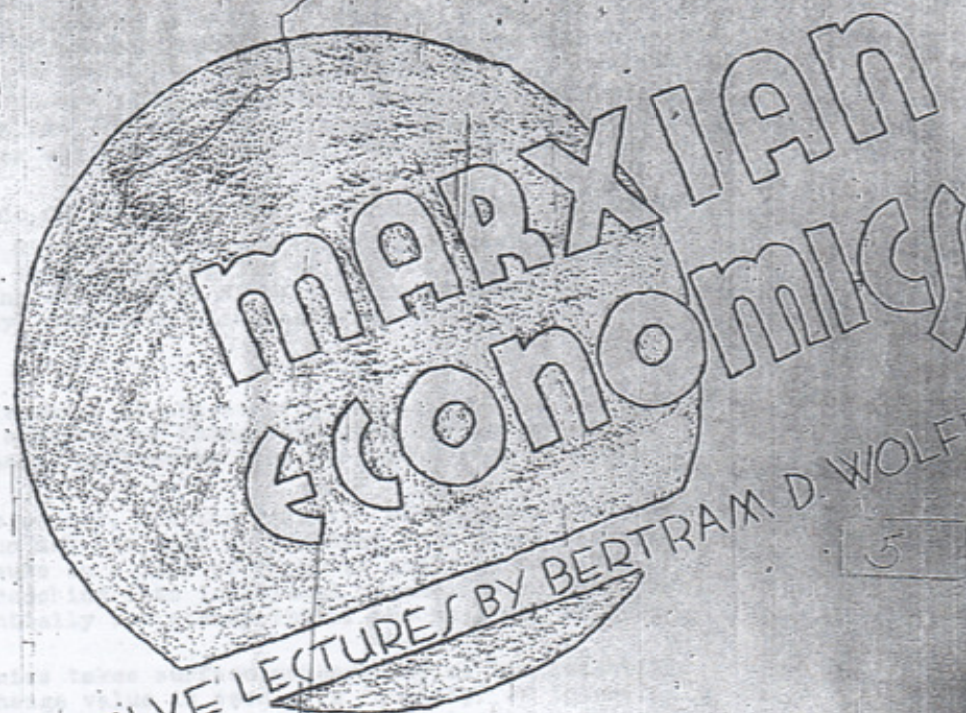




TWELVE LECTURES BY BERTRAM D. WOLFE

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FIRST LESSON

INTRODUCTION

I. Method of the Course:

A. Text: "Capital", Vol. I, with references to Vol. II and III.
Aids: Marxist Study Course - Political Economy (Int. Publishers,

B. Laboratory Studies:

1. Marx studied in England as the most advanced country of his day. ~~Now America occupies that position.~~ Every newspaper is full of source material for Marxian Economics and Economists.
2. The world has to-day in actuality what Marx could only prophesy: Imperialism, the economy of Capitalism in its last decaying stages and the Soviet Union, the beginning of the new economy.
3. The depression: Capitalist economy with the seams laid bare.

These Laboratory Studies will test, enrich and supplement our knowledge of the laws of capitalism as derived from 19th Century England, giving a knowledge of capitalism as revealed in its genesis, maturity, decay and disappearance.

II. What is Economics?

A. Conflict exists even as to object of economics.

1. It is not an analysis of things produced nor how produced. Forms, materials, substances etc. are technology or economic geography.
2. It is not subjective, not the relation between men & things. Economists who ask how much nourishment in a piece of bread or what pleasure in a deck of cards as compared to a jar of pickles are reaching into individual psychology or dietetics. This is essentially the standpoint of the Marginal Utility School.
3. Vulgar economics takes surface appearances as the scientific reality. Exchange value is seen as a "quality" of things. Money seems to swell when handed out and taken back. Since a worker is paid so much per hour there can be no unpaid time, no surplus value. An increase of the quantity of paper dollars is expected to magically increase the buying power etc..
4. In general all modern bourgeois economics suffers from being concerned primarily with apologetics. No science of economics is possible under these circumstances.

B. What Economics is.

A Social Science, studying the relations between men and men in the production of things.

III. Development and Present State of Bourgeois Economics.

A. Prerequisites for its rise as independent science.

1. Production for use presents no problems of a scientific nature, therefore there can be no science of economics.
2. Production for exchange brings into being the market and its

mysteries. Wealth is in form of exchange values or commodities.

3. Production for Profit.

Drive for profits. Mystery of origin of increase in value, i.e. profit.

4. Disguise of Social Relations.

The exploitation of the slave or serf is obvious. The system of capitalist exploitation is concealed.

B. First Stage-Pre-Capitalist Epoch of Bourgeois Economy.

1. Mercantilism, a reflection of the ownership of merchant capital in England.

- a. Only growth in value thru foreign trade.
- b. Buy cheap, sell dear, increase gold stock.
- c. Origin of myth of "favorable" balance of trade.

2. Physiocrats. Arose among liberal bourgeoisie in agrarian France.

- a. Wealth is things and goods, not money.
- b. Agriculture source of all value and surplus value. Farm labor produced more than it consumed. This surplus was seen as the source of rent, profit and interest.
- c. Physiocrats developed laissez-faire theory.

C. Classical School reflecting the rising industrial bourgeoisie.

1. Scientific character

- a. Had the standpoint of productive industry
- b. Progressive-Against the landholding feudal ideology and supported laissez-faire ideology.
- c. Examined economic reality with confidence.

2. Class limitations on scientific character.

- a. Static-laid down unchanging laws, unsuited to changing society.
- b. Failed to analyse exploitative character of bourgeois system, especially failing to distinguish between value of labor power and value added by labor to products.

3. Collapse of classical school.

- a. The first crisis in 1825 showed its historical limitations
- b. The struggles of the rising proletariat (1830-1848) (Adam Smith wrote "Wealth of Nations" in 1776, Ricardo died in 1823, having written his "Principles" in 1817.)
- c. Classical school was choked off before it reached its logical conclusions.

D. Degeneration of Bourgeois Economics.

1. Nihilism-denies possibility of any science of economics.

2. "maybe-sometimes-ism"-when we get more information.

3. Bad conscience and apologetics.

Deliberate confusion of terms, i. e., "Wages of thrift", "Wages of abstinence", "Skill is capital", "Rent of ability" "Money in dividend envelopes is merely a wage for saving and thrift"-Babson, NY Times, 9-26-34

4. Incredible vapidty and vulgarity.

a. Glorified bookkeeping.

b. Stock market tipstering.

c. Brain Trust ignorance-faith in the exploded fallacy of the quantity theory of money.

E. Marxian Economics.

1. Critique of bourgeois economics.
2. Further development of best achievements beyond the class limitations of the bourgeoisie. Clarification of labor theory of value and development of surplus value.
3. Scientific without reservation.

IV. Some General Features of Methodology of Marxian Economics. Its historical, dialectical standpoint.

A. Historical specificity

Each historical system has its own peculiar laws.

Bourgeois economics deals in timeless definitions, laws good for all societies, abstractions.

Marx begins "Capital" with: "The wealth of those societies in which the capitalist mode of production prevails, presents itself as an immense accumulation of commodities."

- ##### B. Motility, Change. Laws are laws of direction, tendency.
- Out of what? How? Where do its immanent tendencies lead? Marx: "It is the ultimate aim of this work to reveal the laws of motion of capitalist society."

Social Standpoint of Marxism.

- ##### A. Bourgeois thought is atomistic. The individual is not part of society, society is a mere aggregate of individuals.

Jevons: "The general form of the laws of economy is the same in the case of individuals and nations."

B. Marxian.

1. Society is a real producing unit. The individual and the individual workshops are organically part of the whole. (This is especially true under capitalism where the illusion of individualism is greatest.)

2. Our labor is social labor.

3. Exchange is not an arbitrary, subjective, accidental phenomena.

a. Exchange does not take place because (1) we get more pleasure out of something else, or (2) we have a surplus.

b. Exchange is the connector of men's labor, making individual labor social labor.

Exchange, under commodity production and capitalism, is the social regulator of division of labor in society.

Standpoint of Production.

- ##### A. Bourgeoisie increasingly separated from production.

Only connection of speculator is with shares, of rentier with coupons. Sombart ("The Bourgeois"): "These were extremely wealthy persons mostly of bourgeois origin who had enriched themselves as tax farmers or creditors of the nation and now floated on the surface of the broth as circles of fat, completely removed, however, from the economic life."

Compare the position of bankers under the RFC.

- ##### B. Marginal Utility School approaches economics from the standpoint of consumption. Values given by consumer's desires. Length of working day determined by a calculus of pleasure and pain.

C. "Rings of Fat". Fattening process especially apparent in professorial brains, e.g., Theory of Consumer Surplus. Seligman: "If I agree to give up a book for my neighbor's knife I do so because I expect his knife to afford me more satisfaction than the pain of parting with the book. As a consumer, I expect a surplus enjoyment."

- a. Seligman has no connection with production, only consumption.
- b. No concept of production as central factor of social existence.
- c. No concept of production as being social, i.e. for exchange.
- d. To reduce this concept to its ultimate absurdity try substituting coffins and castor oil for books and knives.

Producers do not 1) produce for themselves; 2) produce things they want; 3) want things they produce.
They produce for society.

Production as Reproduction.

Production not only for consumption but for maintenance of society

must produce not only what it consumes but
must produce fresh means of production
must produce also workers and capitalists.

If everything is consumed, society perishes.

If workers receive means of production, capitalism is ended.

Even consumption is for the sake of production. Production is man's activity on Earth - man's way of life, it is the production and reproduction of life.

Planless Nature of Capitalist Production.

Only in the market is it possible to discover - in capitalist economy - whether or not one's labor was socially necessary.

A. Division of labor goes on behind the scenes, unknown.

1. Rewards and punishments are post facto.
2. Production uncontrollable - like laws of nature.
3. Brings results not according to particular wants.

B. Objectivism not Fatalism.

1. The individual is helpless but not the class.
2. Society can discover trends and possibilities, and it can then reinforce desirable ones.
3. Society makes its own history - not out of the whole cloth - but by hastening and strengthening tendencies already present.

C. Prerequisites for Planned Economy, already present in Capitalism.

1. Material forces - possibility of abundance.
2. Ideological force - science of society - Marxism.
3. Social human force - the proletariat.

The problem is then: to link the theory and the means.

Lasalle:

"When science and the workers, those two opposing poles of society, embrace they will crush all barriers to culture in their arms."

Social Organization and Main Types of Economy.

I. Society as a whole:A. Man a social animal

1. Horde, primitive tribe, ancient; medieval; modern world.
2. "Individualism" is a late, one-sided development.

B. Social life as social production - society is a producing organization (compare beehive, wolf-pack, ape-horde).

1. Man begins to differ from the animals when he begins to produce his own means of existence.
 - a. Passive adaptation to environment by animals must be distinguished from active adaptation of environment by man.
 - b. Tools - an extension of physical powers
 - c. Speech - Organ of cooperation.
2. Production is not merely the maintenance of life--it is essence of life, a way of living. What we are and what our life is like depends on what we produce and how we produce it.

C. Man and Nature

1. Development from a part of nature to a controller and alterer of nature.
2. Industry represents "Unity of man with nature".
3. In altering objective nature man alters his own subjective nature.
4. In producing man also produces his knowledge, understanding and ideas.

D. Man and History

1. History of man is history of changing social structures.
 - a. Changes in relation to nature.
 - b. Changes in forces of production
 - c. Changes in relations of production - between men and men.
 - d. Changes in ideas

E. Division of Labor

1. Division of labor and ability to produce more than existence minimum are the physical basis for surplus value. They give the possibility of living without working.
2. The first real division is that between material and intellectual labor.

"From this moment on consciousness can really persuade itself that it is something other than the consciousness of existing practice, can really imagine something without imagining something real--from this moment on consciousness is able to emancipate itself from the world (i.e., the real world, real economic life) and go over to the production of 'pure theory', theology, philosophy, ethics, etc." (Marx)
3. Division of labor produces division between command and execution, production and consumption, etc.
4. Forms of division of labor produce forms of division and product. Production under a given set of social conditions reproduces those social conditions, e.g. capitalism produces capitalists and laborers as well as commodities. Production involves reproduction of economic setup.
5. Class is not an income level concept but a role in production concept.

The capitalist is personified capital; the labor personified labor. An interchange of personal elements doesn't alter this personification.

The standpoint of Marxian economics is the standpoint of social production.

II. Main Forms of Social Organization

A. Prehistoric stage. Hunting and fishing peoples

1. Close to horde
2. No private property
3. No class antagonisms
4. Little control of nature

B. Pastoral-Patriarchal

1. Domestication of plants and animals
2. From cannibalism and homicide to slavery
3. Patriarchal domination through family
4. The man-hunt to secure slaves

C. Asiatic or Oriental

1. Long duration
2. Perpetuation of relationships--class becomes caste with hereditary division of labor
3. Inseparable bond between industry and agriculture in small-half barbaric, half civilized communes, e.g. China, India.
4. Almost no trade outside commune. Dwarflike, isolated, self-sufficient local economies. The communes have no history.
5. On oriental despotism. Dynasty has origin and role in great irrigation schemes and conquest. A restless change in political superstructure, stagnation in the foundation.
6. Japan is an exception. It was more a feudal commercial state being forced to the sea and to trade.
7. Disruption of Asiatic form in near East by Greece and Rome, in far East only by modern capitalism.

D. Ancient Graeco-Roman world.

1. Influence of Mediterranean and Aegean Islands
Break-up of primitive communal tribes. Prevention of Asiatic stage.
2. Growth of commerce associated with robbery and tribute.
3. Separation of industry and agriculture. Division of labor between town and country.
4. Man-hunt and slavery persisted and grew.

E. Feudalism

1. Two streams brought about collapse of Graeco-Roman world
 - a. Inner disintegration--in military strength, in internal production and through the limitations of slave production.
 - b. Outer conquest by barbarian tribes.
2. Feudalism represents a progressive stage in
 - a. The transition from slavery to serfdom
 - b. Bringing of barbarian tribes to feudalism
3. Feudalism's decline
 - a. of trade
 - b. toward localism
 - c. to conservatism--elements of caste system

F. Period of nascent capitalism, produced by two currents in feudalism.

1. Manufacture--artisans; free peasants, beginnings of simple commodity production.
2. Great commerce--the merchant princes, the great trading cities in Italy and the Hanseatic cities.

G. Modern Capitalism

H. Imperialism

III. Development of Simple Commodity Production into Capitalism

A. Characteristics of simple commodity production

1. Self employing artisan, owning own tools and own products
 - a. Produced increasingly for others and less for own consumption, but always for a definite customer, not for the open market.
 - b. No capital and hence no capitalist, rent, interest or surplus value.
 - c. No industrial proletariat.
2. Self-employed peasant, owning own land and tools.
 - a. Produced largely for domestic consumption.
 - b. No capital, no agricultural proletariat.
 - c. Exchanged only surplus to secure rare articles, e.g. metal tools.
3. Concepts of this stage are the source of the 3eligman myths and barter conception of modern economic relationships.

B. Development of simple commodity production into capitalism. Two main currents join.

1. The merchant princes get control over manufacture and production of some staple crops. Commodity production extends, apprentices and even some masters become proletarians. Products take on a commodity form, assuming a polar nature of use, and exchange values.
2. The second current, historically often earlier and socially more basic is the separation of the producer from the means of production.
 - a. By expropriation - enclosures, driving peasants from land, overseas ventures.
 - b. By economic subjection of artisan
 - c. By economic ruin of artisan.

C. What happens when commodities become universal?

1. A universal commodity develops - money
2. Everything has a price - land, power to labor, conscience, thought, love, etc.
3. When labor becomes a commodity then polarization is complete and modern capitalism exists.

IV. Marxist Analysis of Commodities

A. Why start with commodities?

1. They are the historical starting point for capitalist production.
2. Capitalist production is the production of commodities.
3. Because labor power is a commodity, capitalist production is also the production of surplus value.
4. Wealth in capitalism is an accumulation of commodities - this is not true of earlier systems.

B. Polar nature of the commodity.

1. For the first time products are for both use and exchange.
2. Antagonism of the system.
Use value for whom? (The purchaser)
Exchange value for whom? (The producer)
For the producer it is not a use value (cf. coffin manufacturer) and for user it is not exchange value.

3. Every exchange value must be a use value but not every use value is an exchange value. In this lies the germ of crises.
 4. Production is for exchange, for others in the abstract -- in short for society. In previous systems exchange seemed an accident and use by the producer the rule. Now use by the producer is accidental and occasional, and exchange the rule.
 5. Commodity contains the germ of all the contradictions of capitalism. The expansion of commodities means the expansion of contradictions.
- C. Polar nature of commodity, labor power.
1. For laborer - an exchange value which must be sold
 2. For the capitalist-- a use value which produces and creates value in the form of new commodities, new exchange values.
- D. Polar nature of Capitalism
1. Polarization of producers and means of production
 2. Wealth and poverty
 3. Labor and ownership
- (This polarization received its test in the new world of America where it was necessary artificially to create poverty in early colonial times, through land systems, indenturing and slavery, which was distinct from ancient slavery in being wedded to a capitalist system of agriculture.)
- This is the decisive feature of capitalism - the separation of producer, now the laborer, from the means of production; now capital. Labor power is a commodity, all products are commodities. Commodities must still be use values but their value can only be realized by exchange. Commodities are not for use or even primarily for exchange but for profit. If there is more profit in destroying than producing - then they destroy.

V. Structure of Marx's "Capital"

Vol. I

1. Antagonisms in germ in the commodity. Starts with exchange value as under simple commodity production.
2. Commodity becomes universal and a universal commodity, money, appears.
3. Labor power becomes a commodity. The value of labor power as a commodity and the production of surplus value. Transitions from manufacture to "machinofacture", and from commodity producer to proletarian.

Vol. II. Modification of value of commodities in process of circulation.

1. Circulation of capital
2. Series of cycles - problems of reproduction and equilibrium.

Vol. III

Capitalist production as a whole.
 Division of capital into (1) money capital (2) merchant capital (3) entrepreneurs capital.
 Division of surplus value into (1) rent (2) interest (3) commercial profit (4) entrepreneurs profit.
 Modification of laws of value under developed capitalism by competition between capitals and by production for profit not merely for exchange.

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THIRD LESSON

Labor Theory of Value

I. Division of Economics into planned and planless.

A. Planned societies.

1. Examples: the primitive tribe (on a tribal scale), the oriental commune (on a communal scale), the future communist society (on a world scale).
2. Characteristics:
 - a. production for use,
 - b. products are direct use values,
 - c. production is directly social,
 - d. the individual is directly a part of society, maintained regardless of stint asked from him,
 - e. planned division of labor; this central division of tasks is based on
 - f. the planned estimate of needs.
3. Only uncertain element in planned society is nature. There can be no economic crises.

B. Planless society.

1. Simple commodity production or Capitalist production.
2. Characteristics:
 - a. production for exchange (simple commodity society) or for profit realized through exchange (capitalism),
 - b. products are directly exchange values; only indirectly - that is to the consumer - are they use values,
 - c. production is not indirectly social; social labor is concealed under the guise of individual labor,
 - d. the individual is only indirectly a part of society; under simple commodity production he becomes a part thru the market; under capitalism thru the merchandise market or thru the labor market,
 - e. no planned estimate of needs; the market serves as a blind regulator and all productive activities are guess-work,
 - f. planless division of labor; in the workshop labor is minutely and carefully planned but in society as a whole it is wildly chaotic.

II. How Individual Labor becomes Social Labor.

- A. Labor is not for one's self, but for a mysterious, indefinite, incalculable society.
- B. Products are not use values, but exchange values - from producer's viewpoint.
- C. Exchange, i.e. the market, connects atomized men and their labor. How does the individual discover whether his labor was socially necessary and to what extent? Thru an elaborate mechanism of the market, behind which lies supply and demand, over and under production, rising and falling prices, destruction and waste, failures etc.. The judgement of the market is always ex post facto. The ties binding the producer to society

are continually forming and dissolving - every realized exchange makes one a member of society, every failure withdraws the membership.

D. Relation of individual to society.

The relationships between men effected by commodities are many and strange. Production always involves the danger that commodities, unsold, will turn on their creator and stifle him as a part of the social productive system.

E. The commodity exchange indicates

1. How far the producer's labor was social.
2. How far society was laboring for him in return.
3. His share of the social product.

IX. The individual is "free".

1. No work is assigned to him.
2. He may take any task, producing any product in any amount. It is as tho society has assigned a quota, but the producers had forgotten it and must rediscover it thru trial and error.
3. There is no obligation to labor - but one's share of products depends on one's labor.
4. Even tho one works, one may find the product was not socially necessary or not necessary to the extent of the labor spent.
5. Under a developed capitalism one may not even be permitted to work - unemployment.

The value of a product is measured in its share of other products, which means its share of social production as a whole. This depends on, and at the same time shows, in what degree the producer's labor was socially necessary.

"The private labor which has produced a commodity acquires validity (value) only insofar as it is an expenditure of its antithesis, socially necessary labor" - Marx.

F. Value depends on average, abstract labor time.

Refuters of the Labor theory of value say: "Does the slower laborer, the one using more primitive methods or poorer tools, create more value?"

Value is expressed in terms of necessary labor time, not in the individual peculiarities of one producer as against the next.

Marx said: "In order to result in exchange value the labor of an individual must be turned into a universal equivalent, i.e. the labor time of an individual must be expressed as universal labor time."

The labor time of the individual is thus in fact the labor time which society requires for the production of a certain use value, i.e. for the satisfaction of a certain want".

G. Ultimately money - as the universal commodity equivalent - becomes the connector of men and their labor, and of men and men.

This is the "Cash Nexus".

FOURTH LESSON

Money

I. The Mysteries of Money.

A. The quintessence of the commodity relationship is the cash nexus.

1. In a fully developed commodity system everything has a price.
2. The highest form of the fetishism of commodities is the fetishism of money - all relationships are reduced to a lump of yellow metal.

B. Money appears to breed money.

The barter formula, Commodity for Commodity ($C - C'$), and the simple exchange formula, Commodity - Money - Commodity ($C - M - C'$), are clear, but the formula for trading, Money - Commodity - Money ($M - C - M'$), appears senseless at first sight, while the money lending formula, Money for Money ($M - M'$) appears miraculous.

All the labor, the productive forces which lie behind these formulas are effectively concealed by the cash nexus.

C. Contradictions of Hoarding.

Indefinite accumulations of any other commodity would appear to be senseless. But to pile up gold indefinitely seems sensible.

Desirous of having his commodities in the form which is most

1. capable of entering circulation, the hoarder withdraws it from circulation.

In the case of the miser this overpowering desire to have money, the satisfaction of all social wants, leads to a situation where he barely satisfies natural wants. The production for production's sake as compared with production for consumption's sake may seem senseless, it is rationalism personified compared to hoarding money for money's sake.

Accumulation of all other commodities has physical limits; but the accumulation of wealth in the money form has no limits.

II. Bourgeois Theories of Money.

A. Quantity theory of money.

1. Explains prices by quantity of money in circulation instead of quantity of money in circulation by prices.
2. Grows out of obsession of certain laws of closed paper money (irredeemable paper currency) and even these laws were misunderstood.

B. Convention theory.

1. Believe that money is only a social convention - the basic concept of most of the currency reformers, social credit schemers etc.
2. In reality money is the only possible regulator of the anarchy of production under capitalism. The currency reformers are trying to keep one end of the price-production see-saw still while moving the other end up and down. (Money is no more a symbol than the commodity aspect of use value is a symbol.)

C. Genetic theory.

This theory - based on anecdotes of other commodities that have served as money, rather than on any analysis - says: "Money made trade possible". The exact opposite is really true.

D. Vulgar economists.

Starting from the appearances of already developed money, they never leave the surface and when they examine an earlier period they do so with their presuppositions and appearances still with them.

E. Gide's theory of money - typical of bourgeois economics.

1. In analyzing barter, Gide finds three difficulties with it. "First, find someone willing to acquire object barterer possesses. Second, someone able and willing to give exact object wanted. Third, even supposing this happy encounter takes place, the two objects must be of equal value, that is must correspond to two equal and opposite desires. These are three improbabilities". Therefore Gide concludes: "The intervention of an intermediate commodity does away with these inconveniences".
2. This viewpoint is defective from the following angles:
 - a. Gide criticizes barter from the standpoint of an already developed trade and commodity production. Direct barter represents not the transformation of commodities into money (as Gide thinks) but the beginning of the transformation of use values into commodities.
 - b. Only when the commodity form is universal does the need for a universal commodity (money) become necessary and possible.
 - c. The contradictions Gide speaks of are really inherent in the commodity. As a use value it is not abstract, not generalized, not divisible. Only as an exchange value does it assume these qualities.
 - d. Gide treats barter as a natural form of exchange, suffering only from certain technical difficulties, for the solution of which money is a "cunningly devised expedient". Barter is, however, not a natural form. When it exists in a society, engaged primarily in producing use value, it is only a fringe phenomenon. When it appears in a highly developed society - as barter has recently appeared in certain international transactions - it is still only a fringe phenomenon representing the breakdown of normal exchange methods.
 - e. Gide believes that incommensurability of use values transforms goods into money or, conversely, that money makes commodities commensurate. But it is really the commensurability of commodities as incorporated labor time that turns gold into money.

F. How does money develop.

1. In proportion as all other products develop into commodities, gold develops into money.
2. Money becomes the universal equivalent because all commodities are universal in their need for an equivalent.
3. As the universal character of labor time in commodities is revealed, the labor time in the universal commodity (gold)

appears as universal labor time.

4. As the universal alienation of products developed, a medium of universal alienation becomes necessary.
5. Thus money is polar to commodities. It is impossible to have commodities without money or to have money without commodities. It is similarly impossible to have planned money without having planned production, i.e. the end of commodities and money.

G. Money and Crises.

1. For Gide money is the end of difficulties.
2. For Marx (and in reality) money is the beginning of difficulties.

Gide:

"It was the indivisibility of the two operations (purchase and sale) which made them difficult. Once the knot that binds them is cut, each separated becomes fairly simple."

Marx:

"The separation of purchase and sale in the process of exchange destroys all local, primitive, patriarchal and naively genial barriers to interchange of matter in society. It is, moreover, the general form of the separation which carries within it the possibility of commercial crises Crises cannot occur without money circulation."

III. Marx's Method Of Analyzing Money:

- A. Penetrates into essence of money by studying its evolution from the commodity.
- B. Distinguishes clearly the various forms of money - as various as bourgeois relations, because all bourgeois relationships take the form of money relations.
- C. Development of money is a reflex of development of commodities.
Use value develops thru barter into exchange value.
As exchange value develops, the form of value also develops, i.e. money.

LESSON FIVE

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MONEY

REVIEW: 1. Development of money is reflex of development of producer into commodities.
 2. As universal alienation of commodities develops, a medium of universal alienation is needed.
 3. To penetrate into essence of money we must study:
 a. Its evolution as opposite pole of the evolution of commodities.
 b. The development of a form of value as the opposite pole of the development of exchange value of commodities.
 Marx approaches study of money through study of the forms of value.

I. First, the elementary, isolated and accidental form of value. In this stage the exchange formula is one cow equals one ton of iron, etc. This is the barter stage.

A. Bourgeois estimate calls barter a "natural form of exchange", "an instinct".

B. What is Barter?

1. It is distinctly a peripheral phenomenon.
2. It is the beginning of the development of use values into commodities rather than of commodities into money.
3. Barter is the accidental conversion of use value to commodities. When commodities are produced regularly for exchange, barter is impossible, except again as an accident as at the present time, as a declining and receding accident.

D. Even in Barter polarity begins to show itself.

1. The product to be bartered ceases to be a use value for the producer. It becomes an elementary embodiment of social labor, to be measured or at least to express itself relatively in the use value of some other commodity. That is, the commodity bartered requires an equivalent but not a specialized equivalent (money) but an isolated, accidental equivalent.

E. How Barter becomes Exchange by process of repetition.

1. Certain commodities are produced increasingly for exchange.
2. Commodity equivalents tend to become fixed.
3. Some one commodity, either the most frequently produced, the most frequently exchanged, or the most universally needed, tends to be singled out and become increasingly the equivalent. Through this process is generated (a) money in the total or extended form and, (b) money in the generalized form.

II. Total or extended form of money. Each specialized producer in effect equates his product with all others.

For example - One pair of shoes equals Eight bushels wheat
 Forty loaves bread
 1/5 ounce of gold
 Etcetera.

A. This reflects a higher degree of individual labor and division of labor.

B. Still there is no generalized equivalent until:

1. Some commodity is singled out with the function of equivalent, expressing all other commodities, but has itself no equivalent form.
2. Some commodity acquires wider, universal validity and repeatedly measures its value in others, and
3. The others are at the opposite pole measuring their value in it.

This generalizes the value polarity and gives us the generalized value form.

III. Generalized value form.

- A. When the extended form (cattle or gold for example) becomes generalized so that all use cattle or gold as equivalent measure of value and means of purchase, then:
 - 1. to the cattle producer or gold producer the equivalent is still an extended form;
 - 2. to all others it is a generalized form of value.
- B. The producer of gold or cattle with generalized form.
 - 1. still engages in barter;
 - 2. his commodity, which is direct wealth, commands all others.
 - 3. his commodity expresses itself in extended form with all others;
 - 4. all others express themselves in his commodity in their generalized form;
 - 5. other commodities seem to possess value only insofar as the generalized form is procurable for them.

IV. Metallic Money - The Precious Metals.

- A. Social determinant.
The growing physical importance of the metal in arts and the crafts.
- B. Physical determinant.
Uniformity, divisibility, durability, recognizability and faculty of being minted.
- C. All commodities measure their value in gold. How then does gold measure itself? As an equivalent to all other commodities i.e. thru the price level. This is a polar see-saw character. Rise in general price level signifies fall in purchasing power of gold and vice versa.
One ounce of gold equals:
 - one suit,
 - forty bushels of wheat,
 - five pairs of shoes
 - etc..
- D. Distinction between elementary barter and generalized gold exchange.
 - 1. Exchange under generalized form is not isolated, not accidental.
 - 2. All commodities are expressed in the gold equivalent.
 - 3. Gold has no general measure of value - one commodity measures itself in all others.
 - 4. The combination of the elementary and extended forms, each permanently polarized, gives higher generalized value form or money form.
 - 5. The use value of gold as money is purely formal. It is not consumed but is purely the bearer of exchange value, the incarnation of universal labor time.

E. Coinage - the official certification of weight and fineness.

1. Some etymological history.

"Dollar" from thaler (Joachimthaler), first coined by the monks in St. Joachim's Thal, Bohemia, in 1518.

"Money" from Juno Moneta, in whose temple the Romans did coin and certify money.

"Coin" from the Latin cuneus, a wedge, the marking and the stamping apparatus used in coining.

"Pecuniary" from the Latin pecus, a cow, from cattle money.

"Pound", "Mark", "Peso" etc. originally weight names.

F. Many commodities have been used as money (cattle, tobacco, sugar, salt, dates, teabricks etc.), they have been displaced by the metals as more widely traded and more desired for arms, tools and ornaments. The Greeks used iron money, the Romans copper money. Finally gold and silver displaced practically all other forms. In proportion as gold and silver became money their other uses diminished. Goldsmithing is now almost a dead art. Use value to the individual grows less and less important. He cannot consume gold as he could money in the generalized form of cattle. Therefore the accumulation of gold is senseless from the use value standpoint. It is pure accumulation of exchange value - wealth incarnate. This evidences social nature of exchange value - the polar separation is now complete.

G. Now all other commodities appear as exchange values, with no direct relation to each others, but only to money and thru money to each other indirectly.

Money appears as a medium of exchange, the incarnation of wealth, materialized universal labor time. Commodities appear not to have exchange value, i.e. to command each other, but to have money value, price, i.e. to command money.

Hence money now functions

1. as medium of exchange,
2. as measure of value,
3. as money of account,
4. as means of payment,
5. as means of hoarding.

Thence two polar illusions:

1. Money alone has value (mercantilist school),
2. Money a mere convenience and convention (money reform school). Goods alone are worth.

Actually money is one pole of which the commodity is the other. Price is not accidental or arbitrary, but derivative, from value. Value is expressed in terms of money. But price is removed from value. Therefore goods can sell, do sell above and below value. Commodities can have a price without realizing it.

"All the storms which threaten commodities in the actual process of circulation center about it." - Marx.

H. Standard of price - "Legal Standard".

Because gold has value it can measure values.

Because the value of gold varies it can measure varying values.

As a definite mass, weight and fineness ("legal" minted coin) it can serve as a unit to measure itself and becomes a price standard.

I. Confusion resulting from "legal" money.

Because one dollar is always one-thirty-fifth of an ounce of gold it should not be supposed that gold has always the same value. Its value varies as the labor time incorporated in it varies. For example: The discovery of the cyanide extraction process and the Klondike gold strike each resulted in the lowering of the value of gold, expressed by a rise in prices. The purchasing power of gold varies as other commodities rise and fall in value. As an example of a single commodity change in value the Hall Aluminum Process may be cited. Aluminum then represented less incorporated labor time, hence its price in terms of gold fell.

The same general effect appears in the spread of modern machinery, tending to make all commodities cheaper in relation to gold.

As a standard of price gold never varies, except by legislation. As a measure of value it varies constantly.

J. World Money.

The laws fixing the "legal standard" prevail only within national boundaries. On the world market gold has value only by weight, that is: It obeys only the laws of value.

Money

I-Token and subsidiary coins

A. Coinage is government certification of weight and fineness. Government took over the function from private coiners.

1. As the expression of the capitalist class as a whole
2. As a monopoly source of profit through
 - a. Seigniorage--the monopoly coinage charge. (For example, silver purchased at about 50 cents an ounce is coined at \$1.39)
 - b. Profits of inflation.
 - c. Debasing of coinage and changing the standard of value. (The recent change in the value of the dollar netted the government two billion dollars.)

B. Debasement through circulation--the wearing away of metal.

1. Thus the coin becomes the symbol of more metal than it actually contains. Marx: "While other beings lose their idealisms in contact with the outer world, coin is idealized by practice being gradually transformed into a mere phantom of its golden body."
 2. Gold is here a mere symbol or token of itself. Therefore, so long as it circulates as full coin it is worth more in circulation than out. It has formal value greater than its actual value because it circulates whereas formerly gold could circulate as money because it had definite value.
 3. This diminution through circulation is often recognized legally by cutting the standard amount of gold content by law. Hence in all modern lands the names of monies stand for constantly diminishing weights. ("Pound sterling" for example.)
 4. On the other hand, gold coin becoming a symbol of itself facilitates development of other symbols. This leads to older metallic monies of lesser value becoming mere symbols of fractional amounts of gold--subsidiary coins.
- C. Do silver and copper subsidiary coins involve bimetallism?
1. They are prevented from displacing gold by
 - a. Redeemability in gold.
 - b. Legal tender limitations.
 - c. Law of value.
 2. Subsidiary coin circulates not as expression of its own value but as symbol of gold.
 3. Quantity and symbolic value limited by actual gold requirements in retail trade. If more is issued (as in England in 1798) it lies idle and finally has to be sold as mere metal.

II. Paper Money

A. Stages in Development.

1. Worn coin
2. Subsidiary coin
3. Paper--a mere sign of value

B. It is illusory to think that paper money is not representative of the value of gold but directly of commodities. Actually it is a token of gold and only through that a token of value. It functions only insofar as it represents gold to all commodity owners.

C. Function of state is to give guarantee as expression of general acquiescence of every commodity owner.

1. Outside of that state its paper cannot function.
2. When state's guarantee does not merit confidence its paper drops.
- D. How much paper can circulate?
 1. An unlimited number of reams of paper cut into bills can circulate, but their total value will be equal only to the amount of gold they replace, and regardless of the names printed on them each will be regarded as an aliquot part of that total. (For example, the million mark notes of 1923 in Germany)
 2. It is illusory to believe that the state can fix value of paper.
 - a. It can throw into circulation any quantity of any denomination but its power stops there.
 - b. Once in circulation paper money obeys not statutory laws of state but economic laws of sphere of circulation.
 3. When laws of circulation are violated from without they assert themselves from within by a rise or fall in the purchasing power of paper.
 4. This is manifested by a reverse rise or fall in the general price level.
 5. Bourgeois theories on money deduced from this negative or inverse reaction. Therefore the quantity theory of money school are the reverse of normal laws of actual money as against representative paper money.

III. Money as a Medium of Circulation

A. C-M-C

Commodity by exchanging with money (sale) acquires form of pure exchange value. The commodity has now become a use value and falls out of circulation. The money continues in circulation till the second phase (purchase) of another commodity which in turn becomes a use value, while the money, in other hands, is still in circulation. Money never leaves the sphere of circulation except temporarily as in hoarding.

- B. How does gold first enter circulation? By barter. But when it enters its value is already given as is the case with other commodities.

It is an illusion to believe that price is basically determined by exchange and competition. Fluctuations are but not values of commodities or of gold. These are determined thru the productive process and are only realized in circulation.

- C. What determines amount of money required by circulation?
1. Addition: Total prices to be realized.
 2. Division: Rapidity of circulation.
 3. Subtraction: Under a credit system the bookkeeping offsets lessen the actual amount of money required.

- D. Quantity of money must therefore be capable of contraction and expansion.

Where does it go? In and out of reservoirs. Hoarding is a necessity of a developed capitalism. Banks today are choked with money. In the winter of 1932 a fantastic rise was reported in "money in circulation" when actually money was withdrawn from banks and hoarded. Therefore it was not in circulation (as reported) but out of circulation.

IV. Contrast of Gold with Paper

- A. Gold circulates because it has value. Paper has value because it circulates.

- B. Quantity of gold determined by prices to be realized and its own value. Value of paper depends upon quantity in circulation and gold value it replaces.
- C. Quantity of gold in circulation rises and falls with prices of commodities. Prices of commodities seem to rise and fall with quantity of paper in circulation. We say "seem" because gold prices do not.
- D. All laws of money seem reversed in paper money. Therefore money theorists who base themselves on paper are standing on their heads.
- E. Movement of paper money doesn't grow out of movement of commodities but out of its relation to gold. Movement of gold grows out of its relations to commodities and their movement.

V. Money of Account

- A. When the money relation is general it is customary to estimate the quantity of value of any commodity or sum of commodities or "net worth" of an entire business in terms of money.
- B. Money of account may be exclusively ideal. Thus in colonies where there is a shortage of real money values are still reckoned in the money of the mother country.
- C. Money of account may measure many times the value of the total gold in the world. (Total gold is roughly 12 billion. Mellon's fortune is more than all the gold in the U.S.)
- D. Where bimetalism is attempted.
 1. Only one metal will circulate.
 2. Only one metal (usually the non-circulating) will serve as a measure of value and money of account.
 3. The other will have a price and its value will fluctuate in terms of the standard money.
- E. Money may function as a measure of value and money of account in the case of a given commodity, yet the commodity may fail to realize its value through a sale. Herein lies one possibility of crises.

VI. Money as means of payment--the possibility of crises.

- A. Intervention of money as a medium of exchange means separation of the two poles of the metamorphosis of commodities, namely in C-M-C, C-M may take place (sale) without the new money-owner making a purchase (M-C). Herein lies the second possibility of crisis.
 - B. Money as a means of payment---Credit.
 1. Here sale is made without cash, settlement to be made later.
 2. Money thus enters circulation but not immediately as means of circulation (medium of exchange) but later as means of payment.
 3. Purchaser of commodity must sell it again before he can pay for it.
 4. The agreed price represents future money but money may change in value before settlement or the commodity purchased on credit may change in value before it is sold and paid for.
 5. Further complications:
 - a. Sale of future commodities with present payment.
 - b. Sale of future commodities with future (simultaneous) or still later settlement.
 - c. Installment sale with delivery at beginning.
 - d. Installment sale with delivery at end of settlement.
- In each complication further possibility of crises.

C. Credit and Crises

1. Difference between money as means of circulation and money as means of payment makes itself felt in crisis.
2. While money is serving as money of account the illusion develops that money is a mere convention. Many commodities change hands with little actual movement of money.

Marx: "Whenever such a thing as a chain of payments and an artificial system of settling them is developed, money suddenly changes its visionary nebulous shape as a means of value, turning into hard cash or means of payment, as soon as some shock causes a violent interruption of the flow of payments and disturbs the mechanics of their settlement."

All other wealth suddenly appears useless and use values useless. Only money now seems real wealth---the value of goods is illusory.

Marx: "This sudden reversion from a system of credits to a system of hard cash heaps theoretical fright on top of practical panic; and the dealer by whose agency circulation is affected shudders before the impenetrable mystery in which his own economic relations are involved."

Money and credit do not cause crises but in money and credit relations are involved the possibility of crises.

VI. Money as Capital

- A. Credit gives the money fetish new and more terrible forms but the highest form of fetishism comes with money capital.
- B. Formula for money capital and its contradictions.
 1. C-M-C' still seems expression for simple exchange of commodities. C' is different from C, each has changed from exchange value to use value and rationality in a world of production for exchange is apparent.
 2. But M-C-M' is merely money sent out to come back as money. The difference is merely quantitative---a formula for apparent self expansion. Exchange is not for consumption's sake but for an increase in the quantity of money. With money as a medium of exchange the money owner has sold to buy. But with money as capital the money owner has bought to sell.
 3. Merchant's Capital (M-C-M')
Interest bearing capital (M-M')
Industrial capital (M-C...Production...C'-M') Commodities, raw materials, labor power, etc., withdrawn from circulation into use in production. Then a new commodity enters circulation and returns to money form.
- C. Purpose of money capital operation is increase in amount of money---increased value or "surplus" value. Where does this extra sum come from?
 1. Bourgeois solutions
From agriculture---the Physiocrats
From exchange---the Mercantilists
From change of hands of commodities---doctrine of consumer's surplus
 2. Apologetics---not "where does it come from" but "why should they get it."
a. Reward of abstinence. Yet there are those who toil much yet abstain much and those who toil not neither do they abstain.
b. Superior brains---e.g. Gladstone, Vanderbilt, Henry Thaw.
- #. Can surplus value come from the sphere of circulation?
a. If things exchanged at their value

- b. If some too dear, others too cheap. (This merely re-distributes surplus value that mysteriously comes from elsewhere.)
- 4. What commodity purchased in the sphere of circulation at its value, can, when used, beget value and a value greater than it cost?
How is the difference between the value it creates and the value it cost as a commodity determined?
To answer this question we must leave the idyllic sphere of circulation and enter the sphere of production.

LESSON SEVEN

Labor Power as a Commodity

- I. How is it possible that labor power should become a commodity?
 - A. Labor power is not a commodity under simple commodity production.
 - 1. The artisan owns his own tools.
 - 2. The artisan employs himself.
 - 3. He controls his own product and if it is exchanged he controls the full product received for it.
 - B. But simple commodity production---
 - 1. Makes it possible to obtain means of subsistence on market.
 - a. For other products
 - b. Or by bringing one's self--one's power of labor--to market.
 - 2. Money system puts price and commodity stamp on things not produced for exchange.
 - C. The possibility is not enough--there must be a necessity of selling labor power.
 - 1. Producer must be free
 - a. To leave land---free from serfdom.
 - b. To go to labor market.
 - c. Free from guild restrictions.
 - d. From ownership of means of production.
 - e. Then sale of labor power not only possible but necessary.
 - D. Capital:Wage Labor---A polar relation.
 - 1. Simple commodity production becomes capitalist production
 - a. When producer is separated from means of production.
 - b. When producer is not owned outright, as in chattel slavery, but is purchased piecemeal.
 - c. When a monopoly of the means of production as capital is exercised by one class
 - d. When a class of producers exists possessing only labor power and obligated to sell it to live.
 - E. How did means of production become capital and producer a wage worker?
This is a historical process. The relation of capital and wage labor is not a natural but a historical relation. Capital is not money, nor means of production, nor commodities, but a social relation.
- II. How labor power becomes a commodity and the producer a wage worker
 - A. Capitalist society issued from Feudal
 - 1. By liberation of producers from serfdom and guilds. This is the only aspect seen by capitalist apologists.
 - 2. By forcible expropriation of peasantry--a history written "in letters of blood and fire."

- a. Driven off land--"freed".
 - b. Enclosures--"the sheep ate the men".
 - c. Confiscation of ecclesiastical lands.
 - d. Disposal of crown lands, e.g. America.
 - e. Seizure of clan lands, e.g. Ireland.
 - f. Vagrancy laws
 - g. Competition driving handicrafts out of existence or subordinating them to the merchants.
 - h. After completing the separation of the producer from the means of production forced was no longer needed. The economic compulsion was sufficient.
- Marx: "The new freedmen became sellers of themselves only after they had been robbed of all their own means of production and all the guarantees of existence afforded by the feudal relations."
- B. Special features of the development of capitalism (Primitive accumulation) in America.
- 1. Development of working class by kidnapping, shanghaiing, debt colonist, indentured servants.
 - 2. "Freeing" from means of production. Land grant system, Patroon and plantation systems, keeping colonists on the coast, wage fixing laws, the artificial creation of poverty.
 - 3. The opposite pole---the rise of the great American fortunes. (See Gustavus Meyers and Josephson's "Robber Barons")
 - a. England's commercial wars (letters of marque, etc.)
 - b. Royal monopolies
 - c. Piracy
 - d. Pillaging, exterminating and enslaving the Indians.
 - e. The land steals--from the Ohio associates to Teapot Dome
 - f. Government contracts and municipal construction
 - g. The public debt.
 - h. Foreign investment in America. "A great deal of the capital which makes its appearance in the United States without any birth certificate was yesterday in England the capitalized blood of children."
 - i. Taxation as a lever of accumulation (Whiskey tax, tariff)
 - j. Industrial engineering.

III. Summary of the general process.

- 1. Direct transformation of slaves and serfs into wage workers is a mere change in the form of the exploitation.
- 2. Forcible expropriation of peasants and artisans marks the end of private property based on the labor of its owners and the development of non-producer private property.
- 3. Accumulation of wealth at opposite pole.
Marx: "Its destruction (i.e. True private property) the transformation of the individual and scattered means of production into socially concentrated means of production, the transformation of the petty property of the many into the titan property of the few, the expropriation of the great masses of the people from the land, at once the means of subsistence and the instruments of labor--this terrible and grievous expropriation of the populace--comprises the prelude to the history of capital."
- 4. The polarity involves
 - a. Production in conflict with ownership
 - b. Poverty at one pole, wealth at the other.
 - c. Separation of production from enjoyment.
 - d. Separate personification of ownership.

5. It is a self reproducing and self extending polarity.
 - a. Reproduces workers as workers; capitalists as capitalists.
 - b. Critique of Jazz Economists.

If all workers become capitalists, capital would cease to be capital.
6. Production for use having become production for exchange, production for exchange now becomes production for self-expansion of capital, production for profit.

LESSON EIGHT

Labor Power as a Commodity

- I. What Polarity forms the basic characteristic of the commodity? Use value and Exchange value. What further form does this assume when money is developed? Commodities and Money. Of what social polarity is the polarity in the commodity a reflection? Of production for exchange, of the fact that individual labor must be social labor.
- II. What is the basic characteristic of capitalism? That labor power itself becomes a commodity. What is the basic polarity of capitalism? Separation of laborer from the means of production.
- III. What is the basic contradiction underlying the capitalist system in its developed form? The contradiction between the social character of production and the capitalist form of appropriation. This expresses itself:
 1. In antagonism between proletariat and bourgeoisie.
 2. In antagonism between organization of labor in the individual factory and the anarchy of production as a whole.
- IV. Labor Power as a Commodity
 1. Commodity--unity of use value and exchange value.
 2. Labor embodied in the commodity is concrete, useful labor and abstract social labor.
 3. Under capitalist system the labor process a unity of concrete labor process and value creating process.
 4. Peculiarities of Commodity labor power.
 - a. Inseparable from seller---a human being.
 - b. Perishable nature.
 - c. Moral element in its value.
 - d. Must be renewed and resold daily and piecemeal.
 - e. Value must include reproduction.
 - f. Permanent tendency to overproduction.
 5. What determines the value of labor power?
 - a. Labor time necessary to produce and reproduce it. A definite quantity of the labor of society is incorporated in the production of labor power. (1) Means of subsistence necessary to maintain laborer. (2) To renew energies and restore wasted matter. (3) To train and educate. (4) To maintain the general supply of laborers.

- b. Moral element. Natural wants vary from country to country, person to person. (1) Historical and moral determinant. (2) Standard of living. (3) Mechanical versus dynamic concept of level or standard.
- c. What is the use value of labor power?
 Not bought to be sold but to be consumed.
 Consumption is not final but productive---product to be sold.
 Labor no longer individual but use of purchased power. Still social---more than under simple commodity production. Greater value not for laborer but for purchaser of labor power.

V. Wages

1. Form versus essence. Marx: "That in their appearance things often represent themselves in inverted form is pretty well known in every science except political economy."
 What is sold is labor power. In appearance wages is not the price of labor power but of labor. In fact wages is the price expression of the value of labor power.
 (A worker sells labor power not permanently but for limited periods. It is used for a period of 8, 10 or 12 hours. He receives \$3 value of his labor power for an entire day, (24 hours) and it functions for 12 hours producing a value of perhaps \$12. Apparently \$3 is the price of 12 hours labor.)
 2. Slave labor appears unpaid---Wage labor appears paid.
 Marx: "There (in slave labor) the property relation conceals the labor of the slave for himself; Here (in wage labor) the money relation conceals the unrequited labor of the wage-laborer."
 "The wage form thus extinguishes every trace of the division of the working day into necessary labor and surplus labor, into paid and unpaid labor. All labor appears as paid labor."
 3. Surplus value in every hour. Every hour paid for but each hour produces more than it is paid.
- Summary: Wages are not merely the price of labor power in general. They represent a value corresponding to the price of labor power in the form of the price of labor.

VI. Forms of wages

1. Time Wages.

- Case 1. Working expectancy of 30 years.
 One day would pay $\frac{1}{365 \times 30}$ or $\frac{1}{10,950}$ of total value
 Deductions for holidays, illness, layoffs, etc. mean pay below value of labor power.
- Case 2. If the working day is prolonged.
 If the workers labor power is used up in 10 years he should be paid three times the daily wage. Even if every extra hour is paid for at the same hourly rate, Marx says: "If in the fraction $\frac{\text{Daily value of L. Power}}{\text{working day}}$ the denominator increases, the numerator increases more rapidly. The value of labor power, as dependent on its wear and tear, increases with the duration of its functioning and in more rapid proportion than the increase of that duration."
- Case 3. Shortening of the working day without increase per hour
 Apparently there is no change in price---less wages but less work. Actually, labor power is selling below its value. Work sharing is such a scheme.

Case 4. Low wages but permitted to work longer day. 26

Here "the lowness of the price of labor acts as a stimulus to the extension of labor time." This is the case during a depression. At the same time this increases unemployment and pressure, therefore the low price of labor stimulates the lengthening of the working time and the lengthening of the working time means a reducing of the price of labor. Therefore the fight of the organized workers must be to maintain a normal working day.

2. Piece Work. The connection between paid and unpaid work is even further concealed. Piece work is established on the basis of existing time work. It is not a question of measuring the value of the piece by the working time incorporated but of measuring the working time by the number of pieces produced. Piece work is further complicated by bonus systems. A worker should, for example, produce a product in 10 hours at 50 cents an hour. He does it in 5 hours and receives perhaps 68 or 75 cents per hour. Apparently the faster you work the more you get. Actually the worker gets from one-third to a half of the wages the employer has saved.

The objections to piece work are:

- a. It is an automatic stimulus to speed up.
- b. It makes it the personal interest of the worker to lengthen working day, increase strain, cut out holidays, etc.
- c. Based not on average worker but fastest worker.
- d. Develops competition in ranks of workers.
- e. Increases unpaid waiting time.

3. The immediate problems of Unions in connection with Wages.

- a. Against speed ups, piece work, lengthening working day.
- b. Pay for holidays, guaranteed all year work.
- c. Unemployment insurance.
- d. New hourly rate with every shortening of the working day so that the total daily rate should be the same as before.

LESSON NINE

Marxian Critique of Classical Economy

- I. Some basic corrections and extensions of Classical Economy, by Marx.
 1. Distinction between labor and labor power, i.e. between the use value and exchange value of labor power. What is sold has exchange value, is not labor but labor power.
 - a. Exchange value of labor power is the amount of socially necessary labor to produce, maintain and reproduce labor power. When it sells for less it sells below its value. This is frequently due to unfavorable conditions of competition of owners of labor power.
 - b. Use value of labor power. Having paid for labor power the user (capitalist) employs it in the labor process. As useful labor it (1) Preserves value of means of production used up (i.e. transfers these values to new product) and (2) is itself social labor, i.e. creates new value, adds value to means of production used up.
The value in the means of production, e.g. yarn, spindle, etc. used up in making cloth was created by other workers.
By the very act of adding new value labor also transfers and preserves old value.
 2. Distinction between necessary value and surplus value which involves distinction between the value of labor power and the value created by labor.
 - a. Daily cost of maintaining labor power and its daily expenditure in work, in the creation of value, are two totally different things.
 - b. The fact that two or three hours of labor is necessary to produce the value of labor power, i.e. to keep the laborer alive for 24 hours and restore his powers doesn't prevent his working 8 or 12 hours.
 - c. "The process of creating surplus value is merely the process of creating value---prolonged" (Marx) i.e. prolonged beyond the amount necessary to produce the value of labor power.
 3. Distinction between variable and constant capital.
 - a. The dead things, raw materials, machinery, auxiliary materials are means of production for living labor.
 - b. Their use value is necessary to concrete labor (labor power in use) in order to make new use values, products.
 - c. They contain exchange value because they are products of past socially necessary labor.
 - d. The value of the dead things is incorporated in the new product because the labor in the means of production is socially necessary to begot the new product.
 4. The value of the capital invested in these means of production passes unchanged in quantity into the new product. Therefore Marx calls it constant, i.e. unchanging. But the capitalist also buys living labor power which, when used, is capable of creating more value than it cost. This part of the capitalists purchase grows in value, therefore called variable capital.
All surplus value is created by living labor.
 5. Distinction between surplus value and revenue into which it is divided, i.e. rent, the monopoly of land, interest, to owner of money capital, profit, to entrepreneur, merchant's profit, to owner of merchant capital. This distinction makes source of all revenues clear, regardless of how the original source (surplus value) is divided.
 6. The difference between rate of exploitation and rate of profit.
 - a. Rate of surplus value or rate of exploitation is ratio of surplus value to variable capital or ratio of surplus value to necessary value.

- b. Rate of profit (regarding profit as synonymous with undivided surplus value) is ratio of surplus value to total Capital. $\frac{SV}{C+V}$ equals rate of exploitation

$\frac{SV}{C+V}$ equals rate of profit.

Thus rate of profit may fall because of change of composition of capital (more constant and less variable in total) but at same time rate of exploitation may rise---more intense exploitation of less proportionate labor, or lowering of necessary portion of total labor time, or lengthening of surplus labor time.

II. What is organic composition of capital? Proportion of constant to variable capital.

1. What is tendency of development? Toward higher composition, i.e. more Constant in relation to Variable.
2. Effect upon rate of profit? Tendency to fall.
3. How does capitalism try to offset this?
 - a. By increased exploitation. Speed lessens necessary time, increases surplus time. Lengthening working day. Cheaper value of labor power. Paying labor below value
 - b. By increasing size of enterprise with greater mass of profit.
 - c. By investment in, sale to and exploitation of backward countries.
 - d. Thus falling rate of profit leads to: (1) Monopoly (2) Intensified exploitation (3) Crises---which among other things lower value of constant capital (4) Imperialism

III. Absolute and Relative Surplus Value.

1. Two ways of increasing surplus value and rate of exploitation
 - a. Absolute---lengthening of working day.
 - b. Relative---shortening of necessary working time.
2. Absolute and relative surplus value examined.
 - a. Why does introduction of machinery strengthen tendency to extract absolute surplus value? (1) Weakens resistance of workers. (2) Fight for time against depreciation of machinery by physical and social obsolescence.
 - b. How does introduction of machinery increase relative SV?
 - (1) By increasing production (2) Shortening necessary time (3) Lowering necessary value.
 - c. What are limits of absolute Surplus Value? Th. limit of physical endurance of the worker.

IV. How is working day determined?

1. Through class struggle.
2. Lengthening of working day by overtime. Often coupled with device of first cutting hourly rate. Even if not the added energy used up makes the wage below value.
3. Increasing intensity. Means more value, more use value, more exhaustion in same time. Shorter working day adds to intensification.
4. Shortening working life. Using only the young years. Using only the fresh hours---as in work sharing plans.
5. Bourgeois economists say shortening of necessary time means shortening of working day. Actually it means lengthening of capitalist share of work day.

V. Why did classical economy fail to see these distinctions?

1. As bourgeois economists their horizon was limited by capitalism. These distinctions reveal:
 - a. Historical and social nature of capital. Not a thing but a relation.
 - b. Exploitative nature of capitalism.
 - c. Contradictions--antagonistic nature of capitalism.
 - d. Falling rate of profit, crises, monopoly, law of value as law of motion.
 - e. Historical limits of capitalist system.
2. Without these distinctions economics cannot truly become a science.

LESSON TEN

Dialectics of the Development of the Capitalist System

Polarity or Unity of Opposites--already examined under polarity of use value and value; of capital and wage labor; money and commodities.

Laws of Motion--examined under development of simple commodity production into capitalist production.

Concept of Quantitative Changes at certain stages into Qualitative

I. "Productive Power of Capital"

- A. Not every sum of money or commodities is capital. "A certain minimum is necessary; a minimum sum of wealth or a minimum number of workers on the same field of labor.
- B. At first primarily quantitative except for surplus value and separation from means of production. The same means of production are used but with many individual laborers together surplus value rises from mere multiplication.
- C. Already here there is:
 1. Saving on fixed capital, use of utensils, etc.
 2. Value of constant, or rather fixed, capital does not grow as rapidly as number of laborers or as usefulness.
 3. Value transmitted to individual product diminished, cheapening product and enlarging relative surplus value.
 4. Increased productivity entirely annexed by capital.
 - a. As relative surplus value.
 - b. As increased use value for capitalist revenue.
 - c. As increased rate of profit.
- D. Co-operation is qualitatively a new process.
 Marx: "Just as the offensive power of a squadron of cavalry or the defensive power of a regiment of infantry is very different from the sum of the powers for offence or defence which the individual cavalryman or infantryman can develop in isolation, so is the sum of the mechanical energies which unassociated workers can develop very different from the social potential which comes into being when many hands are simultaneously engaged upon the same individual operation, such as raising a heavy weight, turning a winch, or removing an obstacle."
 1. Cases where effects achieved by associated labor could not be achieved by unassociated at all, or only on a pygmy scale.
 Marx: "What is operative here is not merely an increase of individual productive power by co-operation but also the creation of new productive power, the productive power of masses."
 2. Emulation and animal stimulation.
 3. Simultaneously similar, yet all partial, operations such as passing buckets to put out a fire, passing bricks, etc.

"Combined worker or aggregate worker has eyes and hands both in front and behind and is, in a sense, omnipresent."

4. If process is complicated, allot various operations to various hands.

5. Industries with critical labor period--e.g., harvest

"The shortness of the time available for the work is made good by the magnitude of the mass of labor which can be applied to the field of production within the specified period."

6. Contraction enables both spatial extension and contraction relative to scale of production under one roof, e.g., auto making under one roof, railways covering the country.

II. Summary

- A. Combined working day produces larger quantities of use values and therefor reduces the duration of the labor time requisite for the production of the desired useful result.
- B. Saving in fixed capital, which is part of constant, therefore rise in relative surplus value.
- C. Reduction in value of variable capital, therefore rise in relative surplus value.
- D. Greater productivity may arise:
 - a. Because combined working day increases mechanical potency.
 - b. Sets large amounts of labor to work at critical moment.
 - c. Gives to operations of numerous persons a stamp of continuity and multiformity
 - d. Impresses on individual labor character of average social labor.
 - e. Enables new forms of division of labor.

Marx: "In any case the specific productivity of the combined working day is the social productivity of labor or the productivity of social labor. It is a direct outcome of cooperation. When a worker cooperates systematically with other workers he transcends his individual limitations and develops the capabilities that belong to him as a member of the species."

- E. A certain quantity of workers must be brought together.
- F. Scale of cooperation depends primarily upon the amount of capital which individual capitalist is in a position to expend upon purchase of labor power.
- G. Enterprise must be a certain size before the employer is freed from manual labor. It must be a further size before a number of scattered and mutually independent individual labor processes can be assembled into a social labor process.

III. Subjection and Direction in Capitalist Production.

- A. Primarily subjection is mere change of form--from working for self with own tools, to working for employer with same kind of tools owned by him.
- B. But when co-operation develops it becomes essential that they work under the direction and orders of capital.

Marx: "The command of the capitalist in the field of production has become no less indispensable than the command of a general on the field of battle."
- C. Direction necessary for social labor under any system.

"Labor that is directly social, community labor on a large scale, always stands more or less in need of guidance, of a management which can establish harmony among the individual activities and fulfill the general functions that belong to

the movement of the unified productive organism as contrasted with the movements of the independent organs out of which the organism is made up."

- D. But under capitalism direction assumes special forms.
 - 1. Aims is surplus value, self-expansion of capital, creation of maximum surplus value.
 - 2. Growth of numbers means growth of resistance and more tyranny.
 - 3. Aim to exploit and appropriate social labor.
 - 4. Cooperation itself ceases to appear cooperative and voluntary and becomes coercive.
- E. Twofold nature of capitalist guidance due to twofold nature of capitalist production.
 - 1. Creation of use values.
 - 2. Promotion of self-expansion of capital.
- F. Finally the capitalist is emancipated, not only from working himself, but even from supervising and delegates authority. The wail of the engineers and technocrats: "The capitalist is not a capitalist because he is a commander of industry; he becomes a commander of industry because he is a capitalist. Command in industry is an attribute of capital; just as, in the days of feudalism, command in war and a seat on the judges bench were attributes of landed property."
- G. What the capitalist pays for is the value of the separate labor powers of a hundred individuals. What he gets is their combined labor power. They enter into relations with the same capitalist, not with each other. Their cooperation does not begin till after they have sold their labor power, till they have ceased to belong to themselves and are incorporated into capital. Therefore the productivity of associated labor seems to be the productivity of capital.
- H. Similarly capital appropriates productivity made possible by modern science without cost.

Marx: "Once it has been discovered, the law that the magnetic needle is deviated in the field of an electric current, or the law in virtue of which a piece of iron round which an electric current is circulating becomes magnetised, costs never a penny."

LESSON ELEVEN
Some Trends in the Evolution of Capitalism

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I. Evolution of Modern Industry.

A. Stages (1) Handicraft, (2) Manufacture based on cooperation and division of labor, (3) "Machinofacture".

B. Manufacture.

1. Formation.

- a. "Horizontal"--simple cooperation. A number doing the same thing, gradually broken into parts.
- b. "Vertical"--assembly of different crafts serial to each other.

2. Characteristics of both.

- a. Handicraft basis but division of labor and cooperation.
- b. Collective laborer--"a productive mechanism whose instruments are human beings."
- c. Each worker converts body into specialized instrument of single operation.
- d. Beginning of division, skilled and unskilled.

3. Finished article may be either

- a. Simple mechanical fitting together of partial products independently made, or
- b. Serial, interdependent operations on same object.
- c. Former gives rise to assembly line, latter to conveyor. The modern plant is a combination of both.

4. Effect on working class.

- a. Reduction in cost of craft training.
- b. Cheapening value of labor power.
- c. Beginning of cooperation and socialization of labor.

5. Contrast with division of labor in handicraft production.

- a. In simple commodity production each worker produces commodities.
- b. In workshop none produces commodity--each a process in producing single commodity
- c. In handicraft there is a blind proportionality. In workshop there is organized, technical proportion between parts--not chance but mathematics.

C. Machinery and large scale industry--"Machinofacture"

1. In manufacture the revolution in the method of production begins with the laborer.

2. In large scale industry the revolution begins with the instruments of labor.

3. What is a machine?

- a. It is not merely a tool, or a tool to which some power other than human labor is applied, like a plough.
- b. All machines consist of: (1) Motor machine (2) Transmitting mechanism (3) Mechanized tool or working machine. Motor may derive its force from water, steam, etc. Transmission (gogs, shafts, etc.) regulate, change form of, distribute motion to mechanized tool. The key is in the tool. The mechanized tool or working machine is the start of the industrial revolution.
- c. Machine still contains old tools in modified form--spindles, needles, knives, drills, etc. But the essence is not the motive power but the emancipation of the tool from the organic restrictions of man.

4. As a result of machinery materials and motive forces have been revolutionized. The steam engine, already existing, was revolutionized as a result of the need for new motive forces for the mechanized tools.

5. The machine reproduces two tendencies...
 - a. The cooperation of many machines of the same kind with one prime mover is analagous to simple cooperation.
 - b. Many different types of tools run by one machine or in series analagous to cooperation by division of labor.
6. Under what circumstances does capitalism introduce improved machinery? When it will save socially necessary labor? No, only when it increases profits. Thus if a machine does not save enough to replace all the surplus value of the workers it will not be introduced. Thus capitalism puts limits on labor saving machinery.

D. Machinery and the Working Class.

1. In manufacture the tool is adapted to the worker.
2. In machinofacture the worker is adapted to the machine.
 - a. Speed of machine determines speed of worker.
 - b. Tool is emancipated from the worker.
 - c. Worker is only a doer of process not yet mechanized because it is still cheaper to use human labor.
 - d. Cooperation is now dictated by the machine.
 - e. Prolongation of working day, speed-up, etc.
 - f. Removal and cheapening of skill.
 - g. Endangers life and nerves through accidents and monotony.
 - h. The machine is a competitor and strike-breaker.
 - i. Brings complete enslavement to capital.
3. Theory of automatic reemployment of workers displaced by machines.
 - a. At making other machines. But this takes less labor than is displaced otherwise the machine would not be made.
 - b. "Liberation of a sufficient amount of capital for the employment of an equal number of workers. Part of the product, however is reconverted not into value but to capital.
 - c. The lessened demands for the means of subsistence by the displaced workers leads to unemployment even in the other branches.
 - d. The displaced workers must die, or, with their skill destroyed, find work in lower grade, overcrowded industries.
4. Summary.
 - a. Machinery in itself shortens working day. Under capitalism it lengthens the working day.
 - b. Machinery in itself lightens toil, under capitalism intensifies it.
 - c. Machinery in itself is a victory of man over things. Under capitalism it subordinates man to things.
 - d. Machinery in itself increases wealth and plenty. Under capitalism it impoverishes.
 - e. In itself machinery produces leisure, under capitalism this becomes unemployment.

The modern machine smashers call for a moratorium on science. They are not against machinery and science but only against the way they are used under capitalism. But they dare not attack capitalism and thus capitalism becomes the enemy of culture and advancement.

Summary

I. Marxian Economics bases itself

- A. On historical-dialectical method--seeks to discover "law of motion of capitalist society".
- B. Social standpoint--society as a real producing unit, economics as an objective social science. Where Marx treats the individual capitalist or laborer it is only as a personification of capital or labor.
- C. Standpoint of production.
- D. Social--productive relations examined in their real essence, i. e., stripped of fetishistic surface appearances. Apparent relation between things examined as surface reflection of social relations between men in their social production of things.
e.g. Commodity has exchange value because it was produced under certain social conditions, namely those of production for market (or exchange) which is blind regulator of a planless but real division of labor.
- E. Production involves reproduction.
Production of things is also reproduction of producing capacity (means of production and labor power) and of social relations--capitalist reproduced as capitalist, laborer as laborer.

II. So far these lectures have traced the development of capitalism

- A. Out of simple commodity production
 - 1. By development of labor power as a commodity.
 - 2. And of means of production into capital.
- B. Technically. Development of manufacture into machineproduction.
- C. Through the single worker and the single capitalist, not as the vulgar economists do but as a personified, fractional type.
- D. Through the single cycle of capital or single process of production
- E. To the industrial capitalist as the sole appropriator of surplus value.
 - 1. Was this justified? We abstracted from the differences in the capitalist class to clarify basic social relation, that between capital and labor. We were treating the individual capitalist as the symbol of the entire class and as direct appropriator although he does not retain full surplus value.
 - 2. Are differences within capitalist class of same order as capital-labor relation? Not exploitative relations. Based on common interest--to make surplus value as large as possible.
 - 3. Bourgeois economics obscures this with its treatment of labor as one of the squabblers, along with landowner, money-lender, industrialist, each fighting for a share of social product.

III. In its further complications Marxian economics takes up

- A. In place of a single workers and a single capitalist, society as a whole. Entire social, entire capitalist class, entire working class, entire social product.
- B. In place of a single process or cycle of capital, the process as a continuous one of production and reproduction
- C. Differentiations within capitalist class, competition of capitals and conflict over rate of profit and over division of surplus value into industrial profit, commercial profit, rent, interest, speculator's profit.

D. Surplus value has so far been analyzed as absolute and relative and its rate as rate of exploitation, i.e., as rate of relation to variable capital. Now we analyze one of its portions (industrial profit) in its relation to total industrial capital to get rate of profit; thus raising the problem of average rate of profit and falling rate of profit and their significance.

E. So far only two classes. We now examine not only divisions in these two classes but also intermediate classes, precapitalist regions, "impurities" of capitalism and uneven development, economic basis of class collaboration, reformism and splits in the working class.

F. So far capitalism, once developed, has been examined largely as a static structure. Now we take up the laws of accumulation, the expansion of contradictions, deepening of crises, decay of capitalism, economics of proletarian revolution and transition.

IV. Process of social reproduction (capitalist production as reproduction of social capital and labor power)

Marx: "It is no longer a mere accident that capital and labor confront each other on the market as buyer and seller. It is the process itself that incessantly hurls back the laborer onto the market as a vendor of his labor power and that incessantly converts his own product into a means by which another man can purchase him."

"Capitalist reproduction produces not only commodities, not only surplus value, but it also produces and reproduces the capitalist relation; on the one side the capitalist, on the other the wage laborer."

Sismondi: "Among those who share the national revenue some acquire each year a new title to it by new labor; others have previously acquired a permanent title to it by primary labor."

A. Source of Wages.

1. As a class the proletariat constantly produces sum total of its means of subsistence (as well of those of capitalist class) but not as belonging to it. The bourgeoisie allots to the proletariat a portion of its product in the form of wages, a portion necessary to its very existence.

2. Marx: "The illusion begotten by the intervention of money vanishes immediately if instead of taking a single capitalist and a single laborer we take the capitalist class as a whole. The capitalist class is constantly giving to the laboring class order notes in the form of money, on a portion of the commodities produced by them and appropriated by the former. The laborers give these order notes back just as constantly to the capitalist class and in this way get their share of their own productions. The transaction is veiled by the commodity form of the product and the money form of the commodity."

B. Source of Capital.

As production expands all capital is capitalized surplus value. Not a division of product between proletariat and bourgeoisie, but "allotting to the proletariat a portion, necessary for its existence, from product created by the proletariat and appropriated by the bourgeoisie."

Size of capital and mass of surplus value grows from year to year or in any extended production period.

1. Effect on working class.

a. Growth in relative power of capital.

b. The more accumulation the more it is possible to accumulate.

c. New tendency toward change in the organic composition of capital.

- d. Machine and accumulation unite in producing reserve army of
- (1) Displaced from industry.
 - (2) difficulty of new workers in entering industry
 - (3) cyclical unemployment
 - (4) Seasonal, migratory and prematurely aged workers.
 - (5) Declassed and hereditary paupers.
- e. Existence of industrial reserve
- (1) tends to depress wages below value
 - (2) Breaks resistance of unemployed.

From the first chapter of Volume three of Capital

"We are interested in locating the concrete forms growing out of the movements of capitalist production as a whole and setting them forth. The conformations of the capitalist involved in this third volume approach step by step the form which they assume on the surface of society in their mutual interactions, in competition and in the ordinary consciousness of the human agencies in this process."