possibly yield such totally different results. It is not sufficient to say that commodities are simply the products of 'labour', just as those of earlier economic systems are. Rather, it is necessary to distinguish two different aspects of labour, its 'dual character': firstly, labour which is 'concrete', 'useful', creative not of value, but rather of objects of use; the labour of the joiner, tailor, weaver, which functions in the technical labour-process and is a 'purposive, productive activity' for the appropriation of the natural world and is a nature-imposed necessity for all social formations.[37] Secondly, general human 'exchange-value positing' (*tauschwertsetzende*) labour, which functions in the process of valorisation, and which only appears as such in one particular social formation (societies of exchange). Not until the arrival of exchange-value does the article of use become a commodity.[38] It is evident that it is only this second aspect of labour, its 'exchange-value positing' character, which is the origin of all that is mystifying and fetishistic. The reduction of the forms of value to 'labour' pure and simple, as carried out by the Classical economists, is false because labour pure and simple is an unreal abstraction, a 'mere spectre'.[39]

In this way Marx obtained the differentiation of the 'dual character' of the labour represented in the commodity, which in his own eyes constituted what was 'fundamentally new' in his theory.[40] With the kind of self-praise which he rarely expressed, Marx stressed the importance of his discovery: the examination of the dual character of labour was 'the point crucial to an understanding of political

economy'. [41] Marx regarded this element as the decisive break between his conception and that of all his predecessors. And in fact he repeatedly used the new standpoint of a two-dimensional conception of economic processes to criticise the Classical economists, reproaching them for the fact that their theory was one-dimensional, and exclusively concerned with value. Time and again he criticised their failure to distinguish the dual character of labour. 'Classical economy in fact nowhere distinguishes explicitly and with a clear awareness between labour as it appears in the value of a product, and the same labour as it appears in the product's use-value'. [42]

This general objection is made more precise in specific criticisms of Petty, [43] Adam Smith, [44] Ricardo, [45] and Hodgskin. [46] This is sufficient to show that this is the real centre of Marx's innovation in comparison to the Classical economists. The great significance of the new conception is based on the fact that Marx had found in it a means of eliminating what was deceptive in the pure categories of exchange-value, thus creating a foundation for further research into capitalist production and affording him the possibility of grasping the real interconnections of this mode of production behind the veil created by value.

### III

The results of our analysis are confirmed by every statement that Marx makes in which he deals with his relationship to the Classical economists and shows the place which he claims for himself in the development of political economy.

Marx's comments, both in the *Contribution to a Critique of Political Economy* and in *Capital* reveal that fundamentally Marx regarded Classical political economy as being concluded, with Ricardo as its final embodiment, as in Ricardo, 'political economy ruthlessly draws its final conclusion and therewith ends'. [47] Marx judged Mill's attempts to develop classical political economy beyond this barrier, and accommodate its principles to the demands of the working class, as a 'shallow syncretism' and 'a declaration of bankruptcy by "bourgeois" economics'. [48] So are we then to suppose that Marx himself completed yet again what already had been completed, and 'further developed' what already had been concluded? Marx's own conception stands in stark contradiction to Classical theory, as regards not merely its specific theories (such as wages, ground-rent, crises etc.) but also its theoretical foundation. His aim is therefore not 'to develop Classical theory further' but rather to undertake a 'scientific attempt at the revolutionising of a science'. [49]

Marx made the nature of this 'revolutionising' quite clear: after expounding the dual character of the commodity in the first chapter of the *Contribution*, he proceeds, in the subsequent section entitled *Historical Notes on the Analysis of Commodities*, to provide a characterisation of its theoretical status and relation to its antecedents. 'The decisive outcome of the research carried on for over a century and a half by Classical political economy, beginning with William Petty in Britain and Boisguillebert in France, and ending with Ricardo in Britain and Sismondi in France, is an analysis of the aspects of the commodity into two forms of labour — use-value is reduced to concrete labour or purposive productive activity, exchange-value to labour time or homogeneous social labour'. [50] The

question was therefore one of a contrast between two conceptions, one of which (the English), took exchange-value as its main object, whilst the other (the French) took use-value: that is, each only grasped one aspect of reality. Marx's real theoretical position does not emerge in all its true clarity until it is seen in the light of this historical background: we can then understand why Marx categorised the discovery of the dual form of labour as the 'decisive discovery of the research carried on for over a century and a half by Classical political economy'. Marx's theory of the dual character of labour is the critical synthesis, and as such, the further development, of these two conceptions.

The following analysis is intended to show that Marx fundamentally transformed the principal categories inherited from Classical economics from the new standpoint which he had reached. In Marx's work all the categories possess both a value and a material aspect.

The commodity is a dual entity, a unity of exchange-value and use-value. The commodity has this dual character because its source, labour, itself has a twofold character, a fact which of necessity reveals itself not only in the commodity, but in all the products of labour. The commodity is the unity of exchange-value and use-value.[51] The capitalist process of production is the unity of the technical labour process and the valorisation process.[52] Whereas the means of production, raw and auxiliary materials are transformed by human activity into material products, use-values, during the labour-process, the valorisation process is the site of the creation of new values, whose surplus over the values used in production yields surplus-value and its derivatives (industrial profit, ground-rent, profit from trade, interest etc.). In addition, this dual character is revealed in the direction of the production-process, the necessity of which is a product of the division of labour, the increasing size of the means of production employed, and the compelling need to ensure their proper use.[53] On the one hand the function of direction is necessary in any type of economy insofar as it is a product of a social process of production characterised by the division of labour, and resembles that of an orchestral conductor. On the other hand, in the capitalist mode of production the capitalist exercises the function of management by virtue of his ownership of capital, and it is therefore 'made necessary by the capitalist and therefore antagonistic nature of that process'.[54] The process of the reproduction of total social capital is also 'not only a replacement of value, but also a replacement in material and is therefore as much bound up with the relative proportions of the value components of the total social product as with their use-value, their material shape'.[55] The category of wages has the same dual character. The worker does not sell 'labour' i.e. the actual activity, on the labour-market, as the market is not the place where work is performed; rather, the worker sells the commodity 'labour-power', the capacity to work, for which the worker receives as counter-value, as wage, (just as with the sale of any other commodity) an exchange-value. This labour-power is not made active, i.e. used by the employer, until later in the labour-process, and hence removed from the market.[56] Surplus-value is obtained from the use-value of the labour. By so dividing the classical category of (wage-) labour into its two aspects of use- and exchange-value, Marx was able to avoid the contradictions in which the Classical economists became entangled.

Capital also has a dual character. The Classical economists already possessed

the distinction between fixed and circulating capital. Marx took this distinction over, but gave it an entirely different meaning, in which the difference between the use-value and exchange-value aspects of fixed capital became decisive. The distinction between fixed and circulating employed by the Classics is meaningless within the sphere of circulation: it is only valid for productive capital within the labour-process, i.e. in the process of production.[57] As money, or as commodity, capital is neither fixed nor circulating.[58] The material basis of the distinction is constituted by the different character of the useful form of the fixed and circulating components in which they function as factors in the labour-process,[59] namely that circulating capital is used up in one period of labour, whereas fixed capital functions 'in a series of repeated labour processes', due to the durability of its natural form. The result of this difference in the life of different capitals — i.e. the time aspect — is the completely different manner in which fixed capital is replaced: on one hand as value,[60] and on the other as use-value, *in natura*, in kind, a distinction in the mode of replacement which Marx used to derive the necessity of periodic crises at the stage of simple reproduction.[61]

The category of the organic composition of capital changes in a similar way. Ricardo had already employed the difference between capital-intensive and labour-intensive spheres of production, which was important in his theory of profit: but for Ricardo it was conceived of purely in terms of value. Marx divided Ricardo's category into its aspects of use-value and exchange-value, in order to reunite them in a synthesis.[62] Having been transformed in this way, the category of organic composition takes on a completely different function — not only for explaining profit, as with Ricardo, but also as the 'most important factor' in the accumulation of capital.[63]

Finally, this same duality serves to reveal the category which occupies the central place in Marx's system: the falling average rate of profit, the 'motive power of capitalist production'.[64] In *Capital* we find it repeatedly stressed that 'the inner opposition of use-value and value hidden in the commodity' develops and grows along with the development of capitalist production.[65] The nature of the opposition between use-value and value in the commodity, and why it assumes constantly growing proportions, was never treated as a problem. However, when seen in connection with the presentation of the development of the productive power of labour in Volume I,[66] the presentation of the tendency of the rate of profit to fall in Volume III of *Capital*[67] shows that Marx also derives this category from the dual character of labour, namely the inverse movement of the mass of use-values and values as a consequence of the increase in the productive power of labour: the richer a society becomes, the greater the development of the productive power of labour, the larger the volume of useful articles which can be manufactured in a given period of labour; however, at the same time, the value of these articles becomes smaller. And since the development of the productive power of labour means that a constantly growing mass of means of production (MP) is set in motion by a relatively constantly falling mass of labour (L), the unpaid portion of labour (surplus-value or profit) must also progressively fall. In capitalist terms, growing social wealth is expressed in the fact that a given capital exhibits a tendential fall in profit. The fall in profits, the regulating and driving force of the capitalist mechanism, puts the continued existence of this mechanism

into question:[68] the greater the mass of use-values, the more pronounced the tendency for the fall (in value terms) in the rate of profit.

In its interpretation of Marx's economics the dominant teaching has also expunged the theory of the dual character of labour, i.e. they have removed precisely what was specific to Marxism, and what distinguishes it from Classical theory, in order to be able, subsequently, to incorporate Marxism into the body of Classical political-economic theory. That this 'incorporation' was no accident is attested to by the fact that Benedetto Croce rated it as one of the merits of the dominant theory.[69] In demonstrating the untenability of the Classical doctrine, they can simultaneously prove the weakness of Marx's theory.[70]

#### IV

Right from its origins Classical economic theory was a theory of abstract exchange-value: when it did concern itself with production it dealt merely with the value aspect, and passed over the labour process.[71] Since the rise of the theory of marginal utility and the mathematical school, the analysis of the concrete process of production has been increasingly excluded as an element of theory, and has been used only to establish its preconditions and overall framework. Analysis was directed almost exclusively at the relations between given market variables. It therefore took on a static character and was unable to explain dynamic changes in economic structure. Marx's economic theory marks a fundamental break in principle from both of these tendencies.

The capitalist mode of production is governed by the relation, exchange-value — increase in exchange-value, (M-M'). As a faithful expression of the bourgeois economy, the Classical doctrine was always simply a doctrine of abstract exchange-value.[72] Although Adam Smith did indeed begin his work on the 'Wealth of Nations' by stressing the division of labour as the source of wealth, taken to consist in an abundant supply of the products of labour — use-values — he nevertheless forgets use-values in the further course of his work; they are not used in the further development of economic analysis.[73] Although there are presentations of material and structural relations they have an exclusively descriptive character. Smith's theory is one of abstract exchange-value. The social equilibrium between supply and demand, which yields the 'natural price', is solely an equilibrium of value.[74] The same applies to Ricardo. Chapter 20 of his *Principles*, where he elaborates the distinction between use-value and value, and the importance of 'wealth' as use-values, remains largely unrelated to the rest of the book. Ricardo's entire theoretical gaze is concentrated on the aspect of value (profit), and the use-value of commodities plays no role in his analysis.

The life of the working class depends on the mass of use-values which can be bought with a capital. However, the employer's sole interest is exchange-value, — the expansion of exchange-value, i.e. profit. Ricardo expressed this in the now famous dictum, that for the employer who makes £2,000 profit on a capital of £20,000 — 10% — 'it is utterly irrelevant whether his capital sets 100 or 1000 people into motion ... as long as in all instances profit does not fall below £2,000'. Whether a given capital employs 100 or 1000 workers depends on the particular structure of the economy. Marx points out that Ricardo is indifferent to this

structure: he is only concerned with net revenue (pure profit), the value-surplus of price over costs, and not gross revenue, i.e. the mass of use-values necessary for the subsistence of the working population. For Ricardo these figure only as costs — which are to be pushed down as low as possible. Marx writes: 'By denying the importance of gross revenue, i.e. the volume of production and consumption — apart from the value-surplus — and hence denying the importance of life itself, political economy's abstraction reaches the peak of infamy'. [75]

Ricardo's central interest was the theory of distribution: 'To discover the laws which determine distribution is the main problem of economic theory.' (Preface to the *Principles*). In a letter to Malthus he calls political economy a theory of those laws which govern the proportional division of a given wealth among the various social classes. He regarded the determination of the mathematical relation between the parts of a given totality as 'the only true object of the sciences'. [76] This point of departure renders Ricardo's method a prioristic and deductive: his theories can be deduced from a very small number of premisses. The Classical doctrine is more a system of logical deductions than a researching into and presenting of the real economic relations of the capitalist mode of production. In post-Classical economics this tendency to avoid the real labour-process becomes even more pronounced. In itself the principle of labour as the sole source of value contains a revolutionary element. It implies, as the Classical economists themselves explained, that in the prevailing social order the workers do not receive the full product of their labour, and that rent and profit represent deductions. The egalitarian Ricardians in England merely drew the conclusion implicit in the Classical labour theory of value when they declared that a society in which the workers would receive the full product of their labour would in fact be the only correct and 'natural' one. [77]

The reaction of the right-wing of the Ricardian school to this theoretical turn exercised by the left was to become even more conservative. They scented a threat to class harmony in Ricardo's labour theory of value, [78] and avoided any analysis of the production and labour-process in order to get round the ticklish question of the labour theory of value, and the dangerous consequences it held for distribution and the prevailing social order. Analysis was restricted to market phenomena, exchange: 'Exchange' stated Bastiat, 'is the whole of political economy'. [79] According to Leon Walras, the founder of the Lausanne school, political economy was 'the theory of value and the exchange of value: but he (Walras) forbade us from objectively studying production and distribution'. [80]

Out of fear of ending up in opposition to prevailing property interests, every effort was made to give economic theory the most abstract and formal shape possible, divorced from any qualitative-concrete content. [81] In short, they tried to erect a theory of distribution based on a theory of markets, in order to furnish the proof, by means of a theory of economic coordinates, that all factors of production are rewarded in proportion to the extent to which they are involved in producing the product, and that consequently the workers receive in the wage full recompense for the work done. [82]

A second line of development also began to become apparent at this time. Out of the same need to flee from reality this school urged economic theory onto another terrain, that of psychology. This started with J.B. Say, who began with the use-value of commodities, but instead of seeing them as physical phenomena,

conceived of them as psychological variables — the subjective utility of the object — and constructed a subjective theory of value on these ‘services’. Beginning with Say, proceeding through Senior (1836) in England, Dupuits (1844) in France, and H. H. Gossen (1854) in Germany, the subjective theory of value led to the theory of marginal utility as a doctrine of general hedonism, in the course of which political economy’s object of analysis shifted from the realm of things and social relations onto the terrain of subjective feelings. ‘Boehm-Bawerk’s subjective analysis of value contains the most precise and rational calculus of pleasure and pain that has ever been written’, [83] as Boehm’s special digression on the ‘measurability of feelings’ shows. The process of production is passed over, [84] and analysis is confined to market phenomena, the explanation of which is sought in human nature.

An even higher level of abstraction is represented by those attempts to make economics into a mathematically ‘exact’ science, and consequently to disregard any qualitative content in economic phenomena. Market phenomena are one-sidedly regarded as mere ‘economic quantities’, and where possible they are expressed in mathematical equations. This tendency in modern theory is perhaps formulated most clearly in the works of Joseph Schumpeter. [85] The process of production, as in fact all real relations in the economy, are excluded from analysis. In Schumpeter’s view the essence of economic relations consists of the relation ‘between economic quantities’, which is in fact reduced to the relation of exchange: all other relations between economic variables are neglected as being immaterial.

Summarising this we can say the following: Although theoretical schools and tendencies have changed a great deal in the hundred years since Classical political economy, they possess a common feature which consists of the fact that the real labour process, and the social relations which are entered into in the course of it, have been expunged from their theoretical analysis. [86]

The Marxist critique is directed against the abstract-value mode of study of political economy, as was the critique made by the historical school. But whereas the latter sought to overcome the abstract ‘absolute’ character of theoretical deduction by means of the external and indiscriminate introduction of concrete historical or statistical material on production, consumption, trade, tax, the position of workers or peasants etc., and thus remained at the level of pure description, denying, in effect, the possibility of the knowledge of theoretical laws, Marx set himself the task of ‘revealing the economic law of motion of modern society’. [87] This cannot be done, however, if one abstracts from the ‘real world’ and merely clings to its one aspect as ‘economic quantities’. Such a procedure is not political economy, but the ‘metaphysics of political economy’, which, the more it detaches itself from real objects by way of abstraction, ‘the more it fancies itself to be getting nearer the point of penetrating to their core’. [88] Since reality does not consist merely of values, but is rather the unity of values and use-values, Marx’s critique begins from the twofold character of economic phenomena, according to which the essential character of the bourgeois form of economy is a product of the specific connection of the valorisation process with the technical labour-process. Of course, subjectively, the sole interest of the businessman is with the value aspect, the valorisation process of his capital, profit. But he can only realise his desire for profit through the technical labour-

process, by manufacturing products, use-values. And it is the specific character of this labour-process, as the means of meeting the requirements of the valorisation process,[89] which gives the capitalist period its particular stamp. Marx criticises previous economic theory for only looking at individual, isolated sectors, instead of grasping the concrete totality of economic relations.

The monetary system of the Mercantilists merely analysed the circuit of capital within the sphere of circulation in its money-form. The Physiocrats (Quesnay) understood the problem at a deeper level: but they regarded the economic process as an eternal circuit of commodities, as the real production of commodities was not seen as the work of human beings, but Nature. Finally, the Classical economists (Smith, Ricardo) did indeed adopt the production process as the object of their analysis, but only as a valorisation process: this eventually placed them on the same path, skirting around production, and with the same formula, as Mercantilism.[90] In contrast to his predecessors Marx stressed the crucial importance of the production process, understood not simply as a process of valorisation, but at the same time as a labour-process; this does not mean, however, that the two other forms of the circuit of capital, as money and commodity, can be ignored. Capitalist reality is a unity of circuits: the process of circulation (both money and commodity), and the process of production (as the unity of the valorisation and labour-process). Only by being this unity of the labour- and valorisation-process does the production process, in Marx's view, constitute, 'the basis — the point of departure of the physiology of the bourgeois system — the grasping of its inner organic connection and life-process'.[91] On the other hand, if the production process is merely understood as a valorisation process — as the Classics understood it — it has all the characteristics of 'hoarding', becomes lost in abstraction, and is no longer capable of capturing the real economic process.[92]

Because Ricardo's categories of value are the expression — if one-sided — of concrete reality, namely the valorisation process, they are taken over by Marx in their basic principles and developed further. However, at the same time he modifies them by complementing their exclusively abstract value character with the material aspect, and elaborates their dual character. Marx's critique of Ricardo's categories of value, and the changes he made, closely resembles Marx's critique and transformation of Hegel's dialectic.[93] Both exhibit the same basic feature, being directed against the abstract and final character shared by Ricardo's categories of value and Hegel's dialectic, because each of these abstracts from the 'real characteristic form'. In his critique of Hegel's dialectic Marx compares, in characteristic fashion, the logic with which Hegel begins the *Encyclopaedia*, with money and value: it is the logic of 'money of the spirit' and the 'conceptual value' of people and of nature, because it 'is utterly indifferent to all real forms' and has become 'abstract thought, abstracting from nature and real people'.[94] This is similar to the way in which money represents the 'least real' form of capital, and how capital has reached the 'pure fetishistic form' in interest-bearing capital, 'in which all the different forms ... are obliterated, and it exists ... as independent exchange-value'.[95]

This crucial philosophical position is also brought into play by Marx within political economy: the abstract study of value obscures the 'real forms', the qualitative content of the concrete labour process, which express the specific,

differentiating features of the capitalist mode of production.

These can only be grasped by demonstrating the specific connection of the valorisation process to the technical labour-process in each particular period of history.[96] The 'value-form', whose final shape is the money-form, is completely without content.[97] The category of exchange-value leads an 'antedeluvian existence'. [98] One can find exchange-values in ancient Rome, in the Middle Ages and in capitalism; but different contents are hidden behind each of these forms of exchange-value.[99] Marx stresses that 'exchange-value' detached from the concrete relations under which it has arisen is an unreal abstraction, as exchange-value 'can never exist except as an abstract, one-sided relation to an already given concrete and living whole'. The use of the expression 'exchange-value' presupposes, 'a population which produces under specific conditions'. [100] Of course, 'political economy is not technology'. [101] The point is not however to study the valorisation process separated from a particular labour-process, which makes up its basis and with which it constitutes a unitary whole. 'The concrete is concrete because it is the concentration of many determinations, hence unity of the diverse'. The task of science consists in the 'reproduction of the concrete via thought'. [102]

Just as the archaeologist reconstructs the entire skeleton, and even the supposed muscles and movements, of an animal from a few excavated bones, so Marx reads off the necessary tendencies of capital which are specific to an epoch from the structure of the labour-process in a particular period, and the type of tools used in it. This is possible as 'technology reveals the active behaviour of people to nature, the immediate production process of their lives, and hence their social relations'. [103] 'The hand-mill gives you society with the feudal lord: the steam-mill society with the industrial capitalist'. [104] Since social relations are closely bound up with the forces of production, changes in the tendencies of capital can be read from changes in these forces.

The best illustration of Marx's theoretical thought is provided by Chapters 14 and 15 of Volume I of *Capital*, the chapters on 'Manufacture' and 'Machinery and Large-Scale Industry'. [105] These chapters are by no means historical-descriptive depictions, whereby Marx seeks to provide a genetic exposition of the development of large-scale industry out of manufacture. Both chapters have an eminently theoretical character, which is proven by the fact that they are merely sub-sections of the part of *Capital* dealing with the 'Production of Relative Surplus-Value'. What then characterises manufacture and 'machino-facture', large-scale industry as two different phases of capitalist production? Both have a capitalist character, both are based on wage-labour, and both are governed by the search for profit. However, since the technical labour-process is completely different in each, manufacture representing a 'productive mechanism whose organs are human beings', [106] in contrast to which modern large-scale industry is based on machines, this difference serves to distinguish the different phases of capitalism. The example of the derivation of these objective tendencies of capital from the analysis of the concrete labour-process and its instruments — machinery — is intended to illustrate the key distinction between Marx and other theoretical tendencies in the study of economic processes: later we shall analyse the additional consequences which arise from this method of study for the problem of crises and (economic) dynamics.

Whereas changes in the mode of production during manufacture begin with labour, in large-scale industry they proceed from the instruments of labour, machinery.[107] The process is as follows: machinery makes muscle-power dispensable, and thus facilitates the introduction of women and children into the production process on a massive scale. The price of labour-power is lowered and surplus-value increased, as the wages for the entire 'parcelled' family, for a greatly increased amount of work, are no higher now than they were previously for the individual bread-winner alone. The degree of exploitation of labour increases enormously.[108] In addition, the tendency towards the employment of young people and the simultaneous strengthening of the despotism of capital through the extensive employment of women and children works to break down the resistance previously put up by the male workers.[109] The material consumption of the machinery, which represents a large capital-value and which must be depreciated and have interest paid on it, does not only occur through use, but also through its non-use, as a result of the destructive effects of the natural elements. This explains the capitalists' tendency to make work continue day and night, a tendency reinforced by the fact that every new invention threatens to devalue the machinery; hence the capitalists' striving to minimise the danger of the 'moral' wear and tear of the machinery by reducing the period in which it produces its total value.[110] 'Hence too the economic paradox that the most powerful instrument for reducing labour-time suffers a dialectical inversion and becomes the most unflinching means for turning the whole lifetime of the worker and his family into labour-time at capital's disposal for its own valorisation.'[111]

A further incentive to the prolongation of labour-time is therefore the possibility of saving on the otherwise normal expansion of the scale of production through buildings. An expansion in the scale of production without these additional outlays implies an increase in the mass of surplus-value, with a simultaneous reduction in capital expenditure per unit of commodity produced, which further increases the mass of profit.[112]

Machinery leads to the tendency to intensify work, and in particular in those areas where the resistance of the working class has made the excessive prolongation of the working day impossible because of legal prohibitions. In the factory, 'the dependence of the worker on the continuous and uniform movement of the machine creates the strictest discipline'.[113] The increased speed of the machinery forces the worker to a greater degree of attentiveness and activity.[114]

This is the point at which the tendency towards a falling rate of valorisation and the creation of an industrial reserve army begin to play a role. At a higher level of capitalist development, and with the universal application of machinery, this machinery, the use of which has the task of enlarging relative surplus-value, and hence the mass of surplus-value, begins to operate in the opposite direction, i.e. towards a fall in the rate of valorisation. This is because the mass of surplus-value which can be obtained is dependent on two factors: the rate of surplus-value, and the 'number of workers simultaneously employed'.[115] In his hunt for an increase in relative surplus-value the capitalist is driven to the constant development of the productivity of labour through an increased use of machinery in relation to living labour; and he can only 'attain this result by diminishing the number of workers employed by a given amount of capital'.[116]. A portion of the capital which was previously variable, and produced surplus-value, is progressively transformed into

constant capital, which produces no surplus-value. The result is shown in the creation of a superfluous working population, and the tendency towards a reduction in the mass of surplus-value attainable in relation to the size of the capital employed. 'Hence there is an immanent contradiction in the application of machinery to the production of surplus-value, since, of the two factors of the surplus-value created by a given amount of capital, one, the rate of surplus-value, cannot be increased except by diminishing the other, the number of workers.' [117] Finally, Marx stresses the dynamic impulses which flow from the use of machinery. Whereas manufacture traditionally 'sought to retain the form of the division of labour which it found', [118] and was consequently unable to seize hold of society to its full extent, and change it in depth, [119] large-scale industry based on machinery is forced, by the fall in the rate of profit, continually to revolutionise the technology of the labour process, and therefore the structure of society.

## NOTES

- 1 V. Pareto, *Les systèmes socialistes*, Paris, 1902, Volume II, Chap. 13 'L'économie marxiste', p. 340. Arturo Labriola, *Historical Materialism and the Economics of Karl Marx*, London 1914. Joseph Schumpeter, *Economic Doctrine and Method*, 1934. R. Wildbrandt, *K. Marx*, Leipzig, 1920. p. 101. Oskar Englaender, *Boehm-Bawerk und Marx*, in *Archiv fuer Sozialwissenschaft und Sozialpolitik*, Vol. 60 (1928) p. 380. 'It was Karl Marx who, as a value theorist, was indeed the last great figure in the classical school'. (Paul H. Douglas), *Smith's Theory of Value and Distribution* in J.M. Clark, P.H. Douglas, Jacob Viner and others, *Adam Smith 1776-1926*, Chicago 1928, p. 91. The Socialists, Mehring, Conrad Schmidt, and above all Hilferding, held very similar views too: Hilferding did not only regard Marx as an opponent and conqueror, but also the perfecter of 'Classical Economy, which begins with William Petty, and finds its highest expression in Marx'. See F. Mehring, *Geschichte der deutschen Sozialdemokratie*, Stuttgart, 1921, Vol. II, p. 305. F. Mehring, *Aus dem literarischen Nachlass von K. Marx and F. Engels*, Stuttgart, 1920. Vol. p. 557. Conrad Schmidt, *Die Durchschnittprofitrate auf Grundlage des Marx'schen Wertgesetzes* Stuttgart, 1889, p. 112. R. Hilferding, *Das Finanzkapital*, Vienna, 1910 Preface p. VII. Maurice Dobb, as well, does not go beyond this traditional view in his book *Political Economy and Capitalism*, London, 1938. If Marx offered no adequate 'proof' of his theory of value, this was because he was not dealing with a new or unknown doctrine. 'Marx was adopting a principle.... The essential difference between Marx and classical political economy lay, therefore, in the theory of surplus-value'. (Chap. III op. cit. 'Classical Political Economy and Capitalism'. p. 67, 68, 75).
- 2 'Smith's formulation of the problems of exchange-value and of the distribution of the national product ... was such as almost inevitably gave rise to the doctrines of post-Ricardian socialists and to the labour theory of value and the exploitation theory of Karl Marx.' (P.H. Douglas, op. cit. p. 77). Prof.

- Frank H. Knight (Chicago) says much the same thing. '(Marx) is certainly the thinker who above all others worked out the classical (Ricardian) theory to its logical conclusions'. (Cf. *The American Journal of Sociology*, Vol. XLVI July 1940, No. 1, p. 105).
- 3 *Theories of Surplus-Value*, III, p. 501.
  - 4 *Ibid.* p. 22-3.
  - 5 Postface to the Second Edition of *Capital* Vol. I. p. 96. (Penguin edition).
  - 6 *Theories of Surplus-Value*, III, p. 468.
  - 7 *Ibid.* II, p. 118 and I, p. 22.
  - 8 E.g. Adam Smith, *Wealth of Nations* Book IV Chap. VII/2, where he states that ground-rent and profit eat away the wage.
  - 9 *Theories of Surplus-Value*, I, p. 306-7.
  - 10 *Theories of Surplus-Value*, I, p. 301.
  - 11 *Ibid.* III, p. 22. Cf. also the Postface to the second edition of *Capital* Vol. I, p. 97 in which Marx states that 1830 marked the death of scientific bourgeois economics.
  - 12 *Theories of Surplus-Value*, III, p. 53.
  - 13 *Ibid.* p. 52.
  - 14 *Ibid.* p. 22-50 *passim*.
  - 15 *Ibid.* p. 23-26.
  - 16 *Ibid.* p. 501.
  - 17 See 'Opposition to the Economists (Based on the Ricardian Theory)', *ibid.* p. 238-319.
  - 18 *Theories of Surplus-Value* p. 63-4.
  - 19 See 'Essential Difference between Classical and Vulgar Economy', *ibid.* p. 498-523.
  - 20 *Ibid.* p. 502.
  - 21 'On the surface of bourgeois society the worker's wage appears as the price of labour, as a certain quantity of money that is paid for a certain quantity of labour'. *Capital*, I, p. 675.
  - 22 *Ibid.* p. 676.
  - 23 *Ibid.*, p. 729-30.
  - 24 *Theories of Surplus-Value* I, p. 87.
  - 25 *Capital* I, p. 680.
  - 26 *Ibid.* p. 169, 173-4 and *Contribution to a Critique of Political Economy*, p. 34-5.
  - 27 *Capital* I, p. 165-67. *Theories of Surplus-Value* III p. 453, 456, 483.
  - 28 *Capital* I p. 153-4.
  - 29 *Ibid.* p. 175.
  - 30 *Collected Works*, London 1975, Vol. III p. 213-14.
  - 31 *Capital*, I p. 148.
  - 32 *Ibid.* p. 153.
  - 33 *Ibid.* p. 163.
  - 34 *Ibid.* p. 169.
  - 35 *Ibid.* p. 170.
  - 36 'The whole mystery of commodities, all the magic and necromancy that surrounds the products of labour on the basis of commodity production, vanishes therefore as soon as we come to other forms of production.' *Capital* I p. 169.

- 37 *Ibid.* p. 175.
- 38 *Ibid.* p. 153.
- 39 *Theories of Surplus-Value* p. 131, 138.
- 40 Letter from Marx to Engels, 8 January 1868, *Selected Correspondence* p. 186.
- 41 *Capital I* p. 132. Marx stressed in a number of places that this theory comprised his original contribution to the understanding of economic processes, it was 'what was fundamentally new' in his work. See for example, the *Contribution*, 1859, and *Capital 1867*.
- 42 *Capital I* Note 38 p. 173.
- 43 *Theories of Surplus-Value I* p. 354-62.
- 44 Against Adam Smith: 'He does not distinguish the two-fold character of labour itself: of labour which creates value by expending labour-power, and of labour as concrete useful work, which creates articles of use (use-values). *Capital II* p. 381.
- 45 Against Ricardo: 'He does not clearly distinguish between the various aspects, between the exchange-value of the commodity, as it manifests itself, appears, in the process of commodity exchange, and the existence of the commodity as value as distinct from its existence as an object, product, use-value.' *Theories of Surplus-Value, I* p. 125.
- 46 Against Hodgskin: 'In his investigations into the productivity of capital, Hodgskin does not distinguish between how far it is a question of producing use-values or exchange-values.' *ibid.* III p. 267.
- 47 *Contribution to a Critique of Political Economy* p. 61.
- 48 *Capital I* p. 98.
- 49 Marx, Letter to Kugelmann, 28 December, 1862.
- 50 *Contribution to a Critique of Political Economy* p. 52.
- 51 *Capital I* p. 131.
- 52 *Ibid.* p. 293.
- 53 *Ibid.* p. 449.
- 54 *Ibid.* p. 450.
- 55 *Ibid.* II, p. 398.
- 56 *Ibid.* I, p. 292.
- 57 *Ibid.* II, p. 163, 156, 170-71.
- 58 *Ibid.* p. 169-71.
- 59 *Ibid.*
- 60 *Ibid.* p. 186, 173-6.
- 61 Cf. *Capital II* 'Replacement of the Fixed Capital' 1. in the Form of Money 2. in Kind. pp. 553-62.
- 62 'The composition of capital is to be understood in a twofold sense. As value and as material, as it functions in the process of production ... I call the former the value-composition, the latter the technical composition of capital'. The mutual relation between the two is called the organic composition 'in so far as it is determined by its technical composition and mirrors the changes in the latter'. (*Capital I* p. 762) — See too *Capital III* p. 46, 145-6, 154, and *Theories of Surplus-Value II* p. 433.
- 63 *Capital I* p. 762. The importance of the distinction between the technical and value composition is revealed by the fact that Marx creates a specialised terminology to express it: the technical composition becomes the symbol.

MP:L (Relation of the means of production to labour, and the value-composition c:v (relation of constant to variable capital).

- 64 *Capital* II p. 259.
- 65 *Ibid.* I p. 153.
- 66 *Ibid.* p. 431, 438.
- 67 *Ibid.* III p. 211 et seq.
- 68 For a more precise proof of this deduction Marx comments: 'With the development of the productive power of labour, which 'is always the productive power of concrete use-ful labour', this same labour produces a growing mass of useful goods, of material wealth, which can, nevertheless, correspond to a fall in the quantity of value of this growing mass of useful objects. 'This opposite motion is the result of the two-fold character of labour'. It is an empirical law of the capitalist mode of production that its development is accompanied by a relative decline in variable capital in relation to constant. 'This is just another way of saying that ... the same number of labourers ... set in motion by a variable capital of a given value, operate, work up, and productively consume in the same time-span an ever-increasing quantity of means of labour, machinery and fixed capital of all sorts, raw and auxiliary materials. (*Capital* III p.212) 'It is likewise just another expression for the progressive development of the social productivity of labour' (*ibid.*). Looked at in terms of use-value, constantly growing masses of useful articles arise, which represent ever smaller amounts of value. 'Since the mass of the employed living labour is continually on the decline as compared to the mass of materialised labour set in motion by it ... it follows that the portion of living labour, unpaid and congealed in surplus-value, must also be continually on the decrease compared to the total amount of value represented by the invested total capital'. (*ibid.* p. 213) 'The progressive tendency of the general rate of profit to fall is, therefore, just an expression peculiar to the capitalist mode of production of the progressive development of the social productivity of labour.' (*ibid.*)
- 69 'One could have also incorporated to the permitted economic doctrines those of Marx, which appear to be revolutionary, but which are only schemas of a particular casuistic kind'. (Croce, *Philosophie de la pratique*, Paris 1911, p. 235).
- 70 In a book published on the 150 anniversary of the publication of *The Wealth of Nations*, P. Douglas tries hard to show that 'the contribution of Adam Smith to the theory of value ... (was) not great', which necessarily led to the failure not only of the Classical, but also of Marx's theory. But, 'the failure was not the failure of one man, but of a philosophy of value, and the roots of the ultimate contradiction made manifest of the world in the third volume of *Capital* lie embedded in the first volume of the *Wealth of Nations*' (Paul H. Douglas *Smith's Theory of Value* p. 95).
- 71 'The crux of any theory of economic events is composed of theories of value and interest ... and four fifths of theoretical economic literature consists of research into or controversies about these subjects'. Joseph Schumpeter, *Eugen von Boehm-Bawerk in Neue oesterreichische Biographie* Vienna 1935 Vol. II p. 67.
- 72 Marx consequently speaks of the 'accentuation of quantity and exchange-

- value' by the Classical economist, in striking contrast to the writers of classical antiquity (Plato, Xenophon), 'who are exclusively concerned with quality and use-value'. (*Capital I* p. 486).
- 73 Cf. Elster: *Smiths Lehre und die Lehren der sogenannten 'Klassiker der Volkswirtschaftslehre'* in *Elster Voerterbuch der Volkswirtschaft* Jena 1933 Vol. III p. 213. See too: G. H. Bousquet *Essai sur l'évolution de la pensée économique* Paris. 1927. p. 199 and Gunnar Myrdal, *Das politische Element in der nationaloekonomischen Doktrinbildung* Berlin, 1932 p. 95.
- 74 Elsters *Smith Lehre*.
- 75 Marx, ME & A p. 514 et seq.
- 76 'Political Economy you think is an inquiry into the nature and causes of wealth — I think it should be called an inquiry into the laws which determine the division of the produce of industry amongst the classes who concur in its formation. No law can be laid down respecting quantity but a tolerably correct one can be laid down respecting proportions'. *Letters of David Ricardo to Malthus 1810-1823* ed. Bonar, Oxford, 1887. Letter of 9 October 1820.
- 77 See the sharp formulation of the workers' rights to the full product of labour in Hodgskin's *Labour defended against the Claim of Capital. By a Labourer*. London 1825.
- 78 See for example the work by Charles Knight, *The Rights of Industry, Capital and Labour* 1831, which attacks all opponents of the prevailing rights of property, including Hodgskin, and characterises them as 'enemies of the people', 'destroyers' and 'servants of despoilation'. Carey formulated this view the most clearly a little later: 'Ricardo's system is one of discord.... It has a tendency to create animosity between the classes.... His book is a handbook of demagogues who seek power by the confiscation of land, war and plunder'. Carey *The Past, the Present and the Future* Philadelphia, 1848. p. 74-5.
- 79 Bousquet op. cit. p. 226.
- 80 *ibid.* p. 208. Walras's analysis is in fact confined to the exchange-relation. He deals with the entire 'production process' with one word. The production process is replaced by a symbol, the concept of 'coefficients of production', meant to mean those amounts of productive goods used in the manufacture of one unit of output. Each unit of production is then allotted a corresponding 'production coefficient', and in this formal manner, disposed of for Walras.
- 81 August Walras makes this quite clear in a letter to his son (6 February 1859): 'One thing which I find especially pleasing in the plan for your work is the project which you have, and which I approve of totally, of keeping to the least offensive limits as far as property is concerned. This is very wise and very easy to observe. It is necessary to do political economy as one would do acoustics or mechanics'.
- 82 J.B. Clark constantly tried to prove the principle that the formation of prices under free competition would allocate everyone exactly that which corresponds to their productive efforts. 'Natural law so far as it has its way, excludes all spoliation.' In a polemic against von Thuenen he assures that 'the natural law of wages gives a result ... (that is) morally justifiable'. *The Distribution of Wealth* New York, 1931 p. 324.

- 83 Cf. Myrdal op. cit. p. 152 — See too Boehm-Bawerk, *Positive Theorie des Kapitals*, Jena 1921, Abteilung 11/2 pp. 202-5.
- 84 One could counter to this that Boehm-Bawerk deals with production in the *Positive Theorie des Kapitals* in the unknown sections on 'Produktionsunwege' (p. 15) and 'the capitalist production process' (p. 81). However, it would be deceptive to expect that Boehm really does deal with production. All that one discovers are general concepts which do not seem to capture the specific features of the capitalist period of production, but which are rather intended to apply, in their abstract universality, to all periods: thus for example, the statement that objects of use can be made in two ways: directly, such as picking wild fruits from a high tree: or indirectly, by first cutting a branch from another tree, and then knocking the fruits down. (p. 87) The creation of such an 'intermediary product' means the creation of a 'capital', and hence the carrying out of 'capitalist production', which for Boehm is identical with any form of indirect production. This confusion rests on a trivial confusion of the technical labour-process with the valorisation process, such that for Boehm any tool is 'capital': hence the Red Indian or Zulu who uses a boat for catching fish is a capitalist and carries on 'capitalist production'. (p. 86) According to Boehm's terminology capitalist production already existed at the most primitive levels of culture.
- 85 Joseph Schumpeter, *Das Wesen und der Hauptinhalt der theoretischen Nationaloekonomie* Leipzig 1908 pp. 50 et seq.
- 86 With the possible exception of the historical school in Germany led by Schmoller, which, however, because of its descriptive and eclectic character, and rejection of theory, can be passed over here.
- 87 *Capital* I p. 92.
- 88 *Poverty of Philosophy*, New York, 1963 p. 106.
- 89 'In the capitalist mode of production the labour-process only appears as a means for the valorisation process'. *Capital* II.
- 90 In Marx's view the deep similarity between capitalist production and the Mercantilist system is particularly evident in crises. When all values and prices are subject to enormous disturbances, suddenly there is a hunt for a stable metallic currency — hoarding of gold —, as the one secure thing in the midst of general insecurity, as the 'summum bonum' 'just as it is understood by the hoarder'. This hoarding of gold then acts to express that in a mode of production based on abstract exchange-value, 'the actual devaluation and worthlessness of all physical wealth' is the natural consequence, because alongside abstract exchange-value 'all other commodities — just because they are use-values — appear to be useless, mere baubles and toys'. (*Contribution to a Critique of Political Economy* p. 146). Although political economy imagines itself to be above Mercantilism, and assails it as a 'false theory', as illusion, it shares the same basic assumption as Mercantilism. As a consequence the Monetary system does not only remain, 'historically valid but retains its full validity within certain spheres of the modern economy'. (*ibid.*, p. 159).
- 91 *Theories of Surplus-Value* II
- 92 Accordingly, for Marx, the only 'real' labour is the concrete labour which functions in the technical labour-process. (*Contribution* p. 36, 38): whereas

- abstract labour which produces exchange-value is simply the 'bourgeois form' of labour. (ibid. p. 48, 54). '... the labour which posits exchange-value is a specific form of labour' (ibid. p. 36), and it is this exchange-value-positing labour which is responsible for all market catastrophes, devaluations, over-production, stagnation. (*Poverty of Philosophy* p. 68).
- 93 *Capital* I p. 103.
- 94 MEGA p. 154.
- 95 *Theories of Surplus-Value* III p. 464.
- 96 Hegel had already criticised this tendency to mathematicisation, which only captures one side, the relations between quantities, in the concrete totality of reality, and neglects all the remaining qualitative aspects. 'Its purpose or principle is quantity. This is precisely the relationship that is non-essential, alien to the character of the notion. The process of knowledge goes on, therefore, on the surface, does not affect the concrete fact itself, does not touch its inner nature or notion, and is hence not a conceptual way of comprehending' (*Phenomenology of Mind*, London 1931 p. 102-3). He consequently emphasises that the task of political economy consists, not only in representing quantitative relations and movements, but also the qualitative side of their element in their 'realisation' (*Verwirklichung*).
- 97 *Capital* I p. 94.
- 98 *Grundrisse* (Introduction) p. 101.
- 99 *ibid.*
- 100 *ibid.* p. 101.
- 101 *ibid.* p. 86.
- 102 *Capital* I p. 493-494.
- 103 *Poverty of Philosophy* p. 109. In a letter to Kautsky (26 June 1864) Engels criticises him for not having paid sufficient regard to the role of the labour-process. 'You should not separate technology from political economy to the extent that you have.... The tools of natives condition their society just as much as more recent tools condition capitalist society'. (Kautsky, *Aus der Fruehzeit des Marxismus. Engels Briefwechsel mit Kautsky* Prague 1935 p. 124.
- 104 It is no accident that such a large part of the presentation in all the volumes of *Capital* is devoted to the technical labour-process. The chapter on machinery and large-scale industry on its own encompasses nearly 150 pages; in addition a lot of space is given over to the presentation of the technical labour-process in connection with the valorisation process.
- 105 *Capital* I p. 455 and 492.
- 106 *ibid.* p. 457.
- 107 *ibid.* p. 544.
- 108 *ibid.* p. 518-9. See pp. 489-90 on the insubordination of the workers in manufacture.
- 109 *ibid.* p. 526.
- 110 *ibid.* p. 528.
- 111 *ibid.* p. 532.
- 112 *ibid.* p. 548.
- 113 *ibid.* p. 549-51.
- 114 *ibid.* p. 531.

- 115 Ibid. p. 531.  
116 Ibid. p. 531.  
117 Ibid. p. 531.  
118 Ibid. p. 530.  
119 Ibid. p. 490 Cf. Jean Weiller *La Conception classique d'un équilibre économique*, Paris 1934. p. 11 and John M. Clark *The Relation between Statics and Dynamics in Economic Essays in Honour of J.B. Clark* New York, 1937 p. 51.

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